Samford University

Financial Statements
June 30, 2009 and 2008

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Report of Independent Auditors

The Board of Trustees
Samford University

In our opinion, the accompanying statements of financial position and related statements of activities and changes in net assets and of cash flows present fairly, in all material respects, the financial position of Samford University (the "University") at June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the year ended June 30, 2009 and the thirteen months ended June 30, 2008 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the University changed its fiscal year end from May 31 to June 30 during 2008.

As discussed in Note 12 to the financial statements, the University adopted Statement of Financial Accounting Standards (FAS) No. 157, *Fair Value Measurements*, as of and for the year ended June 30, 2009.

As discussed in Note 6 to the financial statements, the University adopted FASB Staff Position (FSP) 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*, as of and for the year ended June 30, 2009.

PricewaterhouseCoopers LLP

September 30, 2009

Samford University
Statements of Financial Position
June 30, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	$ 14,325,928	$ 13,407,833
Collateral held under security lending agreements	4,458,569	33,449,221
Accounts and other receivables, net	10,479,724	2,745,097
Inventories	818,327	828,647
Prepaid and other assets	1,099,261	1,730,093
Marketable securities	158,085,126	257,342,751
Other investments	52,465,281	58,000,124
Pledges receivable, net	20,679,193	3,827,021
Student loans receivable (less allowance for uncollectible loans of $261,136 at June 30, 2009 and 2008)	7,877,285	7,278,242
Property, plant, and equipment, net	201,266,106	188,870,073
Beneficial interest in perpetual trusts	6,421,453	8,862,378
Contributions receivable from trusts held by third parties	10,409,747	12,587,436
Total assets	$ 488,386,000	$ 588,928,916
Liabilities and Net Assets		
Accounts payable	$ 4,135,169	$ 3,398,546
Accrued liabilities	13,446,696	6,051,213
Line of credit	15,967,263	5,000,000
Payable under security lending agreements	4,458,569	33,449,221
Deferred revenue	3,871,173	3,071,316
Other payables and liabilities	3,990,821	4,922,799
Deposits held on behalf of others	7,059,367	7,074,459
Annuities payable	10,352,488	10,363,010
Pension plan obligation	41,470,351	24,698,413
Long-term debt, net	108,912,900	110,004,338
Total liabilities	213,664,797	208,033,315
Commitments and contingencies (Note 11)		
Net assets		
Unrestricted	86,438,748	171,025,294
Temporarily restricted	69,339,729	94,480,615
Permanently restricted	118,942,726	115,389,692
Total net assets	274,721,203	380,895,601
Total liabilities and net assets	$ 488,386,000	$ 588,928,916

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

Samford University
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support				
Student income				
Undergraduate programs	$ 56,123,731	$ -	$ -	$ 56,123,731
Graduate programs	34,021,355	-	-	34,021,355
Board and lodging	12,358,251	-	-	12,358,251
Scholarships and fellowships	(21,795,813)	-	-	(21,795,813)
Total student income	80,707,524	-	-	80,707,524
Other income				
Alabama Baptist Convention contribution	5,264,315	16,000	-	5,280,315
Other contributions and pledges for operations (Note 1)	812,876	17,681,693	-	18,494,569
Grant and contract revenue	-	889,372	-	889,372
Sales and services of auxiliary enterprises	3,305,862	1,400	-	3,307,262
Other income	3,764,969	846,153	-	4,611,122
Total other income	13,148,022	19,434,618	-	32,582,640
Investment income				
Endowment income distributed for operations	8,035,597	7,957,797	-	15,993,394
Income on working capital investments	108,722	9,539	-	118,261
Total investment income used in operations	8,144,319	7,967,336	-	16,111,655
Net assets released from restrictions	13,356,524	(13,356,524)	-	-
Total operating revenues, gains and other support	115,356,389	14,045,430	-	129,401,819
Expenses				
Faculty and staff salaries	51,952,681	-	-	51,952,681
Student wages	1,495,603	-	-	1,495,603
Benefits	14,555,487	-	-	14,555,487
Professional and other outside services	4,092,686	-	-	4,092,686
Development and promotion	1,074,923	-	-	1,074,923
Dues, subscriptions and memberships	1,078,411	-	-	1,078,411
Facilities, maintenance and utilities	12,233,386	-	-	12,233,386
Insurance and liability coverages	1,168,157	-	-	1,168,157
Communication and technology	3,332,529	-	-	3,332,529
Postage, printing and production	1,539,568	-	-	1,539,568
Travel, lodging and registrations	4,652,297	-	-	4,652,297
Interest expense	3,838,867	-	-	3,838,867
Service and service auxiliary	5,610,589	-	-	5,610,589
Depreciation	10,799,012	-	-	10,799,012
Supplies and other expenses	3,673,270	-	-	3,673,270
Total expenses	121,097,466	-	-	121,097,466
Increase (decrease) in net assets from operating activities	(5,741,077)	14,045,430	-	8,304,353
Other changes				
Unrestricted gifts designated for future use (Note 1)	5,000,000	-	-	5,000,000
Operating funds used/released for principal on debt service	(1,525,000)	-	-	(1,525,000)
Operating funds used/released for purchase of capital items	(5,717,675)	-	-	(5,717,675)
Pension liability adjustment	(25,407,588)	-	-	(25,407,588)
Total change in operational resources	(33,391,340)	14,045,430	-	(19,345,910)
Changes in finance capital				
Investment income (loss) not distributed for operations, net	(49,399,881)	(31,367,611)	(391,222)	(81,158,714)
Draws from endowment for operations	(9,278,507)	(6,714,887)		(15,993,394)
Capital gifts for loan, annuity funds and endowment funds	113,601	510,094	7,842,193	8,465,888
Change in value of split-interest agreements	(139,871)	(5,462,996)	(3,007,232)	(8,610,099)
Transfers of funds for principal on debt service	1,525,000	-	-	1,525,000
Transfers between operating, endowment and other funds	(6,970,383)	3,122,747	(890,705)	(4,738,341)
Loss on redemption of bonds	(804,218)	-	-	(804,218)
Changes in capital facilities				
Changes in plant funds, net of gifts	(2,337,346)	3,308,913	-	971,567
Capital gifts for plant funds	2,971,479	86,328	-	3,057,807
Operating funds used/released for purchase of capital items	5,717,675	-	-	5,717,675
Endowment and other funds used for purchase of capital items	8,102,185	(3,363,844)	-	4,738,341
Total capital changes	(50,500,266)	(39,881,256)	3,553,034	(86,828,488)
Total change in net assets before cumulative effect of change in accounting principle	(83,891,606)	(25,835,826)	3,553,034	(106,174,398)
Cumulative effect of change in accounting principle (Note 1)	(694,940)	694,940	-	-
Total change in net assets	(84,586,546)	(25,140,886)	3,553,034	(106,174,398)
Net assets				
Beginning of the year	171,025,294	94,480,615	115,389,692	380,895,601
End of the period/year	$ 86,438,748	$ 69,339,729	$ 118,942,726	$ 274,721,203

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

Samford University
Statement of Activities and Changes in Net Assets
Thirteen Months Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support				
Student income				
Undergraduate programs	$ 53,292,598	$ -	$ -	$ 53,292,598
Graduate programs	33,039,858	-	-	33,039,858
Board and lodging	12,259,736	-	-	12,259,736
Scholarships and fellowships	(19,955,973)	-	-	(19,955,973)
Total student income	78,636,219	-	-	78,636,219
Other income				
Alabama Baptist Convention contribution	5,399,496	34,667	-	5,434,163
Other contributions and pledges for operations	616,348	1,607,534	-	2,223,882
Grant and contract revenue	409,325	1,413,949	-	1,823,274
Sales and services of auxilliary enterprises	2,865,438	684	-	2,866,122
Other income	5,385,099	94,375	-	5,479,474
Total other income	14,675,706	3,151,209	-	17,826,915
Investment income				
Endowment income distributed for operations	6,720,795	8,041,963	-	14,762,758
Income on working capital invesments	231,954	12,433	-	244,387
Total investment income used in operations	6,952,749	8,054,396	-	15,007,145
Net assets released from restrictions	14,684,750	(14,684,750)	-	-
Total operating revenues, gains and other support	114,949,424	(3,479,145)	-	111,470,279
Expenses				
Faculty and staff salaries	51,188,511	-	-	51,188,511
Student wages	1,390,877	-	-	1,390,877
Benefits	17,259,055	-	-	17,259,055
Professional and other outside services	4,085,011	-	-	4,085,011
Development and promotion	1,139,391	-	-	1,139,391
Dues, subscriptions and memberships	1,075,977	-	-	1,075,977
Facilities, maintenance and utilities	13,614,254	-	-	13,614,254
Insurance and liability coverages	1,234,433	-	-	1,234,433
Communication and technology	3,350,840	-	-	3,350,840
Postage, printing and production	1,969,047	-	-	1,969,047
Travel, lodging and registrations	5,137,460	-	-	5,137,460
Interest expense	4,148,252	-	-	4,148,252
Service and service auxilliary	5,825,815	-	-	5,825,815
Depreciation	9,617,234	-	-	9,617,234
Supplies and other expenses	4,619,549	-	-	4,619,549
Total expenses	125,655,706	-	-	125,655,706
Decrease in net assets from operating activities	(10,706,282)	(3,479,145)	-	(14,185,427)
Other changes				
Operating funds used/released for principal on debt service	(3,960,000)	-	-	(3,960,000)
Operating funds used/released for purchase of capital items	(2,133,453)	-	-	(2,133,453)
Pension liability adjustment	2,178,899	-	-	2,178,899
Total change in operational resources	(14,620,836)	(3,479,145)	-	(18,099,981)
Changes in finance capital				
Investment income not distributed for operations, net	9,327,214	10,273,088	1,212,122	20,812,424
Draws from endowment for operations	(7,915,929)	(6,846,829)		(14,762,758)
Capital gifts for loan funds, annuity and endowment funds	82,263	79,337	10,295,741	10,457,341
Change in value of split-interest agreements	(194,501)	(5,768,218)	(1,234,989)	(7,197,708)
Transfers of funds for principal on debt service	3,960,000	-	-	3,960,000
Transfers between operating, endowment and other funds	(9,239,059)	(413,502)	-	(9,652,561)
Changes in capital facilities				
Changes in plant funds, net of gifts	(658,275)	(142,440)	-	(800,715)
Capital gifts for plant funds	2,592,384	263,575	-	2,855,959
Operating funds used/released for purchase of capital items	2,133,453	-	-	2,133,453
Endowment and other funds used for purchase of capital items	11,626,657	(1,974,096)	-	9,652,561
Total capital changes	11,714,207	(4,529,085)	10,272,874	17,457,996
Total change in net assets	(2,906,629)	(8,008,230)	10,272,874	(641,985)
Net assets				
Beginning of the year	173,931,923	102,488,845	105,116,818	381,537,586
End of the period/year	$ 171,025,294	$ 94,480,615	$ 115,389,692	$ 380,895,601

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

Samford University
Statements of Cash Flows
Year Ended June 30, 2009 and the Thirteen Months Ended June 30, 2008

	2009	2008
Cash flows from operating activities		
Change in net assets	$ (106,174,398)	$ (641,985)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	10,797,574	9,735,328
Net unrealized and realized losses (gains) on investments	85,032,421	(13,905,705)
Pension liability adjustment	25,407,588	(2,178,899)
Contribution of interests in trusts	-	(648,305)
Change in value of split-interest agreements	8,610,099	7,197,708
Disbursements from trusts	1,413,209	1,564,441
Cash contributions restricted for long-term purposes	(7,347,193)	(9,690,361)
Bond issuance costs written off in refinancing	809,746	-
Changes in operating assets and liabilities		
Accounts and other receivables	881,679	4,543,360
Pledge receivables	(16,852,172)	(1,246,896)
Inventories, prepaid and other assets	199,829	1,227,623
Accounts payable	736,623	(3,423,439)
Accrued liabilities and other payables and liabilities	(10,871,737)	(1,976,521)
Deposits held on behalf of others	(15,092)	509,333
Deferred revenue	799,857	(627,115)
Net cash used in operating activities	(6,571,967)	(9,561,433)
Cash flows from investing activities		
Purchases of property, plant, and equipment	(23,700,222)	(31,534,949)
Proceeds from disposal of property, plant, and equipment	505,177	38,375
Purchases of investments	(198,490,259)	(209,431,395)
Proceeds from sales of investments	220,246,414	218,817,410
Disbursements of loans to students	(1,384,403)	(1,953,790)
Repayments of loans from students	785,360	1,023,722
Contributions to limited partnership interests	(6,734,896)	(10,672,545)
Distributions from limited partnership interests	223,535	9,783,943
Net cash used in investing activities	(8,549,294)	(23,929,229)
Cash flows from financing activities		
Cash contributions restricted for long-term purposes	7,347,193	9,690,361
Increase in annuity and split-interest obligations resulting from new gifts	455,946	703,530
Payments of annuity obligations	(1,272,623)	(861,163)
Issuance of long-term debt	75,000,000	-
Bond issuance costs	(368,423)	-
Proceeds from line of credit	44,115,571	10,750,000
Repayments of line of credit	(33,148,308)	(10,500,000)
Repayments of long-term debt	(76,090,000)	(3,960,000)
Net cash provided by financing activities	16,039,356	5,822,728
Net increase (decrease) in cash and cash equivalents	918,095	(27,667,934)
Cash and cash equivalents		
Beginning of year	13,407,833	41,075,767
End of year	$ 14,325,928	$ 13,407,833

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

Samford University
Statements of Cash Flows, Continued
Year Ended June 30, 2009 and the Thirteen Months Ended June 30, 2008

	2009	2008
Supplemental cash flow data		
Cash paid for interest	$ 4,480,735	$ 4,620,388
Supplemental noncash investing and financing activity		
Accounts payable related to property, plant, and equipment	1,144,153	559,176
Collateral held related to securities lending	4,458,569	33,449,221

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

1. General

Samford University (the "University") is an educational institution affiliated with the Alabama Baptist State Convention (the "Convention") and is governed by a Board of Trustees (the "Board"). The University is comprised of the Beeson School of Divinity, Cumberland School of Law, Howard College of Arts and Science, Ida V. Moffett School of Nursing, McWhorter School of Pharmacy, Orlean Bullard Beeson School of Education and Professional Studies, Brock School of Business and School of the Arts.

Auxiliary enterprise revenues and expenses include primarily the following operations: food service, student housing, bookstore, telecommunications and summer conferences. The food service and student housing are included within board and lodging in the statement of activities and changes in net assets.

Summary of Significant Accounting Policies and Basis of Presentation
The financial statements of the University have been prepared on the accrual basis of accounting. The University's Board approved a motion to change the University's fiscal year end from May 31 to June 30, effective for fiscal year 2008. The 2008 financial information included herein reflects thirteen months of operations. References to fiscal 2008 refer to the thirteen months ended June 30, 2008. These thirteen months of operations include operations for the months of June 2007 and June 2008. Though expenses during the month of June are typically consistent with expenses of other months each year, revenues are generally lower than certain other months during the year.

Beginning in fiscal 2009, the University changed the presentation of its statement of activities and changes in net assets in order to provide an intermediate measure of operational performance. Management and the Board believe this presentation provides enhanced information for both internal and external users to measure and compare the operating performance of the University. The statement of activities and changes in net assets for the thirteen months ended June 30, 2008 has been revised to reflect the 2009 presentation for comparability purposes. This revision had no effect on net assets or changes in net assets as previously reported within the statement of activities and changes in net assets as of and for the thirteen months ended June 30, 2008. The change in unrestricted net assets from operating activities is intended to present all income and expenses used in current operations. Operating activities include providing instruction, academic support, libraries, and other supporting services, such as room and board, to undergraduate and graduate students of the University. Net assets released from restrictions represent temporarily restricted net assets available and used in the current period. Income included within the change in temporarily restricted net assets is available for operational use in future periods. Descriptions of changes shown below the change in net assets from operating activities follow:

<u>Other operational changes</u>

Unrestricted gifts designated for future use - Unrestricted gifts designated for future use include contributions received without specified purpose or other donor restriction. The University may expend all such funds within the year received or at anytime thereafter for any purpose; however, through internal action these monies have been set aside for use in future periods or for a particular purpose.

Operating funds used/released for principal on debt service and *Transfer of funds for principal on debt service* - All debt service payments, consisting of principal and interest components, are expended from the operating fund. Operating funds used/released for principal on debt service includes amounts transferred from operating resources to finance capital resources for principal payments on long-term debt. Principal payments on debt represent a reduction of cash and corresponding reduction in outstanding obligations.

Operating funds used/released for purchase of capital items - These amounts represent funds paid from operating sources to meet capital needs. These amounts have been significant in recent years and have resulted in increased use of the line of credit for current cash operating needs.

Pension liability adjustment - This adjustment, determined annually, increases or decreases the pension plan obligation reported within the statement of net assets and represents the net change in the University's obligation to pay projected pension benefits and the assets held to meet that obligation.

Changes in finance capital

Investment income (loss) not distributed for operations, net - Investment income (loss) not distributed for operations, net, includes the investment returns (losses) on financial assets held in endowed, annuity, loan and similar funds. The amount is reported net of investment expense and the spendable earnings provided for operations.

Draws from endowment for operations **-** Draws from endowment for operations reflect the transfer of investment earnings or accumulated earnings from endowed funds for current operations based on Board approved spending policy. This amount may also include additional approved transfers to operations for the pension or other exceptional obligations.

Capital gifts for loan, annuity and endowment funds - To provide a complete picture of the level of contributions and gifts, these amounts are separately identified from other revenue sources within the finance capital category and represent specified donor gifts, generally of long-term duration.

Change in value of split-interest agreements – Change in value of split-interest agreements includes changes in three categories of contributed assets, as follows: the change in contributions receivable from trusts held by third parties, the change in beneficial interest in perpetual trusts, and the change in gift annuities and split-interest agreements. Changes in these assets annually include the net earnings on investments held by the University, related interest expense on amounts owed to specified beneficiaries, and annual adjustments of any outstanding obligations to specified beneficiaries.

Transfers between operating, endowment and other funds and *Endowment and other funds used for purchase of capital items* - These amounts represent the movement of funds between operational resources and finance capital resources related to the transfer of unrestricted endowed funds for capital purchase.

Loss on redemption of bonds - This amount represents unamortized bond costs expensed in the current period as a result of refinancing long-term debt.

Changes in capital facilities

Change in plant funds, net of gifts - Change in plant funds, net of gifts includes the investment income (loss) on funds designated but not yet expended for capital facilities and amounts related to disposals of capital facilities.

Capital gifts for plant - Capital gifts for plant represent contributions restricted for the purchase of capital items.

Net assets and revenues, expenses, gains, and losses

Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Unrestricted Net Assets
Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets
Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time.

Permanently Restricted Net Assets
Net assets subject to donor-imposed stipulations that require the assets to be maintained in perpetuity by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

The University reports gifts of cash and other assets 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 statements of activities and changes in net assets as net assets released from restrictions (Note 13). The University reports expirations of donor restrictions on net assets to be expended for specific capital projects when the acquired or constructed long-lived asset(s) are placed in service.

The University reports gifts of property, plant, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets designated by the donor to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Change in Accounting Principle
Prior to January 2009, the University's management of donor-restricted endowment funds was subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). The Uniform Law Commission approved the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2006. This model act serves as a guideline for states to use in enacting their own legislation. Effective January 1, 2009, the State of Alabama enacted the provisions of UPMIFA which applied to funds existing on or established after that date. As a result of the change required by UPMIFA and the related adoption of FASB Staff Position (FSP) 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*, the University has recognized approximately $700,000 as a cumulative effect of a change in accounting principle in 2009 within the statement of activities and changes in net assets.

Cash and Cash Equivalents

The University considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2009 and 2008, with the exception of certain operating cash accounts, substantially all the cash and cash equivalent balances presented in the statements of financial position are managed by external investment managers.

The University maintains a sweep account with a financial institution in which the account balance is tied to a line of credit. On a nightly basis, the line of credit is used to cover amounts paid from the operating account. Any excess cash in the account automatically reduces the amount outstanding on the line of credit.

Accounts Receivable

Included in accounts receivable are student receivables derived from the University's billing of tuition and fees. The amount of student receivables included in accounts receivable totaled approximately $660,000 and $576,000 at June 30, 2009 and 2008, respectively, which are presented net of an allowance for doubtful accounts of approximately $128,000 and $82,000, respectively. Also included in accounts receivable are amounts due from sales of securities that had not settled as of June 30 totaling approximately $8,600,000 and $950,000 in 2009 and 2008, respectively.

Pledges Receivable

Unconditional promises to give are recognized as revenues at their fair values in the period they are received. Unconditional promises to give with payments due in future periods are discounted using a rate commensurate with the risks involved (Note 14).

Marketable Securities and Other Investments

Investments in equity securities, mutual funds, and debt securities are reported at fair value. Fair market value for these investments is based on quoted market prices or dealer quotes, where available.

Investments in hedge funds, real estate funds and commingled investment funds are reported at fair value. Fair value for each investment fund is based on the fair value of the underlying investment securities held by each investment fund. Fair value of the underlying securities held by each investment fund is based on quoted market prices or dealer quotes, where available, or determined using net asset valuations provided by underlying investment partnerships and offshore funds, which primarily invest in readily marketable securities.

Investments in limited partnership interests are accounted for at fair value. The University records the initial investment and subsequent contributions at cost and subsequently adjusts for the University’s share of income/appreciation, losses/depreciation, and distributions received from these investments (Note 4).

Both realized and unrealized gains and losses are reflected in the statements of activities and changes in net assets as changes in unrestricted or temporarily restricted net assets, unless permanently restricted by the donor, in accordance with the donor's stipulations concerning the purposes for which ordinary income may be used.

During fiscal 2009 and 2008, the University made payments of approximately $1,979,000 and $2,962,000, respectively, to external investment managers. Investment returns are reported net of fees.

Inventories
Inventories, which consist of merchandise for the campus bookstore, are stated at the lower of cost or net realizable value.

Student Loans Receivable
Student loans receivable represents financial aid awarded to students primarily under Title IV federal programs. Federal contributions to the University's loan programs are considered refundable advances and are presented as a liability in deposits held on behalf of others in the statements of financial position (Note 3).

Property, Plant, and Equipment
Property, plant and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts, less accumulated depreciation computed on a straight-line basis over the assets' estimated useful lives. Gain or loss on disposition of assets is reflected in the statements of activities and changes in net assets, and the related asset cost and accumulated depreciation are removed from the respective accounts. Useful lives by major asset class are as follows:

Land improvements	10–20 years
Buildings	30–50 years
Furniture, fixtures and computer equipment	3–7 years
Library books	7–10 years

The University capitalizes certain software and development costs associated with obtaining and developing internal-use computer software. Training costs and data conversion costs are expensed as incurred.

Long-Lived Assets
The University recognizes impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying values. There were no such losses recognized during fiscal 2009 and 2008.

Exchange Transactions
The University reports revenues from contracts and other exchange transactions when there has been a reciprocal transfer of assets, services, rights, or privileges in which both the University and the other party receive and sacrifice something of approximately equal value. Revenues from exchange transactions are presented as unrestricted revenues in the statement of activities and changes in net assets.

Tuition Discount
The University presents amounts expended for scholarships and fellowships as a reduction of tuition and fees revenue in the statements of activities and changes in net assets. Scholarships and fellowships are funded from both unrestricted and temporarily restricted net assets of the University. During fiscal 2009, approximately $21,796,000 was expended for scholarships and fellowships, of which approximately $16,406,000 and $5,390,000 was funded from unrestricted and temporarily restricted net assets, respectively. During fiscal 2008, approximately $19,956,000 was expended for scholarships and fellowships, of which approximately $14,627,000 and $5,329,000 was funded from unrestricted and temporarily restricted net assets, respectively.

Contributions Receivable from Trusts Held by Third Parties

The University is the beneficiary of various charitable remainder trust funds administered by unaffiliated organizations. Under the terms of the agreements, the University has the irrevocable right to receive the remaining assets of the trusts upon the death of a specified beneficiary or beneficiaries. The present value of the remainder interest expected to be received from the trusts is approximately $10,410,000 and $12,587,000 at June 30, 2009 and 2008, respectively, and is reflected in the statements of financial position as contributions receivable from trusts held by third parties. Any change in value related to these trusts is recorded as a change in value of split-interest agreements in the statement of activities and changes in net assets.

Beneficial Interest in Perpetual Trusts

Perpetual trusts are trusts under which the University will receive income distributions in perpetuity, but will never receive the corpus of the trust assets (principal). Perpetual trusts are initially recorded as permanently restricted contribution revenue at the current fair value of the University's interest in the trust assets at the date of gift. Subsequent changes to the trust's fair value are recorded as change in value of split interest agreements in the statement of activities and changes in net assets. Income received from perpetual trusts is recognized as temporarily restricted or unrestricted investment income, depending on donor-imposed purpose restrictions (Note 10).

Gift Annuities and Split-Interest Agreements

The University enters into gift annuity agreements and other split-interest agreements that require an annuity to be paid to the donor or the donor's beneficiary, funded by the donated assets, over a designated period of time or the beneficiary's lifetime, with the remainder becoming a gift to the University. The difference between the present value of the estimated liability and the fair value of the gift is recognized as unrestricted or temporarily restricted contribution revenue at the date of gift, depending on donor-imposed purpose restrictions. The discount rate assumptions used to estimate the present value of the annuity liabilities range between 4% and 10.5% and do not change over the term of the agreement. During the term of the agreement, the actuarially determined liability is adjusted for revaluations of expected future payments to the beneficiaries based on changes in the life expectancy. Any change in value related to actuarial adjustments of the annuity and split-interest obligations is recorded as a change in value of split-interest agreements in the statement of activities and change in net assets.

Securities Lending

The University participates in a securities lending program sponsored by one of the University's custodial banks. The University recognizes lending fee income in the statement of activities and changes in net assets when earned. As the custodial bank has taken possession of the University's pledged collateral, the University presents an asset and a liability on the statement of financial position for the cash and cash equivalents collateral and the obligation to return such collateral

The University has elected to reduce its exposure to securities lending by participating in a staged withdrawal from the custodian's securities lending program (Note 4).

Accrued Liabilities

Accrued liabilities generally include the accrual for compensated absences and benefits. The University's employees accumulate vacation and sick leave at varying rates depending upon their years of continuous service and payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation. The financial statements include accruals of approximately $1,175,637 and $1,091,000 as June 30, 2009 and 2008, respectively, for accrued vacation pay. There is no such accrual recognized for sick leave benefits because there is no terminal cash benefit available to employees for accumulated sick leave.

In addition, accrued liabilities as of June 30, 2009 and 2008 include purchases of securities that have not settled of approximately $8,700,000 and $1,100,000, respectively.

Other Significant Policies

Gifts are stated at fair value at date of donation. Gifts provided by the donor without restrictions may be classified by management or the Board as designated for future use. These unrestricted gifts are shown separately on the statement of changes after the increase (decrease) in net assets from operating activities. Such gifts are available for immediate use in operations in accordance with the donor provisions, but would require the Board to approve such use. For 2009, there was a cash gift of $5,000,000 that has been designated for future use.

Deferred revenue consists primarily of student tuition and fees and summer workshops related to future fiscal years.

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for income taxes on any unrelated business income, if applicable.

Real estate is stated at cost at the date of acquisition or appraised value at the date of donation in the case of gifts.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. See Note 9 for disclosures regarding certain changes in estimates related to the University's sponsored pension plan.

Concentration of Credit Risk

The University maintains cash and cash equivalents with various major financial institutions. Cash equivalents include investments in commercial paper of companies with high credit ratings, investments in money market securities, investments in securities backed by the U.S. government, and repurchase agreements with major financial institutions. At times, such amounts may exceed the Federal Deposit Insurance Corporation insured limit of $250,000 per bank. The University believes that no significant concentration of credit risk exists with respect to these cash investments.

The University, as a securities lending program participant, assumes risk of loss related to the collateral invested by the custodial bank. The collateral pledged may not be sufficient if called upon to repurchase the lost security.

Reclassifications

The June 30, 2008 financial statements have been reclassified to conform to the June 30, 2009 financial statement presentation. The new format is intended to present an intermediate measure of operations. The changes had no effect on the net assets previously reported.

Recently Issued Accounting Standards

In June 2009, the FASB issued FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (FAS 168). FAS 168 established the *FASB Accounting Standards Codification* as the single authoritative source for GAAP. The Codification is effective for financial statements for periods ending after September 15, 2009. While not intended to change GAAP, the Codification significantly changes the way in which the accounting literature is organized. Because the Codification completely replaces existing standards, it will affect the way GAAP is referenced by organizations in their financial statements and accounting policies. The University's adoption of this Statement and use of the Codification beginning in 2010 will not have an impact on its financial position, changes in net assets, or cash flows.

In May 2009, the FASB issued FASB Statement No. 165, *Subsequent Events*, to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This Statement is effective for interim or annual financial periods ending after June 15, 2009. Adoption of this Statement resulted only in additional disclosure regarding the date through which subsequent events have been evaluated and had no impact on the University's financial position, changes in net assets, or cash flows. Subsequent events have been evaluated by management through September 30, 2009, the date upon which the financial statements were available to be issued. Effective September 1, 2009, The Educational Building Authority of Homewood issued its Educational Facilities Revenue Bonds, Samford University Series 2009-A, as disclosed in Note 7.

In December 2008, the FASB issued FASB Staff Position (FSP) No. 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets*, which requires additional disclosures related to assets held by defined benefit pension and other postretirement plans consistent with the disclosures required by FASB Statement No. 157, *Fair Value Measurements* (FAS 157). The required disclosures should provide financial statement users with an understanding of how investment allocations are made, the major categories of plan assets, the inputs and valuation techniques used to measure the fair value of plan assets, the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period, and significant concentrations of credit risk within plan assets. The FSP is effective for periods ending after December 15, 2009. The University's adoption of this FSP as of June 30, 2010, will not have an impact on its financial position, changes in net assets, or cash flows.

Effective July 1, 2008, the University also adopted Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Liabilities* (FAS 159), but did not elect to apply fair value accounting to any financial instruments that were not already accounted for at fair value under existing guidance. As a result, the adoption of FAS 159 did not have a significant impact on the University's financial statements.

2. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2009 and 2008 are available for the following functional purposes:

	2009	2008
Education and general		
Instruction	$ 10,638,477	$ 21,646,692
Academic support	14,272,744	11,175,131
Public service	2,060,238	2,593,910
Libraries	425,746	790,497
Student services	1,786,095	1,898,564
Scholarships and fellowships	10,518,211	30,941,303
Institutional support	16,702,594	10,973,771
Operation and maintenance of plant	12,689,951	13,975,588
Other	245,673	485,159
Total temporarily restricted net assets	$ 69,339,729	$ 94,480,615

Income from permanently restricted net assets at June 30, 2009 and 2008 are restricted to the following functional purposes:

	2009	2008
Education and general		
Instruction	$ 35,240,681	$ 32,985,154
Academic support	2,849,735	2,815,326
Public service	141,677	141,677
Libraries	218,559	217,504
Student services	291,408	283,397
Scholarships and fellowships	56,428,674	54,917,018
Institutional support	21,511,607	21,805,305
Operation and maintenance of plant	2,102,309	2,102,308
Other	158,076	122,003
Total permanently restricted net assets	$ 118,942,726	$ 115,389,692

3. Deposits Held on Behalf of Others

Deposits held on behalf of others at June 30, 2009 and 2008 are comprised of the following:

	2009	2008
Agency funds	$ 336,135	$ 308,160
Student deposits	351,452	615,228
Federal funds	6,371,780	6,151,071
	$ 7,059,367	$ 7,074,459

4. Marketable Securities and Other Investments

The University reviews the investments in marketable securities and other investments to determine the appropriate fair value of each class of assets. The assumptions used by the University are disclosed in Note 12.

Marketable securities

Marketable securities at June 30, 2009 and 2008 consist of the following:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Corporate stocks	$ 62,163,009	$ 62,898,230	$ 102,701,542	$ 111,150,011
U.S. Government obligations	2,636,255	2,668,582	896,896	921,533
Government bonds	19,002,271	19,125,936	6,800,853	6,842,497
Corporate bonds	14,747,845	14,878,342	12,183,530	11,860,116
Hedge funds	31,493,882	35,439,117	40,455,632	67,655,691
Real estate funds	385,952	423,951	-	-
Mutual funds	-	-	18,486,169	17,920,072
Commingled investment funds	20,216,635	20,306,602	29,930,659	34,588,926
Other bonds	2,295,364	2,344,366	6,754,900	6,403,905
	$ 152,941,213	$ 158,085,126	$ 218,210,181	$ 257,342,751

At June 30, 2009 and 2008, the University has approximately $31,387,000 and $36,500,000, respectively, invested in two absolute return hedge funds and two long/short equity hedge funds. The funds are no longer subject to a lock-up period. Funds can be withdrawn from one fund on a quarterly basis with 90 days notice and from the other on a semi-annual basis with 90 days notice. No capital commitments are outstanding related to these investments.

At June 30, 2009 and 2008, the University has approximately $20,307,000 and $34,589,000, respectively, invested in certain commingled investment funds. The University holds investment units, representing an undivided interest in the underlying net assets of the commingled fund. The purchase or redemption price of the units is determined periodically by the fund manager, based on the current market values of the underlying assets of the fund, less fund liabilities. The commingled investment funds give the University exposure to specialized fixed income, currency and commodities investments.

The University participates in a securities lending program managed by one of the University's custodial banks. The program is designed to allow the University to lend certain securities and receive a pledge of collateral sufficient to cover the market value of the securities lent. The collateral securities cannot be pledged or sold by the University unless the borrower defaults. Among other provisions that limit the University's risk, this agreement specifies that the custodian is responsible for managing strict borrower collateral requirements. Collateral, which is pooled and invested by the custodian, generally is limited to cash, government securities, and irrevocable letters of credit. Depending on the type of securities lent, minimum collateral ranges from 101% to 105% of the market value of securities lent and is marked-to-market on a daily basis. Defaults on Lehman paper, mark-to-market losses on other holdings, and deteriorating global money market liquidity resulted in a shortfall in the custodian's securities lending cash collateral in September, 2008, an event which had not previously occurred during the 27-year history of the program. The University elected to participate in a staged withdrawal from the custodian's securities lending program. At the end of the withdrawal process, any payable due the collateral pool is due in full. At June 30, 2009, the University's net payable due the collateral pool was $309,900.

Both the investment custodian and security borrowers have the right to terminate a specific loan of securities at any time. Other than for an event of default, the investment custodian is prohibited from re-pledging or otherwise encumbering the pledged collateral in any fashion. The University receives lending fees and earns interest and dividends on the loaned securities.

At June 30, 2009, investment securities with a market value of approximately $4,357,000 were loaned to various approved brokers under this program with the University receiving pledged collateral with a total market value of approximately $4,459,000, all of which represented cash and cash equivalents. At June 30, 2008, investment securities with a market value of approximately $33,424,000 were loaned to various approved brokers under this program with the University receiving pledged collateral with a total market value of approximately $34,468,000 including cash and cash equivalents of approximately $33,449,000. The cash and cash equivalents collateral and the obligation to return such collateral are reported as an asset and liability on the statement of financial position at June 30, 2009 and 2008.

<u>Other Investments</u>

Other investments consist of the following at June 30, 2009 and 2008:

	2009	**2008**
Limited partnership interests	$ 51,658,421	$ 57,687,311
Real estate	694,677	199,677
Life insurance contracts	75,899	76,852
Other	36,284	36,284
	$ 52,465,281	$ 58,000,124

The University owns limited partnership interests in several non-registered investment partnerships managed by a general partner. The goal of these limited partnerships is to invest in privately held companies and properties within different industry sectors and global markets. The University enters into separate subscription agreements with a capital commitment to each limited partnership. The aggregate amount of capital committed to all investment partnerships at June 30, 2009 and 2008, was $100,800,000 and $92,800,000, respectively (Note 11). The University makes initial investments in each partnership and is required to make additional contributions, not to exceed the original commitment amount, upon notice from the general partners. The University's investments in these limited partnerships are subject to "lock up" provisions specific to each partnership, and interim capital distributions are determined at the discretion of the general partner. Lock up provisions may prevent the University from liquidating its investments without approval from the investment manager and can range from 10 to 12 years, depending on the investment. At June 30, 2009 and 2008, the University has contributed a total of approximately $68,050,000 and $60,664,000, respectively, to the limited partnerships.

At June 30, 2009, the University has approximately $7,901,000 invested in a special situations hedge fund that seeks to create returns through the bankruptcy process. Strategies include moving for an out-of-court restructuring, providing interim financing, working with management to construct the proper capital structure, serving as an advisor to the board and sponsoring the manager's own plan of reorganization. This investment was subject to a two year lock-up period, which expired in August 2008. Since the expiration of the lock-up period, money can be withdrawn from the fund on an annual basis with 180 days notice. No capital commitment is outstanding related to this investment. The insolvency of Lehman Brothers International Europe (LBIE) created substantial uncertainty as to the partnership's rights with respect to its assets held by, and short positions with, LBIE, as well as the recoverability of net amounts due to the partnership on transactions with other Lehman affiliates. The partnership has filed claims with various bankruptcy courts seeking recovery of amounts due under the Lehman prime brokerage agreement. There is a risk that the partnership's non-segregated securities held at LBIE become worthless and yet the partnership is required to repay margin loans. The general partner believes this risk is remote, and, in an effort to protect non-withdrawing partners from a disproportionate exposure to it, the general partner determined to partially suspend withdrawals in an amount equal to approximately 100% of the partner's capital account balance as of June 30, 2009. In addition to the 100% suspension, the general partner has also designated part of the fund as a "side pocket" investment that is not subject to withdrawal until removed from the side pocket by the general partner, within its discretion. At June 30, 2009, the University's investment in the side pocket totaled approximately $1,246,000. From time to time, the general partner may, in its sole discretion, designate certain of the partnership's investments as side pocket investments. Side pocket investments generally are expected to have one or more of the following characteristics: (i) there are current or anticipated restrictions on the partnership's ability to sell due to the possession of non-public information regarding such issues; (ii) the absence of a readily accessible market value because the Partnership's position in such securities is particularly large relative to typical trading volumes; or (iii) the Partnership's position is part of an activist investment strategy that is expected to be executed over a period of one or more years.

5. Property, Plant, and Equipment

Property, plant, and equipment consists of the following at June 30, 2009 and 2008:

	2009	2008
Land	$ 18,974,485	$ 18,974,485
Land improvements	38,653,920	35,104,028
Buildings	230,558,667	208,997,844
Furniture, fixtures and computer equipment	22,518,148	20,353,063
Library books	29,014,266	27,878,576
Construction in progress	11,602,707	17,425,319
	351,322,193	328,733,315
Accumulated depreciation	(150,056,087)	(139,863,242)
	$ 201,266,106	$ 188,870,073

The University capitalized interest of approximately $468,000 and $1,215,000 in fiscal 2009 and 2008, respectively, which reduced interest expense on the statement of activities and changes in net assets.

Included in property, plant and equipment is property financed under leases disclosed in Note 7, of which the following is a summary:

	2009	2008
Buildings and improvements	$ 123,234,396	$ 123,234,396
Less: Accumulated depreciation	(46,278,085)	(43,008,009)
Net	$ 76,956,311	$ 80,226,387

6. Endowments

Effective July 1, 2008, the University adopted the provisions of the FASB Staff Position FSP 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 (UPMIFA), and Enhanced Disclosures for all Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on classifying net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA. A key component of FSP 117-1 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. In addition, FSP 117-1 requires expanded disclosure on all endowment funds. As a result of adopting FSP 117-1, the University reclassified approximately $700,000 from unrestricted net assets to temporarily restricted net assets.

The University's endowment consists of approximately $136,100,000 of donor-restricted endowment funds and $113,400,000 designated by the Board of Trustees to function as endowment, or more commonly referred to as quasi-endowment.

Interpretation of Relevant Law

The University has interpreted Alabama's adoption of UPMIFA to allow the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the University continues to classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is consistent with historic dollar value preservation under UMIFA and acceptable under current regulations. The remaining portion of donor-restricted endowment that is not classified in permanently restricted net assets is classified within endowment as temporarily restricted net assets or unrestricted net assets based on donor restriction and Board appropriation. Appropriations for spending on donor-restricted endowment funds are also classified as temporarily restricted net assets within the operating segment of accounts and are reported as funds released from restriction in the period expended for the purpose specified. The Board maintains a standing authorization for expenditure of the accumulation on funds that are unrestricted or Board-designated quasi-endowment and views these balances as having been appropriated. The original source of these funds is unrestricted gifts or operating surplus. Consequently, these amounts, which total approximately $113,400,000 in the aggregate, are classed within unrestricted net assets. At June 30, 2009, approximately $4.6 million in accumulated earnings from investments of donor-restricted permanent endowments are appropriated for expenditure to satisfy the University's variable rate debt obligations. This amount is classified within unrestricted net assets.

The University considers the following factors in determining appropriation for expenditure:

(1) The duration and preservation of the fund

(2) The purposes of the University and the function of the endowment fund

(3) General economic conditions

(4) The effect of possible inflation or deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the University

(7) Investment policies as set by the Board

The University had the following endowment activities during the year ended June 30, 2009, delineated by net asset class and donor-restricted versus Board-designated funds:

Endowment net asset composition by type of fund as of June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 25,565,404	$ 110,555,864	$ 136,121,268
Board-designated endowment funds	112,725,851	695,078	-	113,420,929
	$ 112,725,851	$ 26,260,482	$ 110,555,864	$ 249,542,197

Changes in endowment net assets for the year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 175,437,255	$ 63,892,846	$ 104,185,192	$ 343,515,293
Investment return				
Investment income	2,142,635	1,700,718	30,354	3,873,707
Unrealized and realized losses	(51,542,516)	(33,068,329)	(421,576)	(85,032,421)
Total investment return	(49,399,881)	(31,367,611)	(391,222)	(81,158,714)
Contributions	85,694	81,782	7,652,599	7,820,075
Draws from endowment for operations	(9,278,507)	(6,714,887)	-	(15,993,394)
Transfers between endowment and other funds	(3,423,770)	(326,588)	(890,705)	(4,641,063)
Cumulative effect of change in accounting principle	(694,940)	694,940	-	-
Endowment net assets, end of year	$ 112,725,851	$ 26,260,482	$ 110,555,864	$ 249,542,197

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA, as interpreted, specifies must be retained as a fund of perpetual duration. These negative balances are identified and are commonly referred to as “underwater” funds grouped within temporarily restricted endowment net assets. In accordance with GAAP, these deficiencies resulted in a reclassification reducing unrestricted net assets and increasing temporarily restricted net assets by approximately $4,700,000 for fiscal 2009. After the historic dollar value of the underwater fund has been restored, market appreciation will first be returned to unrestricted net assets in appropriate amount and the remainder accumulated within temporarily restricted endowment 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 for programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. The University’s policy objective is to maximize total, risk adjusted returns while reducing downside risk through asset allocation and diversification. Investment performance is compared with recognized measures of performance for similar instruments. The target is to meet or exceed a blended index and benchmark based on the endowment target allocation.

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 slightly greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and Relationship to Investment Objectives
The University has a policy of appropriating for operations each year an amount equal to 75% of the prior year’s appropriation plus, at present, 5% on the endowment balance of the most recently completed year. This practice has resulted in a steady, predictable amount of distribution from endowment with a spending rate average of 4-5%. 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 provide an average of 3-4% growth annually. This policy is consistent with the University’s objective to maintain the purchasing power of the endowment assets as well as provide additional growth through new contributions.

7. Long-Term Debt

Long-term debt consists of the following at June 30, 2009 and 2008:

	2009	2008
Adjustable/Fixed Rate Educational Facilities Revenue Bonds, Samford University Series 1999, maturing serially through December 2021.	$ -	$ 24,705,000
Fixed Rate Educational Facilities Revenue Bonds, Samford University Series 2001, maturing serially through December 2016 with interest rates ranging from 3.75% to 5.25%.	8,740,000	9,635,000
Fixed Rate Educational Facilities Revenue Bonds, Samford University Series 2007-A, maturing serially through December 2037 with interest rates ranging from 4.50% to 5.00%.	25,000,000	25,000,000
Adjustable/Fixed Rate Educational Facilities Revenue Bonds, Samford University Series 2007-B, maturing serially through December 2032.	-	50,490,000
Adjustable/Fixed Rate Educational Facilities Revenue Bonds, Samford University Series 2008-A, maturing serially beginning December 2011 through December 2043.	50,000,000	-
Adjustable Rate Educational Facilities Revenue Bonds, Samford University Series 2008-B, maturing serially beginning November 2011 through October 2033.	25,000,000	-
	108,740,000	109,830,000
Less		
Unamortized discounts on Note Payable and Series 2001 bonds	(49,512)	(55,766)
Unamortized premium on 2007-A bonds	222,412	230,104
	$ 108,912,900	$ 110,004,338

Educational Facilities Revenue Bonds, Samford University, Series 2009-A
In September 2009, the Educational Building Authority of Homewood (the “Authority”) issued its “Educational Facilities Revenue Bonds, Samford University, Series 2009-A" to refund the Samford University Series 2008-B bonds. In conjunction with the issuance of the Samford University Series 2009-A bonds, the University entered into a supplemental lease agreement dated September 1, 2009 pursuant to which the University will lease certain real property and facilities under the provision of the campus lease of April 1, 1988, as supplemented on September 1, 2009. Rental payments due under the lease agreement are to be in amounts sufficient to pay the principal and interest on the Samford University Series 2009-A bonds when due. The lease will terminate when all required payments have been made. The Samford University Series 2009-A bonds are collateralized by the assignment of the Authority’s interest in the supplemental lease and a pledge by the Authority of revenues received under lease. The University entered into agreement with BBVA Compass Bank dated September 1, 2009 as sole holder of the bonds. The bond agreement calls for the University to maintain specified levels of fund balance and to meet certain financial ratios. The bond agreement places certain general restrictions on the University as well. The bonds mature serially beginning November 1, 2011 through October 1, 2033, in monthly installments ranging from $34,750 to $217,578 and bear interest at a variable rate. The interest rate is calculated as 65% of the sum of LIBOR plus 1.50% adjusted monthly. There is no provision within the offering document to convert this to a fixed rate. The bonds are callable by the Authority with the consent of the University.

Educational Facilities Revenue Bonds, Samford University, Series 2008-A
Downgrades during the fiscal year ending June 30, 2008 in the rating of Ambac Assurance Corporation, insurer of the Series 1999 and Series 2001 bonds, and MBIA Insurance Corporation, insurer of the Series 2007-A and Series 2007-B bonds, resulted in the tender of all Series 1999 and 2007-B bonds. The Bank of New York, as trustee, drew upon the standby bond purchase agreement with Depfa Bank to purchase these bonds. The Series 1999 bonds were purchased in the amounts of $5,700,000 on January 30, 2008 and $19,005,000 on February 15, 2008. All

Series 2007-B bonds were purchased on June 11, 2008. Under the standby purchase agreement the rate of interest on each series of the bonds through the term rate conversion date was to be the higher of (i) the Prime Rate or (ii) the Federal Funds Rate plus .50%. After the conversion date (180 days), the rate was to increase by 1.25% per annum. Additionally, the bonds were to be amortized over a ten year period. The Depfa Bank standby bond purchase agreement had a stated expiration date of April 24, 2012.

In September 2008, the Authority issued its “Educational Facilities Revenue Bonds, Samford University, Series 2008-A" to provide proceeds for the redemption of the Samford University Series 1999 bonds and partial redemption of the Samford University Series 2007-B bonds. In conjunction with the issuance of the Samford University Series 2008-A bonds, the University entered into a supplemental lease agreement dated September 1, 2008 pursuant to which the University will lease certain real property and facilities under the provision of the campus lease of April 1, 1988, as supplemented on September 1, 2008. Rental payments due under the lease agreement are to be in amounts sufficient to pay the principal and interest on the Samford University Series 2008-A bonds when due. The lease will terminate when all required payments have been made. The Samford University Series 2008-A bonds are collateralized by the assignment of the Authority’s interest in the supplemental lease, a pledge by the Authority of revenues received under lease and the credit facility provided by Allied Irish Bank (the "Credit Facility") dated September 1, 2008. The credit facility expires on September 1, 2011 but may be extended beyond that date. The credit facility extends credit to the Authority in the amount equal to the unpaid principal balance outstanding and any accrued interest thereon. The bond agreement calls for the University to maintain specified levels of fund balance and to meet certain financial ratios. The bond agreement places certain general restrictions on the University as well. The Bonds mature serially beginning December 1, 2011 through December 1, 2043, in annual installments ranging from $690,000 to $2,810,000 and bear interest at a variable rate. The owners of the bonds have a right to tender their bonds for purchase at a price equal to 100% of the purchase price plus accrued interest. This rate resets weekly at the market rate. The rate can be converted to a fixed rate at the request of the University. The average rate on the bonds since inception during fiscal 2009 has been approximately 1.1%. The bonds are callable by the Authority with the consent of the University. During fiscal 2009, the University failed to meet two of the financial ratios required under the bond agreement, primarily as a result of the loss on investments during the year driven by the steep broad market decline. Allied Irish Bank waived these breaches and reset the covenant levels going forward.

Educational Facilities Revenue Bonds, Samford University, Series 2008-B
In October 2008, the Authority issued its “Educational Facilities Revenue Bonds, Samford University, Series 2008-B" to provide proceeds to redeem the remainder of the Samford University Series 2007-B bonds. In conjunction with the issuance of the Samford University Series 2008-B bonds, the University entered into a supplemental lease agreement dated October 1, 2008 pursuant to which the University will lease certain real property and facilities under the provision of the campus lease of April 1, 1988, as supplemented on October 1, 2008. Rental payments due under the lease agreement are to be in amounts sufficient to pay the principal and interest on the Samford University Series 2008-B bonds when due. The lease will terminate when all required payments have been made. The Samford University Series 2008-B bonds are collateralized by the assignment of the Authority’s interest in the supplemental lease and a pledge by the Authority of revenues received under lease. The University entered into agreement with BBVA Compass Bank dated October 1, 2008 as sole holder of the bonds. The bond agreement calls for the University to maintain specified levels of fund balance and to meet certain financial ratios. The bond agreement places certain general restrictions on the University as well. The bonds mature serially beginning November 1, 2011 through October 1, 2033, in monthly installments ranging from $34,750 to

$217,578 and bear interest at a variable rate. The interest rate is calculated as 65% of the sum of LIBOR plus 1.15% adjusted monthly. There is no provision within the offering document to convert this to a fixed rate. The average rate on the bonds since inception during fiscal 2009 has been approximately 1.8%. The bonds are callable by the Authority with the consent of the University. During fiscal 2009, the University failed to meet two of the financial ratios required under the bond agreement, primarily as a result of the loss on investments during the year driven by the steep broad market decline. BBVA Compass Bank waived these covenant breaches to the date of the Series 2009-A bonds, which redeemed the Series 2008-Bonds in full.

Educational Facilities Revenue Bonds, Samford University Series 2007-A
The Authority issued its "Educational Facilities Revenue Bonds, Samford University Series 2007-A" in February 2007 to provide proceeds for the construction and renovation of various capital projects. In conjunction with the issuance of the Samford University Series 2007-A bonds, the University entered into a supplemental lease agreement dated February 1, 2007 pursuant to which the University will lease certain real property and facilities from the Authority. The real property and facilities were acquired by the Authority pursuant to the provisions of a campus lease agreement dated April 1, 1988, as supplemented on February 1, 2007. Rental payments due under the lease agreement are to be in amounts sufficient to pay the principal and interest on the Samford University Series 2007-A bonds when due. The Samford University Series 2007-A bonds are collateralized by the assignment of the Authority's interest in the supplemental lease and pledge by the Authority of the revenues received under the lease. The Samford University Series 2007-A bonds are insured by MBIA Insurance Corporation. The bond agreement places certain general restrictions on the University. The bonds mature beginning on December 1, 2032 through December 1, 2037, in six annual installments ranging from $1,085,000 and $5,220,000 and bear interest at a fixed rate. The 2007-A Series Bonds, having a stated maturity of 2037 or beyond, are callable at the option of the Authority on or any date after December 1, 2016. Redemption price will include principal, interest up to the date fixed for redemption, without premium or penalty. The University will gain title to the facilities and equipment from the Authority when the lease expires in 2037. Interest is payable semi-annually on December 1 and June 1. Accrued interest relating to the Samford University Series 2007-A bonds was approximately $98,000 at June 30, 2009 and 2008, respectively, and is included in accrued liabilities in the statements of financial position.

Educational Facilities Revenue Bonds, Samford University Series 2007-B
The Authority issued its "Educational Facilities Revenue Bonds, Samford University Series 2007-B" in April 2007 to provide proceeds for the redemption of the Samford University Series 2000 bonds and to fund various capital projects. As a result of the downgrades to MBIA Insurance Corporation during fiscal 2008, all Series 2007-B bonds were purchased on June 11, 2008 under the Depfa Bank standby bond purchase agreement. During fiscal 2009, The Authority issued the Samford University Series 2008-A bonds to partially redeem the Series 2007-B bonds and also issued the 2008-B bonds to redeem the remainder of the outstanding Series 2007-B bonds. Accrued interest relating to the Samford University Series 2007-B was approximately $0 and $140,000 at June 30, 2009 and 2008, respectively, and is included in accrued liabilities in the statements of financial position.

Educational Facilities Bonds, Samford University Series 2001
The Authority issued its "Educational Facilities Bonds, Samford University Series 2001" in July 2001 to provide proceeds for the redemption of the Samford University Series 1992 bonds and for the renovation of student housing facilities. In conjunction with the issuance of the Samford University Series 2001 bonds, the University entered into a supplemental lease agreement dated July 1, 2001 pursuant to which the University will lease certain real property and facilities from the Authority. The real property and facilities were acquired by the Authority pursuant to the provision

of a campus lease agreement dated April 1, 1988, as supplemented on July 1, 2001. Rental payments due under the lease agreement are to be in amounts sufficient to pay the principal and interest on the Samford University Series 2001 bonds when due. The Samford University Series 2001 bonds are collateralized by the assignment of the Authority's interest in the supplemental lease and a pledge by the Authority of revenues received under the lease. The Samford University Series 2001 bonds are insured by Ambac Assurance Corporation. The bond agreement places certain general restrictions on the University. The bonds mature through December 1, 2016, in annual installments ranging from $860,000 and $1,280,000 and bear interest at a fixed rate. The 2001 Series Bonds, having a stated maturity of 2011 or beyond, are callable at the option of the Authority with the consent of the University. Redemption price will include principal, interest and a premium of up to 2%. The University will gain title to the facilities and equipment from the Authority when the project lease expires in 2016. Interest is payable semi-annually on December 1 and June 1. Accrued interest relating to the Samford University Series 2001 bonds is approximately $32,000 and $35,000 at June 30, 2009 and 2008, respectively, and is included in accrued liabilities in the statements of financial position.

Educational Facilities Revenue Bonds, Samford University Series 1999
The Authority issued its "Educational Facilities Revenue Bonds, Samford University Series 1999" in December 1999 to provide proceeds for the redemption of the Samford University Series 1996 bonds. As a result of the downgrades to Ambac Assurance Corporation during fiscal 2008, the Series 1999 bonds were purchased in the amounts of $5,700,000 on January 30, 2008 and $19,005,000 on February 15, 2008 under the Depfa Bank standby bond purchase agreement, which led to an increase in the interest rate on the bonds. During fiscal 2009, the Authority issued the Samford University Series 2008-A bonds to redeem the Series 1999 bonds. The average rates of interest were approximately 5.6% and 4.1% during 2009 and 2008, respectively. Accrued interest relating to the Samford University Series 1999 was approximately $0 and $93,000 at June 30, 2009 and 2008, respectively, and is included in accrued liabilities in the statements of financial position.

The Samford University Series 1999 bonds were insured by Ambac Assurance Corporation. The Samford University Series 1999 bond agreement calls for the University to maintain specified levels of fund balance and meet certain financial ratios. The bond agreement places certain general restrictions on the University as well. Though the Samford University Series 1999 bonds are no longer outstanding, the covenants under the Ambac Assurance Corporation Agreement have been incorporated by reference into the agreements of both the Samford University Series 2001 bonds and the Samford University Series 2007-A bonds.

The University has obtained a standby letter of credit (LOC) related to the $50,000,000 Series 2008-A bonds with Allied Irish Bank to repay any tendered amounts in the event the remarketing agent is unable to resell the bonds for any reason outside the control of the University and such event is not a default as defined in the LOC agreement. The LOC expires on September 12, 2011. In the event that the bonds are tendered back to the University and the Remarketing Agent draws on the LOC to settle the demand obligation, the LOC requires repayment of these draws within 367 days. Therefore, the University has classified the full $50,000,000 as due in 2011 even though payment is not necessarily expected within that fiscal year. At June 30, 2009, no bonds had been tendered and no amounts were outstanding on the LOC. As of June 30, 2009, annual principal maturities of all long-term debt, which reflects the $50,000,000 Series 2008-A bonds as due in 2011, are as follows:

Years Ending	
2010	$ 930,000
2011	50,970,000
2012	1,288,000
2013	1,498,136
2014	1,581,952
Thereafter	52,471,912
	$ 108,740,000

In December 2008, the University entered into an agreement for a $25,000,000 revolving line of credit with Regions Bank. The line of credit agreement bears interest at a variable rate of LIBOR Market Index Rate plus 1.5% and expires on December 1, 2009. This maturity date may be extended annually at the sole discretion of Regions Bank for up to two extensions. The average interest rate for 2009 on this line of credit was 2.06%. At June 30, 2009, the University had borrowed $15,967,263 under this line of credit agreement. During fiscal 2008, the University had entered into an $8,000,000 line of credit, which had an outstanding balance of $5,000,000 at June 30, 2008. This line of credit was closed after the Regions Bank line of credit was initiated during fiscal 2009.

8. Grant and Contract Revenue

Grant and contract revenue is comprised of the following for fiscal 2009 and 2008:

	2009	**2008**
Private grants	$ 242,981	$ 1,356,488
Federal, state and other grants	435,494	94,125
Contracts	210,897	372,661
	$ 889,372	$ 1,823,274

In addition to the above grant revenue, the University received federal awards of approximately $1,815,000 and $1,802,000 in student financial aid awards during fiscal 2009 and 2008, respectively, which are not reflected in the statements of activities and changes in net assets. These federal awards represent agency transactions.

9. Retirement Benefits

The University has established a defined benefit pension plan covering all full-time employees who have attained the age of 21 and have completed one year of service. The plan provides pension benefits that are based on the average monthly earnings for the highest five full consecutive calendar years within the last ten years of benefit service and upon a multiple of years of benefit service (maximum of 25 years). Employees do not contribute to the plan.

The following information pertains to the University's defined benefit pension plan:

	Pension Benefits	
	2009	**2008**
Change in benefit obligation		
Benefit obligation at beginning of year	$ 91,344,201	$ 91,578,437
Service cost	4,139,525	6,037,044
Interest cost	6,545,945	6,458,608
Actuarial (gain) loss	6,538,321	(9,994,002)
Benefits paid	(2,932,942)	(2,735,886)
Benefit obligation at end of year	105,635,050	91,344,201
Change in plan assets		
Fair value of plan assets at beginning of year	66,645,788	66,208,330
Actual return on plan assets	(13,080,973)	(2,777,324)
Employer contributions	13,532,826	5,950,668
Benefits paid	(2,932,942)	(2,735,886)
Fair value of plan assets at end of year	64,164,699	66,645,788
Funded status at end of year	$ (41,470,351)	$ (24,698,413)

Amounts recognized in the statement of financial position consist of:

	Pension Benefits	
	2009	**2008**
Pension plan obligation	$ (41,470,351)	$ (24,698,413)
	$ (41,470,351)	$ (24,698,413)

Amounts recognized in unrestricted net assets consist of:

	Pension Benefits	
	2009	**2008**
Net loss	$ 38,771,893	$ 13,355,928
Prior service cost	20,940	29,317
	$ 38,792,833	$ 13,385,245

The accumulated benefit obligation for all defined benefit pension plans was $92,962,219 and $77,432,812 June 30, 2009 and 2008, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	Pension Benefits	
	2009	**2008**
Projected benefit obligation	$ 105,635,050	$ 91,344,201
Accumulated benefit obligation	92,962,219	77,432,812
Fair value of plan assets	64,164,699	66,645,788

	Pension Benefits	
	2009	**2008**
Net periodic benefit cost		
Service cost	$ 4,139,525	$ 6,037,044
Interest cost	6,545,945	6,458,608
Expected return on plan assets	(6,180,444)	(5,771,787)
Amortization of prior service cost	8,377	9,075
Amortization of net loss	383,773	903,544
Net periodic benefit cost	4,897,176	7,636,484
Other changes in plan assets and benefit obligations recognized in unrestricted net assets		
Net gain	25,799,738	(1,444,891)
Amortization of net gain	(383,773)	(903,544)
Amortization of prior service cost	(8,377)	(9,075)
Total recognized in unrestricted net assets	25,407,588	(2,357,510)
Total recognized in net periodic benefit cost and unrestricted net assets	$ 30,304,764	$ 5,278,974

The estimated net loss and prior service cost that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $2,829,215 and $392,150, respectively.

Plan Assets

The University's pension plan weighted-average asset allocations at June 30, 2009, and 2008, by asset category are as follows:

	Plan Assets 2009	2008
Asset category		
Equity securities	37.0%	50.0%
Fixed income	28.0%	26.0%
Marketable alternatives	16.0%	20.0%
Real estate	2.0%	4.0%
Cash	17.0%	0.0%
Total	100.0%	100.0%

The University's Investment Committee of the Board of Trustees sets the investment policies for the pension plan assets. These policies include requirements to (1) invest plan assets consistent with fiduciary standards; (2) fund benefit payments and expenses; (3) evaluate the performance of investment managers; and (4) monitor the pension plan's asset allocation. Each quarter the Investment Committee is presented with an asset allocation report that compares the actual allocation of pension plan assets with the approved target allocation. The report includes target ranges, which allow for price movements within the asset classes. The middle of the range is the actual target, but the range allows for some movement above or below this target based on market movement. The report gives the Investment Committee the opportunity to modify the allocation so that the actual allocation remains consistent with the approved target. Set forth below is information regarding the pension plan's asset allocation.

	June 30, 2009	Pct.	June 30, 2008	Pct.
Equities	$ 23,441,933	37%	$ 33,046,599	50%
Fixed income	18,114,027	28%	17,453,598	26%
Hedge fund	10,427,161	16%	13,285,669	20%
Cash and cash equivalents	10,681,653	17%	1,226	0%
Accrued income	4,739	0%	(1,052)	0%
Real estate assets	1,495,186	2%	2,859,748	4%
Total plan assets	$ 64,164,699	100%	$ 66,645,788	100%

The University uses a June 30 measurement date for valuing plan assets and estimating plan obligations. Consistent with prior years, the University has elected to use the market smoothing approach to amortize unrecognized gains or losses associated with the plan. The University uses the Applicable Mortality Table as defined in Internal Revenue Code Section 430(h)(3) to estimate the mortality rates associated with the plan participants.

Weighted-average assumptions used to determine benefit obligations at June 30, 2009 and 2008:

	Plan Benefits	
	2009	**2008**
Discount rate	6.40%	7.00%
Rate of compensation increase	3.00%	4.50%

Weighted-average assumptions used to determine net periodic benefit cost for years ended June 30, 2009 and 2008:

	Plan Benefits	
	2009	**2008**
Discount rate	7.00%	6.23%
Expected long-term return on plan assets	8.50%	8.50%
Rate of compensation increase	4.50%	4.50%

The expected long-term return on plan asset assumption at June 30, 2009 and 2008 was 8.5%. This assumption represents the average rate that the University expects to earn over the long-term on the assets of the University's benefit plan, including those from dividends, interest income and capital appreciation. The expected return on plan assets is based on the market-related value of plan assets and takes into account contributions, benefit payments and investment manager fees. This assumption has been determined based on expectations regarding future rates of return for the plan's investment portfolio, with consideration given to the allocation of investments by asset class and historical rates of return for each individual asset class.

Additional information for fiscal 2009 and 2008:

	Pension Benefits	
	2009	**2008**
Benefits paid	$ 2,932,942	$ 2,735,886
Contributions	13,532,826	5,950,668

For fiscal 2010, the University expects to contribute approximately $9,081,000 to its pension plan.

Future approximate benefit payments from the University's pension plan are expected to be as follows for the calendar years ending:

Years Ending	
2010	$ 4,386,178
2011	4,876,571
2012	5,345,049
2013	5,828,495
2014	6,302,459
2015-2019	40,048,547

10. Related Party Transactions

The Convention supports the University with annual allocations from its Cooperative Program. For fiscal 2009 and 2008, the University recognized approximately $5,280,000 and $5,434,000, respectively, in such revenues from the Convention.

At June 30, 2009 and 2008, the University is the income beneficiary of various trust funds administered by the Baptist Foundation of Alabama totaling approximately $5,118,000 and $7,197,000 as well as by other unaffiliated organizations totaling approximately $1,303,000 and $1,665,000, respectively. These agreements are reflected in the statements of financial position as beneficial interest in perpetual trusts. Under the terms of the agreements, the University has the right to receive the income generated from these trusts in perpetuity (approximately $495,000 in fiscal 2009 and $357,000 in fiscal 2008).

The University has a food service outsourcing contract with a third-party provider. The President and co-owner of this food service provider is a former officer of the University. Under the terms of the contract, the first 4% of net profits from the food service operation are allocated to the service provider with the University sharing in 50% of any additional net profits of the operation. In addition, the contract requires the University to make a nonrecourse loan of approximately $1,040,000 to the service provider with the principal to be repaid over 11 years at a 10% interest rate. At June 30, 2009 and 2008, the outstanding balance on the loan is approximately $629,000 and $717,000, respectively, and is presented in prepaid and other assets on the statement of financial position. The contract also requires the University to provide a short-term working capital loan of $330,000 to the service provider. At June 30, 2009 and 2008, the outstanding balance on the working capital loan is $150,000 and is presented in accounts and other receivables on the statements of financial position.

11. Commitments and Contingencies

The University periodically enters into operating leases for office equipment and automobiles. The minimum future rentals on these non-cancelable leases are as follows:

Years Ending	
2010	$ 1,448,555
2011	583,066
2012	188,546
	$ 2,220,167

Rental expense for operating leases during fiscal 2009 and 2008 was approximately $1,727,000 and $1,292,000, respectively.

As discussed in Note 4, the University owns interests in non-registered investment partnerships at June 30, 2009 and 2008. The University entered into separate subscription agreements with a capital commitment to each limited partnership that expire periodically in the future. The following information pertains to each limited partnership capital commitment at June 30, 2009 and 2008:

2009

Name	Original Commitment	Capital Contributions	Unfunded Commitment	Commitment Expiration
Private Equity Partners III	$ 6,000,000	$ 5,679,000	$ 321,000	12/31/2010
Energy Partners IV	6,000,000	5,865,343	134,657	12/31/2010
Venture Partners IV	6,000,000	5,835,000	165,000	12/31/2011
Private Equity Partners IV	5,000,000	4,855,000	145,000	12/31/2012
International Private Equity Partners III	5,000,000	4,789,571	210,429	12/31/2012
Realty Investors	8,000,000	8,000,000	-	N/A
Venture Partners V	8,800,000	8,176,938	623,062	12/31/2012
International Private Equity Partners V	5,000,000	3,617,812	1,382,188	03/31/2017
Venture Partners VII	3,000,000	1,539,000	1,461,000	03/31/2017
Private Equity Partners VI	5,000,000	3,012,750	1,987,250	03/31/2019
Natural Resources Partners VII	6,000,000	1,734,000	4,266,000	03/31/2018
International Private Equity Partners VI	4,000,000	760,000	3,240,000	03/31/2017
International Private Equity Partners VII	6,000,000	666,000	5,334,000	03/31/2019
Venture Partners VIII	4,000,000	670,000	3,330,000	06/30/2019
Tuckerbrook SB Global	7,000,000	5,576,119	1,423,881	03/31/2019
Harbert Real Estate III	8,000,000	7,053,474	946,526	03/16/2014
Natural Resources Partners VIII	8,000,000	220,000	7,780,000	08/19/2020
	$ 100,800,000	$ 68,050,007	$ 32,749,993	

2008

Name	Original Commitment	Capital Contributions	Unfunded Commitment	Commitment Expiration
Private Equity Partners III	$ 6,000,000	$ 5,649,000	$ 351,000	12/31/2010
Energy Partners IV	6,000,000	5,865,343	134,657	12/31/2010
Venture Partners IV	6,000,000	5,790,000	210,000	12/31/2011
Private Equity Partners IV	5,000,000	4,855,000	145,000	12/31/2012
International Private Equity Partners III	5,000,000	4,789,571	210,429	12/31/2012
Realty Investors	8,000,000	8,000,000	-	N/A
Venture Partners V	8,800,000	8,066,938	733,062	12/31/2012
International Private Equity Partners V	5,000,000	2,692,812	2,307,188	03/31/2017
Venture Partners VII	3,000,000	1,089,000	1,911,000	03/31/2017
Private Equity Partners VI	5,000,000	2,362,750	2,637,250	03/31/2019
Natural Resources Partners VII	6,000,000	864,000	5,136,000	03/31/2018
International Private Equity Partners VI	4,000,000	320,000	3,680,000	03/31/2017
International Private Equity Partners VII	6,000,000	231,000	5,769,000	03/31/2019
Venture Partners VIII	4,000,000	190,000	3,810,000	06/30/2019
Tuckerbrook SB Global	7,000,000	4,389,541	2,610,459	03/31/2019
Harbert Real Estate III	8,000,000	5,508,736	2,491,264	03/16/2014
	$ 92,800,000	$ 60,663,691	$ 32,136,309	

The University is the subject of various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of these actions will have a material adverse effect on the financial position of the University.

The University is primarily self-insured for health and dental insurance claims. Stop loss insurance agreements are utilized to limit the liability on both a specific and aggregate basis for the period of coverage. The liability for unpaid claims included in accrued liabilities in the statements of financial position includes an accrual for an estimate of claims incurred but not reported. At June 30, 2009 and 2008, the University has accrued approximately $558,000 and $673,000, respectively, related to these self insurance plans.

The University has entered into several construction and renovation contracts. The estimated cost to complete these projects as of June 30, 2009, is approximately $6,518,000. The University expects to fund these capital costs through a combination of private gifts, long-term debt, and University funds.

12. Fair Value of Financial Instruments

Effective July 1, 2008, the University adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under FAS 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement data.

FAS 157 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under FAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

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

- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the financial instruments carried at fair value as of June 30, 2009, by caption on the statement of financial position by the FAS 157 valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Total	Valuation Technique
Investments:					
Cash and cash equivalents	$ 11,832,522	$ -	$ -	$ 11,832,522	Market
Marketable equity securities	62,913,644	9,862,836	-	72,776,480	Market
Marketable debt securities	39,001,812	10,443,766	-	49,445,578	Market
Alternative investments	-	-	35,439,117	35,439,117	Income
Real estate	-	-	1,118,628	1,118,628	Market
Beneficial interest in perpetual trusts	-	1,303,092	5,118,361	6,421,453	Market
Contributions receivable from trusts held by third parties	-	10,409,747	-	10,409,747	Market
Other investments	112,183	-	51,658,421	51,770,604	Income
Total marketable securities, split interest agreements and other investments	$ 113,860,161	$ 32,019,441	$ 93,334,527	$ 239,214,129	

Following is a description of the University's valuation methodologies for assets and liabilities measured at fair value.

Fair value for Level 1 securities is based upon quoted prices in active markets in which the University has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The University security does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 securities is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3 securities is based on valuation techniques that use significant inputs that are unobservable as these securities trade infrequently or not at all.

Investments included in Level 3 primarily consist of the University's ownership in alternative investments (principally limited partnership interests in hedge, private equity, real estate, and other similar funds) The value of certain alternative investments represents the ownership interest in the net asset value (NAV) of the respective partnership. The majority of investments held by the partnerships consist of marketable securities.

Beneficial and perpetual trusts held by third parties are valued at the present value of the future distributions expected to be received over the term of the agreement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a rollforward of the statement of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above:

	Alternative Investments	Other Investments	Perpetual Trusts	Real Estate	Total
Fair value July 1, 2008	$ 46,644,201	$ 82,298,382	$ 7,197,414	$ 694,677	$ 136,834,674
Realized/unrealized losses	(7,497,532)	(35,289,002)	(2,079,053)	-	(44,865,587)
Purchases	2,765,240	6,567,314	-	423,951	9,756,505
Sales	(6,472,792)	(1,918,273)	-	-	(8,391,065)
Fair value June 30, 2009	$ 35,439,117	$ 51,658,421	$ 5,118,361	$ 1,118,628	$ 93,334,527

All net realized and unrealized gains/(losses) in the table above are reflected in the accompanying statement of activities and changes in net assets. Net unrealized gains/(losses) relate to those financial instruments held by the University at June 30, 2009.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments other than investments for which it is practicable to estimate fair value.

Cash and cash equivalents, accounts receivable, and accounts payable have a carrying amount that is a reasonable estimate of their fair value because of the short maturity of these instruments.

Pledges receivable that are expected to be collected within one year are presented at net realizable value, which approximates the fair value. Pledges receivable with due dates greater than one year are discounted at an appropriate rate commensurate with the risks involved. The discounted pledges receivable value approximates the fair value of these instruments.

Determination of the fair value of loans receivable for disclosure purposes, which are primarily federally sponsored student loans with U.S. government-mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs.

Contributions receivable from third party trusts are recorded at the present value of the remainder interest expected to be received from the trusts upon the death of the specified beneficiary or beneficiaries. The discount rate is assessed at an appropriate rate commensurate with the risks involved. The value recorded in the financial statements for the contributions receivable from third party trusts approximates fair value of these instruments. Beneficial interests in perpetual trusts are recorded at the current fair value of the University's interest in the trust assets at each measurement date, thus the carrying value recorded in the financial statements approximates fair value.

Other Investments are made up of limited partnership interests, real estate, and cash value of life insurance contracts. Limited partnership interests are recorded at their estimated fair values, and the life insurance contracts have a book value considered to approximate their market value. Determination of the fair value of real estate for disclosure purposes could not be made without incurring excessive costs.

The University's line of credit is negotiated on an annual basis. Due to its short term to maturity and recently assessed interest rate, the book value of the line of credit is considered to approximate fair value, including consideration of the University's credit risk in accordance with FAS 157.

The Series 2001, 2007-A, and 2008-A bonds are publicly traded. Based on trade values as of June 30, 2009, the aggregate fair value of these outstanding bonds was approximately $80,569,000. The liabilities reflected in the statement of net assets related to these bonds total $83,740,000. The Series 2008-B bonds are held by an institutional investor. Therefore, in accordance with FAS 157, the University considered its own credit risk in performing a qualitative assessment of the fair value of the Series 2008-B bonds. The University believes that the book value of these bonds of $25,000,000 at June 30, 2009, approximates their fair value.

The obligation for annuities and other split interest agreements is based on an actuarial calculation that considers the life expectancy of the annuitant and the expected rate of return to be earned on the annuitant's gift. The rate of return assumed in this calculation for each of these agreements is between 5.0% and 8.0%, which is consistent with management's expected future return. Therefore, the book value of the obligation approximates its market value.

13. Net Assets Released From Restrictions

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes or by occurrence of other events as specified by the donors. The purpose of the restricted contributions released due to satisfaction of program restrictions during fiscal 2009 and 2008 is as follows:

	2009	2008
Instruction	$ 5,631,071	$ 6,024,509
Academic support	660,389	736,094
Public service	556,431	486,155
Libraries	26,369	27,256
Student services	951,159	1,018,373
Institutional support	44,721	1,038,541
Operation and maintenance of plant	41,418	140,574
Scholarships	5,438,162	5,210,463
Other	6,804	2,785
	$ 13,356,524	$ 14,684,750

14. Pledges Receivable

Pledges receivable, consisting of unconditional promises to give, are as follows at June 30, 2009 and 2008:

	2009	2008
Estimated future cash flows from unconditional promises to give before unamortized discount	$ 41,505,680	$ 4,482,660
Less: Unamortized discount	(20,826,487)	(655,639)
Less: Allowance for doubtful pledges	-	-
Pledges receivable, net	$ 20,679,193	$ 3,827,021
Amounts due in		
Less than one year	$ 1,517,835	$ 1,912,768
One year to five years	5,390,903	1,921,117
More than five years	34,596,942	648,775
Total	$ 41,505,680	$ 4,482,660

Amortization of discount is recorded as additional contributions revenue in accordance with donor-imposed restrictions on the contributions. Estimated future cash flows to be received after one year are discounted using rates ranging from 2.36% to 7.00%, based on risk-adjusted United States Treasury rates commensurate with the various terms of the outstanding pledges and terms which would be demanded by market participants. At June 30, 2009, the University has received conditional pledges of approximately $25,575,000. These conditional pledges primarily relate to deferred giving and bequest arrangements in which the donors retain the right to change the beneficiary elections in the agreements, thus the University has not reflected these conditional pledges in the financial statements. During fiscal 2009, the University obtained the necessary documentation from a donor on a $25,000,000 conditional pledge indicating the conditions required for recognizing the pledge had been met. The University recorded this pledge during fiscal 2009 using a discount rate of 7% and a life expectancy assumption based on the donor’s age. In addition, the University also received a $6,760,000 unconditional pledge which is recorded using a discount rate of approximately 6% and a life expectancy assumption based upon the donor’s age.

15. Functional Expenses

The University provides services to students through various programs. Expenses associated with these programs for fiscal 2009 and 2008 are as follows:

	2009	2008
Instruction	$ 57,178,281	$ 58,122,955
Academic support	4,256,162	5,233,792
Public service	2,612,480	2,628,219
Libraries	5,291,922	5,194,386
Student services	19,118,936	19,189,883
Institutional support	14,886,411	17,124,012
Auxiliary enterprises	13,914,407	13,974,925
Interest expense	3,838,867	4,148,252
Other	-	39,282
	$ 121,097,466	$ 125,655,706

16. Subsequent Events

As discussed in Note 7, effective September 1, 2009, the Educational Building Authority of Homewood (the “Authority”) issued its “Educational Facilities Revenue Bonds, Samford University, Series 2009-A" to refund the Samford University Series 2008-B bonds.