Financial Statements

Lesley University

June 30, 2011 and 2010

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

LESLEY UNIVERSITY

Financial Statements

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Independent Auditors' Report

The Board of Trustees
Lesley University
Cambridge, Massachusetts

We have audited the accompanying statements of financial position of Lesley University (the "University") as of June 30, 2011 and 2010, and the related statements of unrestricted activities, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lesley University as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

October 11, 2011
Boston, Massachusetts

LESLEY UNIVERSITY

Statements of Financial Position

Assets	***June 30, 2011***	***2010***
Cash and cash equivalents	$ 6,653,192	$ 4,857,114
Students' accounts receivable, net	4,721,653	4,651,782
Accounts, grants and interest receivable	2,002,901	1,161,111
Prepaid expenses and other assets	2,015,760	2,015,538
Debt service reserve with trustee	6,557,231	4,958,799
Unexpended bond proceeds	5,006,409	1,325
Contributions receivable, net	2,311,894	3,548,135
Student loans receivable, net	1,599,249	1,588,513
Trust escrow receivable	1,777,752	1,774,054
Bond issuance costs, net	2,445,013	1,756,948
Property and equipment, net	144,224,815	143,079,579
Investments and trusts, at fair value	164,608,276	147,731,470
Total assets	**$ 343,924,145**	**$ 317,124,368**
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 9,299,713	$ 9,432,586
Deferred revenue and advance payments	13,958,279	13,972,367
Annuities payable	3,806,438	3,942,471
Interest rate swap obligation	-	2,705,412
Bonds payable	93,513,786	85,110,921
U.S. government loan advances	1,336,897	1,321,594
Total liabilities	**121,915,113**	**116,485,351**
Commitments and contingencies		
Net assets:		
Unrestricted:		
General and other purposes	144,872,146	119,765,536
Board-designated construction fund	2,000,000	1,000,000
Net investment in plant	50,711,028	57,968,657
	197,583,174	178,734,193
Temporarily restricted	13,218,094	11,229,778
Permanently restricted	11,207,764	10,675,046
Total net assets	**222,009,032**	**200,639,017**
Total liabilities and net assets	**$ 343,924,145**	**$ 317,124,368**

See accompanying notes to the financial statements.

LESLEY UNIVERSITY

Statements of Unrestricted Activities

	Years Ended June 30,	
	2011	*2010*
Operating revenues:		
Tuition and fees	$ 93,870,258	$ 92,114,252
Discount: Institutional financial aid	(15,783,142)	(13,702,967)
Tuition and fees, net	78,087,116	78,411,285
Government grants and contracts	2,390,885	2,629,003
Auxiliary enterprises	16,225,557	15,070,167
Contributions	573,601	608,562
Other investment income (loss)	(604)	89,492
Other income	608,053	568,982
Amounts reclassified under board designations	6,260,000	4,554,587
Net assets released from restrictions	1,591,184	1,457,303
Total operating revenues	**105,735,792**	**103,389,381**
Operating expenses:		
Instruction	38,144,380	38,699,135
Academic support	12,035,076	11,812,132
Student services	20,857,613	17,528,501
General institutional	16,078,809	15,946,165
Student aid	310,624	362,535
Research	667,476	735,127
Auxiliary enterprises	12,627,323	11,024,829
Total operating expenses	**100,721,301**	**96,108,424**
Increase in unrestricted net assets from operating activities	**5,014,491**	**7,280,957**
Nonoperating activities:		
Investment income on board-designated funds, net of fees	2,384,357	1,320,988
Net realized and unrealized gains on investments	17,783,476	4,465,177
Transfer to restore market value of endowment investment	703,043	47,387
Net assets released from restrictions (Plant)	393,156	6,089,038
Net assets released from restriction (Special projects)	-	(5,500)
Fundraising expenses	(1,416,872)	(1,562,312)
Amounts reclassified under spending formula	(6,260,000)	(4,554,587)
Interest expense under interest rate swap	(419,343)	(646,419)
Realized gains under interest rate swap	660,412	-
Unrealized losses under interest rate swap	-	(774,772)
Investment income on trust escrow receivable	6,261	44,699
Increase in unrestricted net assets from nonoperating activities	**13,834,490**	**4,423,699**
Increase in unrestricted net assets	**$ 18,848,981**	**$ 11,704,656**

See accompanying notes to the financial statements.

LESLEY UNIVERSITY

Statements of Changes in Net Assets

		Years Ended June 30,		
		2011		***2010***
Changes in unrestricted net assets:				
Operating revenues	$	105,735,792	$	103,389,381
Operating expenses		(100,721,301)		(96,108,424)
Increase in unrestricted net assets from operating activities		5,014,491		7,280,957
Increase in unrestricted net assets from nonoperating activities		13,834,490		4,423,699
Increase in unrestricted net assets		**18,848,981**		**11,704,656**
Changes in temporarily restricted net assets:				
Private grants and contracts		218,204		189,944
Contributions		2,480,114		4,076,523
Investment income on endowment, net of fees		235,160		124,618
Net realized and unrealized gains on investments		1,742,221		414,481
Transfer to restore market value of endowment investment		(703,043)		(47,387)
Clarification of donor intent		-		(3,100)
Net assets released from restrictions		(1,984,340)		(7,546,341)
Increase (decrease) in temporarily restricted net assets		**1,988,316**		**(2,791,262)**
Changes in permanently restricted net assets:				
Contributions		430,460		350,945
Clarification of donor intent		-		3,100
Gains on assets held with outside trustees		102,258		29,653
Increase in permanently restricted net assets		**532,718**		**383,698**
Increase in net assets		**21,370,015**		**9,297,092**
Net assets, beginning of year		200,639,017		191,341,925
Net assets, end of year	**$**	**222,009,032**	**$**	**200,639,017**

See accompanying notes to the financial statements.

LESLEY UNIVERSITY

Statements of Cash Flows

		Years Ended June 30,		
		2011		***2010***
Cash flows from operating activities:				
Increase in net assets	$	21,370,015	$	9,297,092
Adjustments to reconcile change in net assets to cash provided by operating activities:				
Depreciation		5,143,053		4,599,017
Amortization		437,503		102,326
Loss on disposal of property and equipment		24,207		162,422
(Increase) decrease in provision for allowance for uncollectible amounts		(120,235)		289,643
(Gain) loss on interest rate swap		(660,412)		774,772
Net realized and unrealized (gains) losses on investments		(19,627,955)		(5,260,255)
Receipts of long-term contributions		(430,460)		-
Changes in:				
Students' accounts receivable		50,364		(24,112)
Accounts, grants and interest receivable		(841,790)		490,704
Prepaid expenses and other assets		(222)		940,217
Contributions receivable		1,236,241		(2,085,509)
Accounts payable and accrued expenses		(132,873)		(1,777,135)
Annuities payable		(136,033)		(63,642)
Deferred revenue and advance payments		(14,088)		(543,147)
Net cash provided by operating activities		**6,297,315**		**6,902,393**
Cash flows from investing activities:				
Purchase of property and equipment		(6,312,496)		(29,430,369)
Proceeds from sale of property and equipment		-		80,475
Purchase of investments		(27,721,863)		(189,040,872)
Sale of investments		30,473,012		189,335,322
Student loans issued		(239,150)		(205,243)
Proceeds from student loans		228,414		250,023
Trust escrow receivable		(3,698)		2,439,987
Net cash used in investing activities		**(3,575,781)**		**(26,570,677)**
Cash flows from financing activities:				
Payments on bonds payable		(24,144,000)		(908,000)
Proceeds from issuance of bonds		33,115,000		-
Payments for bond issuance costs		(1,693,703)		-
Payoff of interest rate swap		(2,045,000)		-
Increase in U.S. government loan advances		15,303		15,710
Receipt of long-term contributions		430,460		350,945
(Increase) decrease in unexpended bond funds		(5,005,084)		23,428,572
Increase (decrease) in debt service reserve with trustees		(1,598,432)		9,031
Net cash provided by (used in) financing activities		**(925,456)**		**22,896,258**
Net increase in cash and cash equivalents		**1,796,078**		**3,227,974**
Cash and cash equivalents, beginning of year		4,857,114		1,629,140
Cash and cash equivalents, end of year	**$**	**6,653,192**	**$**	**4,857,114**

See accompanying notes to the financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies

Lesley University (the "University") a 12,000 student, multi-site university for women and men, is one of the nation's largest providers of graduate professional education opportunities for K-12 educators. Anchored by a strong liberal arts curriculum, the University offers undergraduate and graduate programs in education, the arts, human services and the environment at its Cambridge and Boston campuses, online, and in more than 150 locations in 23 states. The University's four schools include the School of Education, the Graduate School of Arts and Social Sciences, The Art Institute of Boston, and Lesley College. The University prepares individuals for lives and careers that make a difference and serves the evolving needs of students and a diverse society through innovative programs and pedagogy, high-quality instruction, scholarship and advocacy.

The University participates in student financial aid programs sponsored by the United States Department of Education which facilitates payment of tuition and other expenses for a significant portion of its students.

Basis of Accounting

The financial statements of the University have been prepared on the accrual basis and in accordance with the reporting principles of not-for-profit accounting.

Basis of Presentation

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

Permanently Restricted Net Assets

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

Temporarily Restricted Net Assets

Net assets subject to limitations by law, and time or donor-imposed stipulations that may or will be met by actions of the University or the passage of time.

Unrestricted Net Assets

Net assets which are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the externally stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reclassified as "net assets released from restrictions" in the Statements of Unrestricted Activities.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Contributions Receivable

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

Gifts In Kind and Contributed Services

Contributed services are recognized as gifts in kind if the services received create or enhance non-financial assets or require specialized skills. A number of volunteers contribute services to the University to assist with fundraising, admissions, recruiting and other activities. Pursuant to generally accepted accounting principles, no amounts have been recognized in the financial statements for these services.

Endowment Gains

Endowment net gains on permanently restricted gifts are classified as permanently restricted, if explicitly donor stipulated, or as temporarily restricted until appropriated for spending in accordance with the Massachusetts General Laws, at which time they are reclassified to unrestricted revenues. Cumulative endowment losses on permanently restricted gifts are classified as a reduction to unrestricted net assets until such time as the market value equals or exceeds book value. The University defines quasi-endowment investments as those that are designated for long-term investment by the Board of Trustees, and whose income and unrealized gains are otherwise unrestricted.

Operations

The Statements of Unrestricted Activities report the change in unrestricted net assets from operating and nonoperating activities. Tuition revenues are reported, net of the discount attributable to reductions, in the amounts charged to students, whether as unrestricted University financial aid or reductions from endowment funds or grants awarded to students by the University. Revenue associated with grants and contracts are recognized when the related expenses are incurred. Indirect cost recovery by the University on federal grants and contracts is based upon a predetermined negotiated rate and is recorded as unrestricted revenue. Auxiliary enterprises consist of revenues from residence halls, dining services, health services and rental properties.

Unrestricted nonoperating activities includes investment income and appreciation earned during the year in excess of the amount made available for expenditure based on the endowment spending policy less fundraising expenses. Unrestricted nonoperating activities also include unrealized losses and interest expense related to the interest rate swap obligation.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The University considers as cash equivalents, highly liquid investments with maturities at date of purchase of three months or less. Cash and cash equivalents, which are under the management of the University's investment managers, are included in investments, given the expectation of near term reinvestment.

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

Debt Service Reserve with Trustee

Debt service reserve with trustee consists primarily of funds held for debt service that have been invested in accordance with the various resolutions and note agreements. These amounts are carried at fair value as discussed later in this section. These funds are invested in U.S. Government money market funds.

Unexpended Bond Proceeds

Unexpended bond proceeds represent amounts availed from debt proceeds that have not yet been expended for the related construction project purposes. These funds are held in a deposit account and invested in U.S. Government money market funds. Draw downs of the funds are performed as valid expenditures are presented.

Student Loans Receivable and U.S. Government Loan Advances

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. At June 30, 2011 and 2010, student loans represented 0.5% of total assets.

One such program is the Perkins Loan Program ("Perkins"). Perkins funds may be re-loaned by the University after collection, but in the event that the University no longer participates in the Program, a portion of the amounts are generally refundable to the Federal Government. Funds advanced by the Federal government of $1,336,897 and $1,321,594 at June 30, 2011 and 2010, respectively, are classified as liabilities in the Statements of Financial Position. Perkins loans receivable are carried at their estimated net realizable value. Perkins loans receivable are considered past due if any portion of the receivable balance is outstanding for more than 240 days. Interest and late fees are recorded when received. Perkins loans that are in default and meet certain requirements can be assigned to the Department of Education, which reduces the Perkins refundable U.S. Government loan advances.

For all loans, management estimates the allowance for credit losses based on historical collection experience and current economic conditions which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Bond Issuance Costs

Bond issuance costs are amortized using the straight-line method over the life of the associated bond issue. Bond issuance costs of $2,445,013 and $1,756,948 are net of accumulated amortization of $604,700 and $210,747 as of June 30, 2011 and 2010, respectively. Amortization expense amounted to $502,375 and $102,325 for the years ended June 30, 2011 and 2010, respectively. Fiscal year 2011 amortized expense included $335,333, which was the result of the refinancing of the University’s 2003 issue bonds, which resulted in accelerated amortization of the costs associated with such bonds.

Property and Equipment

Constructed and purchased property and equipment are carried at cost. Library books are expensed during the period the expenditures are incurred. Plant assets donated to the University are generally carried in the accounts at appraised value at the date of the gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of land, buildings and equipment are recorded as unrestricted support at fair value as described later in this section. Long-lived fixed assets, with the exception of land, are depreciated using the straight-line method over their estimated useful lives, which range from five to forty-five years.

Investments and Trust

Investments are recorded at fair value. The fair value of investments is determined based on quoted market prices or using other fair value approaches when quoted market prices are not available. Investments include assets received under various split interest agreements held with outside trustees.

Fair Value Measurements

The University reports certain assets and liabilities at fair value, in accordance with fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the University reports certain investments using the net asset value per share as determined by investment managers under the so called “practical expedient.” The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the University to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

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

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes investments reported at net asset value per share with look-up periods of 90 days or less.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes investments reported at net asset value per share with look-up periods in excess of 90 days.

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

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the University's financial instruments, see Note 8 - Fair Values of Financial Instruments.

Concentration of Credit Risk

The University's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The University places its cash and cash equivalents with high-credit, quality financial institutions. The University routinely assesses the financial strength of these institutions and, as a consequence, believes that its cash and cash equivalents credit risk exposure is limited.

Annuities Payable

The University has entered into a variety of charitable gift annuities where the University receives assets and agrees to pay a donor and named beneficiaries a fixed amount per year for the life of the annuitants. The assets received and obligations incurred are reported at fair value upon the finalization of the instrument with the difference recorded to contribution revenue. The obligation is periodically revalued based on the life expectancy using the same discount rate in force when the agreement was originally structured. The charitable gift annuity obligations are unsecured debts of the University.

Deferred Revenue and Advance Payments

Students' reservation deposits along with advance payments for summer and fall tuition, room and board and certain expenditures, which relate to the University's summer sessions, have been deferred and are recorded as unrestricted revenues and expenditures in the year in which the sessions are completed.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Interest Rate Swap Agreements

The University had previously entered into interest rate swap agreements with respect to the 2003 Issue in order to mitigate the interest rate risk associated with its variable rate debt. The interest rate swap contracts are recorded at the fair value at which the agreements could have been settled at June 30, 2010, in the University's Statements of Financial Position. Fair value was determined as per the fair value policies as described earlier in this section. As of June 30, 2011, there was no value recorded for these swap agreements, as University terminated them in relation to the liquidation of the 2003 bonds during 2011.

Net payments or receipts (difference between variable and fixed rate) as well as the change in fair value under the swap agreements are included in nonoperating interest expense and nonoperating unrealized losses, respectively, in the Statements of Unrestricted Activities.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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. Significant management estimates included in the financial statements relate to the allowance for doubtful accounts, loans and contributions, fair value of certain investments, fair value of the interest rate swap agreements, useful lives of depreciable assets, severance accruals for international employees, conditional asset retirement obligations, valuation of annuities payable, and the allocation of functional expenses over program functions.

Income Taxes

The University is recognized by the Internal Revenue Service as a University described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from federal and state income taxes on related income. Accordingly, a provision for income taxes is made only for unrelated income, which management considers diminimus.

Uncertain Tax Positions

The University accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The University has identified its tax status as a tax-exempt entity as its only significant tax position; however, the University has determined that such tax position does not result in an uncertainty requiring recognition. In addition, the University has identified certain minor tax positions with respect to certain of its activities that management did not consider material and, accordingly, such amounts were not recognized.

The University's federal and state tax returns are generally open for examination for three years following the date filed.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Asset Retirement Obligations

The University follows the accounting standards interpretation for accounting for conditional asset retirement obligations which clarifies that conditional asset retirement obligations ("AROs") meet the definition of liabilities and should be recognized when incurred if their fair values can be reasonably estimated.

As of June 30, 2011 and 2010, the University was unable to estimate the range of settlement dates and the related probabilities for certain asbestos remediation AROs. These conditional AROs are primarily related to the necessary structural updates to various properties owned by the University. Because these conditional obligations have indeterminate settlement dates, the University could not develop a reasonable estimate of their fair values. The University will continue to assess its ability to estimate fair values at each future reporting date.

Advertising

The University expenses the cost of advertising when incurred. Advertising expense was approximately $2,202,000 and $1,569,000 for the years ended June 30, 2011 and 2010, respectively.

Fundraising

The University expenses the cost of fundraising when incurred. Fundraising expense was approximately $1,416,872 and $1,562,312 for the years ended June 30, 2011 and 2010, respectively.

Functional Expense Allocation

Costs have been allocated to functional classifications based on percentage of effort, usage, square footage and other criteria.

Subsequent Events

The University has evaluated subsequent events through October 11, 2011, the date the financial statements were issued.

Note 2 - Students' Accounts Receivable

Students' accounts receivable consist of the following at June 30:

	2011	*2010*
Students' accounts	$ 8,372,451	$ 8,422,815
Allowance	(3,650,798)	(3,771,033)
	$ 4,721,653	**$ 4,651,782**

Note 3 - Trust Escrow Receivable

Trust escrow receivable represents remaining amounts escrowed in connection with the sale of an interest in a privately held company in 2008. Such funds are held in a money market mutual fund. Management expects 90% of the funds to be distributed in fiscal year 2012, 5% in fiscal 2013 and the remaining 5% in fiscal 2014.

Note 4 - Contributions Receivable

Contributions receivable are summarized as follows at June 30:

	2011	***2010***
Unconditional promises expected to be collected in:		
Less than one year	$ 1,166,463	$ 1,333,025
One year to five years	1,191,282	2,285,845
	2,357,745	3,618,870
Less present value discount and allowance for doubtful accounts	(45,851)	(70,735)
Contributions receivable, net	**$ 2,311,894**	**$ 3,548,135**

Note 5 - Student Loans Receivable

Student loans consist of the following at June 30:

	2011	***2010***
Perkins loan program	$ 1,661,555	$ 1,650,819
Less allowance for doubtful accounts:		
Beginning of year	62,306	62,306
Increases	-	-
Write-offs	-	-
Recoveries	-	-
End of year	62,306	62,306
Student loans receivable, net	**$ 1,599,249**	**$ 1,588,513**

Note 5 - Student Loans Receivable (Continued)

At June 30, 2011 and 2010, the following amounts were past due under student loan programs:

June 30,	Loans Past Due	Loans in Default	Total Past Due/Default	Current	Total Receivable
2011	$ 116,209	$ 373,556	$ 489,765	$ 1,171,791	$ 1,661,556
2010	$ 104,526	$ 385,689	$ 490,215	$ 1,160,605	$ 1,650,820

Note 6 - Property and Equipment

The following is a summary of the University's property and equipment at June 30:

	2011	2010
Land and improvements	$ 18,281,177	$ 16,276,523
Building and improvements	150,785,492	141,614,309
Furniture and equipment	15,439,662	14,001,861
Construction in progress	3,465,276	9,786,591
	187,971,607	**181,679,284**
Less accumulated depreciation and amortization	(43,746,792)	(38,599,705)
Property and equipment, net	**$ 144,224,815**	**$ 143,079,579**

Depreciation expense for the years ended June 30, 2011 and 2010 was $5,143,053 and $4,599,017, respectively.

Some of the buildings owned by the University are on shared land with the Episcopal Divinity School (EDS). This shared land is held under a condominium association which manages the shared expenses.

Note 7 - Investments and Trusts

Investment and trust activity consisted of the following for the years ended June 30:

		2010		*2009*
Investments and trusts, beginning of year	**$**	**147,731,470**	**$**	**143,116,610**
Investment activity:				
Dividend and interest income, net of investment expenses of $513,677 and $306,322, respectively		2,619,518		1,445,501
Realized and unrealized gains		19,525,697		4,879,659
Investments transferred under spending policy		(6,703,249)		(5,005,319)
Investment transfers, net of board-designation reclassification		1,332,582		780,681
Liquidation of trust		-		2,484,686
Total investment activity		**16,774,548**		**4,585,208**
Trust activity:				
Realized and unrealized gains		102,258		29,652
Total trust activity		**102,258**		**29,652**
Investments and trusts, end of year	**$**	**164,608,276**	**$**	**147,731,470**

Note 7 - Investments and Trusts (Continued)

The University's investments at fair value are summarized as follows at June 30:

		2011		2010
Pooled Investments				
Board Designated				
Flex Capital	$	43,689,359	$	39,121,828
Domestic Equities		26,046,953		18,204,225
International Equities		26,002,414		17,257,721
Public Real Assets		25,125,605		12,074,081
Fixed Income		21,969,940		20,829,884
Private Real Assets		2,615,534		2,159,014
Private Equity		2,315,918		1,658,918
Cash		1,237,636		22,360,784
Absolute Return		-		429,069
		149,003,359		134,095,524
Temporarily and Permanently Restricted				
Flex Capital		4,151,135		3,703,276
Domestic Equities		2,469,484		1,699,090
International Equities		2,495,183		1,633,317
Public Real Assets		2,429,605		1,131,986
Fixed Income		2,091,074		1,978,877
Private Real Assets		245,722		200,845
Private Equity		220,255		155,703
Cash		830,216		2,525,485
Absolute Return		-		37,382
		14,932,674		13,065,961
	$	**163,936,033**	**$**	**147,161,485**

Note 7 - Investments and Trusts (Continued)

	2011	2010
Pooled Investments:		
Flex Capital	$ 47,840,494	$ 42,825,104
Domestic Equities	28,516,437	19,903,315
International Equities	28,497,597	18,891,038
Public Real Assets	27,555,210	13,206,067
Fixed Income	24,061,014	22,808,761
Private Real Assets	2,861,256	2,359,859
Private Equity	2,536,173	1,814,621
Cash	2,067,852	24,886,269
Absolute Return	-	466,451
	163,936,033	**147,161,485**
Trust Investments:		
Temporarily and Permanently Restricted Assets Held with Outside Trustees:		
Dixie Wonders Trust	672,243	569,985
Total Investments and Trusts	**$ 164,608,276**	**$ 147,731,470**

The assets held under Trust Investments relate to the assets of a life trust fund and an irrevocable perpetual trust, which are held by independent donor-appointed trustees. Income from the trusts amounted to $26,975 and $27,672 for the years ended June 30, 2011 and 2010, respectively.

Income from the trusts is recognized “upon distribution” unless deemed as return of capital.

Subsequent to year end, the University transferred $2,100,000 out of operating cash and cash equivalents into the quasi-endowment investments.

Note 8 - Fair Values of Financial Instruments

The valuation of the University's financial instruments by the fair value hierarchy consisted of the following at June 30, 2011:

	Portion Carried at Fair Value	***Quoted Prices in Active Markets Level 1***	***Significant Observable Inputs Level 2***	***Significant Unobservable Inputs Level 3***
Assets:				
Debt Service Reserve with Trustees	$ 6,557,231	$ 6,557,231	$ -	$ -
Unexpended Bond Proceeds	5,006,409	5,006,409	-	-
Trust Escrow Receivable	1,777,752	1,777,752	-	-
Investments	164,608,276	74,125,712	51,615,889	38,866,675
Total assets at fair value	**$ 177,949,668**	**$ 87,467,104**	**$ 51,615,889**	**$ 38,866,675**

The valuation of the University's financial instruments by the fair value hierarchy consisted of the following at June 30, 2010:

	Portion Carried at Fair Value	***Quoted Prices in Active Markets Level 1***	***Significant Observable Inputs Level 2***	***Significant Unobservable Inputs Level 3***
Assets:				
Debt Service Reserve with Trustees	$ 4,958,799	$ 4,958,799	$ -	$ -
Unexpended Bond Proceeds	1,325	1,325	-	-
Trust Escrow Receivable	1,774,054	1,774,054	-	-
Investments	147,731,470	70,325,181	38,599,056	38,807,233
Total assets at fair value	**$ 154,465,648**	**$ 77,059,359**	**$ 38,599,056**	**$ 38,807,233**
Liabilities:				
Swap Investment	$ 2,705,412	$ -	$ 2,705,412	$ -
Total liabilities at fair value	**$ 2,705,412**	**$ -**	**$ 2,705,412**	**$ -**

Note 8 - Fair Values of Financial Instruments (Continued)

The changes in instruments measured at fair value for which the University has used Level 3 inputs to determine fair value are as follows:

	Dixie Wonders Trust	Alternative Investments	Total
Balance, July 1, 2009	**$ 540,332**	**$ 25,718,396**	**$ 26,258,728**
Purchases	-	31,987,024	31,987,024
Sales	-	(18,002,935)	(18,002,935)
Realized and unrealized gains	29,653	654,594	684,247
Net transfers in (out) *	-	(2,119,830)	(2,119,830)
Balance, June 30, 2010	**569,985**	**38,237,249**	**38,807,234**
Purchases	-	926,084	926,084
Sales	-	(269,390)	(269,390)
Realized and unrealized gains	102,258	4,161,679	4,263,937
Net transfers in (out) *	-	(4,861,190)	(4,861,190)
Balance, June 30, 2011	**$ 672,243**	**$ 38,194,432**	**$ 38,866,675**
Changes in unrealized gains included in earnings related to Level 3 investments still held at June 30, 2011	$ 102,258	$ 3,914,923	$ 4,017,181
Changes in unrealized gains (losses) included in earnings related to Level 3 investments still held at June 30, 2010	$ 29,653	$ (188,249)	$ (158,596)

* Net transfers in (out) represent reclassification of Level 3 to either Level 2 or Level 1

For fiscal year 2011, the $4,861,190 in transfers represents $4,381,196 for the Archipelago fund which was classified as Level III in 2010. During 2011, the lock-up period expired and the University has access to the funds within 90 days of year end. As such, it was transferred to a Level 2 instrument as of June 30, 2011. The remaining $479,994 is the total return of capital from Level 3 funds, which were reinvested into cash.

For fiscal year 2010, the $2,119,830 in transfers represents the liquidation the CF Hedge funds in the amount of $1,842,145 as well as return of capital from Level 3 funds, which were reinvested into cash in the amount of $277,685.

Note 8 - Fair Values of Financial Instruments (Continued)

The University invests in certain entities that calculate net asset value per share in accordance with guidance relative to investment companies, and these investments are reported at fair value based on the net asset value per share as reported by the investee. These investments are measured at fair value using Level 2 or Level 3 inputs. Investments are categorized as Level 2 instruments when the University has the ability to redeem its investment in the entity at net asset value per share at year end or within 90 days of year end. Investments are categorized as Level 3 instruments when the University cannot redeem its investment within 90 days of year end. A summary of the significant categories of such investments and their attributes is as follows:

	Fair Value	Unfunded Commitments	Frequency (if Currently Eligible)	Redemption Notice Period
Fixed Income	$ 8,074,801	$ -	Monthly	10 Days
Flex Capital	19,237,520	-	Annually	60 Days
Flex Capital	5,137,106	-	Quarterly	45 Days
Flex Capital	2,397,708	724,750	Illiquid	N/A
Flex Capital	1,187,428	229,500	Illiquid	N/A
Flex Capital	9,974,348	-	Quarterly	60 Days (Lock-up expires Dec 2011)
Flex Capital	9,906,383	-	Quarterly	65 Days
International Equities	28,497,597	-	Semi-Monthly	N/A
Private Equity	2,536,174	870,154	Illiquid	N/A
Private Real Assets	2,861,256	1,742,179	Illiquid	N/A
Dixie Wonders Trust	672,243	-	Funds Held in Permanent Perpetuity	N/A
	$ 90,482,564	**$ 3,566,583**		

Note 8 - Fair Values of Financial Instruments (Continued)

Flex Capital Funds - hedge funds that add value by participating in moves in the financial markets; directional funds tend to be more volatile and more highly correlated with major market benchmarks than absolute return funds. Directional strategies typically involve both long and short positions in common stocks. Portfolios are not necessarily “market neutral” (net exposure = 0) and may incorporate sector/issue convictions (includes emerging markets). The redemption period for these investments range from 45 to 65 days as of June 30, 2011.

Domestic Equity Funds - domestic equity funds invest in the common stock of publicly traded companies domiciled in the United States. The redemption period for these investments was half a month as of June 30, 2011.

International Equity Funds - international equity funds invest in the common stock of publicly traded companies not domiciled in the United States. Funds may hold stocks in companies in both developed as well as emerging economies. The redemption period for these investments was half a month as of June 30, 2011.

Public Real Assets - public real asset investments include inflation protected bonds, publicly traded real estate investment trusts (REITs), and commodity futures. All investments are traded publicly. Treasury Inflation Protected Securities (TIPS) are issued by the U.S. Treasury, and the principal payment at expiration of the bond is tied to the inflation rate as measured by CPI. REITs are real estate pass through entities whose equity trades on public stock exchanges. Commodity futures exist for natural resources, precious metals, industrial metals and agricultural products. Commodity futures trade on global future exchanges. The redemption period for these investments is 5 days as of June 30, 2011.

Fixed Income Security Funds - includes investments in funds of funds that invest in U.S. and international debt securities and the funds are designed to give the managers the flexibility to invest both long and short within their area of expertise. The redemption restriction period for these investments was one month as of June 30, 2011.

Private Real Assets - includes investments in 4 private real asset partnerships. Private real asset funds invest in non-publicly traded real estate or non-publicly traded commodities/natural resources. These investments are illiquid as of June 30, 2011. These investments are illiquid and thus can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions will be received as the underlying investments of the fund are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next ten years.

Private Equity Funds - includes investments in 6 private equity funds. These investments are illiquid and thus can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions will be received as the underlying investments of the fund are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next ten years.

Absolute Return Funds - hedge funds that seek stable performance regardless of market conditions; absolute return funds tend to be considerably less volatile and correlate less to major market benchmarks than directional funds. Underlying strategies include relative value, event-driven, long/short credit, market neural and distressed. The redemption restriction period for these investments ranges from 60 days to illiquid as of June 30, 2011.

Note 8 - Fair Values of Financial Instruments (Continued)

Fair value of financial instruments for which the University did not elect the fair value option includes cash and cash equivalents, receivables, loans, accounts payable, annuities payable and government loan advances. Management believes the fair value of certain of these instruments approximates the carrying value given the short-term nature of the instruments. For longer term items, management concluded that the cost to obtain such information outweighs the potential benefits to be derived from such disclosure.

The fair value of the University's bonds payable approximates $93,875,000. The fair value of the bonds is estimated based on quoted market prices for the same or similar issues. The market prices utilized reflect the rate that the University would have to pay to a creditworthy third party to assume its obligation and do not reflect an additional liability to the University.

Note 9 - Annuities Payable

Annuities payable are charitable gifts and represent arrangements between donors and the University in which the donors have contributed assets in exchange for a promise by the University to pay a fixed amount for a specified period of time to the donors or their designees. Annuity liabilities require the use of life tables and discount rates to determine the present value of the obligation at year end.

The net present value of the annual annuity payments over the next five years are as follows:

2012	$	144,172
2013		152,799
2014		161,581
2015		170,983
2016		181,197
Thereafter		2,995,706
	$	**3,806,438**

Note 10 - Debt

Line of Credit

The University has a $10,000,000 revolving line of credit with a bank with an interest rate equal to LIBOR plus 1% which is collateralized by substantially all the current assets of the institution. There was no outstanding balance under this line of credit at June 30, 2011 or 2010. This line of credit is due to expire on October 30, 2011. Management expects to renew this line under similar terms.

Bonds Payable

The University has outstanding $33,115,000 in Massachusetts Development Finance Agency Fixed Rate Revenue Bonds, Series 2011. The bonds were issued to defease the Series 2003 bonds as well as to facilitate various improvements required by the American with Disabilities Act throughout the University. The University incurred $1,693,703 in costs associated with the 2011 issue (including $611,686 issuance discount) which have been capitalized and are being amortized over the life of the bonds. Payment of the bond is fully insured with an insurance company. The bond agreement contains certain covenants, the most restrictive of which are semi-annual debt service coverage and liquidity ratios. As of June 30, 2011, the University has met all covenants associated with these bonds.

In addition, the University has outstanding $56,575,000 in MHEFA Fixed Rate Revenue Bonds, Series 2009. The bonds were issued to pay off a line of credit that the University had used as a “bridge loan” to facilitate property purchases from the Episcopal Divinity School and the Weston Jesuit School of Theology and for the construction of a new dormitory. The University incurred $2,641,689 in costs associated with the 2009 issue (including $1,153,607 issuance discount) which have been capitalized and are being amortized over the life of the bonds. Payment of the bond is fully insured with an insurance company. The bond agreement contains certain covenants, the most restrictive of which are semi-annual debt service coverage and liquidity ratios. As of June 30, 2011 and 2010, the University has met all covenants associated with these bonds.

The University also has outstanding $5,494,000 in Massachusetts Development Finance Agency Tax-Exempt Commercial Paper Revenue Notes, Series 2006. The bonds were issued for the purchase of real estate, construction and various renovation projects for the University. In connection with the MDFA bond issue, the University established a letter of credit agreement with a bank which expires in April 2012. It is management’s intention to renew the letter of credit in April 2012. The letter of credit agreement contains certain covenants, the most restrictive of which are semi-annual debt service coverage and liquidity ratios. The letter of credit agreement costs the University 42 basis points per annum, through December 31, 2011 and 67.5 basis points per annum, from January 1, 2012 to the expiration date. The fees associated with the letter of credit agreement are included in interest expense.

The University has defeased the MDFA Variable Rate Revenue Bonds, Series 2003. The bonds were issued to provide for the advanced refunding and defeasance of the University’s existing long-term debt, which included Massachusetts Industrial Finance Agency Revenue Bonds, Series 1995 (Revenue Bonds), and Massachusetts Development Finance Agency Commercial Paper Revenue Notes (Revenue Notes). The University incurred $445,522 in costs associated with the 2003 issue which have been fully expensed. In connection with the MDFA bond issue, the University established a letter of credit agreement with a bank which was set to expire in December 2011. This letter of credit agreement was terminated in March 2011, upon the defeasement of the Series 2003 bonds. The letter of credit agreement costs the University 45 basis points per annum. The fees associated with the letter of credit agreement, up until its termination, are included in interest expense.

Note 10 - Debt (Continued)

Bonds Payable (Continued)

The following is a summary of the University's bonds payable at June 30:

		2011		***2010***
Massachusetts Development Finance Agency Revenue Bonds (Series 2011), maturing at various times through 2033. The bonds are comprised as follows: $6,710,000 of non-taxable serial bonds with fixed interest rates ranging from 3-4.25%; $25,915,000 of non-taxable bonds at a fixed interest rate of 5.25% and $490,000 of taxable bonds with a fixed interest rate at 4.5%.	$	33,115,000	$	-
Massachusetts Health and Educational Facilities Authority Revenue Bonds (Series 2009), maturing at various times through 2039. The bonds are comprised of the following: $14,020,000 of non-taxable serial bonds with fixed interest rates ranging from 3-5%; $9,180,000 of non-taxable bonds at a fixed rate of 5% and $34,175,000 of non-taxable bonds with a fixed rate of 5.25%.		56,575,000		57,375,000
Massachusetts Development Finance Agency Commercial Paper (Series 2006), maturing in 2021 with a variable interest rate of .62% and .72% at June 30, 2011 and 2010, respectively.		5,494,000		5,863,000
Massachusetts Development Finance Agency Variable Rate Demand Revenue Bonds (Series 2003(, maturing 2033 with a variable interest rate at the Securities Industry and Financial Markets Association (SIFMA) rate of .35% at June 30, 2010.		-		22,975,000
		95,184,000		86,213,000
Less unamortized bond discount		(1,670,214)		(1,102,079)
Bonds payable, net	**$**	**93,513,786**	**$**	**85,110,921**

Note 10 - Debt (Continued)

Bonds Payable (Continued)

Scheduled maturities of the bonds payable are as follows:

2012	$	1,216,000
2013		1,840,000
2014		1,910,000
2015		1,990,000
2016		2,068,000
Thereafter		86,160,000
Total bonds payable	**$**	**95,184,000**

Derivative Instruments

During 2011, the University refinanced its 2003 bond series and, in the process, paid off its interest rate swap liability totaling $2,045,000 and reported a gain of $660,412 on the transaction. In the prior year, the University had approximately $20,000,000 of variable to fixed rate swaps with interest in the mid 3% range to manage their interest exposure.

Note 11 - Commitments and Contingencies

Commitments

The University has numerous operating lease obligations through 2016. Operating lease expense amounted to $608,621 and $634,795 for the years ended June 30, 2011 and 2010, respectively.

Approximate operating lease commitments for the next five years are as follows at June 30, 2011:

2012	$	567,617
2013		236,507
2014		143,092
2015		50,000
2016		50,000

Note 11 - Commitments and Contingencies (Continued)

Commitments (Continued)

The University has employment contracts with key employees, which extend over multiple fiscal years that contain provisions for payments if terminated without cause.

The University has long-term agreements with several third-party vendors for custodial services, security, food services, bookstore operations, mail room operations and copy center operations. The expiration dates on these contracts range from 2011 to 2015.

Contingencies

The University generally is subject to claims and investigations which arise in the normal course of its operations. The University believes that the outcome of these cases will not have a material adverse effect on the financial position of the University.

Other

All funds expended by the University in connection with government grants are subject to review or audit by government agencies.

As part of a larger IRS project to collect data on colleges and universities; as of June 30, 2011 the University was under review by the IRS, for fiscal year 2008. This IRS project is similar to another IRS project which was undertaken for hospitals, several years ago. To date, no significant findings have occurred, as a result of this review.

Note 12 - Net Assets and Endowment Matters

Unrestricted Net Assets

Unrestricted net assets are comprised of the following:

General and other purposes - Discretionary funds available for carrying on the operating activities of the University. Included are funds set aside by the Board of Trustees to provide investment income to support operations. These funds set aside by the Board of Trustees may only be used with the approval of the Board of Trustees.

Board designated construction fund - Funds set aside by the Board of Trustees for the purpose of providing funding for the planned construction of a new art school facility.

Net investment in plant - The value of buildings and equipment net of depreciation, used in the University's operations. This amount is offset by outstanding liabilities related to the assets, such as bond debt.

Note 12 - Net Assets and Endowment Matters (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following:

***Unrealized and realized gains on permanently restricted investments* -** In accordance with U.S. generally accepted accounting principles and Massachusetts state law, these amounts represent unappropriated gains on permanently restricted endowment investments.

***Purpose restricted* -** Amounts received with donor restrictions which have not yet been expended for their designated purpose.

Temporarily restricted net assets consist of the following at June 30:

	2011	***2010***
Accumulated unspent gains:		
Instruction	$ 4,819,259	$ 4,324,417
Student Aid	947,865	577,717
General Institutional	1,326	-
Other (plant, academic support, student services)	51,922	9,611
Total accumulated unspent gains	5,820,372	4,911,745
Other temporarily restricted net assets:		
Instruction	4,521,795	3,844,069
Research	18,666	28,286
Student Aid	359,464	268,046
General Institutional	2,277,165	1,498,597
Other (plant, academic support, student services)	220,632	679,035
Total other temporarily restricted net assets	7,397,722	6,318,033
Total temporarily restricted net assets	**$ 13,218,094**	**$ 11,229,778**

Note 12 - Net Assets and Endowment Matters (Continued)

Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets were released from restrictions as follows at June 30:

	2011	***2010***
Instruction	$ 1,128,971	$ 690,349
Research	11,004	4,862
Student Aid	347,110	260,121
General Institutional	3,659	387,354
Other (plant, academic support, student services)	493,596	6,206,755
	$ 1,984,340	**$ 7,549,441**

Permanently Restricted Net Assets

Permanently restricted net assets are comprised of the following:

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

Academic support - Amounts restricted by donors against any expenditure of principal. Substantially all of the income earned on principal is to be used for academic support and is recorded in temporarily restricted net assets until appropriated for expenditure.

General institutional - Amounts restricted by donors against any expenditure of principal. Substantially all of the income earned on principal is to be used for general institutional and is recorded in temporarily restricted net assets until appropriated for expenditure.

Student aid - Amounts restricted by donors against any expenditure of principal. Substantially all of the income earned on principal is to be used for student aid and is recorded in temporarily restricted net assets until appropriated for expenditure.

	2011	***2010***
Instruction	$ 3,983,793	$ 3,579,004
Academic Support	272,904	272,904
General Institutional	752,242	649,984
Student Aid	6,198,825	6,173,154
	$ 11,207,764	**$ 10,675,046**

Note 12 - Net Assets and Endowment Matters (Continued)

Endowments and funds functioning as endowment are as follows for the years ended June 30, 2011 and 2010:

2011	*Unrestricted Net Assets*	*Temporarily Restricted Net Assets*	*Permanently Restricted Net Assets*	*Total*
Endowment assets and those functioning as endowment assets, beginning of year	$ 134,095,525	$ 2,652,645	$ 10,413,315	$ 147,161,485
Gifts and additions	1,000,000	-	332,582	1,332,582
Investment returns:				
Interest and dividends, net of investment expenses	2,384,358	235,160	-	2,619,518
Net realized and unrealized gains (losses)	17,783,476	1,742,221	-	19,525,697
Total investment returns	20,167,834	1,977,381	-	22,145,215
Expenditures:				
Amounts appropriated for operations	(6,260,000)	(443,249)	-	(6,703,249)
Change in investments	14,907,834	1,534,132	332,582	16,774,548
Endowment assets and those functioning as endowment assets, end of year	**$ 149,003,359**	**$ 4,186,777**	**$ 10,745,897**	**$ 163,936,033**

Note 12 - Net Assets and Endowment Matters (Continued)

2010	*Unrestricted Net Assets*	*Temporarily Restricted Net Assets*	*Permanently Restricted Net Assets*	*Total*
Endowment assets and those functioning as endowment assets, beginning of year	$ 130,384,578	$ 2,559,065	$ 9,632,634	$ 142,576,277
Gifts and additions	2,484,686	-	780,681	3,265,367
Investment returns:				
Interest and dividends, net of investment expenses	1,320,989	124,512	-	1,445,501
Net realized and unrealized gains (losses)	4,465,178	414,481	-	4,879,659
Total investment returns	5,786,167	538,993	-	6,325,160
Expenditures:				
Amounts appropriated for operations	(4,559,906)	(445,413)	-	(5,005,319)
Change in investments	3,710,947	93,580	780,681	4,585,208
Endowment assets and those functioning as endowment assets, end of year	**$ 134,095,525**	**$ 2,652,645**	**$ 10,413,315**	**$ 147,161,485**

Endowment

The University's endowment consists of approximately 90 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law and Spending Policy

The Attorney General of Massachusetts has issued written guidance that all gains on permanently restricted endowment funds that have not been appropriated in accordance with the law should be classified as temporarily restricted net assets unless otherwise restricted by the donor.

The University classifies 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. The remaining portion of the donor restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with standard of prudence prescribed by state law.

Note 12 - Net Assets and Endowment Matters (Continued)

Interpretation of Relevant Law and Spending Policy (Continued)

State law allows the Board of Trustees to appropriate a percentage of net appreciation as is prudent considering the University's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions.

The University invests its endowment investment portfolio and allocates the related earnings for expenditure in accordance with the total return concept. A distribution of endowment return that is independent of cash yield and appreciation of investments earned during the year is provided for program support. In the past, the University has adopted an endowment spending policy designed specifically to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time. For fiscal years 2011 and 2010, the University adopted a flat dollar spending policy. For fiscal year 2011, the endowment spending was equal to $6.7 million, which equated to 4.29% of the endowment market value at March 31, 2010. For fiscal year 2010, the endowment spending was equal to $5 million, which equated to 3.73% of the endowment market value at March 31, 2009. The spending policy is reviewed on an annual basis based on the budgeting process. For fiscal year 2012, the endowment spending level has been approved not to exceed $7.3 million.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported as unrestricted are $406,056 and $1,109,099 as of June 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

Return Objectives and Risk Parameters

The University's investment portfolio is managed to provide for the long-term support of the University. Accordingly, these funds are managed with disciplined longer term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk. The target for average annual real total return (net of investment management fees) is at least the spending policy plus inflation.

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 an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the University seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Note 13 - Lessor Arrangements

Certain University-owned properties are rented to outside parties based on a combination of tenant-at-will and longer term lease arrangements. The rental income, which is included in auxiliary enterprises, amounted to $3,664,329 and $3,230,626 for the years ended June 30, 2011 and 2010, respectively.

At June 30, 2011, approximate non-cancelable lease revenue commitments under these leases were as follows:

2012	$	1,887,440
2013		1,868,088
2014		1,834,830
2015		1,738,279
2016		1,658,485
Thereafter		5,026,129

Note 14 - Retirement Plans

All eligible full-time and part-time personnel may elect to participate in a defined contribution plan administered by the Teachers Insurance and Annuity Association of America and the College Retirement Equities Fund. The University makes monthly contributions to the plan which are immediately vested for the benefit of the participants. Contributions are based on years of service, with a maximum contribution of 8%. Employees must also contribute between 3% and 5% of annual wages in order to be eligible for the plan. Voluntary contributions by participants above the minimum requirement may be made subject to IRS limitations. The University's contributions under the plan were $2,199,298 and $2,230,201 for the years ended June 30, 2011 and 2010, respectively.

Note 15 - Cash Flows Information

During 2011 and 2010, cash paid for interest totaled to $3,358,076 and $2,953,358, respectively.

During 2011 and 2010, the University retired fully depreciated property and equipment with original gross costs totaling $20,173 and $543,696, respectively.

Note 16 - Subsequent Event

Subsequent to June 30, 2011, the University entered into a capital lease for equipment in the amount of $727,580.