KPMG

SEATTLE UNIVERSITY

Financial Statements

June 30, 2011

(With Independent Auditors' Report Thereon)

SEATTLE UNIVERSITY

Financial Statements

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KPMG LLP
Suite 900
801 Second Avenue
Seattle, WA 98104

Independent Auditors' Report

Board of Trustees
Seattle University:

We have audited the accompanying statement of financial position of Seattle University (the University) as of June 30, 2011, and the related statements of activities and cash flows for the year 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 audit. The prior period summarized comparative information has been derived from the University's 2010 financial statements, and in our report dated November 1, 2010, we expressed an unqualified opinion on those statements.

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

KPMG LLP

November 9, 2011

SEATTLE UNIVERSITY

Statement of Financial Position

June 30, 2011
(with summarized information as of June 30, 2010)

Assets	**2011**	**2010**
Cash and cash equivalents	$ 41,738,849	50,024,347
Accounts receivable, net of allowance for doubtful accounts of $289,406 and $398,444, respectively	5,934,086	6,176,538
Contributions receivable, net	6,932,982	11,106,936
Prepaid expenses and inventories	2,452,881	2,466,216
Investments	179,965,738	165,354,112
Other assets	1,793,419	1,822,791
Funds held in trust by others	1,749,194	1,580,411
Student loans receivable, net of allowance for doubtful loans of $396,272 and $581,000, respectively	7,701,384	7,361,783
Assets held under split-interest agreements	5,735,444	4,486,886
Goodwill, net	4,940,524	4,940,524
Property, plant and equipment, net	332,321,312	310,291,042
Total assets	$ 591,265,813	565,611,586
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 5,905,138	9,344,909
Accrued liabilities	21,180,785	21,607,446
Deferred revenue and student deposits	9,881,694	6,849,379
Liabilities under split-interest agreements	4,017,306	3,557,604
Funds held in custody for others	2,712,989	2,798,396
Long-term debt	143,329,661	146,909,661
Unrealized loss on interest rate swap agreements	1,518,594	1,952,750
U.S. government loan funds	6,288,041	6,288,041
Total liabilities	194,834,208	199,308,186
Commitments and contingencies (notes 14 and 15)		
Net assets:		
Unrestricted	238,503,294	192,191,174
Temporarily restricted	58,298,377	76,379,245
Permanently restricted	99,629,934	97,732,981
Total net assets	396,431,605	366,303,400
Total liabilities and net assets	$ 591,265,813	565,611,586

See accompanying notes to financial statements.

SEATTLE UNIVERSITY

Statement of Activities and Changes in Net Assets

Year ended June 30, 2011
(with summarized information for the year ended June 30, 2010)

	2011				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	2010
Revenues, gains and other support:					
Tuition and fees	$ 208,835,569	—	—	208,835,569	193,707,338
Student aid	(59,347,539)	—	—	(59,347,539)	(50,140,481)
Net tuition and fees	149,488,030	—	—	149,488,030	143,566,857
Contributions	5,416,294	4,284,065	1,254,917	10,955,276	10,866,417
Contributions attributable to split-interest agreements	6,451	97,248	2,064	105,763	38,236
Grants and contracts	3,753,503	—	—	3,753,503	3,446,250
Investment income	856,314	2,062,380	—	2,918,694	1,751,247
Net realized and unrealized gains on investments	10,212,745	20,642,061	—	30,854,806	7,422,277
Auxiliary enterprises	15,398,561	—	—	15,398,561	14,345,676
Other revenue	5,397,588	17,681	—	5,415,269	5,595,311
Change in value of split-interest agreements	43,592	172,293	639,972	855,857	506,576
Unrealized gain (loss) on interest rate swap agreement	434,156	—	—	434,156	(973,856)
Total revenues, gains and other activity	191,007,234	27,275,728	1,896,953	220,179,915	186,564,991
Net assets released from restrictions	45,356,596	(45,356,596)	—	—	—
Total revenues, gains and other support	236,363,830	(18,080,868)	1,896,953	220,179,915	186,564,991
Expenses:					
Instruction	94,241,507	—	—	94,241,507	86,345,335
Academic support	12,470,505	—	—	12,470,505	10,729,697
Student services	32,571,949	—	—	32,571,949	29,700,829
Institutional support	38,173,358	—	—	38,173,358	35,983,943
Auxiliary enterprises	12,594,391	—	—	12,594,391	12,271,446
Total expenses	190,051,710	—	—	190,051,710	175,031,250
Increase (decrease) in net assets	46,312,120	(18,080,868)	1,896,953	30,128,205	11,533,741
Net assets at beginning of year	192,191,174	76,379,245	97,732,981	366,303,400	354,769,659
Net assets at end of year	$ 238,503,294	58,298,377	99,629,934	396,431,605	366,303,400

See accompanying notes to financial statements.

SEATTLE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2011
(with summarized information for the year ended June 30, 2010)

	2011	2010
Cash flows from operating activities:		
Increase in net assets	$ 30,128,205	11,533,741
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,816,518	10,521,299
Unrealized (gain) loss on interest rate swaps related to bonds	(434,156)	973,856
Change in value of split-interest agreements	(855,857)	(506,576)
Contributions restricted for long-term investments	(8,407,359)	(12,145,422)
Net realized and unrealized gains on investments	(31,876,540)	(7,422,277)
Changes in assets and liabilities:		
Accounts receivable, net	242,452	(86,888)
Contributions receivable, net	4,173,954	6,492,900
Other assets and liabilities, net	2,887,833	(1,307,844)
Accounts payable	(3,439,771)	389,193
Accrued liabilities	(426,661)	1,384,812
Net cash provided by operating activities	3,808,618	9,826,794
Cash flows from investing activities:		
Proceeds from sales of investments	28,351,979	127,485,093
Purchases of investments	(13,955,230)	(102,115,581)
Reductions in (additions to) deposits held by bond trustee	2,868,165	(2,868,165)
Loans issued to students	(1,393,849)	(1,327,386)
Collections on loans to students	1,054,248	997,070
Acquisition of property, plant and equipment	(33,846,788)	(54,841,374)
Net cash used in investing activities	(16,921,475)	(32,670,343)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt, net of discount	—	40,515,109
Payments on long-term debt	(3,580,000)	(3,470,000)
Contributions restricted for long-term investment	8,407,359	12,145,422
Net cash provided by financing activities	4,827,359	49,190,531
Net (decrease) increase in cash	(8,285,498)	26,346,982
Cash and cash equivalents at beginning of year	50,024,347	23,677,365
Cash and cash equivalents at end of year	$ 41,738,849	50,024,347
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of capitalized interest	$ 6,823,594	4,413,712

See accompanying notes to financial statements.

(1) Organization

Seattle University (the University) is an independent, coeducational institution of higher learning offering undergraduate and graduate degrees in a full range of studies with more than 7,800 students enrolled. The University, founded in 1891, is a Jesuit Catholic University located on 50 acres on Seattle's First Hill.

(2) Summary of Significant Accounting Policies

(a) Financial Statement Presentation

The University's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The primary source of revenue comes from tuition; however, other sources of revenue include room and board, gifts, investment earnings, fees, and auxiliary revenue.

(b) Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Prior Year Summarized Comparative Information

The 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 GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2010, for which the summarized information was derived.

(d) Cash and Cash Equivalents

The University has a cash management program that provides for the investment of temporary excess cash balances in short-term money market instruments. The University considers certain highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents. At times, the University may have cash balances in excess of federally insured limits.

(e) Accounts Receivable

Accounts receivable from students are reported net of an allowance for doubtful accounts. The allowance is an estimate by management based upon an analysis of delinquent amounts and the respective student's ability and intent to repay. Accounts are considered delinquent when they are greater than 90 days outstanding. These estimated uncollectible amounts can be affected by changes in the student's economic circumstances. As a result, it is reasonably possible that the allowance for doubtful accounts could change in the near term.

(Continued)

(f) Contributions

Contributions, including unconditional promises to give, are recognized as revenues when donors' commitments are received. Conditional promises to give become unconditional and are recognized as revenues when the conditions are substantially met. Unconditional promises to give are recognized at the estimated net present value, net of an allowance for uncollectible amounts, and are classified in the net asset category in accordance with donor imposed restrictions. Contributions and promises to give that have no donor imposed restrictions, including those contributions whose restrictions are met in the same year as received, are recognized in unrestricted net assets. Contributions and promises to give with temporary restrictions are reported as temporarily restricted net assets until donor restrictions are met.

Unconditional promises to give with payments due in future periods are reported as temporarily restricted net assets. Gifts of land, buildings, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted net assets. Absent explicit donor stipulations, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The University's collections are made up of artifacts of historical significance, art objects that are held for educational, research, scientific, and curatorial purposes. Each item is cataloged, preserved, and maintained to ensure their original condition is maintained. Collections, which have been acquired through purchases and contributions to the University, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset class. No collection items were deaccessioned in the years ended June 30, 2011 or 2010.

Additionally, as the University is the beneficiary of two irrevocable trusts, the University's estimated share of the value of the assets of these trusts has been recorded in the financial statements as funds held in trust by others.

Fundraising expenses of $3,655,378 and $3,759,022 are included in "Institutional support" in the statement of activities for the years ended June 30, 2011 and 2010, respectively.

(g) Inventories

Inventories consist of books and other supplies at the bookstore. Inventories are valued at the lower of cost or market using the retail method and are included in the "Prepaid expenses and inventories" balance on the statement of financial position.

(h) Investments

The University manages its investments by using an external investment management firm. This investment management firm invests the University's funds in the various financial instruments, in accordance with the Board of Trustees approved investment policy.

Investments in all debt and marketable equity securities are stated at fair value. Net realized and unrealized gains and losses are recognized in the statement of activities. Investments in certain other investments, such as private equity/venture capital interests and real estate are stated at fair value using Net Asset Value (NAV) as a practical expedient. The fair value of investments in real estate can be affected by changes in the economic environment and the resultant effect on the real estate property values. As a result of changing economic conditions, it is reasonably possible that the estimated real estate property values could change in the near term.

Investment earnings, including dividends, interest, rents and royalties, are recognized as income when earned. Investment income is recorded based upon donor imposed restrictions on the use of the income. Investment management fees are accounted for on the statement of activities under institutional support.

The University's investments include various types of investment securities and investment vehicles including alternative investments. These investments are exposed to several risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the University's statement of financial position and statement of activities. The University's alternative investments are less liquid than the rest of its portfolio and as a result are exposed to an increased risk of loss.

(i) University Endowment

The University endowment consists of contributions, split-interest agreements, and assets that are separately invested to provide income to support education and related activities, either as a result of donor-imposed restrictions or as a result of designations by the Board of Trustees. Endowment contributions are generally invested on a pooled basis and managed so as to achieve maximum long-term total return. The University's spending policy allocates the amount of the total return that can be spent versus reinvested for future earnings. The University utilizes a total return approach to determine the amount of endowment income that is available for institutional purposes. Under the total return approach, the University calculates endowment income to use for institutional purposes as 4.50% of the last 12 quarters' average fair value of the endowment investment pool. This approach emphasizes total investment return, which includes dividends, interest, and capital gains and losses.

(j) Student Loans Receivable

Notes receivable from students, representing advances for student loan programs, are stated net of an allowance for doubtful notes. The allowance is an estimate by management based upon an analysis of delinquent amounts and the respective student's ability and intent to repay. Loans are considered delinquent when they are greater than 90 days outstanding. The allowance is intended to provide for the principal portions of loans that are not likely to be collected from borrowers in repayment status as well as from borrowers who are not yet in repayment status (still enrolled in school or in the grace period following graduation). These estimated uncollectible amounts can be affected by changes in the borrower's economic circumstances. As a result, it is reasonably possible that the allowance for doubtful notes could change in the near term.

(k) Split Interest Agreements

The University's split interest agreements with donors consist primarily of charitable gift annuities, pooled income funds and irrevocable charitable remainder trusts for which the University may or may not serve as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.

For those agreements in which the University is trustee, contribution revenue from charitable gift annuities and charitable remainder trusts is recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries. Contribution revenue from pooled income funds is recognized upon establishment of the agreement, at the fair value of the estimated future receipts discounted for the estimated time period to complete the agreement.

For those irrevocable agreements in which the University does not serve as trustee, contributions receivable and revenue are recognized for the present value of the estimated future benefits to be received when the trust is distributed.

Assets are recorded at fair market value on the date received. The present value of payments to beneficiaries of charitable gift annuities and charitable remainder trusts and the estimated future receipts from pooled income funds are calculated using the rates commensurate with the risks involved. The University uses the actuarial method of recording charitable gift annuities and charitable remainder trusts. Under this method, when a gift is received, the present value of the aggregate annuity payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as a contribution in the appropriate net asset category. The liability account is credited with investment income and gains and is charged with investment losses and payments to beneficiaries. Periodic adjustments are made between the liability account and the net asset account for actuarial gains and losses. The actuarial liability is based on the present value of future payments discounted at rates ranging from 1.80% to 11.00% established at the date of agreement and over estimated lives according to the 2000 Group Annuity Mortality Tables.

Legally mandated Washington state annuity reserves totaled $2,327,905 at June 30, 2011, and are included within the Assets held under split-interest agreements on the statement of financial position.

(l) Goodwill

Goodwill is stated net of accumulated amortization, which was historically computed on a straight-line basis over 40 years. Beginning with the year ended June 30, 2011, the subsequent measurement of goodwill is accounted for in accordance with Accounting Standards Codification

(ASC) 958-805-35 – *Not-for-Profit Entities: Business Combinations*, which ceases the systematic amortization of goodwill. Goodwill is tested for impairment on an annual basis or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Impairment losses are recognized if the carrying amount of goodwill exceeds the implied fair value of the goodwill.

No amortization of goodwill was recorded for the year ended June 30, 2011. Amortization expense of goodwill for the year ended June 30, 2010 was $204,710. Accumulated amortization expense as of June 30, 2011 and 2010 was $3,247,880.

(m) Property, Plant and Equipment

Land and improvements and library books are stated at cost or, in the case of those received by gift, at fair value at the date of gift. Buildings and improvements and equipment are stated at cost or fair value at the date of gift, less accumulated depreciation, computed on a straight-line basis over the following estimated useful lives:

- 50 years for buildings and improvements,
- 10 years for equipment and library books,
- 4 years for computer hardware

The cost of repairs and maintenance and depreciation are charged to expense. Upon the sale or retirement of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in the statement of activities.

Property, plant and equipment are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. Impairment losses are recognized if the carrying value is not recoverable and exceeds the assets' fair value.

(n) Net Asset Categories

Resources are classified into three net asset categories according to the existence or absence of donor-imposed restrictions.

Descriptions of the three net asset categories and types of transactions affecting each category follow:

- *Unrestricted net assets* – Net assets that are not subject to donor-imposed restrictions, including the carrying value of all physical properties (land and improvements, buildings and improvements, equipment and library books). Items that affect this net asset category include revenues, principally tuition, and related expenses associated with the core activities of the University. In addition to these exchange transactions, changes in this category of net assets include certain types of philanthropic support, namely unrestricted gifts, and endowment fund

(Continued)

income currently spendable based on the donor's restrictions and the University's spending policy.

- *Temporarily restricted net assets* – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the University or the passage of time. Items that affect this net asset category are gifts for which restrictions have not been met, multi-year pledges and gifts for capital projects currently under construction that have not yet been placed into service.
- *Permanently restricted net assets* – Net assets subject to donor-imposed restrictions to be maintained permanently by the University. Items that affect this net asset category include gifts wherein donors stipulate that the corpus be held in perpetuity (primarily gifts for endowment and providing loans to students) and only the income on the corpus be made available for specific activities.

(o) Revenue Recognition

Tuition, room and board and student fee revenues are recognized in the period in which the services are provided. Grant revenue is recognized either when the services are provided or when the funds are expended.

(p) Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 financial statement presentation.

(q) Recently Issued Accounting Standards

In January 2010, the FASB issued ASU No. 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions*, which provides guidance on accounting for a combination, whether a merger or acquisition, of not-for-profit entities. The standard also provides guidance on the initial and subsequent measurement of goodwill recognized as a result of a combination of not-for-profit entities. This standard was effective for the year ended June 30, 2011 and did not have a significant impact on the University's financial statements.

In July 2010, the FASB issued ASU No. 2010-20, *Receivables: Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, which provides for new and enhanced disclosure requirements related to the credit quality of financing receivables and the allowance for credit losses. These enhanced disclosures include describing the nature of the credit risk in an entity's portfolio of financing receivables, how risk is assessed in the determination of the allowance for credit losses and the reasons for any changes in the allowance throughout the period. The University is evaluating the impact of the adoption of this standard on its future financial statements.

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles – Goodwill and Other: Testing Goodwill for Impairment*, which provides updated guidance on the process of assessing goodwill for impairment. This standard provides the University with the opportunity to first assess qualitative factors in order to determine whether or not the two step impairment test must be performed. The University is evaluating the impact of the adoption of this standard on its future financial statements.

(3) Contributions Receivable

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Unconditional promises to give are recorded after discounting to the present value of future cash flows. The discount rates for the years ended June 30, 2011 and 2010 range from 0.91% to 5.70% and 0.87% to 5.70%, respectively, and are expected to be realized in the following periods:

		2011	2010
In one year or less	$	5,628,667	7,116,383
Between one year and five years		2,019,907	4,301,013
More than five years		241,799	322,818
		7,890,373	11,740,214
Less discount		(134,951)	(238,278)
Less allowance for uncollectible contributions		(822,440)	(395,000)
Total contributions receivable, net	$	6,932,982	11,106,936

Contributions receivable at June 30, 2011 and 2010 are intended for the following uses:

		2011	2010
Educational activities	$	1,509,241	1,845,396
Endowment		1,399,332	1,942,000
Facilities and equipment		4,945,000	7,920,000
General support		36,800	32,818
	$	7,890,373	11,740,214

The University received the following conditional promises to give that are not recognized as assets in the statements of financial position as of June 30, 2011 and 2010:

		2011	2010
Conditional promises to give upon project completion	$	167,000	167,000
Conditional promises to give upon sale of donor property		500,000	—
Total conditional promises to give	$	667,000	167,000

(4) Student Loans Receivable

Student loans receivable consist primarily of loans made to students under U.S. government loan programs. The loans are stated at net realizable value in the accompanying statements of financial position. The majority of federal loan funds are furnished by agencies of the United States government and the remaining balance of the loan funds is furnished by the University. The portion of these loans that is refundable to the U.S. government is reflected as U.S. government loan funds.

(5) Investments

Investments comprise the following at June 30, 2011 and 2010:

	2011	2010
Cash and cash equivalents used for investing purposes	$ 53,550	2,899,791
U.S. equity holdings	308,073	248,294
Fixed income mutual funds:		
U.S. Treasury money market	—	10,003,738
Short and intermediate term bonds	18,595,479	23,945,450
Equity mutual funds:		
U.S. equity	10,363,646	8,228,194
International equity	5,607,937	—
Emerging markets	10,464,951	8,579,952
Natural resources	5,872,678	4,082,499
Other	1,043,516	1,057,865
Alternative investments:		
Commingled funds:		
International equity	12,342,499	14,518,340
Real assets	14,644,239	10,668,439
Bank loans	4,022,403	—
Hedge funds:		
Equity long/short	13,225,454	9,970,957
Funds of funds	30,625,365	28,113,574
Private equity partnerships:		
Venture capital	21,162,169	15,864,682
Distressed debt	21,162,301	18,891,627
Mixed strategy	9,857,475	7,657,112
Real estate	614,003	623,598
Total investments	$ 179,965,738	165,354,112

Investment income gains and losses for the years ended June 30, 2011 and 2010:

		2011	2010
Investment income	$	2,918,694	1,751,247
Realized gains and losses, net	$	1,093,123	457,772
Change in cumulative unrealized gains, net		29,761,683	6,964,505
Total net realized and unrealized gains on investments	$	30,854,806	7,422,277

(6) Fair Value Hierarchy

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 the asset or liability in an orderly transaction between market participants on the measurement date. FASB Codification Section 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices in active markets that the University has the ability to access at the measurement date.

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

Level 3: Unobservable inputs where there is little or no market data and requires the reporting entity to develop its own assumptions and generally includes alternative investments, real estate limited partnership and membership interests, and commingled funds.

The following discussion describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used. Care should be exercised in deriving conclusions about the University's value or financial position based on the fair value information of financial assets presented below.

Investments include domestic equity securities, international equity securities, real estate, commodities, debt securities, tranches (short-term investment funds in liquidation), mutual funds, cash and cash equivalents used for investing purposes, and alternative investments. Investments are based on valuations provided by external investment managers and custodian banks. Valuations provided by external investment managers and custodian banks include observable market quotation prices, observable inputs other than quoted prices such as price services or indexes, estimates, appraisals, assumptions and other methods that are reviewed by management. Changes in market conditions and the economic environment may impact the net asset value of the funds and consequently the fair value of the University's interests in the funds.

The fair value of funds held in trust by others is based on quoted prices provided by its investment managers and custodian banks as a practical expedient. Both the investment managers and the custodian banks use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. The securities portfolio is highly liquid, generally allowing the portfolio to be priced through pricing services.

Fair value of the University's financial instruments is determined using the estimates, methods, and assumptions as set forth below:

(i) *Cash Equivalents, Student and Other Receivables, Deposits in Trust, Accounts Payable and Accrued Expenses*

Fair value approximates book value due to the short maturity of these instruments.

A reasonable estimate of the fair value of student loans extended under government loan programs could not be made because the loans can only be assigned to the U.S. government or its designees.

(ii) *Contributions Receivable*

Fair value of contributions receivable is based on the discounted value of estimated cash flows. The discount rate is estimated based upon rates that consummate the associated risk. Fair value approximates book value due to the short maturity of these instruments.

The following table presents the University's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2011. The categorization of financial instruments within the hierarchy is based on price transparency and does not necessarily correspond to the perceived risk of the instruments. Investments held and valued using the NAV per share (or its equivalent) as a practical expedient for fair value are presented by major category.

	Total	Level 1	Level 2	Level 3
Financial assets:				
Investments:				
Cash and cash equivalents used for investing purposes	$ 53,550	53,550	—	—
U.S. equity holdings	308,073	308,073	—	—
Fixed income mutual funds:				
Short and intermediate term bonds	18,595,479	18,595,479	—	—
Equity mutual funds:				
U.S. equity	10,363,646	10,363,646	—	—
International equity	5,607,937	5,607,937	—	—
Emerging markets	10,464,951	10,464,951	—	—
Natural resources	5,872,678	5,872,678	—	—
Other	1,043,516	—	304,900	738,616
Alternative investments:				
Commingled funds:				
International equity	12,342,499	—	12,342,499	—
Real assets	14,644,239	—	14,644,239	—
Bank loans	4,022,403	—	4,022,403	—
Hedge funds:				—
Equity long/short	13,225,454	—	13,225,454	—
Fund of funds	30,625,365	—	—	30,625,365
Private equity partnerships:				
Venture capital	21,162,169	—	—	21,162,169
Distressed	21,162,301	—	—	21,162,301
Mixed strategy	9,857,475	—	—	9,857,475
Real estate	614,003	—	—	614,003
Total investments	$ 179,965,738	51,266,314	44,539,495	84,159,929

		Total	Level 1	Level 2	Level 3
Funds held in trust by others	$	1,749,194	—	—	1,749,194
Assets held under split-interest agreements:					
Equity mutual funds		4,234,774	—	4,234,774	—
Fixed income mutual funds		1,500,670	—	1,500,670	—
Total assets	$	187,450,376	51,266,314	50,274,939	85,909,123
Financial liabilities:					
Unrealized loss on interest rate swap agreements	$	1,518,594	—	1,518,594	—
Total liabilities	$	1,518,594	—	1,518,594	—

The following table presents the University's commitment and redemption schedule for alternative investments held at June 30, 2011:

		Fair value at June 30, 2011		Unfunded commitments	Redemption frequency	Redemption notice period	Investee strategies and other restrictions
Alternative investments:							
Commingled funds:							
International equity	$	12,342,499	$	—	Monthly	6 days	(1)
Real assets		14,644,239		—	Monthly	9 days	(2)
Bank loans		4,022,403		—	Monthly	30 days	(3)
Hedge funds:							
Equity long/short		13,225,454		—	Quarterly	60 days	(4)
Fund of funds		30,625,365		—	Quarterly	60-65 days	(5)
Private equity partnerships:							
Venture capital		21,162,169		2,403,818	Illiquid (1 – 10 years)	NA	(6)
Distressed		21,162,301		5,199,379	Illiquid (1 – 8 years)	NA	(6)
Mixed strategy		9,857,475		1,417,900	Illiquid (1 – 10 years)	NA	(6)
Real estate		614,003		—	Illiquid (1 – 3 years)	NA	(7)
Total	$	127,655,908	$	9,021,097			

(1) This class invests primarily in long-only, publicly traded equities of companies in international developed and emerging markets.

(2) This class invests primarily in publicly traded equity securities of companies in the energy, metals and mining sectors, as well as commodities and treasury inflation protection securities (TIPS).

(3) This class invests primarily in high-yield, senior secured domestic bank loans, with the objective of providing current income.

(4) This class invests primarily in long and short equity security positions of domestic companies, and may also invest in foreign equity securities and derivative instruments deemed appropriate to carry out the fund's objectives.

(5) This class includes funds that invest in hedge funds with both domestic and international exposures in various strategies including absolute return, event-driven, global asset allocation, long/short equity and credit, distressed debt and relative value.

(6) This class includes funds and fund-of-funds structured as commitment-based limited partnerships, where the limited partner commits to invest a maximum dollar amount which is drawn-down over the term of the partnership, as individual investment opportunities are identified by the fund manager. These investments generally cannot be redeemed, and distributions are received from the funds typically upon liquidation of the underlying assets within the funds portfolios.

The venture capital subclass includes funds and fund-of-funds that invest primarily in earlier stage financing of domestic private companies, typically in the information technology and healthcare sectors. The distressed subclass consists of fund-of-funds that invest in various types of distressed securities across a wide range of industries, both domestic and foreign, often with the goal of achieving turnarounds by influence or control positions over investee companies. The mixed strategy subclass includes fund-of-funds which invest in various diversified strategies and transactions that can include venture capital, growth equity, middle market, leveraged buyouts, and distressed situations, both domestic and foreign. Also included is a fund-of-funds that invests primarily in private equity transactions within the oil, gas and energy sectors.

(7) This class includes one limited partnership, which is currently illiquid, that invests primarily in wholly owned, diversified, domestic real estate properties.

The following table presents additional information for all Level 3 assets measured at fair value on a recurring basis for the fiscal year ended June 30, 2011:

	Level 3				
	Beginning balance at July 1, 2010	**Purchases**	**Redemptions**	**Net realized and unrealized gains and (losses)**	**Ending balance at June 30, 2011**
Hedge funds:					
Fund of funds	$ 28,113,574	—	—	2,511,791	30,625,365
Private equity partnerships:					
Venture capital	15,864,682	1,367,067	(1,806,553)	5,736,973	21,162,169
Distressed	18,891,627	1,445,663	(1,986,374)	2,811,385	21,162,301
Mixed strategy	7,657,112	542,500	(881,654)	2,539,517	9,857,475
Real estate	623,598	—	—	(9,595)	614,003
Other	752,964	500,000	(383,555)	(130,793)	738,616
Funds held in trust by others	1,580,411	—	—	168,783	1,749,194
	$ 73,483,968	3,855,230	(5,058,136)	13,628,061	85,909,123

For investments still held at June 30, 2011, unrealized losses from Level 3 investments reported within "net realized and unrealized gains (losses) on investments" in the statement of activities	$ (192,830)

The following table presents the University's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2010. The categorization of financial instruments within the hierarchy is based on price transparency and does not necessarily correspond to the perceived risk of the instruments. Investments held and valued using the NAV per share (or its equivalent) as a practical expedient for fair value are presented by major category.

	Total	Level 1	Level 2	Level 3
Financial assets:				
Investments:				
Cash and cash equivalents used for investing purposes	$ 2,899,792	2,899,792	—	—
U.S. equity holdings	248,294	248,294	—	—
Fixed income mutual funds:				
U.S. Treasury money market	10,003,738	10,003,738		
Short and intermediate term bonds	23,945,450	23,945,450	—	—
Equity mutual funds:				
U.S. equity	8,228,194	8,228,194	—	—
Emerging markets	8,579,952	8,579,952	—	—
Natural resources	4,082,499	4,082,499	—	—
Other	1,057,864	—	304,900	752,964
Alternative investments:				
Commingled funds:				
International equity	14,518,340	—	14,518,340	—
Real assets	10,668,439	—	10,668,439	—
Hedge funds:				
Equity long/short	9,970,957	—	9,970,957	—
Fund of funds	28,113,574		—	28,113,574
Private equity partnerships:				
Venture capital	15,864,682	—	—	15,864,682
Distressed	18,891,627	—	—	18,891,627
Mixed strategy	7,657,112	—	—	7,657,112
Real estate	623,598	—	—	623,598
Total investments	$ 165,354,112	57,987,919	35,462,636	71,903,557

	Total	Level 1	Level 2	Level 3
Funds held in trust by others	$ 1,580,411	—	—	1,580,411
Assets held under split-interest agreements:				
Equity mutual funds	3,314,736	—	3,314,736	—
Fixed income mutual funds	1,172,150	—	1,172,150	—
Total assets	$ 171,421,409	57,987,919	39,949,522	73,483,968
Financial liabilities:				
Unrealized loss on interest rate swap agreements	$ 1,952,750	—	1,952,750	—
Total liabilities	$ 1,952,750	—	1,952,750	—

The following table presents the University's commitment and redemption schedule for alternative investments held at June 30, 2010:

	Fair value at June 30, 2010	Unfunded commitments	Redemption frequency	Redemption notice period	Investee strategies and other restrictions
Alternative investments:					
Commingled funds:					
International equity	$ 14,518,340	$ —	Bimonthly – Monthly	5 – 6 days	(1)
Real assets	10,668,439	—	Monthly	9 days	(2)
Hedge funds:					
Equity long/short	9,970,957	—	Not Eligible	NA	(4)
Fund of funds	28,113,574	—	Not Eligible	NA	(5)
Private equity partnerships:					
Venture capital	15,864,682	3,592,633	Illiquid	NA	(6)
Distressed	18,891,627	5,586,168	Illiquid	NA	(6)
Mixed strategy	7,657,112	1,960,400	Illiquid	NA	(6)
Real estate	623,598	—	Illiquid	NA	(7)
Total	$ 106,308,329	$ 11,139,201			

See description of footnoted investee strategy and other restrictions above.

The following table presents additional information for all Level 3 assets measured at fair value on a recurring basis for the fiscal year ended June 30, 2010:

	Level 3				
	Beginning balance at July 1, 2009	Purchases	Redemptions	Net realized and unrealized gains and (losses)	Ending balance at June 30, 2010
Hedge funds:					
Fund of funds	$ 39,299,000	28,000,000	(41,684,165)	2,498,739	28,113,574
Private equity partnerships:					
Venture capital	13,398,000	1,703,260	(1,074,740)	1,838,162	15,864,682
Distressed	15,721,000	543,416	(379,517)	3,006,728	18,891,627
Mixed strategy	6,558,000	642,500	(452,149)	908,761	7,657,112
Real estate	14,793,000	—	(6,197,222)	(7,972,180)	623,598
Other	2,233,199	100,000	(1,636,097)	55,862	752,964
Funds held in trust by others	1,299,357	—	—	281,054	1,580,411
	$ 93,301,556	30,989,176	(51,423,890)	617,126	73,483,968

For investments still held at June 30, 2010, unrealized losses from Level 3 investments reported within "net realized and unrealized gains (losses) on investments" in the statement of activities	$ (325,423)

(7) Endowment

The University has a policy that interprets 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 to the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. The University classifies as permanently restricted net assets, the original value of gifts to donor-restricted endowments, the original value of subsequent gifts made to donor-restricted endowments, and income or appreciation of donor-restricted endowments that donors have stipulated are not expendable. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

As of June 30, 2011, 30 individual out of 267, donor-restricted endowment funds had fair values that were $656,943 less than their permanently restricted value. As of June 30, 2010 103 individual out of 259, donor-restricted endowment funds had fair values that were $4,287,764 less than their permanently restricted value.

The following represents the endowment net assets composition by type of fund as of June 30, 2011:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (656,943)	41,098,039	99,629,934	140,071,030
Board-designated endowment funds	38,687,575	—	—	38,687,575
Total funds	$ 38,030,632	41,098,039	99,629,934	178,758,605

The following represents the changes in endowment net assets for the period ended June 30, 2011:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at July 1, 2010	$ 31,874,756	23,207,459	97,732,981	152,815,196
Investment return:				
Investment income	762,798	2,062,380	—	2,825,178
Net realized and unrealized gains	7,744,803	20,814,354	639,972	29,199,129
Total investment return	8,507,601	22,876,734	639,972	32,024,307
Appropriation of endowment assets for expenditure	(2,629,143)	(5,083,402)	—	(7,712,545)
Contributions	20,022	97,248	1,256,981	1,374,251
Other changes:				
Transfers to add or remove Board designated endowment funds	257,396	—	—	257,396
Endowment net assets at June 30, 2011	$ 38,030,632	41,098,039	99,629,934	178,758,605

The following represents the endowment net assets composition by type of fund as of June 30, 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (4,287,764)	23,207,459	97,732,981	116,652,676
Board-designated endowment funds	36,162,520	—	—	36,162,520
Total funds	$ 31,874,756	23,207,459	97,732,981	152,815,196

The following represents the changes in endowment net assets for the period ended June 30, 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at July 1, 2009	$ 56,470,899	—	94,709,132	151,180,031
Net assets reclassified based on change in law	(21,873,512)	21,873,512	—	—
Endowment net assets after reclassification	34,597,387	21,873,512	94,709,132	151,180,031
Investment return:				
Investment income	304,335	1,412,647	—	1,716,982
Net realized and unrealized gains	1,953,013	5,131,274	426,737	7,511,024
Total investment return	2,257,348	6,543,921	426,737	9,228,006
Appropriation of endowment assets for expenditure	(3,638,757)	(5,209,974)	—	(8,848,731)
Contributions	315,667	—	2,597,112	2,912,779
Other changes:				
Transfers to add or remove Board designated endowment funds	(1,656,889)	—	—	(1,656,889)
Endowment net assets at June 30, 2010	$ 31,874,756	23,207,459	97,732,981	152,815,196

(8) Property, Plant and Equipment

Property, plant and equipment comprise the following at June 30, 2011 and 2010:

		2011	2010
Land and improvements	$	44,152,127	40,362,937
Buildings and improvements		336,973,704	280,839,193
Equipment		19,628,250	18,966,328
Library books		28,231,125	25,315,795
Construction in progress		8,964,131	43,395,668
		437,949,337	408,879,921
Less accumulated depreciation and amortization		(105,628,025)	(98,588,879)
Property, plant and equipment, net	$	332,321,312	310,291,042

Depreciation expenses for the years ended June 30, 2011 and 2010 totaled $11,816,518 and $10,235,355, respectively. There were no interest costs capitalized for the year ended June 30, 2011. Interest costs capitalized for the year ended June 30, 2010 totaled $1,776,114.

(9) Long-Term Debt

Long-term debt comprises the following at June 30, 2011 and 2010:

	2011	2010
Notes payable to the Washington Higher Education Facilities Authority (WHEFA) (interest due semi-annually on November 1, and May 1):		
Series 2001, interest at fixed rates ranging from 5.00% to 5.25% per annum, principal due annually in increasing amounts from $410,000 in May 2012 to $1,195,000 in May 2032	$ 15,310,000	15,700,000
Series 2003, interest at fixed rates ranging from 2.00% to 4.00% per annum, principal due annually in varying amounts from $945,000 in November 2011 to $1,030,000 in November 2013	2,960,000	4,530,000
Series 2005, interest at fixed rates ranging from 3.00% to 4.50% per annum, principal due annually in increasing amounts from $650,000 in November 2011 to $1,470,000 in November 2031	20,720,000	21,340,000
Series 2007, interest at fixed rates ranging from 4.50% to 5.25% per annum, principal due annually in increasing amounts from $675,000 in November 2012 to $2,590,000 in November 2037	38,075,000	38,075,000
Series 2008A, weekly variable interest rate. Weekly variable rate (set by the remarketing agent) in effect on June 30, 2011 was 0.09%, principal due annually in increasing amounts from $1,035,000 in May 2012 to $1,825,000 in May 2028	23,695,000	24,695,000
Series 2009, interest at a fixed rate of 5.25% per annum, principal due annually in increasing amounts from amounts from $1,975,000 in May 2029 to $6,410,000 in May 2039	41,775,000	41,775,000
	142,535,000	146,115,000
Plus bond premium (discount), net	794,661	794,661
	$ 143,329,661	146,909,661

Long-term debt is carried at amortized cost; however, accounting standards require the University to disclose the fair value. The fair value of the University's long-term debt is estimated based on level 2 inputs, such as the future cash flows at the discounted current rates available to the University for outstanding debt. Any call provisions that apply are taken into account when valuing the debt. The fair value of the long-term debt was $140,601,725 and $149,886,237 at June 30, 2011 and 2010, respectively.

As a condition of issuance of the WHEFA bonds, the University has agreed to certain covenants for the protection of bond owners, including covenants to maintain debt service ratios as defined in the agreement.

The University is required to maintain an irrevocable letter of credit equal to the principal amount of the Series 2008A Washington Higher Education Facilities Authority Variable Rate Demanding Refunding Revenue Bonds (the Bonds). The letter of credit is issued by U.S. Bank National Association (the Bank), pursuant to an irrevocable Letter of Credit Agreement (the Agreement), dated March 20, 2008, between the Bank and the University. The direct pay letter of credit is an irrevocable obligation of the Bank that is scheduled to expire on March 20, 2015, unless extended. The University has the ability to extend this Agreement annually through May 1, 2028, the maturity date of the Bonds.

The Series 2008A bonds remarket every seven days. To the extent the Bonds do not remarket, a liquidity draw against the letter of credit may occur. Any draws under the letter of credit are subject to an accelerated repayment of the Bonds. Additionally, pursuant to the terms of the Reimbursement Agreement, if certain material adverse changes were to occur, such changes could result in the 2008A bonds becoming immediately due.

At June 30, 2011, the University had an unused line of credit with a bank in the amount of $5,000,000, that bears interest at a rate per annum equal to the bank's reference rate. The line of credit is due and payable in full on November 1, 2011.

Annual maturities of long-term debt are as follows at June 30:

2012	$	3,040,000
2013		3,830,000
2014		3,985,000
2015		3,070,000
2016		3,295,000
Thereafter		125,315,000
	$	142,535,000

Total interest expense was $6,826,847 and $4,764,181 for the years ended June 30, 2011 and 2010, respectively.

(10) Accounting for Interest Rate Swaps

The University issued variable-rate debt to refinance the Series 1998 debt obligation. These debt obligations expose the University to variability in interest payments due to changes in interest rates. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense decreases. The University believes it is prudent to limit the variability of a portion of its interest payments. To meet this intent, the University entered into interest rate swaps to manage fluctuations in cash flows resulting from interest rate risk.

The University swapped its variable-rate cash flow exposure on its debt obligations for fixed-rate cash flows by entering into receive-variable, pay-fixed interest rate swaps. Under the interest rate swaps, the University receives variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed-rate debt. In March 2008, the University acquired a 20 year amortizing swap from the Bank of New York with an initial notional amount of $26,595,000. There was no cash exchanged at the time of acquisition of these swaps due to the relationship between the variable rates and the swap rate at that time.

Changes in the fair value of the interest rate swap are reported as unrealized gains or losses on interest rate swaps related to bonds on the statements of activities. For the years ended June 30, 2011 and 2010, the valuation of the swap resulted in a net unrealized gain (loss) of $434,156 and $(973,856), respectively. The related liability of $1,518,594 and $1,952,750, respectively, related to a cumulative loss is reported on the statements of financial position as unrealized loss on interest rate swap. Cash flows related to the swap are reported in the operating section of the statement of cash flows. Providing that the University holds the swaps to maturity, the value of the derivatives will be zero. The swap transaction can be terminated at market rates at any time during the term of the swap.

The University does not enter into derivative instruments for any purpose other than cash flow hedging purposes and does not speculate for investment purposes using derivative instruments.

(11) Income Taxes

The University is generally exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and corresponding Washington State provisions. Certain of the University's activities are unrelated business activities from which any net income derived is taxable under federal income tax law.

The University has considered the impact of ASU No. 2009-06, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*, and after review of the potential impact of various tax provisions, it was determined that no potential liability exists for those positions.

(12) Retirement Plan

University employees who meet certain eligibility requirements can participate in a multi-employer defined contribution plan in which the University contributes 10% of an employee's salary. Amounts contributed by the University and charged to retirement plan expense for the years ended June 30, 2011 and 2010 were $7,346,033 and $6,936,594, respectively.

(13) Net Assets

The University's net assets were available for the following purposes at June 30, 2011 and 2010:

		2011	2010
Unrestricted:			
For current operations	$	73,577	71,507
Designated for investment in property, plant and equipment		17,104,478	17,192,961
Invested in property, plant and equipment		183,294,607	143,051,950
Board designated endowment funds		38,030,632	31,874,756
Total unrestricted		238,503,294	192,191,174
Temporarily restricted:			
Unexpended funds received for educational activity purposes		13,294,304	11,602,707
Unexpended funds received for purchase of property, plant and equipment and gifts included in CIP		3,906,034	41,569,079
Unappropriated endowment earnings		41,098,039	23,207,459
Total temporarily restricted		58,298,377	76,379,245
Permanently restricted:			
Endowment funds		99,629,934	97,732,981
Total net assets	$	396,431,605	366,303,400

(14) Commitments

The University leases certain facilities, vehicles and computer equipment under operating lease agreements. Future minimum lease payments under operating leases are as follows at June 30, 2011:

2012	$	2,174,710
2013		1,837,955
2014		1,452,196
2015		1,014,257
2016		383,350
Thereafter		3,525,661
	$	10,388,129

Total rent expense under these and other month-to-month lease agreements was $2,399,336 and $1,429,792 for the years ended June 30, 2011 and 2010, respectively.

Future minimum lease payments to be received under leasing agreements in which the University acts as the lessor are as follows at June 30, 2011:

2012	$	120,000
2013		120,000
2014		120,000
2015		120,000
2016		120,000
Thereafter		8,400,000
	$	9,000,000

(15) Contingencies

The University is a defendant in various legal actions. While the outcome of these actions is not currently determinable, management is of the opinion that any uninsured liability from such actions will not have a material effect on the University's financial position.

The University participates in the Guaranteed Access to Education (GATE) student loan program and is subject to certain limited repayment obligations if students fail to repay their notes. The University has recorded as a liability its best estimate of that ultimate obligation.

Certain federal grants including financial aid which the University administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. Current and prior year costs of such grants are subject to adjustment upon audit. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time, although the University expects such amounts, if any, would not have a significant impact on the financial position of the University.

Approximately 9.6% of the University's nonfaculty employees are covered under collective bargaining agreements. These employees provide maintenance, mechanical, custodial, and other technical services to the University. Bargaining disputes could adversely affect the University.

(16) Subsequent Events

On September 1, 2011, the University issued $15,230,000 of WHEFA Refunding Revenue Bonds, Series 2011. The bonds were issued to provide the funds required to refund on a current basis all of the outstanding WHEFA Revenue Bonds, Series 2001 and to pay costs of issuance for the Bonds. Included in this issuance were term bonds in the amount of $5,925,000, at 5.00%, which are due May 1, 2032. The remaining bonds have annual maturities with interest rates from 3.00% to 5.00%.

The University has performed an evaluation of subsequent events through November 9, 2011, which is the date these financial statements were issued.