

NOTRE DAME DE NAMUR UNIVERSITY

JUNE 30, 2012 AND 2011

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Notre Dame de Namur University

Independent Auditors' Report and Financial Statements

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Independent Auditors' Report

THE BOARD OF TRUSTEES
NOTRE DAME DE NAMUR UNIVERSITY
Belmont, California

We have audited the accompanying statement of financial position of **NOTRE DAME DE NAMUR UNIVERSITY (the University)** as of June 30, 2012 and 2011 and the related statements of activities, and 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the University as of June 30, 2012 and 2011, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Notre Dame de Namur University

Statement of Financial Position

<i>June 30,</i>	2012	2011
Assets		
Cash and cash equivalents	\$ 9,514,025	\$ 5,779,110
Investments held in trust	1,347,382	1,374,791
Comingled Funds	12,268,614	12,278,694
Accounts receivable, net:		
Students	750,006	1,125,033
Other	178,313	27,611
Promises	697,013	730,013
Lease contribution	1,248,938	-
Prepaid expenses and other assets	345,615	278,444
Notes receivable, students, net	474,576	440,304
Plant properties, net	26,993,495	26,579,845
Bond issuance costs, net	635,405	665,662
Total assets	\$ 54,453,382	\$ 49,279,507
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 853,945	\$ 635,476
Accrued salaries and payroll taxes	1,834,454	1,542,418
Accrued interest	251,474	256,912
Deferred revenue	242,742	606,822
Student deposits	1,639,299	1,779,305
Accrued asset retirement obligation	672,792	750,410
Bonds payable	15,290,000	15,590,000
Advances from federal government for student loans	460,714	460,714
Total liabilities	21,245,420	21,622,057
Net Assets:		
Unrestricted	20,512,149	17,101,755
Temporarily restricted	4,075,661	2,675,525
Permanently restricted	8,620,152	7,880,170
Total net assets	33,207,962	27,657,450
Total liabilities and net assets	\$ 54,453,382	\$ 49,279,507

The accompanying notes are an integral part of this statement.

Notre Dame de Namur University

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support :								
Tuition and fees	\$ 37,047,010	\$ -	\$ -	\$ 37,047,010	\$ 31,993,282	\$ -	\$ -	\$ 31,993,282
Less:								
Scholarships and grants - endowment	(228,512)	-	-	(228,512)	(185,900)	-	-	(185,900)
Scholarships and grants - other	(8,072,966)	-	-	(8,072,966)	(6,739,934)	-	-	(6,739,934)
Tuition and fees, net	28,745,532	-	-	28,745,532	25,067,448	-	-	25,067,448
Private gifts, grants and contracts	345,147	400,517	739,982	1,485,646	437,410	202,180	147,455	787,045
Lease Contribution		1,400,468	-	1,400,468	-	-	-	-
Government Grants	369,381	-	-	369,381	-	-	-	-
Investment income, net	224,279	123,726	-	348,005	654,938	1,503,365	-	2,158,303
Auxiliary enterprises and other sources	5,898,045	-	-	5,898,045	5,523,006	-	-	5,523,006
Underwater endowments	21,322	(21,322)	-	-	104,871	(104,871)	-	-
Net assets released from restriction	503,253	(503,253)	-	-	724,488	(724,488)	-	-
Total revenues, gains and other support	36,106,959	1,400,136	739,982	38,247,077	32,512,161	876,186	147,455	33,535,802
Operating Expenses:								
Program services:								
Instruction	9,604,592	-	-	9,604,592	8,641,134	-	-	8,641,134
Academic support	3,050,932	-	-	3,050,932	2,455,234	-	-	2,455,234
Student services	7,064,291	-	-	7,064,291	6,406,669	-	-	6,406,669
Auxiliary enterprises	6,044,122	-	-	6,044,122	5,765,798	-	-	5,765,798
Supporting services:								
Development	840,590	-	-	840,590	822,427	-	-	822,427
Institutional support	5,450,637	-	-	5,450,637	4,977,618	-	-	4,977,618
Total expenses	32,055,164	-	-	32,055,164	29,068,880	-	-	29,068,880
Other Expense - Impaired Loss	641,401	-	-	641,401	-	-	-	-
Change in Net Assets	3,410,394	1,400,136	739,982	5,550,512	3,443,281	876,186	147,455	4,466,922
Net Assets, beginning of year	17,101,755	2,675,525	7,880,170	27,657,450	13,658,474	1,799,339	7,732,715	23,190,528
Net Assets, end of year	\$ 20,512,149	\$ 4,075,661	\$ 8,620,152	\$ 33,207,962	\$ 17,101,755	\$ 2,675,525	\$ 7,880,170	\$ 27,657,450

The accompanying notes are an integral part of this statement.

Notre Dame de Namur University

Statement of Cash Flows

Year Ended June 30,	2012	2011
Cash Flows from Operating Activities:		
Change in net assets	\$ 5,550,512	\$ 4,466,922
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,655,883	1,705,305
Amortization of bond issuance costs	30,257	30,258
Bad debt allowance	166,532	174,223
Realized net gain on sales of marketable securities	-	(47,999)
Unrealized net loss (gain) on marketable securities	89,976	(1,598,513)
Contributions restricted for long-term investment	(739,982)	(147,455)
Donation of marketable securities	(31,551)	(11,583)
Impaired asset	641,401	-
Loss on sales of plant properties	-	1,401
Rent expense in-kind	151,530	-
Discount on lease contribution receivable	114,832	-
Lease contribution	(1,515,300)	-
Change in assets and liabilities:		
Accounts receivable - students	208,495	(496,740)
Accounts receivable - other	(150,702)	99,892
Accounts receivable - promises, net	33,000	135,880
Prepaid expenses and other assets	(67,171)	(52,927)
Accounts payable	246,788	(166,513)
Accrued salaries and payroll taxes	292,036	184,850
Accrued interest	(5,438)	(4,068)
Student deposits	(140,006)	418,212
Deferred revenue	(364,080)	104,283
Accrued asset retirement obligation	(77,618)	(14,559)
Net cash provided by operating activities	6,089,394	4,780,869
Cash Flows from Investing Activities:		
Purchases of investments in trust	(1,297,408)	(1,346,934)
Distribution of investments in trust	1,324,817	1,319,656
Purchases of marketable securities	(79,896)	(944,588)
Proceeds from sales of marketable securities	31,551	356,172
Purchase of plant properties	(2,739,253)	(1,081,132)
Proceeds from sales of plant properties	-	(1,401)
Disbursements for loans to students	(78,000)	(52,500)
Repayments of loans by students	43,728	74,596
Net cash used by investing activities	(2,794,461)	(1,676,131)
Cash Flows from Financing Activities:		
Proceeds from contributions restricted for long-term investment	739,982	147,455
Payments on loans payable	(300,000)	(285,000)
Net cash provided (used) by financing activities	439,982	(137,545)
Net Increase in Cash and Cash Equivalents	3,734,915	2,967,193
Cash and Cash Equivalents, beginning of year	5,779,110	2,811,917
Cash and Cash Equivalents, end of year	\$ 9,514,025	\$ 5,779,110
Supplemental Disclosure of Cash Paid:		
Interest	\$ 1,015,644	\$ 1,034,656
Supplemental Schedule of Noncash Operating, Investing and Financing Activities:		
Donations of marketable securities	\$ 31,551	\$ 11,583
Acquisition of plant properties included in accounts payable	\$ 99,932	\$ 128,251
Lease contribution, net of expense	\$ 1,248,938	\$ -

The accompanying notes are an integral part of this statement.

Notre Dame de Namur University

Notes to Financial Statements

Note 1 - Organization and Nature of Operations:

The Notre Dame de Namur University (the "University") was founded in 1851 by the Sisters of Notre Dame de Namur. The University offers both undergraduate and graduate programs of higher education through courses offered in Belmont, California. Funding sources generally include tuition and fees charged to students, auxiliary enterprises, grants, contracts, gifts and bequests.

Note 2 - Summary of Significant Accounting Policies:

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

a. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) applicable to nonprofit organizations.

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

Unrestricted Net Assets

Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or otherwise limited by contractual agreements with outside parties. Donor-restricted contributions which relate to the University's activities that are received and expended, or deemed expended due to the nature of their restriction, in the same fiscal year, are classified as unrestricted net assets. Funds functioning as endowments are board designated net assets which have been set aside for special programs, capital projects, and to act as endowment funds. Board designated funds totaled \$2,907,984 and \$2,518,993 at June 30, 2012 and 2011, respectively.

Temporarily Restricted Net Assets

Net assets that are subject to donor-imposed restrictions which can be fulfilled either by actions pursuant to those restrictions and/or expire with the passage of time. Temporarily restricted net assets consist primarily of restricted grants, pledges, and contributions, together with investment income specifically restricted by donors.

Permanently Restricted Net Assets

Net assets that are subject to donor-imposed restrictions that they be maintained permanently.

Notre Dame de Namur University

Notes to Financial Statements

Permanently restricted net assets consist of endowment funds.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Investment income and gains or losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted explicitly by donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor restricted purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

b. Contributions

The University recognizes all unconditional gifts and promises to give in the period in which it is notified of such contributions. Contributed support is reported as unrestricted, temporarily restricted or permanently restricted depending on the existence of donor stipulations that limit the use of the support or time restrictions implied in the gift.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on contributions receivable prior to July 1, 2008 are computed using risk free rates applicable in the month in which those promises were made ranging from 3.25% to 6.21%. The discounts on contributions receivable recorded after June 30, 2008 are computed using the United States Prime Rate as applicable to the month in which those promises were made. The discount is amortized in future periods and recorded as additional contribution revenue in accordance with the donor's restrictions, if any. In addition, an allowance for uncollectible promises to give is recorded if deemed necessary by management. Conditional promises to give are not included as support until the conditions are substantially met. At June 30, 2012, there were no known conditional promises to give.

c. Advertising Expenses

The University expenses advertising costs as they are incurred. Advertising costs incurred for the purpose of generating tuition and fees were \$508,973 and \$525,823 for the years ended June 30, 2012 and 2011, respectively.

d. Functional Classification of Expenses

The costs of providing the various educational and general services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs such as depreciation, plant operation, and interest expense have been allocated among the classifications principally on occupancy ratios.

Notre Dame de Namur University

Notes to Financial Statements

e. Cash and Cash Equivalents

The University considers cash bank deposits, money market accounts, and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents. At June 30, 2012 and 2011, the University had bank deposits, including short-term investments. The two main banks holding the deposits had bond ratings of grade A to A-.

f. Investment Held in Trust

Assets limited as to use are held by a trustee under bond indenture agreements. The assets at June 30, 2012 and 2011 consist primarily of cash, money market funds and Guaranteed Investment Contract. The carrying amount for cash and money market funds approximates fair value due to the short-term nature of instruments. The Guaranteed Investment Contract is also stated at fair value.

g. Comingled Funds

Comingled funds are valued at fair value of the underlying investments of the funds. The fair value of commingled funds is recorded based on net asset values as determined by the fund manager. The ultimate liquidation of such investments is restricted to a monthly time period and is limited to sale to the fund manager or distributions from the fund. Due to the inherent uncertainty of valuation of nonmarketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed and the differences could be material.

h. Student Accounts and Loans Receivable and Government Funds

Student accounts receivable are carried at the unpaid balance of the original amount due from students and student loans receivable are carried at the amount of unpaid principal. Both receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by using historical experience applied to an aging of accounts. Student accounts and loans receivable are written off when deemed uncollectible and student loans receivable may be assigned to a collection agency or the Department of Education. Recoveries of student accounts and loans receivable previously written off are recorded when received. A student account receivable is considered to be past due if a payment is not made by the payment due date. The provision for bad debts charged to expense was \$416,573 and \$414,645 for the years ended June 30, 2012 and 2011, respectively.

Notre Dame de Namur University

Notes to Financial Statements

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on student loans receivable and is recognized as it is paid. Finance charges are charged if payments are not paid by the payment due date and are recognized as they are paid. Student loans receivable are considered to be past due if a payment is not made within 30 days of the payment due date. After loans receivable become past due, the accrual of finance charges is suspended. Students may be granted a deferment, forbearance or cancellation of their student loan receivable based on eligibility requirements defined by the Department of Education and the University. Under an agreement with the Federal Government, portions of the principal and interest due on student notes receivable may be canceled under certain conditions.

The University is reimbursed by the Federal Government for substantially all of the institution's portion of the cancellations. In addition to funds received under revolving loan programs, the University receives directly or acts as a pass-through agent for a variety of federal financial aid programs.

Student loan funds received from the Federal Government under revolving loan programs are reflected as liabilities in the statement of financial position.

i. Lease Contribution Receivable

As discussed in Note 7, the University rents office space facilities for which the rental payments are significantly discounted from fair value. The University recorded the discounted lease amount as a lease contribution receivable on the statement of financial position and recorded it at net present value.

j. Plant Properties

Plant properties purchased are stated principally at cost; assets acquired by gift or bequest are stated at fair value at the date of donation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. The estimated service lives range from 3 to 60 years.

When items are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any profit or loss on such retirement or disposal is recognized in the year of disposal.

k. Bond Issuance Costs

Bond Issuance costs have been deferred and are being amortized using the straight-line method, which approximates the effective interest method, over the term of the bond agreement. Amortization expense for the years ended June 30, 2012 and 2011 was approximately \$30,000.

Notre Dame de Namur University

Notes to Financial Statements

l. Tuition and Fee Revenue

Tuition and fee revenue and related expenses are included in the fiscal year in which the majority of the instruction occurs. Tuition received in one academic year, which is applicable to the following year, is reflected as student deposits. Scholarships and allowances are recorded as reductions of revenue in the year they are granted.

m. Deferred Revenue

Deferred revenue represents deposits received in advance on the rental of various University facilities.

n. Collective Bargaining Agreement

The University has two collective bargaining union agreements, with approximately 14% of its employees being covered by such agreements. One of the agreements expires on March 31, 2014. The other agreement expired on February 29, 2012. Subsequent to year end, a new contract was negotiated on July 31, 2012 with an expiration date of June 30, 2014 and the terms of the contract will be in effect even though the final written contract has not yet been signed.

o. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

p. Concentrations

Cash and cash equivalents are principally held in four financial institutions.

The University has cash deposits, including restricted cash, in financial institutions that are in excess of federally insured limits.

The University invests its excess cash in money market funds with major banks. The University's investment portfolio is diversified and issuers of the securities and stocks are dispersed throughout many industries and geographies.

Notre Dame de Namur University

Notes to Financial Statements

q. Conditional Asset Retirement Obligation

The University has property containing asbestos which it would be required to abate when it renovates the property. Based on the age of these facilities, these assets are not yet fully depreciated and the remaining asset related to this abatement will be fully depreciated at the time the renovations are completed.

r. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The University classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the University's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

s. Income Taxes

The University operates as a nonprofit organization and has been notified by the Internal Revenue Service that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management evaluated the University's tax positions and concluded that the University had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. The University is no longer subject to income tax examinations by Federal and State tax authorities for years before 2009 and 2008, respectively.

t. Recent Accounting Pronouncements

Pronouncements effective in the future:

In May 2011, the Financial Accounting Standards Board (FASB) issued an update with amendments that change the wording used to describe the requirements in U. S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments include clarification of the Board's intent about the application of existing fair value measurement and disclosure requirements and some changes of a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements.

Notre Dame de Namur University

Notes to Financial Statements

Some of the disclosures required by the amendments in this update are not required for nonpublic entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011 for nonpublic entities. The University is assessing the impact of the adoption of this update on its financial statements.

In September 2011, FASB issued authoritative guidance which expanded and enhanced the existing disclosures related to multiemployer pension and other postretirement benefit plans. The amendments require additional quantitative and qualitative disclosures about an employer's involvement in multiemployer plans including, the significant multiemployer plans in which the University participates, level of the University's participation and contributions, financial health and an indication of funded status, and the nature of the employer commitments to the plan. This guidance is effective for annual periods for fiscal years ending after December 15, 2012. The adoption of this guidance will significantly expand the existing disclosures but will not have an impact on the University's financial position, results of operation and cash flows

u. Subsequent Events

The University evaluated subsequent events through December 6, 2012, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements, except as disclosed in Note 2(n) and Note 8.

Note 3 - Marketable Securities:

The University currently invests in Common Fund. The investment pool balance includes \$128,100 and \$351,619 of operational working capital at June 30, 2012 and 2011, respectively. These funds invest in equity funds and fixed income funds. The fair values of the investments held by the funds at June 30 are as follows:

	2012	2011
Comingled Funds:		
Multi-Strategy Equity Fund	\$ 7,194,106	\$ 7,386,975
Multi-Strategy Fixed Bond Fund	5,074,508	4,891,719
	<hr/>	<hr/>
	\$ 12,268,614	\$ 12,278,694

Notre Dame de Namur University

Notes to Financial Statements

Net investment income is comprised of the following for the year ended June 30:

	2012	2011
Interest and dividend income	\$ 437,981	\$ 511,791
Net unrealized (loss) gains	(89,976)	1,598,513
Net realized gains		47,999
	<hr/>	<hr/>
	\$ 348,005	\$ 2,158,303

Investment income is shown net of expenses of \$41,199 in 2012 and \$40,066 in 2011.

The University follows a total return approach to managing its endowment funds. For the years ended June 30, 2012 and 2011, the allocation from the endowment funds for operating support amounted to approximately \$228,512 and \$201,125, respectively.

Note 4 - Fair Value Measurements:

The table below presents the balances of assets measured at fair value at June 30, 2012.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Comingled Funds:				
Multi-Strategy Equity Fund		\$ 7,194,106		\$ 7,194,106
Multi-Strategy Fixed Bond Fund		5,074,508		5,074,508
Investments held in trust		1,347,382		1,347,382
		<hr/>		<hr/>
		\$ 13,615,996		\$ 13,615,996

The table below presents the balances of assets measured at fair value at June 30, 2011.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Comingled Funds:				
Multi-Strategy Equity Fund		\$ 7,386,975		\$ 7,386,975
Multi-Strategy Fixed Bond Fund		4,891,719		4,891,719
Investments held in trust		1,374,791		1,374,791
		<hr/>		<hr/>
		\$ 13,653,485		\$ 13,653,485

Notre Dame de Namur University

Notes to Financial Statements

The University uses the Net Asset Value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Per ASU 2009-12, the following table lists investments by major category:

Strategies	Number of Funds	2012 Valuation	2011 Valuation	Redemption Frequency	Redemption Notice Period
Multi-Strategy Equity Fund ^(a)	1	\$ 7,194,106	\$ 7,386,975	Monthly	5 Business Days
Multi-Strategy Fixed Bond Fund ^(b)	1	5,074,508	4,891,719	Monthly	5 Business Days
Total		\$ 12,268,614	\$ 12,278,694		

(a) The investment objective of the Fund is to offer an investment program that will provide, in a single fund, all of the strategy and manager diversification that an endowment would normally require for its equity allocation. The Fund seeks to add value over long periods of time, above the return of the U.S. equity market as measured by the S&P 500 Index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index.

(b) The investment objective of the Fund is to offer an actively managed, multi-manager investment program that will provide, in a single fund, broad exposure to global debt markets. The Fund seeks to add value above the return of the broad U.S. bond market over a full market cycle, as measured by the Barclays Capital U.S. Aggregate Bond Index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index.

Other Financial Instruments

Financial instruments included in the University's statement of financial position as of June 30, 2012 and 2011 which are not required to be measured at fair value on a recurring basis include cash and equivalents, short-term grants and pledges receivables, long-term grants and pledges receivables, lease contribution receivables and bonds payable.

For cash equivalents and short-term grants and pledges receivables, the carrying amounts materially approximate their fair values due to the short maturity of these financial instruments. For long-term grants and pledges receivables and lease contribution receivable, the carrying amounts represents a reasonable estimate of their fair value.

The fair value of the bonds payable approximates the carrying value.

Notre Dame de Namur University

Notes to Financial Statements

Note 5 - Accounts and Notes Receivable – Students:

Student accounts and notes receivable consist of the following at June 30:

	2012	2011
Student accounts receivable	\$ 1,639,054	\$ 1,847,549
Less allowance for uncollectible accounts	(889,048)	(722,516)
	<hr/>	<hr/>
	\$ 750,006	\$ 1,125,033
	<hr/>	<hr/>
Student notes receivable	\$ 567,576	\$ 533,304
Less allowance for uncollectible accounts	(93,000)	(93,000)
	<hr/>	<hr/>
	\$ 474,576	\$ 440,304
	<hr/>	<hr/>

Note 6 - Accounts Receivable – Promises:

Promises receivable consist of the following unconditional promises to give at June 30:

	2012	2011
In one year or less	\$ 203,000	\$ 185,000
Between one and five years	516,000	455,000
Greater than five years	100,000	200,000
	<hr/>	<hr/>
	819,000	840,000
Less: discount to present value	(121,987)	(109,987)
	<hr/>	<hr/>
	\$ 697,013	\$ 730,013
	<hr/>	<hr/>

The promised amounts relate to the renovation of the facilities, an academic success grant, endowed scholarships, and the general operations of the University.

Note 7 - Lease Contribution Receivable:

The University entered a lease agreement for office space during 2012 for which the rental payments are significantly discounted. The terms of the lease amount to substantially free rent through December 31, 2016. The University follows FASB Accounting Standards Codification (ASC) No. 958, contributed use of long-lived assets, which requires the University to recognize as revenue and a contribution receivable the difference between the fair rental value of the property and the stated amount of the lease payment.

Notre Dame de Namur University

Notes to Financial Statements

A lease contribution receivable has been recorded, for the difference between fair market value and amounts paid, as follows as of June 30, 2012:

In one year or less	\$	303,060
Between one and five years		1,060,710
		<hr/>
		1,363,770
Less: discount to present value		(114,832)
		<hr/>
	\$	1,248,938

Note 8 - Plant Properties:

Plant properties are summarized as follows at June 30:

	2012	2011
Land improvements	\$ 3,546,847	\$ 3,546,847
Buildings	32,650,635	34,032,118
Equipment	5,080,629	4,821,360
Library books	1,459,418	1,338,888
	<hr/>	<hr/>
	42,737,529	43,739,213
Less accumulated depreciation	(18,051,256)	(17,494,423)
	<hr/>	<hr/>
	24,686,273	26,244,790
Land	69,587	69,587
Construction in progress	2,237,635	265,468
	<hr/>	<hr/>
	\$ 26,993,495	\$ 26,579,845

Portions of the above assets are pledged as collateral for the CSCDA bond payable (see Note 9).

Depreciation expense for the years ended June 30, 2012 and 2011 was \$1,655,883 and \$1,705,305, respectively.

The University is in the process of remodeling various facilities. As of June 30, 2012, the University has incurred \$2,237,635 of construction in progress. As of June 30, 2012, there is an additional \$388,000 of contractually committed construction remaining to be done. Subsequent to June 30, 2012, additional construction committed to was \$1,100,000.

In November 2011, the University determined that it was necessary for structural and seismic reasons to vacate its main administration facility, Ralston Hall as of March 31, 2012. The University is currently evaluating the ultimate future use of Ralston Hall as well as any costs necessary to both reoccupy and remedy structural and seismic concerns. The remaining net asset value of Ralston Hall of \$641,401 was written off as an impaired asset for the year ended June 30, 2012. The impairment loss is recorded in the statement of activities for 2012.

Notre Dame de Namur University

Notes to Financial Statements

Note 9 - Bonds Payable:

California Statewide Communities Development Authority

On July 1, 2003, the University issued \$17,000,000 California Statewide Communities Development Authority (CSCDA) Revenue Bonds (Notre Dame de Namur University Series 2003). The CSCDA Bonds are dated July 1, 2003 with final maturity in 2033. The bonds bear interest, payable semiannually, at fixed rates that vary from 6.50% to 9.00%. CSCDA will pay the principal and interest as the University repays its loan. Under the original terms of the debt, certain of the bonds are subject to redemption, prior to their maturity dates at the option of the University. The University's loan from CSCDA is subject to a loan agreement dated June 1, 2003 and collateralized by a deed of trust and assignment of rents. The interest rates and repayment schedules are identical to those of the CSCDA Bonds.

The University must maintain certain financial covenants; maintain net income available for debt service at least 125% of aggregate debt service each fiscal year, maintain unrestricted cash, cash equivalents and marketable securities on hand equal to at least 125% of maximum annual debt service, and maintain short term indebtedness outstanding, at any time, equal to or less than 10% of the total expenses for the preceding fiscal year. The University was in compliance with all financial ratios as of June 30, 2012 and 2011.

Aggregate maturities of the loans payable are as follows:

Year ending	CSCDA 2003
June 30	
2013	\$ 320,000
2014	345,000
2015	365,000
2016	390,000
2017	415,000
Thereafter	13,455,000
	<hr/>
	15,290,000
Less: current maturities	(320,000)
	<hr/>
	\$ 14,970,000

Notre Dame de Namur University

Notes to Financial Statements

Note 10 - Available Line of Credit:

The University received an available line of credit of \$750,000 with Avid Bank on January 19, 2012, under which the University may borrow on an unsecured basis. Interest on the unpaid principal amount will be calculated using the interest calculation method as described in the agreement and based dependent on an independent index, the Wall Street Journal prime rate, plus .250 percentage points over the index. There were no amounts outstanding under this line of credit at June 30, 2012. The credit agreement expires on February 15, 2013.

Note 11 - Commitments:

The University has lease agreements for office facilities and various equipment. The amount of the office facilities lease (also, see Note 7) is immaterial. Future minimum payments by year on equipment lease agreements are summarized as follows: 2013, \$114,520; 2014, \$37,760. Lease expense on office equipment leases totaled approximately \$126,200 and \$136,300 for the years ended June 30, 2012 and 2011, respectively.

Note 12 - Net Assets:

Temporarily restricted net assets are time restricted and/or restricted by donors for the purposes described below. Permanently restricted net assets consist of investments held in perpetuity, the income of which is expendable for the purposes described below, at June 30:

	2012		2011	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Scholarships and grants	\$ 2,232,291	\$ 7,145,720	\$ 2,188,183	\$ 6,420,787
Instruction	13,214	548,026	19,414	548,026
Academic support	14,361		13,947	
Plant services and renovation	362,694		167,618	
Lease contribution	1,248,938			
Other	204,163	926,406	286,363	911,357
	<u>\$ 4,075,661</u>	<u>\$ 8,620,152</u>	<u>\$ 2,675,525</u>	<u>\$ 7,880,170</u>

Notre Dame de Namur University

Notes to Financial Statements

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restriction, by the passage of time, or by the occurrence of other specific events as follows, at June 30:

	2012	2011
Scholarships and grants	\$ 199,832	\$ 184,325
Instruction	14,524	21,480
Academic support	9,585	12,125
Plant services and renovation	31,967	442,465
Enrollment and development		19,760
Lease contribution	151,530	
Other	95,815	44,333
	<u>\$ 503,253</u>	<u>\$ 724,488</u>

Note 13 - Endowment Funds:

The University's endowments consist of 83 individual funds, all established to generate general operating support to the organization. Its endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the University has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 the 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 organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

Notre Dame de Namur University

Notes to Financial Statements

In accordance with SPMIFA, 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 fund, (2) The purposes of the organization and the donor-restricted endowment fund, (3) General economic conditions, (4) The possible effect of inflation and deflation, (5) The expected total return from income and the appreciation of investments, (6) Other resources of the organization, (7) The investment policies of the organization.

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 SPMIFA requires the University to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$5,115 and \$26,437 as of June 30, 2012 and 2011, respectively.

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 and other relevant indexes while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average rate of return of approximately 5% above annual CPI core inflation will be sought annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University is reinvesting all interest and gain associated with its endowments. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 3% percent annually in 2012 and 2011, respectively. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Notre Dame de Namur University

Notes to Financial Statements

The University follows the FASB ASC No. 958, presentation of Financial Statements, which provides guidance on the net assets classification of contributed funds. The state of California adopted a version of the Uniform Prudent Management of Institutional Funds Act as its SPMIFA which is applicable to funds established on or after January 1, 2009 and funds established prior to January 1, 2009 only with respect to actions taken after January 1, 2009.

Endowment net asset composition by type of fund as of June 30, 2012:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (5,115)	\$ 2,093,297	\$ 8,620,152	\$ 10,708,334
Board designated fund	2,913,099			2,913,099
Total Endowment Funds	\$ 2,907,984	\$ 2,093,297	\$ 8,620,152	\$ 13,621,433

Endowment net asset composition by type of fund as of June 30, 2011:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (26,437)	\$ 2,099,364	\$ 7,880,170	\$ 9,953,097
Board designated fund	2,545,430			2,545,430
Total Endowment Funds	\$ 2,518,993	\$ 2,099,364	\$ 7,880,170	\$ 12,498,527

Notre Dame de Namur University

Notes to Financial Statements

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

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, beginning of year	\$ 2,518,993	\$ 2,099,364	\$ 7,880,170	\$ 12,498,527
Investment Return:				
Income	60,335	181,198		241,533
Net appreciation (realized and unrealized)	(30,944)	(66,179)		(97,123)
Total Investment Return	29,391	115,019		144,410
Contributions	11,475	97,488	739,982	848,945
Addition to board designated endowment funds	358,063			358,063
Appropriation of endowment assets for expenditure	(31,260)	(197,252)		(228,512)
Subtotal before other changes	2,886,662	2,114,619	8,620,152	13,621,433
Other changes:				
Underwater endowment funds	21,322	(21,322)		-
Endowment Net Assets, end of year	\$ 2,907,984	\$ 2,093,297	\$ 8,620,152	\$ 13,621,433

Notre Dame de Namur University

Notes to Financial Statements

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

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, beginning of year	\$ 1,518,227	\$ 883,747	\$ 7,732,715	\$ 10,134,689
Investment Return:				
Income	47,878	199,935		247,813
Net appreciation (realized and unrealized)	279,817	1,289,878		1,569,695
Total Investment Return	327,695	1,489,813		1,817,508
Contributions			147,455	147,455
Addition to board designated endowment funds	600,000			600,000
Appropriation of endowment assets for expenditure	(31,800)	(169,325)		(201,125)
Subtotal before other changes	2,414,122	2,204,235	7,880,170	12,498,527
Other changes:				
Underwater endowment funds	104,871	(104,871)		-
Endowment Net Assets, end of year	\$ 2,518,993	\$ 2,099,364	\$ 7,880,170	\$ 12,498,527

Note 14 - Conditional Asset Retirement Obligation:

The aggregate carrying amount of the asset retirement obligation recognized by the University was \$672,792 and \$750,410 at June 30, 2012 and 2011, respectively. Liabilities settled were \$77,618 and \$14,559 at June 30, 2012 and 2011, respectively.

Notre Dame de Namur University

Notes to Financial Statements

Note 15 - Employee Benefit Plans:

The University provides a defined contribution plan for all nonunion, full-time, and eligible part-time employees. The University reinstated the contribution to the plan during the prior fiscal year. The University's contribution is equal to 100% of the employee's contribution and is limited to the lesser of 2% of the individual's base salary or Internal Revenue Service's limit for contributions to such plans.

With respect to the union employees, the University contributes to a multiemployer pension plan for employees covered by a collective bargaining agreement. This plan is not administered by the University and contributions are determined in accordance with provisions of negotiated labor contracts. The Multiemployer Pension Plan Amendments Act of 1980 (The Act) significantly increased the pension responsibilities of participating employers. Under the provisions of The Act, if the plan terminates or the University withdraws, the University could be subject to a substantial "withdrawal liability." Management has no intention of undertaking any action which could subject the University to this obligation.

The total pension expense was \$212,941 and \$191,805 for the years ended June 30, 2012 and 2011, respectively. Of these amounts, \$53,302 and \$50,938 related to the multiemployer pension plan.

Note 16 - Related Party Transactions:

The University pays salaries to Sisters of Notre Dame de Namur – California Province holding faculty and administrative positions at the University. This amount approximated \$117,611 and \$150,242 for the years ended June 30, 2012 and 2011, respectively.