Fairleigh Dickinson University

Consolidated Financial Statements

June 30, 2010 and 2009

Fairleigh Dickinson University
Index
June 30, 2010 and 2009

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Report of Independent Auditors

To the Board of Trustees
Fairleigh Dickinson University

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of Fairleigh Dickinson University (the "University") as of June 30, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes 1 and 9 to these consolidated financial statements, the University adopted *Fair Value Measurements,* and *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures of All Endowment Funds,* as of July 1, 2008.

PricewaterhouseCoopers LLP

September 27, 2010

Fairleigh Dickinson University
Consolidated Statements of Financial Position
June 30, 2010 and 2009

(in thousands)	**2010**	**2009**
Assets		
Cash and cash equivalents	$ 45,016	$ 41,522
Restricted cash and cash equivalents	8,123	7,843
Student accounts receivable, net of allowance for doubtful accounts of $12,995 and $11,674 in 2010 and 2009, respectively	7,628	7,351
Accounts receivable and other current assets	3,029	2,496
Contributions receivable, net	8,111	7,815
Student loans receivable, net of allowance for doubtful accounts of $2,457 and $2,254 in 2010 and 2009, respectively	7,262	7,396
Investments, at fair value	33,367	31,046
Deferred bond issuance costs	3,121	3,250
Property, plant and equipment, net	155,930	153,546
Total assets	$ 271,587	$ 262,265
Liabilities		
Accounts payable and accrued liabilities	$ 14,076	$ 16,614
Accrued salaries and liabilities for compensated absences	5,360	5,799
Deferred tuition revenues	2,845	2,553
U.S. government grants refundable	7,981	7,843
Long-term debt	107,181	110,861
Long-term liabilities		
Post-retirement benefits liability	23,123	21,053
Asset retirement obligations	6,372	6,071
Other	5,000	5,574
Total liabilities	171,938	176,368
Net Assets		
Unrestricted	64,310	53,034
Temporarily restricted	21,215	19,786
Permanently restricted	14,124	13,077
Total net assets	99,649	85,897
Total liabilities and net assets	$ 271,587	$ 262,265

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

Fairleigh Dickinson University
Consolidated Statements of Activities
Years Ended June 30, 2010 and 2009

(in thousands) **Operating Revenues**	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total
Tuition and fees	$ 206,702	$ -	$ -	$ 206,702	$ 192,645	$ -	$ -	$ 192,645
Less: Scholarships, tuition grants and aid	(56,412)			(56,412)	(49,397)			(49,397)
Net tuition and fees	150,290			150,290	143,248			143,248
Contributions	2,576	802		3,378	3,064	1,122		4,186
New Jersey State aid	2,796			2,796	3,141			3,141
Contracts and grants	3,654	-		3,654	3,117	2		3,119
Investment return - spending rate and other	1,424	83		1,507	1,537	53		1,590
Other sources	4,255	79		4,334	3,886	34		3,920
Auxiliary enterprises, net of scholarships, tuition grants and aid	26,005			26,005	23,935			23,935
Total revenues and gains	191,000	964		191,964	181,928	1,211		183,139
Net assets released from restrictions	726	(726)			561	(561)		
Total operating revenues, gains and other support	191,726	238		191,964	182,489	650		183,139
Expenses								
Educational and general								
Instruction	67,409			67,409	65,068			65,068
Research	254			254	297			297
Academic support	30,142			30,142	29,351			29,351
Student services	33,393			33,393	31,524			31,524
Institutional support	26,355			26,355	26,974			26,974
Other	386			386	137			137
Total educational and general expenses	157,939			157,939	153,351			153,351
Auxiliary enterprises	21,480			21,480	21,164			21,164
Total expenses and losses	179,419	-		179,419	174,515	-		174,515
Increase in net assets from operating activities	12,307	238		12,545	7,974	650		8,624
Nonoperating								
Contributions		164	1,020	1,184		57	625	682
Change in fair value of interests in split-interest agreements		413		413		(837)		(837)
Write-off of construction costs	(1,051)			(1,051)				
Investment return (loss) in excess of endowment spending amount	823	740	27	1,590	(2,821)	(2,778)	47	(5,552)
Pension-related changes other than net periodic pension cost	(929)			(929)	497			497
Net assets released from restrictions	126	(126)		-	1,196	(1,196)		
(Decrease) increase in net assets from nonoperating activities	(1,031)	1,191	1,047	1,207	(1,128)	(4,754)	672	(5,210)
Increase (decrease) in net assets before cumulative effect of change in accounting principles	11,276	1,429	1,047	13,752	6,846	(4,104)	672	3,414
Effect of adoption - UPMIFA	-				(2,668)	2,668		
Increase (decrease) in net assets	11,276	1,429	1,047	13,752	4,178	(1,436)	672	3,414
Net assets								
Beginning of year	53,034	19,786	13,077	85,897	48,856	21,222	12,405	82,483
End of year	$ 64,310	$ 21,215	$ 14,124	$ 99,649	$ 53,034	$ 19,786	$ 13,077	$ 85,897

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

Fairleigh Dickinson University
Consolidated Statements of Cash Flows
Years Ended June 30, 2010 and 2009

(in thousands)	**2010**	**2009**
Cash flows from operating activities		
Increase in net assets	$ 13,752	$ 3,414
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities		
Depreciation and amortization	7,327	6,996
Write-off of construction costs	1,051	
Provision for losses on student accounts receivable	1,715	1,375
Provision for losses on student loans receivable	203	(322)
Gifts and donations permanently restricted and for capital improvements	(1,392)	(885)
Net unrealized and realized depreciation on investments	(2,224)	5,042
Pension related changes other than net periodic pension cost	929	(497)
Changes in operating assets and liabilities:		
Student accounts receivable	(1,992)	(2,259)
Accounts receivable and other current assets	(533)	(423)
Contributions receivable	(98)	983
Accounts payable and accrued liabilities	(1,189)	1,136
Accrued salaries and liabilities for compensated absences	(439)	672
Deferred tuition revenues	292	271
Post-retirement benefits liability	1,141	984
Other liabilities	(574)	1,001
Net cash provided by operating activities	17,969	17,488
Cash flows from investing activities		
(Increase) decrease in restricted cash and cash equivalents	(280)	254
Proceeds from student loans collections	987	923
Student loans issued	(1,056)	(1,005)
Proceeds from sale of investments	8,421	12,760
Purchases of investments	(8,518)	(14,510)
Purchases of property, plant and equipment - net	(11,647)	(9,324)
Net cash used in investing activities	(12,093)	(10,902)
Cash flows from financing activities		
Gifts and donations permanently restricted and for capital improvements	1,194	1,193
Principal payments of debt	(3,714)	(4,358)
Increase (decrease) in U.S. Government grants refundable	138	(61)
Net cash used in financing activities	(2,382)	(3,226)
Net increase in cash and cash equivalents	3,494	3,360
Cash and cash equivalents		
Beginning of year	41,522	38,162
End of year	$ 45,016	$ 41,522
Supplemental information		
Interest paid	$ 5,822	$ 5,987
Non-cash gifts-in-kind	$ 456	$ 207
Property, plant and equipment obligations incurred	$ 233	$ 1,582

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

(Amounts in thousands)

1. Organization and Summary of Significant Accounting Policies

Fairleigh Dickinson University (the "University"), founded in 1942, is one of the largest independent nonsectarian institutions of higher education in New Jersey, serving approximately 12,000 students. With a wide range of academic programs and two main campuses in New Jersey, each with its own identity and separate mission, the University preserves the intimacy of a small college within a large suburban institution. The University also operates international campuses: Wroxton College in Oxfordshire, England, and Fairleigh Dickinson University-Vancouver in British Columbia, Canada. Courses are also offered at many locations around the State of New Jersey, and through on-line courses accessible from anywhere in the world.

The University offers over 100 degree programs on the undergraduate and graduate levels, including doctoral programs in clinical psychology, school psychology, nursing practice and programs in an Association to Advance Collegiate Schools of Business ("AACSB") - accredited business school. Programs lead to associate, baccalaureate, master and doctoral degrees. Areas of study include the following: business administration, clinical psychology, education certification, engineering and engineering technology, health sciences, hotel, restaurant and tourism management, liberal arts, nursing, pre-professional studies, public administration, and the sciences.

The significant accounting policies followed by the University are described below to enhance the usefulness of the consolidated financial statements to the reader.

Basis of Presentation
The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America on the accrual basis and include the accounts of the University and the Fairleigh Dickinson University of British Columbia, Foundation, the University's Vancouver Campus, a wholly-owned subsidiary, incorporated in July 2006, which opened with academic programs in August 2007. The consolidated financial statements also include the accounts of the University's wholly-owned inactive subsidiaries, Harbinger Corporation and Three University Plaza Corporation. All elimination entries have been reflected in the accompanying consolidated financial statements.

In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

- **Permanently Restricted** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the investment return on these assets for either a specific purpose or the general use of the University.

- **Temporarily Restricted** - Net assets whose use by the University is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted** - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

(Amounts in thousands)

Expenses are reported as decreases in unrestricted net assets. Expiration of donor-imposed stipulations that simultaneously increase unrestricted net assets and decrease temporarily restricted net assets are reported as net assets released from restrictions. Temporarily restricted revenues received and expended during the same fiscal year are recorded as unrestricted revenues and expenses in the consolidated statements of activities.

Contributions of long-lived assets are reported as unrestricted revenue. Contributions restricted for the acquisition and/or construction of land, buildings and equipment are reported as temporarily restricted revenues in nonoperating activities. These contributions are reclassified to unrestricted net assets upon acquisition of the assets or when the constructed assets have been placed in service.

Agency transactions such as externally provided tuition aid grants, federal supplemental educational opportunity grants, the Federal Pell Grant program and others are not included in the consolidated financial statements. Agency receipts and disbursements were $21,577 and $21,485, respectively, in 2010 and $15,767 and $15,628, respectively, in 2009.

Unrealized appreciation or depreciation on investments is recognized as increases or decreases, respectively, in unrestricted net assets unless its use is temporarily or permanently restricted by explicit donor stipulations.

Cash and Cash Equivalents
Cash and cash equivalents include money market deposits and highly liquid debt instruments with original maturities of three months or less when purchased. Included in cash and cash equivalents are amounts in excess of $250 at June 30, 2010 and 2009 which is the maximum amount insured by the Federal Deposit Insurance Company. However management believes that their financial institutions are viable entities and therefore risk of loss is minimized.

Restricted Cash
Restricted cash and cash equivalents represents monies legally earmarked for debt service reserves, repair and replacement reserves, bond interest fund, construction fund, scholarships, specific grants and other agreements with limitations as to use.

Property, Plant and Equipment
Land is stated at cost. Land improvements, buildings, building improvements, furniture and equipment, including assets under capital lease, are stated at cost less allowance for depreciation and amortization.

The University records furniture and equipment greater than five hundred dollars at the cost of acquisition and donated assets at fair value at date of donation. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected in the consolidated statements of activities. Maintenance, repairs and minor renewals are charged to operations as incurred.

(Amounts in thousands)

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows: buildings, building improvements and land improvement, generally 15-60 years; furniture, 15 years; equipment and other plant assets, 5 to 10 years.

Interest charges, net of related interest income, relating to the construction of major projects are capitalized during the construction phase.

Endowment Spending Rate
The University's endowment spending rate policy was designed to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time. To meet these objectives, the policy limits spending of endowment return to 5% of the moving average of the fair value of endowment investments for the previous twelve quarters. Endowment investments principally consist of permanently restricted net assets and accumulated unspent investment return. The revenues from applying this endowment spending rate policy are recorded in the unrestricted and temporarily restricted operating revenues section in the consolidated statements of activities. Any difference between actual total endowment return, including realized and unrealized gains and losses, and the endowment spending rate is recorded in the nonoperating section of the consolidated statements of activities.

Operating Measure
The operating activities of the University include all income and expenses related to carrying out its mission of educating students. In accordance with the endowment spending rate policy, included in operating revenues is the return from endowment investments limited to the 5% spending rate (amounting to $1,100 and $1,080 for the years ended June 30, 2010 and 2009, respectively) while non-operating activities include endowment returns (losses) in excess of the spending rate. Non-operating activities include gifts and donations for capital projects or of a permanent nature to be used by the University to generate a return that will support operations and projects that will not provide future benefit in operations. During fiscal 2010, the University wrote off construction costs of $1,051 that were determined to not provide any future economic benefit in operations. Non-operating activities also include net assets released from restrictions related to long-lived assets, changes in fair value of split-interest agreements and pension related changes other than net periodic pension costs.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. The most significant estimates include liabilities for self-insured risks and postretirement benefits, the allowance for doubtful student accounts receivable, valuation of investments, allowance for student loans receivable and the asset retirement obligations. Actual results could differ from those estimates.

(Amounts in thousands)

Allocation of Expenses
Certain expenses related to more than one activity of the University were allocated among the appropriate functions. Operation and maintenance of plant expenses (including depreciation) of $22,514 and $22,640 in fiscal year 2010 and 2009, respectively, were allocated based on the square footage of space occupied by, or assets assigned to, each program and supporting service. Interest costs of $5,872 and $5,854 in fiscal year 2010 and 2009, respectively, were allocated functionally based on usage of debt proceeds. Employee benefits costs of $26,451 and $25,585 in fiscal year 2010 and 2009, respectively, were allocated functionally based on salary expenses.

Income Taxes
The University is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. The University's wholly owned subsidiaries, Harbinger Corporation and Three University Plaza Corporation, currently inactive, are subject to income tax.

Asset Retirement Obligations
The University has asset retirement obligations for asbestos related removal costs. The University accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded. The liability recorded at June 30, 2010 and June 30, 2009 were $6,372 and $6,071, respectively.

Codification
In June 2009, the Financial Accounting Standards Board ("FASB") established the FASB accounting Standards Codification ("Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with generally accepted accounting principles. All guidance included in such Codification will be considered authoritative at that time, even guidance that comes from what is currently deemed to be a non-authoritative section of a standard. Recognition of the Codification in financial statements is applicable for interim and annual periods ending after September 15, 2009. The University adopted this guidance during fiscal 2010, and the adoption did not have a material impact on the University's consolidated financial statements.

Fair Value Accounting
Effective July 1, 2008, the University adopted Fair Value Accounting. It defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer 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.

Fair Value Accounting establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

(Amounts in thousands)

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, 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 same terms of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement; however, the determination of what constitutes "observable" requires significant judgment by the University. The University considers observable data to be that market data which is readily available; regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the University perceived risk of that instrument.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the University in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Following is a description of the University’s valuation methodologies for assets and liabilities measured at fair value.

Fair value for Level 1 is based upon quoted prices in active markets that the University has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The University does not adjust the quoted price for such assets and liabilities. Investments included in Level 1 primarily consist of securities that are actively traded on an exchange.

(Amounts in thousands)

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers. Investments included in Level 2 primarily consist of the University's ownership share in certain funds with the Commonfund (Equity Fund, Equity Index Fund and Bond Fund), as well as U.S. Government securities and specific corporate bonds held within the Bank of New York General Securities Fund. The Commonfund's marketable funds pricing and valuation processes are built upon a base of independent third-party pricing for the majority of fund holdings. In general, readily marketable securities held under custodial arrangements are valued by the custodian at market, based on independent pricing services. Securities that are not marketable and for which custodians cannot obtain pricing are priced on net asset value estimated by the manager responsible for such securities under procedures reviewed by Commonfund investment management staff. Since these funds currently have significant inputs that are market observable, they have been classified as Level 2.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all. Investments included in Level 3 primarily consist of the University's ownership share in the Intermediate Term Fund with the Commonfund, TIAA-CREF Deferred Compensation Plan Investments, and nonmarketable stocks. Portfolio securities for which market quotations are not readily available are valued at fair value using approved procedures. The University has performed certain due diligence around these investments.

Interest in split-interest agreements is valued each period at the present value of the future distributions expected to be received over the term of the agreements. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, different methodologies or assumptions may have been used to determine the fair value at the reporting date.

The Fair Value Option for financial assets and liabilities gives entities the option, at specific election dates, to measure certain financial assets and liabilities at fair value. The election may be applied to financial assets and liabilities on an instrument by instrument basis, is irrevocable, and may only be applied to entire instruments. Unrealized gains and losses on instruments for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The University did not elect fair value accounting for any assets or liabilities that are not currently required to be measured at fair value.

New subsequent event guidance required the University to evaluate subsequent events to determine whether they provide additional evidence about conditions that existed of the date of the consolidated balance sheet, and to determine if those events require recognition or disclosure on the consolidated financial statements. The University has performed an evaluation of subsequent events through September 27, 2010, the date our consolidated financial position and activities was available to be issued.

(Amounts in thousands)

2. Contributions Receivable

Contributions receivable include all unconditional promises to give and interests in split-interest agreements where the University is the remainderman. Contributions are recognized as revenue when the unconditional promise is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. Conditional promises are recorded as contributions when donor stipulations are substantially met.

Interests in split-interest agreements represent resources in which the University derives residual interest from the assets, primarily interests in charitable remainder trusts. These interests are recognized at the estimated fair value of the residual assets when the irrevocable trust is established or the University is notified of its existence.

Charitable remainder trusts neither in the possession nor under the control of the University, but held in trust by others, are included in the consolidated financial statements at fair value of the contributed assets less the estimated present value of the liabilities for future payments to other beneficiaries in the amount of $7,406 and $6,632 at June 30, 2010 and 2009, respectively. Contributed charitable remainder trust assets under the control of the University as trustee are included at the estimated present value of $180 and $158 at June 30, 2010 and 2009, respectively, with a liability for future payments to other beneficiaries included at an estimated amount of $32 and $29 at June 30, 2010 and 2009, respectively.

The components of contributions receivable at June 30 are as follows:

	2010	2009
Unconditional promises to give	$ 675	$ 1,253
Interests in split-interest agreements	7,586	6,790
Subtotal	8,261	8,043
Less: discount to present value	(57)	(106)
Subtotal	8,204	7,937
Less: allowance for uncollectibles	(93)	(122)
Net contributions receivable	$ 8,111	$ 7,815

Discount rates ranged as follows at June:

	2010	2009
Split interest agreements	3.0% to 7.0%	4.25% to 7.0%
Unconditional promises to give	3.8% to 8.0%	3.8% to 8.0%

(Amounts in thousands)

Unconditional promises to give and interests in split-interest agreements at June 30 are expected to be realized in the following periods:

	2010	2009
Within one year	$ 2,775	$ 3,068
Between one to five years	251	425
More than five years	5,085	4,322
	$ 8,111	$ 7,815

As of June 30, 2010 and 2009, a conditional promise relating to a life insurance policy with a face value of $4,000 is not included in these consolidated financial statements. The University is the beneficiary of the policy.

(Amounts in thousands)

3. Investments

Investments, which are reflected at fair value, at June 30 consist of:

	2010		2009	
	Fair Value	**Cost**	**Fair Value**	**Cost**
U.S. Government Securities	$ 9,235	$ 9,337	$ 9,133	$ 9,128
Corporate Stocks				
Equities - marketable	319	325	139	172
Equities - non-marketable	30	30	30	30
Total corporate stocks	349	355	169	202
Corporate Stock Funds				
Commonfund Equity Fund	9,951	5,037	7,834	3,883
Commonfund Equity Index Fund	6,968	8,038	5,848	7,582
Other equity funds	48	52	47	58
Total equity funds	16,967	13,127	13,729	11,523
Total stocks and stock funds	17,316	13,482	13,898	11,725
Corporate Bonds				
Specific corporate bonds	380	370	508	494
Corporate Bond Funds				
Commonfund Bond Fund	5,723	4,861	4,962	4,618
Other Bond Funds	242	257	355	419
Total bond funds	5,965	5,118	5,317	5,037
Total bonds and bond funds	6,345	5,488	5,825	5,531
Other				
Annuity Contracts	471	471	864	864
Commonfund Short-term Funds	-	-	1,326	1,326
Total other	471	471	2,190	2,190
Total Investments	$ 33,367	$ 28,778	$ 31,046	$ 28,574

Included in U.S. Government Securities at June 30, 2010 and 2009 is $9,182 and $9,052, respectively, restricted for debt service and renewal and replacement. Other corporate bonds are also restricted for debt service and renewals and replacement. Certain reclassifications have been made to the 2009 disclosure to conform to the 2010 presentation.

(Amounts in thousands)

The following table presents the financial instruments carried at fair value as of June 30, 2010, by caption on the consolidated statement of financial position by the valuation hierarchy defined above:

Assets	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Investments:				
U.S. Government Securities	$ 5,869	$ 3,062	$ 304	$ 9,235
Common & Preferred Stocks	319	-	-	319
Commonfund & Other Equity Funds	48	16,919	-	16,967
Corporate Bonds:				
Specific Corporate Bonds	18	362	-	380
Commonfund Bond Fund	-	5,723	-	5,723
Other	105	-	638	743
Total Investments	6,359	26,066	942	33,367
Money Market Funds	-	6,814	-	6,814
Interest in split-interest agreements	-	-	7,586	7,586
Total Assets at Fair Value	$ 6,359	$ 32,880	$ 8,528	$ 47,767

The following table presents the financial instruments carried at fair value as of June 30, 2009, by caption on the consolidated statement of financial position by the valuation hierarchy defined above:

Assets	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value
Investments:				
U.S. Government Securities	$ 5,783	$ 3,230	$ 120	$ 9,133
Common & Preferred Stocks	139	-	-	139
Commonfund & Other Equity Funds	47	13,682	-	13,729
Corporate Bonds:				
Specific Corporate Bonds	270	238	-	508
Commonfund Bond Fund	-	4,962	-	4,962
Commonfund Short-term Funds	-	1,326	-	1,326
Other	88	-	1,161	1,249
Total Investments	6,327	23,438	1,281	31,046
Money Market Funds	-	6,906	7	6,913
Interest in split-interest agreements	-	-	6,790	6,790
Total Assets at Fair Value	$ 6,327	$ 30,344	$ 8,078	$ 44,749

(Amounts in thousands)

The following table is a roll forward of the statement of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above:

	U.S. Govt. Securities	Other	Money Market Funds	Interest in Split-Interest Agreements
Fair value, June 30, 2008	$ 244	$ 1,685	$ -	$ 7,629
Total losses (realized/unrealized)	(21)	(101)	-	(839)
Net purchases, sales, settlements	(105)	(692)	-	-
Interest	-	18	-	-
Income reinvested	3	13	-	-
Fees	-	(1)	-	-
Transfers (out)/in	(1)	239	7	-
Fair value, June 30, 2009	120	1,161	7	6,790
Contributions	-	-	-	380
Total gains (realized/unrealized)	20	33	-	416
Interest	6	3	-	-
Income reinvested	6	3	-	-
Transfers (out)/in	152	(562)	(7)	-
Fair value, June 30, 2010	$ 304	$ 638	$ -	$ 7,586

Realized and unrealized losses in the table above are included in investment return (loss) in excess of the endowment spending amount in the consolidated statements of activities.

4. Property, Plant and Equipment

Property, plant and equipment at June 30 consist of:

	2010	2009
Land and land improvements	$ 15,513	$ 15,163
Buildings and improvements	208,138	199,140
Furniture and equipment	21,947	24,794
Construction in progress	2,354	4,328
	247,952	243,425
Less, accumulated depreciation and amortization		
Buildings and improvements	77,569	72,357
Furniture and equipment	14,453	17,522
	92,022	89,879
Property, plant and equipment, net	$ 155,930	$ 153,546

(Amounts in thousands)

Depreciation and amortization of property, plant, and equipment for the years ended June 30, 2010 and 2009 amounted to $7,146 and $6,803, respectively. Accretion and depreciation expense relating to the asset retirement obligations for the years ended June 30, 2010 and 2009 was $319 and $304, respectively. During fiscal 2010, the University wrote off $5,021 of property, plant, and equipment that was fully depreciated.

5. Revolving Credit Facility

At June 30, 2010, the University had a $5,000 aggregate revolving credit facility (“Credit Agreement”) with a bank, which will expire on December 18, 2010. The University anticipates that the Credit Agreement will be renewed. Borrowings under the Credit Agreement are collateralized by a first lien on unencumbered tuition and revenues. There were no borrowings under this agreement in fiscal years 2010 and 2009.

The Credit Agreement contains certain covenants which, among other things, place limitations on the University. For the year ended June 30, 2010, the most restrictive of these provisions required that the University’s change in net assets from operating activities plus depreciation and amortization minus the current portion of principal due on long term debt for the fiscal year ended June 30, 2010 must be greater than or equal to zero. Additionally, the University is required to reduce the aggregate unpaid principal balance of the Credit Agreement to zero for a period of at least thirty consecutive days at any one time prior to the expiration of the Credit Agreement. For the year ended June 30, 2010, the University was in compliance with these covenants.

6. Postretirement Benefits

Pension Plans

Retirement benefits are provided through Teachers Insurance and Annuity Association and/or College Retirement Equities Fund (“TIAA-CREF”), a national organization used to fund pension benefits for educational institutions.

All faculty, non-union and clerical employees make contributions to the plan in addition to the contributions made by the University. The University’s contributions to the plan for the years ended June 30, 2010 and 2009 were $5,049 and $5,344, respectively.

Medical Plan

The University sponsors a defined benefit postretirement medical plan that covers all of its full-time tenured faculty and certain administrators. The eligible employees are those who have attained age 62 with ten years of tenured service and are no longer actively employed by the University. Retired employees are required to contribute to the plan. The plan is not funded.

The University recognized the difference between the benefit obligations and any plan assets of the University’s defined postretirement medical plan. In addition, unrecognized amounts (e.g., net actuarial gains or losses and prior service costs or credits) to be recognized as changes to unrestricted net assets and that these amounts be adjusted as they are subsequently recognized as components of net periodic benefit cost based on the current requirements of accounting principles generally accepted in the United States of America.

(Amounts in thousands)

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the periods ended June 30, 2010 and 2009 and statements of the funded status both years.

	2010	2009
Change in Accumulated Postretirement Benefit Obligation (APBO)		
APBO at July 1	$ 21,053	$ 20,566
Service cost	564	473
Interest cost	1,278	1,300
Employee contributions	376	395
Benefits paid	(1,425)	(1,395)
Actuarial loss / (gain)	1,277	(286)
APBO at June 30	$ 23,123	$ 21,053

(Amounts in thousands)

	2010	2009
Change in plan assets		
University's contribution	$ 1,049	$ 1,000
Employee contributions	376	395
Benefits paid	(1,425)	(1,395)
Net change in plan assets	$ -	$ -
Funded status of the plan		
APBO in excess of plan assets	$ 23,123	$ 21,053
Accrued liabilities	$ 23,123	$ 21,053
Periodic costs recognized in income		
Service cost	$ 564	$ 473
Interest cost	1,278	1,300
Net amortization and other	(76)	(206)
Amortization of net actuarial loss	424	417
Net postretirement expense	$ 2,190	$ 1,984
Weighted-average assumptions used to determine benefit obligations, end of year		
Discount rate	6.00 %	6.25 %
Rate of compensation increase	N/A	N/A
Healthcare cost trend		
Increase from current to next fiscal year	9.00 %	8.50 %
Ultimate rate of increase	5.00 %	5.00 %
Year that the ultimate rate is attained	2019	2017
Amounts recognized in accumulated unrestricted net assets		
Net actuarial loss	$ 10,195	$ 9,342
Prior year service credit	-	(76)
	$ 10,195	$ 9,266

A one-percentage-point change in assumed healthcare cost trend rate would have the following effect:

	1% Point Increase	1% Point Decrease
Effect on the accumulated postretirement benefit obligation	$ 3,165	$ (2,606)

(Amounts in thousands)

	2010	2009
Weighted-average assumptions used to determine the net periodic benefit cost, beginning of year		
Discount rate	6.25 %	6.75 %
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Healthcare cost trend		
Increase from current to next fiscal year	8.50 %	9.00 %
Ultimate rate of increase	5.00 %	5.00 %
Year that the ultimate rate is attained	2017	2017

A one-percentage-point change in assumed healthcare cost trend rate would have the following effect:

	1% Point Increase	1% Point Decrease
Effect on total service and interest cost components	$ 350	$ (272)

Expected Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Postretirement Benefits
Fiscal Year	
2011	$ 1,290
2012	1,359
2013	1,423
2014	1,453
2015	1,470
Years 2016 - 2020	7,563

"Expected benefit payments" is the total amount expected to be paid from the University's assets. For postretirement benefits, the amounts shown are net of plan participant contributions, but before deducting the expected federal subsidy under the Medicare Modernization Act of 2003 (MMA).

Employer Contributions

Expected employer contributions for the postretirement benefits and federal subsidy under MMA for fiscal year 2011 are the same as expected benefit payments.

Estimated amount that will be amortized from accumulated unrestricted net assets into net periodic benefit cost in 2011 relates to an actuarial loss of $464.

(Amounts in thousands)

7. Long-term Debt

Long-term debt at June 30 consists of:

	2010	2009
Bonds payable		
Dormitory and Dining Hall Bonds of 1967, 3%, due serially through 2017	$ 840	$ 930
Mortgages payable		
3%, payable to Department of Housing and Urban Development in semi-annual installments of $17 including interest to 2021	303	328
Higher Education Facilities Revenue Bonds, Higher Education Capital Improvement Fund, 2000 Series A due serially through 2020, interest from 5.0% to 5.75%	2,255	2,403
Higher Education Facilities Revenue Bonds of 2002, Series D due serially through 2032, interest from 4.0% to 6.0%	58,100	59,320
Higher Education Facilities Revenue Bonds of 2004, Series C due serially through 2023, interest from 4.25% to 6.0%	30,355	31,825
Higher Education Facilities Revenue Bonds of 2006, Series G due serially through 2028, interest of 4.95% through 2021, adjusted thereafter based on terms stated in the loan agreement	13,665	14,095
Higher Education Facilities Revenue Bonds of 2006, Series H due serially through 2027, interest of 4.95% through 2021, adjusted thereafter based on terms stated in the loan agreement	955	1,062
Other debt		
NJEFA Dormitory Safety Trust Fund, 2001 and 2003 Series A, due serially through 2018 at 0% interest	1,398	1,617
NJEFA Equipment Leasing Fund 2003 Series A, interest from 2% to 5%, due serially through 2011	7	13
	107,878	111,593
Less, unamortized bond discount	(697)	(732)
Net long term debt	$ 107,181	$ 110,861

In accordance with each of the bond and mortgage indentures, the University maintains deposits of cash and marketable securities with the trustee, having an aggregate fair value of $16,028 and $15,663 at June 30, 2010 and 2009, respectively, as debt service and renewal and replacement reserves. The bonds and mortgages are collateralized by land, buildings and certain net revenues.

The debt agreements contain various restrictive covenants, including a restriction that the annual debt service on outstanding borrowings not exceed 10% of unrestricted gross revenues. The University was in compliance with these restrictive covenants at June 30, 2010 and 2009.

(Amounts in thousands)

As of June 30, 2010, the total minimum principal payments due over the next five fiscal years and thereafter are:

2011	3,789
2012	3,937
2013	4,130
2014	4,345
2015	4,568
Thereafter	87,109
	$ 107,878

8. Investment Return

The following schedules summarize the investment return and its classification in the consolidated statements of activities for the years ended June 30:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net interest and dividend income	$ 790	$ 83	$ -	$ 873
Net realized and unrealized gains	1,457	740	27	2,224
Total return on investments	2,247	823	27	3,097
Less investment return designated for current operations:				
Endowment return-spending rate	1,017	83	-	1,100
Other investment return	407	-	-	407
Investment return in excess of endowment spending amount	$ 823	$ 740	$ 27	$ 1,590

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net interest and dividend income	$ 1,032	$ 50	$ (2)	$ 1,080
Net realized and unrealized (losses) gains	(2,316)	(2,775)	49	(5,042)
Total (loss) return on investments	(1,284)	(2,725)	47	(3,962)
Less investment return designated for current operations:				
Endowment return-spending rate	1,027	53	-	1,080
Other investment return	510	-	-	510
Investment (loss) return in excess of endowment spending amount	$ (2,821)	$ (2,778)	$ 47	$ (5,552)

(Amounts in thousands)

9. Endowment

The University adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) during 2009. This law provides guidance on the accounting and financial reporting changes required when a not-for-profit organization (NPO) with donor-restricted endowments becomes subject to UPMIFA. In addition, UPMIFA requires all NPOs to provide enhanced disclosures with respect to their endowments.

The University's endowment consists of approximately 131 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the University has interpreted the New Jersey State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA the University considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

(1) The duration and preservation of the fund;

(2) The purposes of the University and the donor-restricted endowment fund;

(3) General economic conditions;

(4) The possible effect of inflation or deflation;

(5) The expected total return from income and the appropriation of investments;

(6) Other resources of the University; and

(7) The investment policy of the University.

(Amounts in thousands)

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

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

The University has a policy of appropriating for distribution each year 5% of its endowment fund's moving average fair value over the previous twelve quarters. In establishing this policy, the University considered the long-term rate of inflation. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

At June 30, 2010, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ (1,162)	$ 5,266	$ 14,124	$ 18,228
Board-designated funds	5,700	-	-	5,700
Total funds	$ 4,538	$ 5,266	$ 14,124	$ 23,928

(Amounts in thousands)

Changes in the endowment net assets for the fiscal year ended June 30, 2010, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,702	$ 4,293	$ 13,077	$ 20,072
Investment return:				
Investment income	112	384	3	499
Net appreciation (realized and unrealized)	972	1,220	2	2,194
Total investment gain	1,084	1,604	5	2,693
Contributions	-	-	1,020	1,020
Appropriation of endowment assets for expenditure	(248)	(851)	(1)	(1,100)
Other changes:				
Transfers to create board-designed endowment funds	1,000	-	-	1,000
Other transfers	-	220	23	243
Endowment net assets, end of year June 30, 2010	$ 4,538	$ 5,266	$ 14,124	$ 23,928

At June 30, 2009, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ (1,672)	$ 4,293	$ 13,077	$ 15,698
Board-designated funds	4,374	-	-	4,374
Total funds	$ 2,702	$ 4,293	$ 13,077	$ 20,072

(Amounts in thousands)

Changes in endowment net assets for the fiscal year ended June 30, 2009, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 7,173	$ 4,177	$ 12,405	$ 23,755
Net asset reclassification based on change in law	(2,668)	2,668	-	-
Endowment net assets, after reclassification	4,505	6,845	12,405	23,755
Investment return:				
Investment income	103	419	1	523
Net depreciation (realized and unrealized)	(2,689)	(2,303)	(5)	(4,997)
Total investment loss	(2,586)	(1,884)	(4)	(4,474)
Contributions	-	-	625	625
Appropriation of endowment assets for expenditure	(217)	(861)	(2)	(1,080)
Other changes:				
Transfers to create board-designed endowment funds	1,000	-	-	1,000
Other transfers	-	193	53	246
Endowment net assets, end of year June 30, 2009	$ 2,702	$ 4,293	$ 13,077	$ 20,072

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires to retain as a fund of perpetual duration. Deficiencies of this nature, which are reported in unrestricted net assets, were $1,162 as of June 30, 2010 and $1,672 as of June 30 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriations for certain programs deemed prudent by the Board of Trustees.

10. Net Assets

Net Assets Released from Restrictions

Reclassifications from temporarily restricted net assets to unrestricted net assets in the consolidated statements of activities include all current year expenditures which were funded through revenues specifically restricted for such purposes. Any expenditures for which temporarily restricted net assets are not available are funded directly with unrestricted net assets.

(Amounts in thousands)

Restrictions were satisfied as follows for the years ended June 30:

	2010	2009
Operating		
Scholarships	$ 333	$ 336
General operations and other	393	225
	726	561
Nonoperating		
Buildings and equipment	126	1,196
	$ 852	$ 1,757

Composition of Temporarily Restricted Net Assets
Temporarily restricted net assets consist of the following at June 30:

	2010	2009
Split - interest agreements	$ 7,174	$ 6,761
Endowment return restricted for scholarships and other	5,265	4,293
Scholarships	2,303	2,422
Buildings and equipment	4,166	4,083
University programs and other	2,307	2,227
	$ 21,215	$ 19,786

Composition of Permanently Restricted Net Assets
Permanently restricted net assets consist of endowment funds and the related investment income, which is restricted for the following purposes at June 30:

	2010	2009
Split - interest agreements	$ 380	$ -
Pledges - endowed scholarships	98	240
Endowments - scholarships	10,412	9,605
Endowments - endowed chairs and other	3,205	3,205
Other - scholarships	29	27
	$ 14,124	$ 13,077

(Amounts in thousands)

11. Commitments and Contingencies

At June 30, 2010, the University is obligated under operating leases for equipment, software and building used in its operations aggregating $9,900. These obligations are payable for the following fiscal years ending:

2011	2,386
2012	1,501
2013	1,285
2014	1,076
2015	820
2016 and thereafter	2,832
	$ 9,900

Equipment and space rental expenses for 2010 and 2009 were $4,239 and $3,537, respectively.

The University is involved in various legal proceedings which consist of litigation attributable to its normal course of business. The University and its attorneys believe that the ultimate outcome of such litigation will not have a significant effect on the consolidated financial condition, changes in net assets or cash flows of the University.

The University receives other funding from governmental agencies for various activities which are subject to audit. Although such audits may result in disallowance of certain expenditures which would be absorbed by the University, in management's opinion the ultimate outcome of such audits would not have a significant effect on the consolidated financial condition, changes in net assets or cash flows of the University.

12. Concentration of Credit Risk

Financial instruments which potentially subject the University to a concentration of credit risk principally consist of cash and cash equivalents, student accounts receivable and investments. The University maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The University has not experienced any losses in such accounts. The University believes that the concentration of risk with respect to student accounts receivable is limited due to the large number of students comprising the University's student base. With respect to investments, the University maintains its investments in U.S. Government securities, corporate stocks and bonds. The University periodically reviews the performance and risks associated with these investments, and believes that credit risk is limited.

13. Fair Value of Financial Instrument

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. All financial instruments in the financial statements are at fair value except for the long-term debt.

(Amounts in thousands)

The carrying amounts and fair values of the University's long-term debt at June 30, 2010 and 2009 based on market information for underlying debt securities are as follows:

	2010		2009	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Long-term debt	$ 107,878	$ 109,750	$ 111,593	$ 104,552

At June 30, 2010 and 2009, the fair value of cash equivalents, in the aggregate, approximated their respective carrying amounts. The fair value of cash equivalents is based on the quoted market price of the underlying securities.

All investments with readily determinable market values are reported in the consolidated financial statements at fair value. Investments in funds, whose underlying investments consist of both readily marketable securities and nonmarketable securities, are carried at fair value as reported by the fund manager. At June 30, 2010 and 2009, the majority of the investments held by the fund manager are readily marketable. Purchase and sale transactions are recorded on a trade date basis. Gains and losses on the sale of investment securities are recognized when realized and are computed on a specific identification basis.

Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, are not determinable without incurring excessive costs.