University of San Francisco

Financial Statements as of and for the Years Ended May 31, 2011 and 2010, and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
University of San Francisco
San Francisco, California

We have audited the accompanying statements of financial position of the University of San Francisco (the "University") as of May 31, 2011 and 2010, and the related statements of activities and changes in net assets and of 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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. 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, such financial statements present fairly, in all material respects, the financial position of the University as of May 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

September 26, 2011

UNIVERSITY OF SAN FRANCISCO

STATEMENTS OF FINANCIAL POSITION
AS OF MAY 31, 2011 AND 2010
(In thousands)

	2011	2010
ASSETS		
CASH AND CASH EQUIVALENTS	$ 112,364	$ 82,299
RECEIVABLES:		
Student accounts — net of allowance of $2,487 in 2011 and $2,743 in 2010	7,195	8,520
Contributions — net of allowance and discounts of $1,699 in 2011 and $1,604 in 2010	23,335	18,482
Student loans — net of allowance of $895 in 2011 and $869 in 2010	11,676	12,384
Other	7,695	9,404
INVESTMENTS	235,296	197,202
RESTRICTED INVESTMENTS	5,000	2,344
BENEFICIAL INTEREST IN TRUSTS	14,601	11,434
PREPAID EXPENSES AND OTHER ASSETS	7,635	8,662
PROPERTY, PLANT, AND EQUIPMENT — Net	325,376	311,886
TOTAL	$ 750,173	$ 662,617
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	$ 39,775	$ 32,623
Asset retirement obligations	2,106	2,257
Liability under split-interest agreements	2,040	2,155
Liability under interest rate swap agreements	11,350	14,690
Deferred revenue	28,726	22,486
Federal student loan funds refundable	10,007	9,825
Bonds payable	162,595	167,470
Total liabilities	256,599	251,506
NET ASSETS:		
Unrestricted	290,073	239,738
Temporarily restricted	89,296	59,287
Permanently restricted	114,205	112,086
Total net assets	493,574	411,111
TOTAL	$ 750,173	$ 662,617

See notes to financial statements.

UNIVERSITY OF SAN FRANCISCO

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MAY 31, 2011
(In thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Tuition and fees	$ 291,768	$ -	$ -	$ 291,768
Grants and contracts	12,996			12,996
Investment income	1,282	2,856		4,138
Contributions	12,428	15,808	1,632	29,868
Net realized and unrealized gains on investments	7,231	24,205		31,436
Change in value of split-interest agreements		1,064	487	1,551
Change in value of interest rate swap agreements	269			269
Gain on extinguishment of debt	1,984			1,984
Auxiliary revenue	30,810			30,810
Other	3,547			3,547
Total revenues	362,315	43,933	2,119	408,367
Net assets released from restrictions	13,924	(13,924)		-
Total revenues and other support	376,239	30,009	2,119	408,367
EXPENSES — Program expenses:				
Instruction	126,535			126,535
Research	2,883			2,883
Public service	1,997			1,997
Academic support	25,895			25,895
Student services	30,631			30,631
Institutional support	39,185			39,185
Scholarships and fellowships	71,389			71,389
Auxiliary enterprises	27,389			27,389
Total expenses	325,904	-	-	325,904
INCREASE IN NET ASSETS	50,335	30,009	2,119	82,463
NET ASSETS — Beginning of year	239,738	59,287	112,086	411,111
NET ASSETS — End of year	$ 290,073	$ 89,296	$ 114,205	$ 493,574

See notes to financial statements.

UNIVERSITY OF SAN FRANCISCO

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MAY 31, 2010
(In thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Tuition and fees	$ 263,222	$ -	$ -	$ 263,222
Grants and contracts	12,318			12,318
Investment income	1,507	2,554		4,061
Contributions	4,666	7,973	2,147	14,786
Net realized and unrealized gains on investments	3,279	13,474	184	16,937
Change in value of split-interest agreements		847	363	1,210
Change in value of interest rate swap agreements	(1,196)			(1,196)
Auxiliary revenue	30,191			30,191
Other	4,934			4,934
Total revenues	318,921	24,848	2,694	346,463
Net assets released from restrictions	11,828	(11,828)		-
Total revenues and other support	330,749	13,020	2,694	346,463
EXPENSES — Program expenses:				
Instruction	115,032			115,032
Research	2,300			2,300
Public service	1,638			1,638
Academic support	25,650			25,650
Student services	28,054			28,054
Institutional support	40,030			40,030
Scholarships and fellowships	67,669			67,669
Auxiliary enterprises	28,321			28,321
Total expenses	308,694	-	-	308,694
INCREASE IN NET ASSETS	22,055	13,020	2,694	37,769
NET ASSETS — Beginning of year	217,683	46,267	109,392	373,342
NET ASSETS — End of year	$ 239,738	$ 59,287	$ 112,086	$ 411,111

See notes to financial statements.

UNIVERSITY OF SAN FRANCISCO

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2011 AND 2010
(In thousands)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 82,463	$ 37,769
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	15,001	15,500
Accretion of asset retirement obligation liability	(151)	47
Amortization of bond issuance costs	206	207
Provision for bad debt	935	927
Discount on contribution receivable	(37)	(258)
Forgiveness of employee notes	262	71
Net realized and unrealized gains on investments	(31,436)	(16,937)
Change in value of split-interest agreements	(1,482)	(1,130)
Change in value of interest rate swap agreements	(3,340)	1,196
Gain on extinguishment of debt	(1,984)	
Gain on disposal of assets	(39)	(5)
Contributions restricted for investment in endowment and plant	(16,202)	(7,896)
Gifts of investments	(2,767)	(3,042)
Changes in:		
Student accounts receivable	521	(1,794)
Contributions receivable	(4,947)	(162)
Other receivables	408	2,058
Prepaid expenses and other assets	(181)	(750)
Accounts payable and accrued liabilities	7,136	1,863
Liability under split-interest agreements	(115)	(80)
Deferred revenue	6,240	3,261
Net cash provided by operating activities	50,491	30,845
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant, and equipment	(29,055)	(13,817)
Proceeds from disposal of assets	39	5
Proceeds from sale of investments	46,804	63,942
Purchases of investments	(54,456)	(51,534)
Issuance of student loans	(740)	(783)
Student loan repayments	1,448	1,223
Issuance of employee notes	(191)	(385)
Employee notes repayments	1,230	471
Net cash used in investing activities	(34,921)	(878)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of bonds and notes payable	79,770	
Payments on bonds and notes payable	(81,039)	(4,260)
Premium on bonds payable	330	
Debt issuance costs	(950)	
Contributions restricted for investment in endowment and plant	16,202	7,896
Net change in federal student loan funds refundable	182	251
Net cash provided by financing activities	14,495	3,887
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,065	33,854
CASH AND CASH EQUIVALENTS — Beginning of year	82,299	48,445
CASH AND CASH EQUIVALENTS — End of year	$112,364	$ 82,299
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Interest paid	$ 6,042	$ 6,014
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES — Additions to property, plant, and equipment included in accounts payable and accrued liabilities	$ 2,767	$ 1,570

See notes to financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization — The University of San Francisco (the "University") was founded by the Society of Jesus in 1855. The University is committed to the highest standards of learning and scholarship in the American, Catholic, and Jesuit traditions. The University balances its primary commitment to the liberal arts and sciences with its dedication to educating for the professions.

Basis of Accounting — The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), which include the principles of not-for-profit accounting as defined by the Financial Accounting Standards Board (FASB). The accounting principles require that unconditional promises to give be recorded as receivables and revenues within the appropriate net asset category and that classification of net assets and its associated revenues, expenses, gains, and losses be divided into three categories, based on the existence or absence of externally imposed restrictions. Accordingly, net assets of the University are classified and defined as follows:

Unrestricted Net Assets — Unrestricted net assets are not subject to donor-imposed stipulations and are available to support the University's operating activities. Unrestricted net assets include temporarily restricted resources that become available for use by the University in accordance with the intentions of the donors. Unrestricted net assets may be designated for specific purposes by action of the board of trustees (the "Board") or by management.

Temporarily Restricted Net Assets — Temporarily restricted net assets are contributions whose use is limited by donor-imposed stipulations that will either expire with the passage of time or be fulfilled and removed by actions of the University pursuant to those stipulations.

Permanently Restricted Net Assets — Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the University. The earnings from these investments are primarily available to support activities of the University as designated by the donor.

Cash and Cash Equivalents — Cash and cash equivalents include cash on deposit, money market funds, fixed-income securities with a maturity of three months or less, and variable rate demand notes which have a put feature that allow the University to put the notes back to the issuer on the daily interest reset date.

Student Loans Receivable — Student loans receivable are principally funded through various federal programs. The allowance for uncollectible loans as of May 31, 2011 and 2010, totaled approximately $895,000 and $869,000, respectively, of which approximately $180,000 and $152,000, respectively, related to federally funded programs.

Investments — Investments represent a diversified portfolio of equity and fixed-income investments, private capital, real asset funds, hedge funds, life income, annuity, and trust funds, and real estate. Investments received through gifts are recorded at fair value on the date of donation.

Assets Held in Charitable Remainder Trusts and Liability to Beneficiaries of Trust Agreements — Assets held in charitable remainder trusts are recognized at fair value when irrevocable trusts naming the University as a beneficiary are executed. Additionally, charitable remainder trusts that name the University as trustee are executed with a corresponding liability to beneficiaries of trust agreements. Such liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. The University has determined such liability using investment returns consistent with the composition of investment portfolios, single or joint life expectancies from the 2000CM Internal Revenue Service (IRS) mortality table, and an average discount rate of 5.2%.

As of May 31, 2011 and 2010, investments in marketable securities include $1,941,000 and $2,357,000, respectively, in assets held by the University, as trustee, on which investment income is paid to designated beneficiaries until death, at which time the assets may be used by the University as designated by the donor. Liabilities to such beneficiaries of $818,000 and $1,062,000 are included in liability under split interest agreements as of May 31, 2011 and 2010, respectively. The University holds a beneficial interest in such trusts where the University is not the trustee which includes $12,684,000 and $9,658,000 as of May 31, 2011 and 2010, respectively.

Life Income, Annuity, and Trust Funds — Life income, annuity, and trust funds represent unconditional promises to give assets to the University upon the death of the designated beneficiaries, some of whom receive income on the assets until death. Such funds are recorded by the University at the actuarially determined present value, and the University has determined such liability using investment returns consistent with the composition of investment portfolios, single or joint life expectancies from the 2000CM IRS mortality table, and an average discount rate of 4.42%.

As of May 31, 2011 and 2010, investments in marketable securities include $2,429,000 and $2,013,000, respectively, in assets held by the University, as trustee, on which investment income is paid to designated beneficiaries until death, at which time the assets may be used by the University as designated by the donor. Liabilities to such beneficiaries of $1,222,000 and $1,093,000 are included in liability under split-interest agreements as of May 31, 2011 and 2010, respectively. The University holds a beneficial interest in such trusts where the University is not the trustee which includes $1,917,000 and $1,776,000 as of May 31, 2011 and 2010, respectively.

As of May 31, 2011 and 2010, investments include $303,000 and $300,000, respectively, in pooled income funds where the University is the trustee.

Prepaid Expenses and Other Assets — Prepaid expenses and other assets consist of prepaid rent, which is amortized over the lives of the respective leases, and bond issuance costs, which are amortized using the effective interest method. The unamortized bond issuance costs were $2,367,000 and $3,578,000 as of May 31, 2011 and 2010, respectively.

Property, Plant, and Equipment — Purchased assets are recorded at cost. Donated assets are recorded at fair value or appraised value on the date of donation. The carrying value of all long-lived assets is evaluated periodically to determine whether adjustment to the useful life or to the undepreciated balance is warranted. Depreciation begins in the year following the year in which the asset is placed in service and is recorded on the straight-line basis using the following useful lives:

Buildings and improvements	10–50 years
Furniture and equipment	3–10 years
Library books and collections	20–50 years

Medical Benefits — The University is self-insured for its employee medical benefits up to a stop-loss limit of $75,000 per individual and a 125% aggregate excess. As of May 31, 2011 and 2010, an estimated liability for payment of incurred and unpaid claims of $724,000 and $900,000, respectively is included in accrued liabilities.

Worker's Compensation — The University insures its workers' compensation benefits through a third-party insurer with a high deductible policy that contains a $250,000 per claim deductible. As of May 31, 2011 and 2010, an estimate of uninsured losses of $1,162,000 and $875,000, respectively has been included in accrued liabilities.

Deferred Revenue — Deferred revenue is recorded for tuition and fees assessed and billed in the current fiscal year that is applicable to subsequent years.

Derivative Financial Instruments — Derivative financial instruments are used by the University on a limited basis to manage interest rate risk associated with its tax-exempt bonds. Derivative financial instruments are recorded at their fair market value in the liabilities section in the accompanying statements of financial position (disclosed in Note 7). Changes in the underlying value of derivative financial instruments are recorded in change in value of interest rate swap agreements in the accompanying statements of activities and changes in net assets. The University does not enter into derivative contracts for the purpose of speculation.

Contributions — Contributions are recognized as revenue when they are received or unconditionally pledged. When a donor restriction on a contribution expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributions for which restrictions are met in the same period in which the unconditional pledge is received are recorded as unrestricted revenue. Contributions of cash and other assets restricted to acquiring long-lived assets are recorded as unrestricted revenue or as released from restrictions when the capital expenditure is incurred. Contributions receivable are recorded at the present value of expected future cash flows, discounted using a risk-free interest rate. In-kind gifts, such as donated materials, supplies, or other nonfinancial assets, are recorded as assets and at fair value on the date of the gift. Conditional promises to give are not included as revenue until the conditions are substantially met.

Scholarships and Fellowships — Scholarships and fellowships granted are recorded as expenditures in the applicable school year.

Functional Expense Allocations — Depreciation, interest, and operation and maintenance of plant expenses are allocated among program and supporting services based on allocation methods (including square footage) and estimates made by the University's management.

Fair Value of Financial Instruments — The fair value of an investment is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date (i.e., the exit price). For cash and cash equivalents, student accounts and other receivables, accounts payable and accrued liabilities, the carrying amounts approximate fair value because of the short maturity of these financial instruments.

Investments are reflected in the accompanying statements of financial position at their fair value as allowed under generally accepted accounting principles. Investment fair value is discussed further in Note 5.

Contributions receivable and beneficial interest in trusts approximate fair value because such assets are recorded at estimated net present value based on anticipated future cash flows. The fair value of bonds payable and interest rate swap agreements (disclosed in Note 7) is determined based on the University's discounted cash flow analysis and comparison with similar financial instruments in the marketplace having similar interest rate and maturity structures. Given the significant restrictions, varying interest rates, and repayment terms on student loans receivable and federal student loan funds, it is not practicable to estimate the fair value of such amounts.

Tax-Exempt Status — The University is a nonprofit corporation that qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related activities. The University is, however, subject to federal and state income tax on unrelated business income and appropriate provision for any such taxes is included in the accompanying financial statements.

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

New Accounting Pronouncements — In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, which, among other things, amends ASC 820 to require entities to separately present purchases, sales, issuances, and settlements in their reconciliation of Level III fair value measurements (i.e., to present such items on a gross basis rather than on a net basis), and which clarifies existing disclosure requirements provided by ASC 820 regarding the level of disaggregation and the inputs and valuation techniques used to measure fair value for measurements that fall within either Level II or Level III of the fair value hierarchy. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level III fair value measurements (which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years). The University is currently assessing the impact that the adoption of ASU 2010-06 will have on the University's financial statements.

2. ASSET RETIREMENT OBLIGATION

Certain assets of the University contain asbestos. Although the asbestos is properly contained, in accordance with current environmental regulations, the University's practice is to remediate asbestos whenever substantial renovations to University assets occur. The University determined that certain assets recorded within property, plant, and equipment meet the criteria for recording a liability under the accounting guidance.

As of May 31, 2011 and 2010, the University incurred accretion expense of $(151,000) and $47,000, respectively. During the years ended May 31, 2011 and 2010, the University incurred abatement costs of $137,000 and $83,000, respectively.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of May 31, 2011 and 2010, consist of amounts expected to be collected in:

	2011	2010
Less than one year	$ 7,399,000	$ 7,222,000
One to five years	14,010,000	8,639,000
More than five years	3,625,000	4,225,000
Total	25,034,000	20,086,000
Less allowance for uncollectible contributions	(950,000)	(818,000)
Less unamortized discount	(749,000)	(786,000)
	(1,699,000)	(1,604,000)
Contributions receivable — net	$23,335,000	$18,482,000

4. INVESTMENTS

Investments as of May 31, 2011 and 2010, consist of the following:

	2011	2010
Equity securities and high-yield bond funds	$ 68,155,000	$ 53,788,000
Fixed-income investments	36,017,000	32,034,000
Short-term investments	32,000	177,000
Other investment fund	11,996,000	9,400,000
Real estate	14,082,000	12,474,000
Auction rate securities	2,354,000	4,805,000
Alternative investments:		
Private capital	50,004,000	44,203,000
Real asset funds	10,860,000	7,211,000
Hedge funds	41,796,000	33,110,000
Total	$235,296,000	$197,202,000

Restricted investments of $5,000,000 as of May 31, 2011 include bond proceeds restricted to finance the acquisition, construction, renovation, remodeling, and equipping of certain educational facilities and were invested in fixed income mutual funds.

Restricted investments of $2,344,000 as of May 31, 2010 include funds held in reserve for future payments of bond interest and principal. As a result of a downgrade in the insurer's credit rating and in accordance with the requirements of the bond indenture dated May 1, 1996, the University funded the reserve account in the amount of $2,187,000 during the year ended May 31, 2010. Restricted reserves were $2,344,000 as of May 31, 2010.

5. FAIR VALUE MEASUREMENTS

Fair Value Measurements — The University is subject to accounting principles which define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements. The accounting principles also establish a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories. The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the University's perceived risk of that investment.

Level I — Quoted prices are available in active markets for identical investments as of the reporting date. This category includes active exchange-traded money market funds, fixed income investments, equity securities, and short-term investments.

Level II — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. This category includes hedge funds, fixed income investments and a private investment fund. Fair values for these investments are estimated by the University using valuation methodologies that consider a range of factors, including, but not limited to, trading values on public exchanges for comparable securities, interest rates, and net asset value per share.

Level III — Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. At May 31, 2011 and 2010, the University's Level III investment holdings were valued at $105,421,000 (14% of total assets) and $88,248,000 (13% of total assets), respectively, whose values have been estimated by the management of the University in the absence of readily ascertainable market values. Fair values for these investments are estimated by the University using valuation methodologies that consider a range of factors, including, but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, financial condition, and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant judgment by the University. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The University's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The University uses the net asset value as a practical expedient to determine the fair value of all 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.

The financial assets and liabilities carried on the statements of financial position by level within the valuation hierarchy as of May 31, 2011 and 2010, are as follows:

	Fair Value Measurements 2011			
	Level I	**Level II**	**Level III**	**Total**
Assets — cash equivalents	$ 74,211,000	$ 18,790,000	$ -	$ 93,001,000
Equity securities and high-yield bond funds	$ 68,155,000	$ -	$ -	$ 68,155,000
Fixed income investments	34,609,000	1,408,000		36,017,000
Short-term investments	32,000			32,000
Other investment fund		11,996,000		11,996,000
Real estate			14,082,000	14,082,000
Auction rate securities			2,354,000	2,354,000
Alternative investments:				
Private capital			50,004,000	50,004,000
Real asset funds			10,860,000	10,860,000
Hedge funds		13,675,000	28,121,000	41,796,000
Total investments	$ 102,796,000	$ 27,079,000	$ 105,421,000	$ 235,296,000
Total restricted investments	$ 5,000,000	$ -	$ -	$ 5,000,000
Liabilities — interest rate swap agreements	$ -	$ 11,350,000	$ -	$ 11,350,000

	Fair Value Measurements 2010			
	Level I	**Level II**	**Level III**	**Total**
Assets — cash equivalents	$ 61,403,000	$ 16,815,000	$ -	$ 78,218,000
Equity securities and high-yield bond funds	$ 53,788,000	$ -	$ -	$ 53,788,000
Fixed income investments	30,626,000	1,408,000		32,034,000
Short-term investments	177,000			177,000
Other investment fund		9,400,000		9,400,000
Real estate			12,474,000	12,474,000
Auction rate securities			4,805,000	4,805,000
Alternative investments:				
Private capital			44,203,000	44,203,000
Real asset funds			7,211,000	7,211,000
Hedge funds		13,555,000	19,555,000	33,110,000
Total investments	$ 84,591,000	$ 24,363,000	$ 88,248,000	$ 197,202,000
Total restricted investments	$ 2,344,000	$ -	$ -	$ 2,344,000
Liabilities — interest rate swap agreements	$ -	$ 14,690,000	$ -	$ 14,690,000

The changes in investments classified as Level III are as follows for the years ended May 31, 2011 and 2010:

	2011					
	Real Estate	Auction Rate Securities	Private Capital	Real Asset Funds	Hedge Funds	Total
Balance — June 1	$12,474,000	$ 4,805,000	$44,203,000	$ 7,211,000	$19,555,000	$ 88,248,000
Total realized and unrealized gains (losses)	(1,104,000)	549,000	5,131,000	904,000	1,727,000	7,207,000
Purchases (sales) — net	2,712,000	(3,000,000)	670,000	2,745,000	6,839,000	9,966,000
Balance — May 31	$14,082,000	$ 2,354,000	$50,004,000	$10,860,000	$28,121,000	$105,421,000
Change in unrealized gains (losses) included in the changes in net assets relating to Level III investments still held at May 31	$ (1,104,000)	$ 376,000	$ 5,132,000	$ 904,000	$ 3,841,000	$ 9,149,000

	2010
Balance — June 1	$ 84,139,000
Total realized and unrealized gains (losses)	2,449,000
Transfers in and/or out of Level III	(13,555,000)
Purchases (sales) — net	15,215,000
Balance — May 31	$ 88,248,000
Change in unrealized gains (losses) included in the changes in net assets relating to Level III investments still held at May 31	$ 2,412,000

Total realized and unrealized gains and losses recorded for Level III investments are reported in "Net realized and unrealized gains on investments" in the statements of activities and changes in net assets.

Investment Strategy and Redemption Information — The following table summarizes the investment strategy types and various features of the University's alternative investments as of May 31, 2011 and 2010. The University has commitments under some of the associated investment agreements to make additional capital contributions as noted.

2011

		Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Level II	Hedge funds	$ 13,675,000	$ -	Semimonthly, quarterly	1–90 days
Level III	Private capital	50,004,000	15,873,000		
	Real asset funds	10,860,000	5,690,000		
	Hedge funds	28,121,000		Quarterly, annually, over 3 years	60–120 days

2010

		Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Level II	Hedge funds	$ 13,555,000	$ -	Semimonthly, quarterly	1–90 days
Level III	Private capital	44,203,000	21,615,000		
	Real asset funds	7,211,000	7,246,000		
	Hedge funds	19,555,000		Quarterly, annually, over 3 years	60–120 days

The hedge fund category includes both long/short and absolute return strategies. The long/short hedge funds invest both long and short in global equity securities. The funds have the ability to shift investment strategies. The absolute return hedge funds pursue multiple strategies to diversify risk and reduce volatility. The goal of these vehicles is to achieve a positive return regardless of the directions of the broad credit and equity markets. These types of funds also have the ability to shift investment strategies. Investments in the hedge fund category can generally be redeemed on a quarterly basis, with 1 to 120 days' notice. However, the managers may impose gates or disallow redemptions at their discretion. The fair values of the investments in this category have been determined using the net asset value per share of the investment funds.

The private capital category includes funds that invest in a broad range of public and privately owned domestic and foreign companies. These funds are structured as partnerships in which the University is a limited partner, and each involves a commitment to invest a maximum dollar amount over the term of the partnership. The investment managers request, or "call" the funds from the general and limited partners over the term of the partnership as individual investment opportunities are identified. Therefore, there is a period of time for each of these funds during which the committed amount is not yet invested, or "called." These investments cannot be redeemed. Distributions are received when the underlying assets of the funds are liquidated. The investment periods for these funds typically range from five to six years, with the goal of liquidating the entire fund within 10 years. If necessary, funds can typically extend their time to liquidate by two additional years in accordance with the terms of the partnership agreement. The University expects the underlying assets within this category will be liquidated over the next 12 years, which includes likely extension agreements. The fair values of the investments in this category have been determined using the University's ownership interest in partners' capital to which a proportionate share of net assets is attributed as of the most recent quarter-end, adjusted for cash transactions and estimated valuation changes of similar publicly traded asset portfolios through the University's fiscal year-end.

The private capital category includes venture capital, private debt, buyout, and multistrategy funds and fund-of-funds. Venture capital funds represent approximately 46% of the private capital category. These venture capital funds invest in small domestic and foreign companies in the technology or life sciences sector. Private debt funds, which consist mainly of distressed debt and mezzanine debt funds that invest in both domestic and foreign companies, represent approximately 21% of the private capital category. Buyout funds, which represent approximately 16% of the category, invest in small-, mid-, or large-cap companies across a range of industries. The remaining balance of the category consists of multistrategy funds and fund-of-funds that invest in a mix of domestic and foreign venture capital and private equity funds across a range of industries.

The real asset category consists of investments in real estate funds and natural resource funds. The University's portfolio of real estate funds is diversified between commercial and residential properties and is diversified geographically. The natural resource funds are invested mainly in the energy sector. All of the real asset funds are structured as partnerships in which the University is a limited partner. Similar to the University's private capital investments, these investments cannot be redeemed. Distributions are received when the underlying assets of the funds are liquidated. The University expects the underlying assets within this category will be liquidated over the next 10 years, which includes likely extension agreements. The fair values of the real estate funds and natural resource funds have been determined using the University's ownership interest in the partners' capital to which a proportionate share of net assets is attributed as of the most recent quarter-end, adjusted for cash transactions and estimated valuation changes of similar publicly traded asset portfolios through the University's fiscal year-end.

6. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of May 31, 2011 and 2010, consist of the following:

	2011	2010
Land and land improvements	$ 16,271,000	$ 14,278,000
Buildings and improvements	312,715,000	299,398,000
Furniture and equipment	53,232,000	53,559,000
Library books and collections	66,706,000	63,532,000
Construction in progress	17,099,000	12,895,000
Property, plant, and equipment — total	466,023,000	443,662,000
Less accumulated depreciation	(140,647,000)	(131,776,000)
Property, plant, and equipment — net	$ 325,376,000	$ 311,886,000

7. BONDS PAYABLE

Bonds payable consist of tax-exempt borrowings issued through the California Educational Facilities Authority ("CEFA") in the form of either fixed rate or variable rate revenue bonds. The University has issued CEFA revenue bonds to finance the construction, renovation, and equipping of certain educational facilities; to pay certain costs of issuance; and to refund or defease prior bond issues. Bonds payable as of May 31, 2011 and 2010, consist of the following:

	2011	2010
California Educational Facilities Authority (CEFA) Revenue Bonds:		
CEFA Series 2011; fixed interest rates from 3.0% to 6.125%, principal due annually beginning October 1, 2011, and applicable interest due semiannually in varying amounts through 2036; secured by the University	$ 79,770,000	$ -
CEFA Series 2006; variable interest rate, principal due annually beginning October 1, 2007, and applicable interest due weekly in varying amounts through 2036; defeased February 16, 2011; fully insured as to principal and interest		56,300,000
CEFA Series 2005A; variable interest rate, principal due annually beginning October 1, 2005, and applicable interest due weekly in varying amounts through 2026; defeased February 16, 2011; fully insured as to principal and interest		22,610,000
CEFA Series 2005B; variable interest rate, principal due annually beginning October 1, 2007, and applicable interest due monthly in varying amounts through 2035; secured by a letter of credit issued by JPMorgan Chase	27,100,000	27,200,000
CEFA Series 2003; variable interest rate, principal due annually beginning May 31, 2004, and applicable interest due monthly in varying amounts through 2033; secured by a letter of credit issued by JPMorgan Chase	34,500,000	35,500,000
CEFA Series 2000; variable interest rate, first principal payment due on June 1, 2004, then due annually beginning May 1, 2005 through 2030, and applicable interest due monthly in varying amounts through 2030; secured by a letter of credit issued by JPMorgan Chase	20,900,000	21,600,000
CEFA Series 1996; interest rates from 3.70% to 6.25%, principal due annually on October 1, and applicable interest due semiannually in varying amounts through 2011 (initial maturity 2026); fully insured as to principal and interest		4,260,000
Net unamortized premium on bonds payable	325,000	
Total	$ 162,595,000	$ 167,470,000

Aggregate annual maturities of long-term indebtedness for the fiscal year ended May 31, 2011, are as follows:

Years Ending May 31	
2012	$ 3,570,000
2013	3,875,000
2014	3,885,000
2015	4,255,000
2016	4,465,000
Thereafter	142,220,000
Total	$ 162,270,000

On February 16, 2011, the University issued $79,770,000 in fixed rate Revenue Bonds (the "Series 2011 Bonds") through CEFA for the purpose of refunding $74,379,000 of the University's outstanding Series 2005A and 2006 Bonds; to finance the construction, renovation, remodeling, and equipping of certain educational facilities; and to pay certain costs of issuance of the Series 2011 Bonds. The new bonds were issued at par of $79,770,000, plus a net premium of $325,000. The Series 2011 Bonds consist of serial bonds that mature through 2021 and term bonds that are subject to redemption prior to their stated maturity in part from Mandatory Sinking Account Payments beginning on October 1, 2027, and continuing through the October 1, 2036 maturity date. The University recognized a $1,984,000 gain on the refunding of the Series 2005A and 2006 Bonds.

In conjunction with the issuance of the Series 2011 Bonds, the University restructured the security for all of its debt, creating a parity debt structure comprised of a pledge of gross unrestricted revenues and a negative pledge on certain buildings and improvements located on the University's main campus.

Effective December 21, 2010, the University legally defeased its Series 1996 Bonds by depositing $2,315,000 in an escrow fund, which will be held in trust for the benefit of the 1996 bondholders until the Series 1996 Bonds mature on October 1, 2011.

The University utilizes interest rate swap agreements to mitigate the risk of changes in interest rates associated with variable interest rate indebtedness. Under the terms of the agreements, the University pays fixed rates ranging from 3.34% to 3.95% to the swap counterparty in exchange for a variable rate ranging from 64% to 67% of 1-month LIBOR on the notional amount. These swap agreements do not qualify as cash flow hedges, and as a result, changes in the fair value of the interest rate swap agreements during a period are recognized immediately in change in unrestricted net assets. The fair value of the interest rate swap agreements are based on quotes from the market makers and, therefore, are classified as Level II in the fair value hierarchy as shown in Note 5.

As of May 31, 2011 and 2010, the fair values of derivatives consisted of the following:

	Statements of Financial Position Location	Fair Value	
		2011	2010
Interest rate swap agreements	Liability under interest rate swap agreements	$ 11,350,000	$ 14,690,000
Total		$ 11,350,000	$ 14,690,000

Amounts reflected in net realized and unrealized losses on swap agreements for the years ended May 31, 2011 and 2010, were as follows:

	Statements of Activities and Changes in Net Assets Location	Realized and Unrealized Gains (Losses)	
		2011	2010
Interest rate swap agreements	Change in value of interest rate swap agreements	$ 269,000	$ (1,196,000)
Total		$ 269,000	$ (1,196,000)

On February 4, 2011, the University terminated one of its swap agreements and modified the terms of two other agreements, which resulted in the recognition of a $3,071,000 realized loss. As of May 31, 2011, the change in value of interest rate swap agreements resulted in an unrealized gain of $3,340,000.

The effective interest rate on the University's long-term indebtedness was 4.47% and 3.54% as of May 31, 2011 and 2010, respectively.

Interest in the amount of $189,000 and $0 was capitalized in conjunction with construction projects for the years ended May 31, 2011 and 2010, respectively.

The CEFA agreements require compliance with various debt covenants and financial ratios. As of May 31, 2011, the University believes it was in compliance with the required financial covenants. The fair value of the CEFA bonds at May 31, 2011 and 2010, was approximately $164,866,000 and $163,186,000, respectively.

In addition, during the year ended May 31, 2010, the University had an unsecured line of credit of $12,000,000, bearing interest at LIBOR plus one percentage point. Further, the line of credit contained an unused commitment fee that was calculated at 0.5% per year on any difference between the commitment amount and the amount of credit used. The line of credit expired on December 31, 2009.

8. ENDOWMENTS

The University's endowment fund consists of individual donor-restricted endowment funds and funds designated by the University's Board to function as endowments. The net assets associated with endowment funds, including those funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2008. The Board has interpreted the adopted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of 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 approved for appropriation for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate endowment funds:

a. The duration and preservation of the fund
b. The purposes of the University and the donor-restricted endowment fund
c. General economic conditions
d. The possible effect of inflation and deflation
e. The expected total return from income and appreciation of investments
f. Other resources of the University
g. The investment policies of the University

Where the Board designates unrestricted funds to function as endowments, they are classified as Board-designated endowments and are included within unrestricted net assets.

The following table presents the University's endowment composition as of May 31, 2011 and 2010, by type of fund:

	2011			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment fund	$ -	$ 57,255,000	$ 107,064,000	$ 164,319,000
Board-designated endowment fund	46,941,000			46,941,000
Total funds	$ 46,941,000	$ 57,255,000	$ 107,064,000	$ 211,260,000

	2010			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment fund	$ -	$ 38,958,000	$ 104,045,000	$ 143,003,000
Board-designated endowment fund	37,180,000			37,180,000
Total funds	$ 37,180,000	$ 38,958,000	$ 104,045,000	$ 180,183,000

The changes in the University's endowments for the year ended May 31, 2011 and 2010, are as follows:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets — June 1, 2010	$ 37,180,000	$ 38,958,000	$ 104,045,000	$ 180,183,000
Investment income	924,000	2,856,000		3,780,000
Investment expense	(1,006,000)			(1,006,000)
Net realized and unrealized gains on investments	7,774,000	24,039,000		31,813,000
Additions (withdrawals) to investment pool — net	81,000	(232,000)	3,019,000	2,868,000
Appropriation of endowment assets for expenditure	(1,116,000)	(5,262,000)		(6,378,000)
Transfer for underwater endowments	3,104,000	(3,104,000)		-
Endowment net assets — May 31, 2011	$ 46,941,000	$ 57,255,000	$ 107,064,000	$ 211,260,000

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets — June 1, 2009	$ 26,216,000	$ 30,198,000	$ 99,297,000	$ 155,711,000
Investment income	541,000	2,554,000		3,095,000
Investment expense	(995,000)			(995,000)
Net realized and unrealized gains on investments	2,907,000	13,719,000		16,626,000
Additions to investment pool	6,516,000	192,000	4,748,000	11,456,000
Appropriation of endowment assets for expenditure	(865,000)	(4,845,000)		(5,710,000)
Transfer for underwater endowments	2,860,000	(2,860,000)		-
Endowment net assets — May 31, 2010	$ 37,180,000	$ 38,958,000	$ 104,045,000	$ 180,183,000

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets as of May 31, 2011 and 2010, is as follows:

Permanently Restricted Net Assets	**2011**	**2010**
The portion of permanently restricted net assets not participating in the investment pool that is required to be retained permanently by explicit donor stipulation or UPMIFA	$ 7,141,000	$ 8,041,000
The portion of permanently restricted net assets participating in the investment pool that is required to be retained permanently by explicit donor stipulation or UPMIFA	107,064,000	104,045,000
Total permanently restricted net assets	$ 114,205,000	$ 112,086,000
Temporarily Restricted Net Assets		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA	$ 57,255,000	$ 38,958,000
The portion of perpetual endowment funds subject to a time restriction under UPMIFA not participating in the investment pool	56,000	
Total accumulated appreciation of permanently restricted funds not appropriated for expenditure	$ 57,311,000	$ 38,958,000

Endowment Funds with Deficits — From time to time, the fair value of assets associated with individual donor endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When individual donor endowments decline, temporarily restricted net assets are reduced up to the fair value of the original gift. Further reductions in the fair value of the individual donor endowment are classified as a reduction of unrestricted net assets. Such deficits resulted from unfavorable market and authorized appropriations and expenditures that were deemed prudent. The annual appropriation for endowment funds with deficits is returned to corpus rather than released for spending. Deficits of this nature reported in unrestricted net assets totaled $325,000 and $3,430,000 as of May 31, 2011 and 2010, respectively. Future appreciation of the donor endowment restores the value to the original required level.

Return Objectives and Risk Parameters — The University has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of 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, endowment assets are invested in a manner that is intended to yield an annual long-term rate of return of the Consumer Price Index plus 4.5% net of management fees, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment 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).

Relationship of Spending Policy to Investment Objectives — The spending policy of the fund includes both the funds available for appropriation, as well as the expenses of managing the fund. In determining the spending policy for the fund, the University took into consideration the needs of the University for current income, as well as the goal of providing a perpetual source of income to the University that will grow at least at the rate of inflation. For planning purposes, the target spending policy is 4.5% of the market value of the fund. Market value, for the purpose of calculating the spending policy, is the three-year moving average of the market value of the fund as of December 31 of each year. Funds identified for appropriation will be distributed once a year following the fiscal year-end. In addition, the Board may, in response to changing economic circumstances, raise or lower the percentage to be distributed in any given year.

Permanently Restricted Net Assets not Participating in the Investment Pool — Permanently restricted net assets not invested in the investment pool include investments in trusts and beneficial interests in trusts where the University is both the trustee and where the University is not the trustee. Permanently restricted net assets not invested in the investment pool also include donor-restricted contributions receivable.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of May 31, 2011 and 2010, are restricted to the following:

	2011	2010
Acquisition of property, plant, and equipment	$ 16,996,000	$ 5,762,000
Accumulated appreciation of endowment funds not appropriated for expenditure	57,311,000	38,958,000
Passage of time	14,695,000	14,317,000
Scholarship and departmental programs	294,000	250,000
Total	$ 89,296,000	$ 59,287,000

Net assets released from restrictions during the years ended May 31, 2011 and 2010, were as follows:

	2011	2010
Purpose restrictions accomplished:		
Renovation of University facilities	$ 4,604,000	$ 3,748,000
Scholarship, departmental, and other programs	56,000	
Time restrictions expired	898,000	375,000
Endowment appropriation for spending	5,262,000	4,845,000
Transfer for endowments with deficits	3,104,000	2,860,000
Total	$ 13,924,000	$ 11,828,000

10. RELATED-PARTY TRANSACTIONS

In 1970, The Jesuit Community of the University of San Francisco (the Community), a corporation, became an entity separate from the University. However, certain relationships are of continuing significance.

Members of the Community serve on the University faculty and administration under individual contracts. Salaries are paid in total to the Community and were approximately $1,460,000 and $1,372,000 for the years ended May 31, 2011 and 2010, respectively. In the opinion of the University's management, such salaries are comparable to those of other University employees. Additionally, at May 31, 2011 and 2010, the University had accounts receivable balances of $73,000 and $117,000, respectively, included in other receivables, from the Community for miscellaneous charges. Members of the Community occupied housing facilities recorded at historical cost of $10,512,000 at May 31, 2011 and 2010, respectively ($8,193,000 net book value at May 31, 2011, and $8,403,000 net book value at May 31, 2010).

The University holds secured and unsecured notes receivable from employees for housing assistance. These notes bear interest at a range of 0%–7% and mature at various dates. At May 31, 2011 and 2010, the balance of these notes receivable was $2,145,000 and $3,446,000, respectively, and is included in other receivables on the statements of financial position.

During the year ended May 31, 2011, the University purchased property from an employee for a third-party appraised value of approximately $1,450,000.

The University has an investment in eight limited partnership agreements in which a trustee or trustee emeritus is a partner. These transactions were approved by the Board. As of May 31, 2011 and 2010, the University had contributed approximately $12,273,000 and $10,701,000, respectively, to such partnerships, which are included in private capital as of May 31, 2011 and 2010, the University had committed to make additional capital contributions of approximately $3,327,000 and $4,899,000, respectively.

11. RETIREMENT BENEFITS

Substantially all nontemporary full-time employees of the University are covered under a 401(a) defined contribution retirement plan (the "Plan") administered by the Teachers' Insurance and Annuity Association — College Retirement Equities Fund. The Plan requires the University to contribute 10% of employees' base salary below the Social Security wage base and 12% on the amount above the Social Security wage base to the Plan. Total retirement expense under the Plan was $9,809,000 and $9,431,000 for the years ended May 31, 2011 and 2010, respectively, which is net of total forfeitures under the Plan of $299,000 and $333,000 for the years ended May 31, 2011 and 2010, respectively. There are no employee-matching requirements under the Plan. In addition to the Plan, substantially all employees are eligible to participate in a voluntary 403(b) defined contribution plan. There are no University contribution requirements under this plan.

12. COMMITMENTS AND CONTINGENCIES

The University has entered into 43 limited partnership arrangements for investment purposes, whereby the University has committed to make capital contributions to the partnerships of $91,475,000. This commitment includes the related-party commitment of $15,600,000 as discussed in Note 10. As of May 31, 2011 and 2010, the University had contributed approximately $69,912,000 and $60,614,000, respectively, to the partnerships.

The University has various purchase commitments totaling $42,721,000 at May 31, 2011, related primarily to construction contracts.

The University has a purchase commitment to purchase natural gas from Constellation Energy Services. The purchase commitment meets the definition of a derivative and qualifies as a derivative. Due to the repricing provisions of the commitment, management believes that no material value would be associated with the purchase commitment as of May 31, 2011 and 2010.

The University is also contingently liable in connection with claims, matters subject to arbitration, and contracts arising in the normal course of its activities. In addition, the University receives funds from various federal and state government-funded programs, including loan funds, which are subject to audit by cognizant governmental agencies. The University is also subject to audit by other government agencies. Management is of the opinion that the ultimate outcome of such matters will not have a significant effect on the financial position of the University.

The University leases certain educational facilities under noncancelable operating leases. Future minimum lease payments for all noncancelable operating leases in excess of one year as of May 31, 2011, for the next five years are as follows:

Years Ending May 31	
2012	$ 1,303,000
2013	1,247,000
2014	1,250,000
2015	1,187,000
2016	1,026,000
Thereafter	3,203,000
Total	$ 9,216,000

Rent expense was $2,714,000 and $2,863,000 for the years ended May 31, 2011 and 2010, respectively.

13. SUBSEQUENT EVENTS

On August 23, 2011 the University acquired a building at 101 Howard Street in San Francisco, CA at the purchase price of $36,500,000, using available cash on hand. The University plans to secure permanent financing for this acquisition. Management evaluated subsequent events through September 26, 2011, the date the financial statements were available to be issued.

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