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Financial Statements and Report of Independent Certified Public Accountants

BIOLA UNIVERSITY

June 30, 2012 (with comparative financial information for June 30, 2011)

Contents

	Page
Report of Independent Certified Public Accountants	1-2
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Statements	6
Consolidating Schedule – Statement of Financial Position	28
Consolidating Schedule – Statement of Activities	29

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Report of Independent Certified Public Accountants

Board of Trustees
Biola University and wholly owned subsidiary

We have audited the accompanying consolidated statement of financial position of Biola University and its wholly owned subsidiary (the University) as of June 30, 2012, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2011 consolidated financial statements which were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated November 10, 2011.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Biola University and its wholly owned subsidiary as of June 30, 2012, and the changes in their net assets and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information included on pages 28 and 29 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures. These additional procedures including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Grant Thornton LLP

Los Angeles, CA
November 30, 2012

Biola University
And wholly owned subsidiary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2012
(with comparative information as of June 30, 2011)

Assets	2012	2011
Cash and cash equivalents	$ 16,298,000	$ 22,312,000
Accounts receivable, net of allowance of $334,000 and $328,000, respectively	1,912,000	2,652,000
Contributions receivable, net of allowance of $313,000 and $145,000, respectively	6,404,000	3,236,000
Inventories	1,527,000	1,719,000
Prepaid expenses and other assets	922,000	1,535,000
Student loans and other notes receivable, net of allowance of $272,000 and $247,000, respectively	6,061,000	6,011,000
Investments	94,816,000	88,171,000
Real estate investments held for sale	46,000	46,000
Assets whose use is limited	38,155,000	43,727,000
Land, buildings, and equipment, net	154,045,000	145,716,000
Total assets	$ 320,186,000	$ 315,125,000
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 12,694,000	$ 13,178,000
Deposits and deferred revenue	6,209,000	7,310,000
Liabilities for annuities payable	6,998,000	7,766,000
Amounts held on behalf of others	4,896,000	4,790,000
Bonds payable	108,279,000	111,576,000
Asset retirement obligation	1,144,000	1,099,000
Total liabilities	140,220,000	145,719,000
Net assets:		
Unrestricted	144,248,000	124,710,000
Temporarily restricted	19,409,000	30,103,000
Permanently restricted	16,309,000	14,593,000
Total net assets	179,966,000	169,406,000
Total liabilities and net assets	$ 320,186,000	$ 315,125,000

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

Biola University
And wholly owned subsidiary

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2012
(with summarized information for the year ended June 30, 2011)

	2012				2011
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Revenue, gains, losses, and other support:					
Tuition and fees	$ 139,379,000	$ -	$ -	$ 139,379,000	$ 128,991,000
Less financial assistance	(32,177,000)	-	-	(32,177,000)	(30,990,000)
Net tuition and fees	107,202,000	-	-	107,202,000	98,001,000
Sales and services of auxiliary enterprises	25,288,000	-	-	25,288,000	25,670,000
Contributions	3,159,000	7,075,000	1,811,000	12,045,000	7,285,000
Investment income, net	1,078,000	346,000	1,000	1,425,000	1,372,000
Realized and unrealized gains on investments, net	(1,416,000)	(141,000)	(96,000)	(1,653,000)	10,391,000
Public and student service fees	3,788,000	-	-	3,788,000	3,531,000
Federal student aid grants	952,000	-	-	952,000	1,402,000
Change in value of split-interest agreements	(813,000)	(109,000)	-	(922,000)	712,000
Other	1,599,000	-	-	1,599,000	1,566,000
Total revenue, gains, and losses	140,837,000	7,171,000	1,716,000	149,724,000	149,930,000
Net assets released from restrictions	17,866,000	(17,866,000)	-	-	-
Total revenue, gains, losses, and other support	158,703,000	(10,695,000)	1,716,000	149,724,000	149,930,000
Expenses:					
Program expenses:					
Instruction:					
School of Arts and Sciences	28,694,000	-	-	28,694,000	25,280,000
Talbot School of Theology	13,207,000	-	-	13,207,000	11,702,000
School of Professional Studies	1,869,000	-	-	1,869,000	2,774,000
Rosemead School of Psychology	4,202,000	-	-	4,202,000	3,846,000
Cook School of Intercultural Studies	3,746,000	-	-	3,746,000	3,354,000
School of Education	2,450,000	-	-	2,450,000	1,919,000
Crowell School of Business	2,332,000	-	-	2,332,000	2,035,000
Interterm	574,000	-	-	574,000	563,000
Summer School	998,000	-	-	998,000	550,000
Library	5,601,000	-	-	5,601,000	5,158,000
Student services	13,022,000	-	-	13,022,000	11,790,000
Public service	4,150,000	-	-	4,150,000	4,061,000
Auxiliary enterprises	29,749,000	-	-	29,749,000	27,681,000
Total program expenses	110,594,000	-	-	110,594,000	100,713,000
Supporting services:					
General administrative and institutional support	28,267,000	-	-	28,267,000	25,784,000
Total supporting services	28,267,000	-	-	28,267,000	25,784,000
Total expenses	138,861,000	-	-	138,861,000	126,497,000
Change in net assets before other changes	19,842,000	(10,694,000)	1,716,000	10,864,000	23,433,000
Other change:					
Provision for and amortization of asset retirement obligation	(57,000)	-	-	(57,000)	(55,000)
Discontinued operations	(247,000)	-	-	(247,000)	-
Change in net assets	19,538,000	(10,694,000)	1,716,000	10,560,000	23,378,000
Net assets at beginning of year	124,710,000	30,103,000	14,593,000	169,406,000	146,028,000
Net assets at end of year	$ 144,248,000	$ 19,409,000	$ 16,309,000	$ 179,966,000	$ 169,406,000

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

Biola University
And wholly owned subsidiary

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2012
(with comparative information as of June 30, 2011)

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 10,560,000	$ 23,378,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for and amortization of asset retirement obligation	57,000	55,000
Provision for doubtful accounts	199,000	-
Depreciation and amortization	9,727,000	8,611,000
Contributions restricted for long-term investment	(3,539,000)	(2,535,000)
Investment income, net, restricted for long-term investment	(1,000)	(1,000)
Realized and unrealized gains on investments	1,653,000	(10,391,000)
Change in value of split-interest agreements	922,000	(712,000)
Net loss (gain) on sales of equipment	30,000	(4,000)
Changes in operating assets and liabilities:		
Accounts receivable	735,000	(1,177,000)
Contributions receivable	(3,695,000)	(295,000)
Inventories	192,000	(237,000)
Prepaid expenses and other assets	614,000	(401,000)
Accounts payable and accrued expenses	2,408,000	125,000
Deposits and deferred revenue	(1,101,000)	(997,000)
Net cash provided by operating activities	18,761,000	15,419,000
Cash flows from investing activities:		
Purchase of investments	(31,229,000)	(56,373,000)
Proceeds from sales and maturities of investments	27,754,000	45,763,000
Acquisition of land, buildings, and equipment	(20,347,000)	(17,635,000)
Proceeds from sales of equipment	52,000	72,000
Disbursement of student loans and others	(1,015,000)	(680,000)
Proceeds from repayment of student loans and others	940,000	894,000
Net cash used in investing activities	(23,845,000)	(27,959,000)
Cash flows from financing activities:		
Principal payments on bonds payable	(3,540,000)	(3,070,000)
Payments to beneficiaries under split-interest agreements	(1,564,000)	(1,209,000)
Receipts from split-interest agreements	276,000	214,000
Contributions received restricted for long-term investment	3,897,000	3,655,000
Investment income, net, restricted for long-term investment	1,000	1,000
Net cash used in financing activities	(930,000)	(409,000)
Net decrease in cash and cash equivalents	(6,014,000)	(12,949,000)
Cash and cash equivalents at beginning of year	22,312,000	35,261,000
Cash and cash equivalents at end of year	$ 16,298,000	$ 22,312,000
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized of of $313,000 and $467,000, respectively	$ 6,352,000	$ 6,447,000
Supplemental disclosure of non-cash activities:		
Gifts of securities	$ 113,000	$ 48,000

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Biola University and its wholly owned subsidiary (the University) is a private independent institution that was incorporated in the state of California in 1908 as the Bible Institute of Los Angeles. Responding to changing needs since 1908, the University expanded its academic missions and programs, first from the Bible Institute to a Bible College, then to a Christian liberal arts college and theological seminary, and finally to a Christian university. Today, the University exists as a modest-sized Christian university, sharing aspects of its mission with other institutions of higher learning, yet with certain distinctions. The mission of the University is biblically centered education, scholarship, and service – equipping men and women in mind and character to impact the world for the Lord Jesus Christ.

Arrington Square, a wholly owned for-profit subsidiary of the University, owns land and facilities that are used by the University in furtherance of its tax-exempt purposes.

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and include the accounts of the University and Arrington Square. All significant intercompany transactions and balances have been eliminated.

The accompanying consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's consolidated financial statements as of and for the year ended June 30, 2011, from which the summarized comparative information was derived.

The University records contributions received, including unconditional promises to give, as revenues in the period received. Conditional promises to give, whether received or made, are recognized when they become unconditional, that is, when the conditions are substantially met. The University distinguishes between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets, and recognizes the expiration of donor-imposed restrictions in the period in which the restrictions expire.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(a) Basis of Presentation (continued)

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

- Unrestricted net assets generally represent funds generated by revenues from providing services and other net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in accomplishing the primary objectives of the University.
- Temporarily restricted net assets are classified as such based on donor stipulations that they be used in a later period, be used for a specific purpose, or both. As donor restrictions are satisfied, amounts are reclassified to unrestricted as net assets released from restrictions.
- Permanently restricted net assets are classified as such based upon donor stipulations that they be invested in perpetuity to provide a permanent source of income.

(b) Concentration of Credit Risk

The University's cash and cash equivalents consist of accounts maintained in recognized financial institutions. Some of these accounts have balances in excess of federally insured limits. Management continuously monitors its concentration of funds in financial institutions and reports the amounts to the Board of Trustees regularly.

(c) Cash Equivalents

The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(d) Accounts Receivable

Accounts receivable are primarily related to student balances related to tuition and fees and reported at net realizable value less an allowance for doubtful accounts. Accounts receivable are written off against the allowance for doubtful accounts when determined to be uncollectible. The allowance for doubtful accounts is estimated based on the University's historical experience.

(e) Inventories

Inventories are recorded at the lower of average cost or market.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(f) Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded as a contribution receivable at the present value of their estimated future cash flows. The discounts on those amounts are computed using a rate that is commensurate with the risks involved and applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

(g) Beneficial Interest in Trusts

The University is named income beneficiary on various perpetual trusts, the corpus of which are not controlled by the management of the University. Under these arrangements, the University has the irrevocable right to receive all or a portion of the income earned on the underlying assets held in perpetuity. Accordingly, permanently restricted contribution revenue and the related assets are recognized at fair value in the period in which the University receives notice that the trust agreement conveys an unconditional right to receive benefits.

Subsequent changes in the value of the underlying assets have been recorded in the accompanying consolidated statement of activities as a component of permanently restricted realized and unrealized gains and losses on investments. Beneficial interests in perpetual trusts totaled $1,813,000 and $1,909,000 as of June 30, 2012 and 2011, respectively, and are included in assets whose use is limited in the accompanying consolidated statement of financial position.

(h) Split-Interest Agreements

The University records assets held in charitable trusts and charitable gift annuities as follows:

Charitable Trusts – The University serves as trustee for various charitable remainder trusts. Under the terms of these agreements, the University makes distributions to income beneficiaries for a given term or the life of the beneficiaries. At the end of the term, or upon the death of the income beneficiaries, assets remaining in the trust will be transferred to the University or the University and other named beneficiaries. The University records the assets held in these trusts at their fair value, records a liability for the respective agreements at the estimated discounted value of the amounts due to the income beneficiaries and records contribution revenue for the difference between the two values. The present value of payments to beneficiaries under these arrangements is calculated using discount rates representing rates commensurate with the risks involved at the date of gift. The discount rates used for the years ended June 30, 2012 and 2011 ranged from 3% to 14%. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of split-interest agreements in the accompanying consolidated statements of activities.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(h) Split-Interest Agreements (continued)

Charitable Gift Annuities – Donors have contributed assets to the University in exchange for a promise by the University to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. The University records contribution revenue using the fair value of the assets less the present value of the payments expected to be made to the beneficiaries. The present value of payments to beneficiaries under these arrangements is recorded as a liability and is calculated using discount rates representing rates commensurate with the risks involved at the date of gift. The discount rates used for the years ended June 30, 2012 and 2011 ranged from 3% to 8%.

Liabilities to beneficiaries under split-interest agreements totaled $7,572,000 and $8,390,000 at June 30, 2012 and 2011, respectively, and are included in liabilities for annuities payable and amounts held on behalf of others.

(i) Investments and Assets Whose Use Is Limited

The University reports its investments at fair value, except for real estate, which is recorded at cost or, if donated, at the appraised value at date of donation. Fair value is defined 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 an asset or liability in an orderly transaction between market participants on the measurement date. Accounting Standards Codification (ASC) 820, *Fair Value Measurement and Disclosures (*ASC 820*)*, does not require any new fair value measurements. Accordingly, the University did not adopt fair value measurement for investments in real estate. Investments in real estate are reported at cost net of accumulated depreciation. In 2010, the University adopted the provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2009-12), for certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. This guidance allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. Net asset value, in many instances, may not equal fair value that would be calculated pursuant to ASC 820. See Notes 2 and 3 for further information regarding investments and their fair value.

Assets whose use is limited includes bond proceeds restricted to debt service, assets of trusts, statutory reserves under split-interest agreements and beneficiary interests in perpetual trusts held by others.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(j) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, representing purchase price or, if donated, the fair market value at date of gift, less accumulated depreciation. Depreciation is computed on a straight-line basis over the respective estimated useful lives. The estimated lives for buildings and improvements range from 25 to 50 years and the estimated life for equipment is 5 to 7 years.

(k) Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows, without interest, expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. During 2012 and 2011, there were no events or changes in circumstances indicating that the carrying amount of the University's long-lived assets may not be recoverable and, accordingly, no impairment was recorded.

(l) Asset Retirement Obligation

ASC 410, *Asset Retirement and Environmental Obligations (*ASC 410*)* requires organizations to accrue for costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional.

The University identified future asbestos abatement activities as a conditional asset retirement obligation. Asbestos abatement activities were estimated based upon historical removal costs per square foot applied to assets identified requiring asbestos abatement. ASC 410 requires that the estimate be recorded as a liability and as an increase to the recorded historical cost of the asset. The capitalized portion is depreciated over the remaining useful life of the asset.

The present value of the asset retirement obligation totaled $1,144,000 and $1,099,000 as of June 30, 2012 and June 30, 2011, respectively, utilizing a discount rate of 5.24%. The liability will continue to be accreted to expense until such point that remediation costs are required.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(m) Compensated Absences

The University has a policy permitting employees to accumulate unused vacation benefits. The maximum that can be accrued by any one employee is the equivalent of two years' benefit. Upon termination or retirement, unused vacation benefits will be paid at the employee's regular payroll rate. The balance of unused vacation benefits at June 30, 2012 and 2011 was $2,455,000 and $2,272,000, respectively, and is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

(n) Refundable Advances from the U.S. Government

Funds provided by the U.S. government under the Federal Perkins and Nursing Loan programs are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are included in amounts held on behalf of others in the accompanying consolidated statement of financial position. These advances totaled $3,027,000 at June 30, 2012 and $3,028,000 at June 30, 2011.

(o) Income Taxes

The University has been recognized by the Internal Revenue Service as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and has also been recognized by the California Franchise Tax Board as a tax-exempt organization under Section 23701(d) of the California Revenue and Taxation Code. Arrington Square is subject to income taxes; however, no net income was generated by Arrington Square during the years ended June 30, 2012 and 2011. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements for the years ended June 30, 2012 and 2011. Additionally, the University is subject to income taxes on any net Unrelated Business Income that is derived from a trade or business, regularly carried on and not in the furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the accompanying consolidated financial statements taken as a whole. Arrington Square has a net operating loss carry forward. However, there is no deferred tax asset for the loss carry forward as the ability to use the loss carry forward against future taxable income is uncertain.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(o) Income Taxes (continued)

The University follows ASC 740, *Accounting for Income Taxes*, which establishes for all entities, including pass-through entities, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction) and requires certain expanded tax disclosures. The open federal tax years for the University are generally tax years ended June 30, 2009 through 2012 and the open California state tax years are generally tax years ended June 30, 2008 through 2012. In addition, tax years ended June 30, 2004, 2005 and 2007 are open for federal and state purposes for the University. The open federal tax years for Arrington Square are generally tax years ended September 30, 2009 through 2012 and the open California state tax years are generally tax years ended September 30, 2008 through 2012. In addition, tax years ended September 30, 2001 through September 30, 2012 are open for federal tax purposes and tax years ended September 30, 2001 through September 30, 2012 are open for state purposes for Arrington Square to the extent of tax net operating losses generated in those years. Management believes that no uncertain tax positions exist for the University at June 30, 2012 and 2011 or Arrington Square at September 30, 2012 and 2011 and management does not anticipate a change in uncertain tax benefits in the 12 months following June 30, 2012 and September 30, 2012, respectively.

(p) Use of Estimates

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

(q) Fair Value of Financial Instruments

The carrying value of the University's bonds payable of $108,279,000 and $111,576,000 was different than the fair value of $124,793,000 and $121,771,000 on June 30, 2012 and 2011, respectively, which is the present value of debt service cash flows from the bonds.

(r) Reclassifications

Certain reclassifications have been made to the 2011 amounts to conform to the 2012 presentation.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(s) Adoption of New Accounting Guidance

The FASB issued Accounting Standards Update ("ASU") No. 2010-06, *"Improving Disclosure about Fair Value Measurements,"* that provides for new disclosure requirements related to fair value measurements. The requirements include separate disclosure of significant transfers in and out of Levels 1 and 2 and the reasons for the transfers. The update also clarified existing disclosure requirements for the level of disaggregation, inputs and valuation techniques. In addition, effective July 1, 2011, the Level 3 reconciliation of fair value measurements using significant unobservable inputs should include gross rather than net information about purchases, sales, issuances and settlements.

NOTE 2 - INVESTMENTS

Investments and assets whose use is limited are summarized as follows:

	June 30, 2012	
	Investments	Assets whose use is limited
Mutual funds:		
Money market funds	$ -	$ 7,381,000
Investment grade bond funds	11,353,000	3,098,000
High yield bond funds	3,969,000	725,000
Domestic equity funds	28,275,000	4,466,000
International equity funds	26,701,000	1,861,000
Commodity funds	2,614,000	-
Other	181,000	1,104,000
Total mutual funds	$ 73,093,000	$ 18,635,000
Certificates of deposit	$ -	$ 690,000
Debt securities	1,022,000	601,000
U.S. government obligations	33,000	3,013,000
Municipal obligations	-	12,360,000
Common and preferred stocks	2,470,000	708,000
Real estate (domestic), net of accumulated depreciation of $3,066,000	14,008,000	-
Hedge funds	3,983,000	-
Beneficial interest in perpetual trusts	-	1,813,000
Other	207,000	335,000
Total	$ 94,816,000	$ 38,155,000

NOTE 2 - INVESTMENTS - Continued

	June 30, 2011	
	Investments	Assets whose use is limited
Mutual funds:		
Money market funds	$ -	$ 4,782,000
Investment grade bond funds	9,466,000	2,510,000
High yield bond funds	2,958,000	658,000
Domestic equity funds	25,375,000	7,244,000
International equity funds	21,993,000	2,330,000
Commodity funds	2,525,000	-
Government agencies	5,936,000	-
Other	194,000	432,000
Total mutual funds	$ 68,447,000	$ 17,956,000
Certificates of deposit	$ 26,000	$ 861,000
Debt securities	851,000	789,000
U.S. government obligations	381,000	5,062,000
Municipal obligations	-	15,943,000
Common and preferred stocks	1,957,000	701,000
Real estate (domestic), net of accumulated depreciation of $2,614,000	14,461,000	-
Hedge funds	2,029,000	-
Beneficial interest in perpetual trusts	-	1,909,000
Other	19,000	506,000
Total	$ 88,171,000	$ 43,727,000

Investment income, gains, and losses are summarized as follows for the years ended June 30:

	2012	2011
Interest and dividend income, net	$ 1,425,000	$ 1,372,000
Realized and unrealized gains, net	(1,653,000)	10,391,000
Total investment income, net	$ (228,000)	$ 11,763,000

Investment expenses are reflected as a reduction of interest and dividend income and totaled $883,000 and $899,000 for the years ended June 30, 2012 and 2011, respectively.

NOTE 3 - FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Fair Value Determination

The fair value of the University's financial instruments represents management's best estimates of the amounts that would be received to sell those assets in an orderly transaction between market participants at period end. Those fair value measurements maximize the use of observable inputs. However, in situations where there are little, if any, observable inputs, management's own judgments about the assumptions of market participants were used in pricing the assets. Those judgments are developed by management based on the best information available in the circumstances.

(b) Fair Value Hierarchy

ASC 820 describes three levels of inputs that may be used to measure fair value.

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observed for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

NOTE 3 - FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2012:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets included in cash and cash equivalents:				
Money market funds	$ 3,840,000	$ 3,840,000	$ -	$ -
Total assets included in cash and cash equivalents	3,840,000	3,840,000	-	-
Assets included in contributions receivable	679,000	-	-	679,000
Assets included in investments: Mutual funds:				
Investment grade bond funds	11,353,000	11,353,000	-	-
High yield bond funds	3,969,000	3,969,000	-	-
Domestic equity funds	28,275,000	28,275,000	-	-
International equity fund s	26,701,000	26,701,000	-	-
Other	2,795,000	2,795,000	-	-
Debt securities	1,022,000	-	1,022,000	-
U.S. government obligations	33,000	-	33,000	-
Common and preferred stocks	2,470,000	2,470,000	-	-
Hedge funds	3,983,000	-	3,983,000	-
Total assets included in investments	80,601,000	75,563,000	5,038,000	-
Assets included in investments and other assets whose use is limited:				
Mutual funds:				
Money market funds	7,381,000	7,381,000	-	-
Investment grade bond funds	3,098,000	3,098,000	-	-
High yield bond funds	725,000	725,000	-	-
Domestic equity funds	4,466,000	4,466,000	-	-
International equity funds	1,861,000	1,861,000	-	-
Other	1,104,000	1,104,000	-	-
Certificates of deposit	690,000	-	690,000	-
Debt securities	601,000	-	601,000	-
U.S. government obligations	3,013,000	-	3,013,000	-
Municipal obligations	12,360,000	-	12,360,000	-
Common and preferred	708,000	708,000	-	-
Beneficial interest in perpetual trusts	1,813,000	-	-	1,813,000
Total assets included in investments and other assets whose use is limited	37,820,000	19,343,000	16,664,000	1,813,000
Total assets measured at fair value on a recurring basis	$ 122,940,000	$ 98,746,000	$ 21,702,000	$ 2,492,000

NOTE 3 - FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2011:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets included in cash and cash equivalents:				
Money market funds	$ 2,583,000	$ 2,583,000	$ -	$ -
Total assets included in cash and cash equivalents	2,583,000	2,583,000	-	-
Assets included in contributions receivable	703,000	-	-	703,000
Assets included in investments:				
Investment grade bond funds	9,466,000	9,466,000	-	-
High yield bond funds	2,958,000	2,958,000	-	-
Domestic equity funds	25,375,000	25,375,000	-	-
International equity funds	21,993,000	21,993,000	-	-
Commodity	2,525,000	2,525,000	-	-
Government agencies	5,936,000	5,936,000	-	-
Other	194,000	194,000	-	-
Certificates of deposit	26,000	-	26,000	-
Debt securities	851,000	-	851,000	-
U.S. government obligations	381,000	-	381,000	-
Common and preferred stocks	1,957,000	1,957,000		-
Hedge funds	2,029,000	-	2,029,000	-
Total assets included in investments	73,691,000	70,404,000	3,287,000	-
Assets included in assets whose use is limited:				
Money market funds	4,782,000	4,782,000	-	-
Investment grade bond funds	2,510,000	2,510,000	-	-
High yield bond funds	658,000	658,000	-	-
Domestic equity funds	7,244,000	7,244,000	-	-
International equity funds	2,330,000	2,330,000	-	-
Other	432,000	432,000	-	-
Certificates of deposit	861,000	-	861,000	-
Debt securities	789,000	-	789,000	-
U.S. government obligations	5,062,000	-	5,062,000	-
Municipal obligations	15,943,000	-	15,943,000	-
Common and preferred stocks	701,000	701,000	-	-
Beneficial interest in perpetual trusts	1,909,000	-	-	1,909,000
Total assets included in assets whose use is limited	43,221,000	18,657,000	22,655,000	1,909,000
Total assets measured at fair value on a recurring basis	$ 120,198,000	$ 91,644,000	$ 25,942,000	$ 2,612,000

NOTE 3 - FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Money market funds – Investments in money market funds are classified as Level 1, as they can be liquidated in the same day, representing the active and ready market for these assets.

Certificates of deposit – Investments in certificates of deposit are classified as Level 2, as they are not actively traded; however, pricing for similar investments with the same maturities is readily available from various sources.

Common and preferred stocks – Investments in common and preferred stocks are measured at fair value using quoted market prices. They are classified as Level 1, as they are traded in active markets for which closing stock prices are readily available.

Fixed income securities – Investments in debt securities, U.S. government and municipal obligations, are classified as Level 2, as they use significant other observable inputs, particularly dealer market prices for comparable investment as of the valuation date as reflected on account statements issued by investment custodians.

Mutual funds – Investments in mutual funds are classified as Level 1, as they can be liquidated in the same day, representing the active and ready market for these assets.

Hedge funds – Investments in hedge funds are classified as Level 2, as the fair value is based on redemption value in the near term. A significant observable input used in valuation of the hedge funds as of June 30, 2012 was an actual redemption on June 30, 2012. The hedge fund pursues multiple strategies to maximize risk-adjusted returns and achieve low correlation to the equity markets by investing in a diversified group of pooled investment vehicles (commonly referred to as hedge funds). The University has no unfunded commitments to the hedge fund and the entire amount is redeemable at the end of any calendar quarter with a 60-day notice.

Beneficial interest in perpetual trust – The University's beneficial interest in funds administered by a third party is classified as Level 3 as the University does not have the ability to redeem its investments in the near term. The following information reconciles the University's Level 3 investments as of June 30, 2012:

Beginning balance	$1,909,000
Change from calculation of beneficial interest	(96,000)
Balance at June 30, 2012	$1,813,000

NOTE 4 - CONTRIBUTIONS RECEIVABLE

The following is a summary of the University's contributions receivable at June 30:

	Pledge receivable	Estates receivable	Trusts held by others	2012	2011
Less than one year	$ 1,862,000	$ 449,000	$ -	$ 2,311,000	$ 1,200,000
One to five years	3,762,000	-	-	3,762,000	1,500,000
More than five years	-	-	1,591,000	1,591,000	1,699,000
	5,624,000	449,000	1,591,000	7,664,000	4,399,000
Less unamortized discount	(35,000)	-	(912,000)	(947,000)	(1,018,000)
	$ 5,589,000	$ 449,000	$ 679,000	$ 6,717,000	$ 3,381,000
Less allowance for uncollectible contributions				(313,000)	(145,000)
Contributions receivable, net				$ 6,404,000	$ 3,236,000

The discount rates used for the years ended June 30, 2012 and 2011 ranged from 0.4% to 4.92%.

NOTE 5 - LAND, BUILDINGS, AND EQUIPMENT

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

	2012	2011
Land, buildings, and improvements	$ 204,024,000	$175,399,000
Equipment	43,863,000	40,707,000
Construction in progress	667,000	15,664,000
	248,554,000	231,770,000
Less accumulated depreciation	(94,509,000)	(86,054,000)
Total land, buildings, and equipment, net	$ 154,045,000	$145,716,000

Depreciation expense was $9,031,000 and $7,915,000 for the years ended June 30, 2012 and 2011, respectively.

NOTE 6 – LINE OF CREDIT

The University has a $3,000,000 line of credit bearing interest at a rate per annum of one half of one percent less than the Reference Rate. The Reference Rate shall mean the per annum rate announced by the creditor from time to time. At the University's option, advances in increments of at least $100,000 shall bear interest at a per annum rate based on an index selected by the University, which is one and one half percent per annum in excess of the LIBOR rate. As of June 30, 2012, the interest rate was 2.75% and there were no outstanding borrowings on this line of credit.

NOTE 7 - BONDS PAYABLE

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

	2012	2011
Bonds payable – 1998 Series	$ 11,185,000	$ 14,055,000
Bonds payable – 2008 Series A	94,420,000	94,420,000
Bonds payable – 2008 Series B	4,865,000	5,535,000
	110,470,000	114,010,000
Unamortized bond issuance costs and discounts	(2,191,000)	(2,434,000)
Total bonds payable	$ 108,279,000	$ 111,576,000

In January 1998, the University refinanced its Taxable Revenue Refunding Bonds, Series 1994 through the issuance of Taxable Revenue Bonds, (Series 1998) in the aggregate principal amount of $29,000,000. The Series 1998 bonds mature on October 1, 2014 and bear interest at the rate of 7.13% per annum, payable in semiannual installments. The Series 1998 bonds are secured by $12,360,000, held as deposits with the trustee, and recorded as assets whose use is limited in the consolidated statement of financial position.

In March 2008, the University issued $100,905,000 in bonds payable to the California Municipal Finance Authority. The bonds referenced above as 2008 Series A (tax exempt) and 2008 Series B (taxable) carry interest rates and maturity dates as follows. The bonds are secured by a Deed of Trust with Absolute Assignment of Leases and Rents given to the trustee.

Series	Maturity	Rate	Original Face Value
Series 2008 A	10/1/2018	5.000%	$ 7,130,000
Series 2008 A	10/1/2023	5.625%	17,415,000
Series 2008 A	10/1/2028	5.800%	28,705,000
Series 2008 A	10/1/2034	5.875%	41,170,000
Series 2008 B	10/1/2016	7.875%	6,485,000

Proceeds from the bonds were used to retire the University's 2002 Series A, 2002 Series B, 2004 Series A, and 2004 Series B bonds at par and terminate its related interest rate swap agreements.

NOTE 7 - BONDS PAYABLE - Continued

Sinking fund requirements per the indenture agreements to retire the bonds are summarized as follows:

	Series 1998	Series 2008A	Series 2008B	Total
Year ending June 30:				
2013	$ 3,205,000	$ -	$ 855,000	$ 4,060,000
2014	3,575,000	-	1,060,000	4,635,000
2015	4,405,000	-	1,285,000	5,690,000
2016	-	-	1,535,000	1,535,000
2017	-	2,460,000	130,000	2,590,000
Thereafter	-	91,960,000	-	91,960,000
	$ 11,185,000	$ 94,420,000	$ 4,865,000	$ 110,470,000

NOTE 8 - COMMITMENTS AND CONTINGENCIES

(a) Lease Commitments

The University has operating leases for certain equipment and facilities. The future minimum lease payments under the operating lease agreements are as follows for the years ending June 30:

2013	$ 615,000
2014	307,000
2015	307,000
2016	308,000
2017	77,000
Total	$ 1,614,000

Rental expense for equipment and facilities operating leases amounted to $1,363,000 and $978,000 for the years ended June 30, 2012 and 2011, respectively.

(b) Contingencies

The University is subject to certain loss contingencies, such as litigation, arising in the normal conduct of its educational activities. In the opinion of University management, the liability, if any, for such contingencies will not have a material effect on the University's financial position.

NOTE 9 - NET ASSETS

The following is a summary of the University's temporarily and permanently restricted net assets at June 30:

(a) Temporarily Restricted

	2012	2011
Remainder interests and present value of contributions receivable under split-interest agreements – time restricted	$ 5,398,000	$ 6,084,000
Contributions restricted for construction, renovation, and other capital purposes	513,000	13,232,000
Contributions restricted for student aid, academic divisions, and other restricted operational purposes	1,475,000	1,532,000
Loan funds	144,000	163,000
Pledge contributions receivable	5,276,000	2,395,000
Temporarily restricted endowment available for:		
Student aid	1,899,000	2,055,000
Plant operations	3,531,000	3,443,000
Academic divisions and other operations	1,173,000	1,199,000
Total temporarily restricted	$ 19,409,000	$ 30,103,000

(b) Permanently Restricted

	2012	2011
Contributions restricted for permanent investment, the income of which is restricted for student aid and other purposes	$ 14,316,000	$ 12,602,000
Contributions restricted for investment in revolving student loan funds	1,993,000	1,991,000
Total permanently restricted	$ 16,309,000	$ 14,593,000

Net assets released from restriction was due to the satisfaction of time and purpose restrictions that have been deemed to have been satisfied.

NOTE 10 - EMPLOYEE RETIREMENT PLANS

Retirement benefits are provided for employees through the Teachers Insurance and Annuity Association, the College Retirement Equities Fund, the Lincoln National Life Insurance Company, the Legend Group, and the Fidelity Investments Institutional Services funds. The University and plan participants make contributions to purchase annuities equivalent to the retirement benefits earned. Vesting provisions are full and immediate under these plans. Employer contributions to all plans amounted to $3,231,000 and $3,013,000 for the years ended June 30, 2012 and 2011, respectively.

NOTE 11 -RELATED-PARTY TRANSACTIONS

The University has adopted a housing assistance program to assist certain faculty and staff members with their housing costs. Loans are made to these individuals at varying rates and terms, and are collateralized by a deed of trust in the properties purchased. Amounts outstanding under this program at June 30, 2012 and 2011 were $1,754,000 and $1,825,000, respectively, and are included in student loans and other notes receivable on the consolidated statements of financial position. None of these loans are past due as of June 30, 2012.

During 2012 and 2011, the University made equipment purchases totaling $481,000 and $453,000, respectively, from a company partly owned by a member of the University's management, which are included in land, buildings, and equipment on the consolidated statements of financial position.

NOTE 12 - ENDOWMENT

The University follows the provisions of ASC 958, which requires an organization to classify the portion of donor-restricted endowment funds that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure.

The University's endowment consists of approximately 150 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 generally accepted accounting principles, 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.

NOTE 12 - ENDOWMENT – Continued

(a) Interpretation of Relevant Law

The Board of Trustees of the University has interpreted the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, 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 donor-restricted endowment fund that is not classified in 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 the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the endowment fund;
(2) The purposes of the University and the endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation or deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the University; and
(7) The investment policy of the University.

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

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (220,000)	$ 6,603,000	$ 14,316,000	$ 20,699,000
Board-designated endowment funds	53,755,000	-	-	53,755,000
Total	$53,535,000	$ 6,603,000	$ 14,316,000	$ 74,454,000

	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (163,000)	$ 6,697,000	$ 12,602,000	$ 19,136,000
Board-designated endowment funds	50,790,000	-	-	50,790,000
Total	$50,627,000	$ 6,697,000	$ 12,602,000	$ 69,926,000

NOTE 12 - ENDOWMENT – Continued

Changes in endowment net assets for the year ended June 30, 2012 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of fiscal year	$ 50,627,000	$ 6,697,000	$ 12,602,000	$ 69,926,000
Investment return:				
Investment income	1,370,000	346,000	-	1,716,000
Net appreciation or (depreciation) (realized and unrealized)	(1,973,000)	(140,000)	(96,000)	(2,209,000)
Total investment return	(603,000)	206,000	(96,000)	(493,000)
Contributions to endowment	1,578,000	155,000	1,810,000	3,543,000
Appropriation of endowment assets for expenditure	(1,655,000)	(455,000)	-	(2,110,000)
Transfer to create board designated endowment	3,588,000	-	-	3,588,000
Endowment net assets, June 30, 2012	$ 53,535,000	$ 6,603,000	$ 14,316,000	$ 74,454,000

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of fiscal year	$ 40,046,000	$ 3,885,000	$ 12,028,000	$ 55,959,000
Investment return:				
Investment income	1,054,000	299,000	1,000	1,354,000
Net appreciation or (depreciation) (realized and unrealized)	4,678,000	1,141,000	163,000	5,982,000
Total investment return	5,732,000	1,440,000	164,000	7,336,000
Contributions to endowment	1,057,000	2,041,000	410,000	3,508,000
Appropriation of endowment assets for expenditure	(1,614,000)	(669,000)	-	(2,283,000)
Transfer to create board designated endowment	5,406,000	-	-	5,406,000
Endowment net assets, June 30, 2011	$ 50,627,000	$ 6,697,000	$ 12,602,000	$ 69,926,000

NOTE 12 - ENDOWMENT – Continued

Description of amounts classified as temporarily restricted net assets:

	2012	2011
(1) Term endowment funds	$ 3,409,000	$ 3,320,000
(2) The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	1,129,000	1,158,000
With purpose restrictions	2,065,000	2,219,000
Total temporarily restricted net assets	$ 6,603,000	$ 6,697,000

(b) 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 or UPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $220,000 and $163,000 as of June 30, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

(c) Spending Policy

The University has adopted a Board of Trustees approved spending rule providing an average appropriation from endowment, which does not exceed 5% of a 36-month moving average of the endowment's fair value. Spending comprises investment income, including but not limited to realized and unrealized appreciation, dividends, interest, and rents. Consistent with the University's objective of preserving the purchasing power of endowment income, income in excess of the appropriation is reinvested.

(d) Investment Policy, Objectives, and Risk Tolerance

The University's investment policy includes two goals for its endowment: (1) to maximize the long-term return while managing but not eliminating short-term market risk; and (2) to provide spendable endowment income, which is reasonably stable and predictable from year to year, while preserving the purchasing power of endowment income and protecting the real value of endowment principal. The University has adopted an investment plan designed to manage market risk by minimizing portfolio volatility through a diversified strategy that mitigates the potential impact of any one geographic region, sector, or style. The portfolio includes exposure to multiple asset classes and styles (i.e., fixed income, public equity, and real estate). The desired annual return objective is 5% above inflation while experiencing lower volatility than a composite allocation weighted index portfolio.

NOTE 13 – FUNDRAISING EXPENSES

During the years ended June 30, 2012 and 2011, the University incurred fundraising expenses of approximately $2,175,000 and $2,154,000, respectively, exclusive of expenses for Alumni Relations and Public Relations.

NOTE 14 – SUBSEQUENT EVENTS

The University has evaluated subsequent events through November 30, 2012. The University is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

CONSOLIDATING SCHEDULES

Biola University
And wholly owned subsidiary

CONSOLIDATING SCHEDULE – STATEMENT OF FINANCIAL POSITION

June 30, 2012

Assets	University	Arrington Square	Eliminations	Total
Cash and cash equivalents	$ 16,153,000	$ 145,000	$ -	$ 16,298,000
Accounts receivable, net of allowance of $334,000	1,912,000	-	-	1,912,000
Contributions receivable, net of allowance of $313,000	6,404,000	-	-	6,404,000
Inventories	1,527,000	-	-	1,527,000
Prepaid expenses and other assets	922,000	-	-	922,000
Student loans and other notes receivable, net of allowance of $272,000	6,061,000	-	-	6,061,000
Investments	97,835,000	-	(3,019,000)	94,816,000
Investment in Arrington Squre	1,892,000		(1,892,000)	-
Real estate investments held for sale	46,000	-	-	46,000
Assets whose use is limited	38,155,000	-	-	38,155,000
Land, buildings, and equipment, net	149,279,000	4,766,000	-	154,045,000
Total assets	$ 320,186,000	$ 4,911,000	$ (4,911,000)	$ 320,186,000
Liabilities and Net Assets				
Accounts payable and accrued expenses	$ 12,694,000	$ -	$ -	$ 12,694,000
Deposits and deferred revenue	6,209,000	-	-	6,209,000
Liabilities for annuities payable	6,998,000	-	-	6,998,000
Amounts held on behalf of others	4,896,000	-	-	4,896,000
Bonds payable	108,279,000			108,279,000
Intercompany note payable		3,019,000	(3,019,000)	-
Asset retirement obligation	1,144,000	-	-	1,144,000
Total liabilities	140,220,000	3,019,000	(3,019,000)	140,220,000
Net assets:				
Unrestricted	144,248,000	1,892,000	(1,892,000)	144,248,000
Temporarily restricted	19,409,000	-	-	19,409,000
Permanently restricted	16,309,000	-	-	16,309,000
Total net assets	179,966,000	1,892,000	(1,892,000)	179,966,000
Total liabilities and net assets	$ 320,186,000	$ 4,911,000	$ (4,911,000)	$ 320,186,000

Biola University
And wholly owned subsidiary

CONSOLIDATING SCHEDULE – STATEMENT OF ACTIVITIES

June 30, 2012

	University	Arrington Square	Eliminations	Total
Revenue, gains, losses, and other support:				
Tuition and fees	$ 139,379,000	$ -	$ -	$ 139,379,000
Less financial assistance	(32,177,000)	-	-	(32,177,000)
Net tuition and fees	107,202,000	-	-	107,202,000
Sales and services of auxiliary enterprises	25,288,000	-	-	25,288,000
Contributions	12,045,000	-	-	12,045,000
Investment income, net	1,636,000	-	(211,000)	1,425,000
Realized and unrealized gains on investments, net	(1,653,000)	-	-	(1,653,000)
Public and student service fees	3,788,000	-	-	3,788,000
Federal student aid grants	952,000	-	-	952,000
Change in value of split-interest agreements	(922,000)	-	-	(922,000)
Other	1,369,000	211,000	19,000	1,599,000
Total revenue, gains, and losses and other support	149,705,000	211,000	(192,000)	149,724,000
Expenses:				
Program expenses:				
Instruction:				
School of Arts and Sciences	28,676,000	229,000	(211,000)	28,694,000
Talbot School of Theology	13,207,000	-	-	13,207,000
School of Professional Studies	1,869,000	-	-	1,869,000
Rosemead School of Psychology	4,202,000	-	-	4,202,000
Cook School of Intercultural Studies	3,746,000	-	-	3,746,000
School of Education	2,450,000	-	-	2,450,000
Crowell School of Business	2,332,000	-	-	2,332,000
Interterm	574,000	-	-	574,000
Summer School	998,000	-	-	998,000
Library	5,601,000	-	-	5,601,000
Student services	13,022,000	-	-	13,022,000
Public service	4,150,000	-	-	4,150,000
Auxiliary enterprises	29,749,000	-	-	29,749,000
Total program expenses	110,576,000	229,000	(211,000)	110,594,000
Supporting services:				
General administrative and institutional support	28,266,000	1,000	-	28,267,000
Total supporting services	28,266,000	1,000	-	28,267,000
Total expenses	138,842,000	230,000	(211,000)	138,861,000
Change in net assets before other changes	10,864,000	(19,000)	19,000	10,864,000
Other change:				
Provision for and amortization of asset retirement obligation	(57,000)			(57,000)
Discontinued operations	(247,000)	-	-	(247,000)
Change in net assets	10,560,000	(19,000)	19,000	10,560,000
Net assets at beginning of year	169,406,000	1,911,000	(1,911,000)	169,406,000
Net assets at end of year	$ 179,966,000	$ 1,892,000	$ (1,892,000)	$ 179,966,000