

**Fairleigh Dickinson
University**
Consolidated Financial Statements
June 30, 2011 and 2010

Fairleigh Dickinson University
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June 30, 2011 and 2010

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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, 2011 and 2010, 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.

PricewaterhouseCoopers LLP

September 28, 2011

Fairleigh Dickinson University
Consolidated Statements of Financial Position
June 30, 2011 and 2010

<i>(in thousands)</i>	2011	2010
Assets		
Cash and cash equivalents	\$ 61,291	\$ 45,016
Restricted cash and cash equivalents	8,699	8,123
Student accounts receivable, net of allowance for doubtful accounts of \$14,209 and \$12,995 in 2011 and 2010, respectively	7,944	7,628
Accounts receivable and other current assets	3,930	3,029
Contributions receivable, net	1,214	8,111
Student loans receivable, net of allowance for doubtful accounts of \$2,491 and \$2,457 in 2011 and 2010, respectively	7,246	7,262
Investments, at fair value	40,700	33,367
Deferred bond issuance costs	3,002	3,121
Property, plant and equipment, net	160,146	155,930
Total assets	<u>\$ 294,172</u>	<u>\$ 271,587</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 14,974	\$ 14,076
Accrued salaries and liabilities for compensated absences	5,664	5,360
Deferred tuition revenues	2,008	2,845
U.S. government grants refundable	8,495	7,981
Long-term debt	103,427	107,181
Long-term liabilities		
Post-retirement benefits liability	25,725	23,123
Asset retirement obligations	6,687	6,372
Other	4,681	5,000
Total liabilities	<u>171,661</u>	<u>171,938</u>
Net Assets		
Unrestricted	89,252	64,310
Temporarily restricted	17,201	21,215
Permanently restricted	16,058	14,124
Total net assets	<u>122,511</u>	<u>99,649</u>
Total liabilities and net assets	<u>\$ 294,172</u>	<u>\$ 271,587</u>

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

Fairleigh Dickinson University
Consolidated Statements of Activities
Years Ended June 30, 2011 and 2010

<i>(in thousands)</i>								
Operating	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total
Revenues, gains and other support								
Tuition and fees	\$ 222,609	\$ -	\$ -	\$ 222,609	\$ 206,702	\$ -	\$ -	\$ 206,702
Less: Scholarships, tuition grants and aid	(62,488)			(62,488)	(56,412)			(56,412)
Net tuition and fees	160,121	-	-	160,121	150,290	-	-	150,290
Contributions	2,335	2,079		4,414	2,576	802		3,378
New Jersey State aid	72			72	2,796			2,796
Contracts and grants	4,153			4,153	3,654	-		3,654
Investment return - endowment spending rate and other	1,301	114		1,415	1,424	83		1,507
Other sources	4,555	30		4,585	4,255	79		4,334
Auxiliary enterprises	27,814			27,814	26,280			26,280
Less: Scholarships, tuition grants and aid	(277)			(277)	(275)			(275)
Total revenues, gains and other support	200,074	2,223	-	202,297	191,000	964	-	191,964
Net assets released from restrictions	8,060	(8,060)		-	726	(726)		-
Total operating revenues, gains and other support	208,134	(5,837)	-	202,297	191,726	238	-	191,964
Expenses								
Educational and general								
Instruction	68,877			68,877	67,409			67,409
Research	145			145	254			254
Academic support	31,200			31,200	30,142			30,142
Student services	34,258			34,258	33,393			33,393
Institutional support	28,686			28,686	26,355			26,355
Other	194			194	386			386
Total educational and general expenses	163,360	-	-	163,360	157,939	-	-	157,939
Auxiliary enterprises	22,059			22,059	21,480			21,480
Total expenses and losses	185,419	-	-	185,419	179,419	-	-	179,419
Increase (decrease) in net assets from operating activities	22,715	(5,837)	-	16,878	12,307	238	-	12,545
Nonoperating								
Contributions	507	117	704	1,328		164	1,020	1,184
Change in fair value of interests in split interest agreements	1,104	150	(27)	1,227		413		413
Write-off of construction costs				-	(1,051)			(1,051)
Investment return in excess of endowment spending amount	2,132	2,183	7	4,322	823	740	27	1,590
Transfer to endowment	(1,237)	(13)	1,250	-				-
Pension-related changes other than net periodic pension cost	(893)			(893)	(929)			(929)
Net assets released from restrictions - for capital	614	(614)		-	126	(126)		-
Increase (decrease) in net assets from nonoperating activities	2,227	1,823	1,934	5,984	(1,031)	1,191	1,047	1,207
Increase (decrease) in net assets	24,942	(4,014)	1,934	22,862	11,276	1,429	1,047	13,752
Net assets								
Beginning of year	64,310	21,215	14,124	99,649	53,034	19,786	13,077	85,897
End of year	\$ 89,252	\$ 17,201	\$ 16,058	\$ 122,511	\$ 64,310	\$ 21,215	\$ 14,124	\$ 99,649

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

Fairleigh Dickinson University
Consolidated Statements of Cash Flows
Years Ended June 30, 2011 and 2010

<i>(in thousands)</i>	2011	2010
Cash flows from operating activities		
Increase in net assets	\$ 22,862	\$ 13,752
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities		
Depreciation and amortization	7,854	7,327
Write-off of construction costs	-	1,051
Provision for losses on student accounts receivable	2,590	1,715
Provision for losses on student loans receivable	35	203
Gifts and donations permanently restricted and for capital improvements	(1,363)	(1,392)
Gifts of property, plant and equipment	(37)	-
Net unrealized and realized appreciation on investments	(4,831)	(2,224)
Pension related changes other than net periodic pension cost	893	929
Changes in operating assets and liabilities:		
Student accounts receivable	(2,906)	(1,992)
Accounts receivable and other current assets	(901)	(533)
Contributions receivable	6,851	(98)
Accounts payable and accrued liabilities	603	(1,189)
Accrued salaries and liabilities for compensated absences	304	(439)
Deferred tuition revenues	(837)	292
Post-retirement benefits liability	1,709	1,141
Other liabilities	(319)	(574)
Net cash provided by operating activities	<u>32,507</u>	<u>17,969</u>
Cash flows from investing activities		
Increase in restricted cash and cash equivalents	(576)	(280)
Proceeds from student loans collections	1,228	987
Student loans issued	(1,247)	(1,056)
Proceeds from sale of investments	7,105	8,421
Purchases of investments	(9,607)	(8,518)
Purchases of property, plant and equipment - net	(11,270)	(11,647)
Net cash used in investing activities	<u>(14,367)</u>	<u>(12,093)</u>
Cash flows from financing activities		
Gifts and donations permanently restricted and for capital improvements	1,409	1,194
Principal payments of debt	(3,788)	(3,714)
Increase in U.S. Government grants refundable	514	138
Net cash used in financing activities	<u>(1,865)</u>	<u>(2,382)</u>
Net increase in cash and cash equivalents	16,275	3,494
Cash and cash equivalents		
Beginning of year	<u>45,016</u>	<u>41,522</u>
End of year	<u>\$ 61,291</u>	<u>\$ 45,016</u>
Supplemental information		
Interest paid	\$ 5,668	\$ 5,822
Non-cash gifts-in-kind	\$ 170	\$ 456
Property, plant and equipment obligations incurred	\$ 528	\$ 233

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

Fairleigh Dickinson University

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(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 the Fairleigh Dickinson University of British Columbia, Foundation. 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.

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.

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. During August 2010, Three University Plaza Corporation was dissolved. All significant intercompany transactions and balances have been eliminated in consolidation.

Fairleigh Dickinson University

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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.

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.

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.

Agency Transactions

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 \$76,654 and \$76,499, respectively, in 2011 and \$21,577 and \$21,485, respectively, in 2010.

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.

Restricted Cash and Cash Equivalents

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.

Student Accounts Receivable and Allowance for Doubtful Accounts

Student accounts receivable are recorded when billed to the student. Student accounts receivable are also reduced for allowance for doubtful accounts. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. Historical collection is an integral part of the estimation process related to reserves for uncollectible accounts. Revisions in allowance for doubtful accounts estimates are recorded as an adjustment to the provision for bad debts.

Fairleigh Dickinson University

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(Amounts in thousands)

Property, Plant and Equipment

Land is stated at cost. Land improvements, buildings, building improvements, furniture and equipment, 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.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows: buildings, building improvements and land improvements, 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.

Contributions for capital 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.

Tuition and Fees

Tuition and fees are recognized on the accrual basis. Students are billed in advance of the services rendered, and revenues are recognized as earned.

Scholarships, Tuition Grants and Aid

The policy of the University has been to award scholarships, tuition grants and aid to deserving students in lieu of accepting only students who have the ability to pay full tuition. Scholarships, tuition grants and aid are netted against tuition and fees.

Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment loss for the years ended June 30, 2011 and 2010.

Fairleigh Dickinson University

Notes to Consolidated Financial Statements

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(Amounts in thousands)

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 revenues, gains and other support 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 \$1,130 and \$1,100 for the years ended June 30, 2011 and 2010, respectively) while nonoperating activities include endowment returns in excess of the spending rate. Nonoperating activities include contributions for capital projects or of a permanent nature to be used by the University to generate a return that will support operations. In fiscal 2011, the University made a transfer of \$1,250, from unrestricted and temporarily restricted net assets, to permanently restricted net assets in accordance with donor's gift agreements. During fiscal 2010, the University wrote off construction costs of \$1,051 that were determined to not provide any future economic benefit in operations. Nonoperating activities also include net assets released from restrictions for capital, change in fair value of interest in 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 and loans receivable, valuation of investments and the asset retirement obligations. Actual results could differ from those estimates.

Advertising

All advertising costs are expensed in the year they are incurred. The amount totaled \$1,209 in 2011 and \$1,226 in 2010.

Fairleigh Dickinson University

Notes to Consolidated Financial Statements

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(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 \$23,324 and \$22,514 in fiscal year 2011 and 2010, respectively, were allocated based on the square footage of space occupied by, or assets assigned to, each program and supporting service. Interest costs of \$5,686 and \$5,872 in fiscal year 2011 and 2010, respectively, were allocated functionally based on usage of debt proceeds. Employee benefits costs of \$27,441 and \$26,451 in fiscal year 2011 and 2010, respectively, were allocated functionally based on salary expenses.

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, 2011 and June 30, 2010 were \$6,687 and \$6,372, respectively.

Fair Value Accounting

The University follows guidance with respect to accounting and reporting for the fair value of their financial assets and liabilities. This guidance 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.

This guidance also 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 guidance 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.

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.

Fairleigh Dickinson University
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(Amounts in thousands)

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.

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 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.

Fairleigh Dickinson University

Notes to Consolidated Financial Statements

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(Amounts in thousands)

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 necessary due diligence around these investments. Interest in split interest agreements is valued each period utilizing an income valuation which uses the current values of the underlying instruments as an estimate for fair value.

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.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions the market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors.

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.

Subsequent Events

The University has performed an evaluation of subsequent events through September 28, 2011, the date our consolidated financial position and activities was issued.

Fairleigh Dickinson University

Notes to Consolidated Financial Statements

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(Amounts in thousands)

New Authoritative Accounting Pronouncements

In May 2011 the Financial Accounting Standards Board ("FASB") issued an update on the fair value measurements which converges accounting principles generally accepted in the United States of America and IFRS rules on fair value measurement and requires additional disclosures. The guidance states that disclosures should include sensitivity of measurement to changes in inputs, all transfers between Level 1 and Level 2, and fair value measurements included in the Financial Instruments disclosures, must indicate level and inputs used. The standard is effective for the period beginning after December 15, 2011, which is fiscal 2012 for the University.

Effective for the fiscal year ended June 30, 2011, the University has included disclosure required by ASU 2010-20: Disclosures about the credit quality of financing receivable and the allowance for credit losses. The new disclosures relates primarily to student loan receivable (see Note 3).

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 \$698 and \$7,406 at June 30, 2011 and 2010, respectively. Contributed charitable remainder trust assets under the control of the University as trustee are included at the estimated present value of \$183 and \$180 at June 30, 2011 and 2010, respectively, with a liability for future payments to other beneficiaries included at an estimated amount of \$39 and \$32 at June 30, 2011 and 2010, respectively.

During fiscal year 2011, the University reported payments from trustees of \$8,458 from the close out of certain trusts.

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(Amounts in thousands)

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

	2011	2010
Unconditional promises to give	\$ 457	\$ 675
Interests in split interest agreements	881	7,586
Subtotal	<u>1,338</u>	<u>8,261</u>
Less: discount to present value	<u>(46)</u>	<u>(57)</u>
Subtotal	1,292	8,204
Less: allowance for uncollectibles	<u>(78)</u>	<u>(93)</u>
Net contributions receivable	<u>\$ 1,214</u>	<u>\$ 8,111</u>

Discount rates ranged as follows at June:

	2011	2010
Split interest agreements	3.5% to 7.0%	3.0% to 7.0%
Unconditional promises to give	3.8% to 8.0%	3.8% to 8.0%

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

	2011	2010
Within one year	\$ 377	\$ 2,775
Between one to five years	117	251
More than five years	<u>720</u>	<u>5,085</u>
	<u>\$ 1,214</u>	<u>\$ 8,111</u>

As of June 30, 2011 and 2010, 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.

Fairleigh Dickinson University
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(Amounts in thousands)

3. Student Loans Receivable Collectability

The University makes uncollateralized loans to students based on financial need. Student loans are funded mainly through Federal government loan programs.

The following is an analysis of gross student loans receivable aging as of June 30:

	2011	2010
1-89 days	\$ 802	\$ 865
Greater than 90 days	273	272
Collections	932	972
Litigation	<u>1,495</u>	<u>1,382</u>
Total past due	3,502	3,491
Current	<u>6,235</u>	<u>6,228</u>
Total gross student loans receivable	<u>\$ 9,737</u>	<u>\$ 9,719</u>

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The University's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan program are able to be assigned to the Federal Government in certain nonrepayment situations. In these situations the Federal portion of the loan balance is guaranteed.

Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, included, but were not limited to, a detailed review of the aging of the student loan receivable detail and a review of the default rate by loan category in comparison to prior years. The level of the allowance is adjusted based on the results of management's analysis.

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4. Investments

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

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
U.S. Government Securities	\$ 9,228	\$ 9,463	\$ 9,235	\$ 9,337
Corporate Stocks				
Equities - marketable	338	273	319	325
Equities - non-marketable	30	30	30	30
Total corporate stocks	368	303	349	355
Corporate Stock Funds				
Commonfund Equity Fund	12,635	5,124	9,951	5,037
Commonfund Equity Index Fund	10,016	9,009	6,968	8,038
Other equity funds	138	116	48	52
Total equity funds	22,789	14,249	16,967	13,127
Total stocks and stock funds	23,157	14,552	17,316	13,482
Corporate Bonds				
Specific corporate bonds	401	396	380	370
Corporate Bond Funds				
Commonfund Bond Fund	7,200	6,158	5,723	4,861
Other Bond Funds	465	484	242	257
Total corporate bond funds	7,665	6,642	5,965	5,118
Total corporate bonds and bond funds	8,066	7,038	6,345	5,488
Other				
Annuity Contracts	221	221	471	471
BNY Alternative Investments	28	28	-	-
Total other	249	249	471	471
Total Investments	\$ 40,700	\$ 31,302	\$ 33,367	\$ 28,778

Included in U.S. Government Securities at June 30, 2011 and 2010 is \$9,177 and \$9,182, respectively, restricted for debt service and renewal and replacement. At June 30, 2011 and 2010, specific corporate bonds are also restricted for debt service and renewals and replacement in the amount of \$178 and \$137, respectively.

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The following table presents the financial instruments carried at fair value as of June 30, 2011, 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	Valuation Techniques ⁽¹⁾
Investments:					
U.S. Government Securities	\$ 6,027	\$ 2,922	\$ 279	\$ 9,228	M
Corporate Stocks	338	-	-	338	M
Commonfund & Other Equity Funds	138	22,651	-	22,789	M
Corporate Bonds:					
Specific Corporate Bonds	21	380	-	401	M
Commonfund Bond Fund	-	7,200	-	7,200	M
Other	315	-	429	744	M
Total Investments	<u>6,839</u>	<u>33,153</u>	<u>708</u>	<u>40,700</u>	
Money Market Funds	-	6,881	-	6,881	M
Interest in split interest agreements	-	-	881	881	I
Total Assets at Fair Value	<u>\$ 6,839</u>	<u>\$ 40,034</u>	<u>\$ 1,589</u>	<u>\$ 48,462</u>	

⁽¹⁾ The three valuation techniques are market approach (M), cost approach (C), and income approach (I).

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	Valuation Techniques ⁽¹⁾
Investments:					
U.S. Government Securities	\$ 5,869	\$ 3,062	\$ 304	\$ 9,235	M
Corporate Stocks	319	-	-	319	M
Commonfund & Other Equity Funds	48	16,919	-	16,967	M
Corporate Bonds:					
Specific Corporate Bonds	18	362	-	380	M
Commonfund Bond Fund	-	5,723	-	5,723	M
Other	105	-	638	743	M
Total Investments	<u>6,359</u>	<u>26,066</u>	<u>942</u>	<u>33,367</u>	
Money Market Funds	-	6,814	-	6,814	M
Interest in split interest agreements	-	-	7,586	7,586	I
Total Assets at Fair Value	<u>\$ 6,359</u>	<u>\$ 32,880</u>	<u>\$ 8,528</u>	<u>\$ 47,767</u>	

⁽¹⁾ The three valuation techniques are market approach (M), cost approach (C), and income approach (I).

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

	U.S. Government Securities	Other	Interest in Split Interest Agreements
Fair value, June 30, 2009	\$ 120	\$ 1,168	\$ 6,790
Contributions	-	-	380
Total gains (realized/unrealized)	20	33	416
Interest	6	3	-
Income reinvested	6	3	-
Transfers (out)/in	152	(569)	-
Fair value, June 30, 2010	<u>304</u>	<u>638</u>	<u>7,586</u>
Net purchases, sales, settlements			(7,940)
Total gains (realized/unrealized)	4	14	1,235
Interest	6	4	
Income reinvested			
Transfers (out)/in	(35)	(227)	
Fair value, June 30, 2011	<u>\$ 279</u>	<u>\$ 429</u>	<u>\$ 881</u>

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.

5. Property, Plant and Equipment

Property, plant and equipment at June 30 consist of:

	2011	2010
Land and land improvements	\$ 18,405	\$ 15,513
Buildings and building improvements	214,435	208,138
Furniture and equipment	24,311	21,947
Construction in progress	2,522	2,354
	<u>259,673</u>	<u>247,952</u>
Less, accumulated depreciation		
Buildings and building improvements	(83,435)	(77,569)
Furniture and equipment	(16,092)	(14,453)
	<u>(99,527)</u>	<u>(92,022)</u>
Property, plant and equipment, net	<u>\$ 160,146</u>	<u>\$ 155,930</u>

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Depreciation of property, plant, and equipment for the years ended June 30, 2011 and 2010 amounted to \$7,701 and \$7,146, respectively. Accretion and depreciation expense relating to the asset retirement obligations for the years ended June 30, 2011 and 2010 was \$334 and \$319, respectively. During fiscal 2011, the University wrote off \$31 of property, plant, and equipment that was fully depreciated.

6. Revolving Credit Facility

At June 30, 2011, the University had a \$5,000 aggregate revolving credit facility ("Credit Agreement") with a bank, which will expire on March 31, 2012. 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 2011 and 2010.

The Credit Agreement contains certain covenants which, among other things, place limitations on the University. For the year ended June 30, 2011, 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, 2011 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, 2011, the University was in compliance with these covenants.

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7. Long-term Debt

Long-term debt at June 30 consists of:

	2011	2010
Bonds payable		
Dormitory and Dining Hall Bonds of 1967, 3%, due serially through 2017	\$ 750	\$ 840
Mortgages payable		
3%, payable to Department of Housing and Urban Development in semi-annual installments of \$17 including interest to 2021	278	303
Higher Education Facilities Revenue Bonds, Higher Education Capital Improvement Fund, 2000 Series A due serially through 2020, interest from 5.0% to 5.75%	2,100	2,255
Higher Education Facilities Revenue Bonds of 2002, Series D due serially through 2032, interest from 4.0% to 6.0%	56,830	58,100
Higher Education Facilities Revenue Bonds of 2004, Series C due serially through 2023, interest from 4.25% to 6.0%	28,820	30,355
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	13,215	13,665
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	918	955
Other debt		
NJEFA Dormitory Safety Trust Fund, 2001 and 2003 Series A, due serially through 2018 at 0% interest	1,178	1,398
NJEFA Equipment Leasing Fund 2003 Series A, interest from 2% to 5%, due serially through 2011	-	7
	<u>104,089</u>	<u>107,878</u>
Less, unamortized bond discount	<u>(662)</u>	<u>(697)</u>
Net long term debt	<u>\$ 103,427</u>	<u>\$ 107,181</u>

In accordance with each of the bond and mortgage indentures, the University maintains deposits of restricted cash and cash equivalents as well as marketable securities (see Note 4) with the trustee, having an aggregate fair value of \$17,191 and \$17,092 at June 30, 2011 and 2010, 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, 2011 and 2010.

Interest expense was \$5,686 and \$5,872 in fiscal year 2011 and 2010.

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As of June 30, 2011, the total minimum principal payments due over the next five fiscal years and thereafter are:

2012	\$ 3,937
2013	4,130
2014	4,345
2015	4,568
2016	4,799
Thereafter	<u>82,310</u>
	<u>\$ 104,089</u>

8. 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, nonunion 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, 2011 and 2010 were \$5,226 and \$5,049, 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.

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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, 2011 and 2010 and statements of the funded status both years.

	2011	2010
Change in Accumulated Postretirement Benefit Obligation (APBO)		
APBO at July 1	\$ 23,123	\$ 21,053
Service cost	666	564
Interest cost	1,306	1,278
Employee contributions	422	376
Benefits paid	(1,382)	(1,425)
Actuarial loss	1,590	1,277
APBO at June 30	<u>\$ 25,725</u>	<u>\$ 23,123</u>
Change in plan assets		
University's contribution	\$ 960	\$ 1,049
Employee contributions	422	376
Benefits paid	(1,382)	(1,425)
Net change in plan assets	<u>\$ -</u>	<u>\$ -</u>
Funded status of the plan		
APBO in excess of plan assets	<u>\$ 25,725</u>	<u>\$ 23,123</u>
Accrued liabilities	<u>\$ 25,725</u>	<u>\$ 23,123</u>
Periodic costs recognized in income		
Service cost	\$ 666	\$ 564
Interest cost	1,306	1,278
Net amortization and other	-	(76)
Amortization of net actuarial loss	698	424
Net postretirement expense	<u>\$ 2,670</u>	<u>\$ 2,190</u>
Weighted-average assumptions used to determine benefit obligations, end of year		
Discount rate	5.50 %	6.00 %
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	2019	2019
Amounts recognized in accumulated unrestricted net assets		
Net actuarial loss	\$ 11,088	\$ 10,195

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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	\$ 3,862	\$ (3,157)
	2011	2010

**Weighted-average assumptions used to determine
the net periodic benefit cost, beginning of year**

Discount rate	6.00 %	6.25 %
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	8.00 %	8.50 %
Ultimate rate of increase	5.00 %	5.00 %
Year that the ultimate rate is attained	2019	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	\$ 342	\$ (274)

Expected Benefit Payments

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

Fiscal Year	Postretirement Benefits
2012	\$ 1,164
2013	1,282
2014	1,396
2015	1,479
2016	1,515
Years 2017 - 2021	8,579

“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).

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Employer Contributions

Expected employer contributions for the postretirement benefits and federal subsidy under MMA for fiscal year 2012 are the same as expected benefit payments.

Estimated amount that will be amortized from accumulated unrestricted net assets into net periodic benefit cost in 2012 relates to an actuarial loss of \$868.

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 107 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:

- The duration and preservation of the fund;
- The purposes of the University and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appropriation of investments;
- Other resources of the University; and
- The investment policy of the University.

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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, 2011, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ (89)	\$ 7,529	\$ 16,058	\$ 23,498
Board-designated funds	<u>7,776</u>			<u>7,776</u>
Total funds	<u>\$ 7,687</u>	<u>\$ 7,529</u>	<u>\$ 16,058</u>	<u>\$ 31,274</u>

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Changes in the endowment net assets for the fiscal year ended June 30, 2011, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 4,538	\$ 5,266	\$ 14,124	\$ 23,928
Investment return:				
Investment income	132	402	3	537
Net appreciation (realized and unrealized)	<u>2,295</u>	<u>2,616</u>	<u>6</u>	<u>4,917</u>
Total investment gain	2,427	3,018	9	5,454
Contributions for capital	-	-	704	704
Change in fair value of interests in split-interest agreements	-	-	(27)	(27)
Appropriation of endowment assets for expenditure	(278)	(850)	(2)	(1,130)
Other changes:				
Transfers to create board- designed endowment funds	1,000	-	-	1,000
Other transfers	<u>-</u>	<u>95</u>	<u>1,250</u>	<u>1,345</u>
Endowment net assets, end of year June 30, 2011	<u>\$ 7,687</u>	<u>\$ 7,529</u>	<u>\$ 16,058</u>	<u>\$ 31,274</u>

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	<u>5,700</u>	<u>-</u>	<u>-</u>	<u>5,700</u>
Total funds	<u>\$ 4,538</u>	<u>\$ 5,266</u>	<u>\$ 14,124</u>	<u>\$ 23,928</u>

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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	<u>\$ 4,538</u>	<u>\$ 5,266</u>	<u>\$ 14,124</u>	<u>\$ 23,928</u>

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 \$89 as of June 30, 2011 and \$1,162 as of June 30, 2010. 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.

During 2011, the University transferred \$1,250 into permanently restricted net assets, with \$1,237 coming from unrestricted net assets and \$13 coming from temporarily restricted. An endowment fund of \$1,213 (included in the transfer of \$1,250) for scholarships in mathematics and science teaching education was created in accordance with donor instructions.

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.

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

	2011	2010
Operating		
Split interest agreements	\$ 6,835	\$ -
Scholarships	371	333
University programs and other	854	393
	<u>8,060</u>	<u>726</u>
Nonoperating		
Buildings and equipment	614	126
	<u>\$ 8,674</u>	<u>\$ 852</u>

Composition of Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

	2011	2010
Split interest agreements	\$ 489	\$ 7,174
Endowment return restricted for scholarships and other	7,530	5,265
Scholarships	2,281	2,303
Buildings and equipment	2,595	4,166
University programs and other	4,306	2,307
	<u>\$ 17,201</u>	<u>\$ 21,215</u>

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:

	2011	2010
Split interest agreements	\$ 353	\$ 380
Pledges - endowed scholarships	67	98
Endowments - scholarships	12,302	10,412
Endowments - endowed chairs and other	3,305	3,205
Other - scholarships	31	29
	<u>\$ 16,058</u>	<u>\$ 14,124</u>

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11. Investment Return

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

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net interest and dividend income	\$ 792	\$ 114	\$ -	\$ 906
Net realized and unrealized gains	2,641	2,183	7	4,831
Total return on investments	3,433	2,297	7	5,737
Less investment return designated for current operations:				
Endowment return-spending rate	1,016	114		1,130
Other investment return	285			285
Investment return in excess of endowment spending amount	\$ 2,132	\$ 2,183	\$ 7	\$ 4,322

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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

12. Commitments and Contingencies

At June 30, 2011, the University is obligated under operating leases for equipment, software and building used in its operations aggregating \$12,052. These obligations are payable for the following fiscal years ending:

2012	\$ 2,705
2013	2,483
2014	1,677
2015	1,404
2016	1,192
2017 and thereafter	2,591
	<u>\$ 12,052</u>

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The University has entered into a space rental agreement for the period beginning July 1, 2011 through June 30, 2024. The agreement will be effective once the University obtains the building use approval from the borough. Scheduled annual rental costs, not included in the above schedule, range from \$564 to \$708.

Equipment, software, and space rental expenses for 2011 and 2010 were \$4,186 and \$4,239, 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.

13. 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 of \$250 at June 30, 2011 and 2010 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. 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, stock funds, bond funds, and bonds. The University periodically reviews the performance and risks associated with these investments, and believes that credit risk is limited.

14. 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.

The carrying amounts and fair values of the University's long-term debt at June 30, 2011 and 2010 based on market information for underlying debt securities are as follows:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 104,089	\$ 105,008	\$ 107,878	\$ 109,750

Fairleigh Dickinson University
Notes to Consolidated Financial Statements
June 30, 2011 and 2010

(Amounts in thousands)

At June 30, 2011 and 2010, 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, 2011 and 2010, 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.