Fairleigh Dickinson University

Consolidated Financial Statements
June 30, 2013 and 2012

Fairleigh Dickinson University
Index
June 30, 2013 and 2012

Independent Auditor's Report

To the Board of Trustees of
Fairleigh Dickinson University

We have audited the accompanying consolidated financial statements of Fairleigh Dickinson University (the "University"), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the consolidated statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fairleigh Dickinson University at June 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

September 27, 2013

Fairleigh Dickinson University
Consolidated Statements of Financial Position
June 30, 2013 and 2012

(in thousands of dollars)	**2013**	**2012**
Assets		
Cash and cash equivalents	$ 58,020	$ 60,724
Restricted cash and cash equivalents	11,360	12,494
Student accounts receivable, net of allowance for doubtful accounts of $16,631 and $15,359 in 2013 and 2012, respectively	7,168	7,180
Accounts receivable and other current assets	5,320	6,069
Contributions receivable, net	1,530	1,551
Student loans receivable, net of allowance for doubtful accounts of $2,639 and $2,540 in 2013 and 2012, respectively	7,771	7,654
Investments, at fair value	52,909	41,025
Deferred bond issuance costs	2,756	2,880
Property, plant and equipment, net	181,283	169,872
Total assets	$ 328,117	$ 309,449
Liabilities		
Accounts payable and accrued liabilities	$ 15,708	$ 18,770
Accrued salaries and liabilities for compensated absences	6,899	7,047
Deferred tuition revenues	2,326	2,212
U.S. government grants refundable	10,055	9,310
Long-term debt	95,432	99,525
Long-term liabilities		
Post-retirement benefits liability	28,216	30,535
Asset retirement obligations	12,013	7,018
Other	5,300	4,566
Total liabilities	175,949	178,983
Net Assets		
Unrestricted	117,150	99,927
Temporarily restricted	15,973	13,592
Permanently restricted	19,045	16,947
Total net assets	152,168	130,466
Total liabilities and net assets	$ 328,117	$ 309,449

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

Fairleigh Dickinson University
Consolidated Statements of Activities
Years Ended June 30, 2013 and 2012

(in thousands of dollars)	2013 Unrestricted	2013 Temporarily Restricted	2013 Permanently Restricted	2013 Total	2012 Unrestricted	2012 Temporarily Restricted	2012 Permanently Restricted	2012 Total
Operating revenues, gains and other support								
Tuition and fees	$ 240,178	$ -	$ -	$ 240,178	$ 229,882	$ -	$ -	$ 229,882
Less: Scholarships, tuition grants and aid	(69,305)			(69,305)	(66,057)	-	-	(66,057)
Net tuition and fees	170,873	-	-	170,873	163,825	-	-	163,825
Contributions	2,310	444	-	2,754	2,102	745	-	2,847
New Jersey State aid	42	-	-	42	61	-	-	61
Contracts and grants	2,125	-	-	2,125	3,608		-	3,608
Investment return-endowment spending rate and other	1,519	190	-	1,709	1,295	161	-	1,456
Other sources	4,463	87	-	4,550	4,334	-	-	4,334
Auxiliary enterprises	29,684	-	-	29,684	28,910	-	-	28,910
Less: Scholarships, tuition grants and aid	(321)	-	-	(321)	(309)	-	-	(309)
Total revenues, gains and other support	210,695	721	-	211,416	203,826	906	-	204,732
Net assets released from restrictions	846	(846)		-	2,391	(2,391)	-	-
Total operating revenues, gains and other support	211,541	(125)	-	211,416	206,217	(1,485)	-	204,732
Expenses								
Educational and general								
Instruction	74,412	-	-	74,412	71,681	-	-	71,681
Research	126	-	-	126	153	-	-	153
Academic support	33,089	-	-	33,089	32,478	-	-	32,478
Student services	38,607	-	-	38,607	36,870	-	-	36,870
Institutional support	30,506	-	-	30,506	31,756	-	-	31,756
Other	390	-	-	390	199	-	-	199
Total educational and general expenses	177,130	-	-	177,130	173,137	-	-	173,137
Auxiliary enterprises	22,281	-	-	22,281	21,764	-	-	21,764
Total expenses and losses	199,411	-	-	199,411	194,901	-	-	194,901
Increase (decrease) in net assets from operating activities	12,130	(125)	-	12,005	11,316	(1,485)	-	9,831
Nonoperating								
Contributions	41	67	1,957	2,065	19	447	950	1,416
Change in fair value of interests in split interest agreements		17	5	22	13	(6)	(63)	(56)
Investment return/(loss) in excess of endowment spending amount	1,649	2,570	7	4,226	12	(386)	1	(373)
Transfer between net assets	(37)	(92)	129	-	(79)	78	1	-
Post-retirement medical plan changes other than net periodic cost	4,380	-	-	4,380	(2,863)	-	-	(2,863)
Faculty retirement incentive program	(996)	-	-	(996)	-	-	-	-
Net assets released from restrictions - for capital	56	(56)	-	-	2,257	(2,257)	-	-
Increase (decrease) in net assets from nonoperating activities	5,093	2,506	2,098	9,697	(641)	(2,124)	889	(1,876)
Increase in net assets	17,223	2,381	2,098	21,702	10,675	(3,609)	889	7,955
Net assets								
Beginning of year	99,927	13,592	16,947	130,466	89,252	17,201	16,058	122,511
End of year	$ 117,150	$ 15,973	$ 19,045	$ 152,168	$ 99,927	$ 13,592	$ 16,947	$ 130,466

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

Fairleigh Dickinson University
Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012

(in thousands of dollars)	**2013**	**2012**
Cash flows from operating activities		
Increase in net assets	$ 21,702	$ 7,955
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities		
Depreciation and amortization	9,787	8,319
Provision for losses on student accounts receivable	2,581	2,446
Provision for losses on student loans receivable	99	49
Gifts and donations permanently restricted and for capital improvements	(2,096)	(1,476)
Gifts of property, plant and equipment	-	(6)
Gain on sale of property	(35)	-
Net realized gains on investments	(30)	(6)
Net unrealized and realized appreciation on investments	(5,214)	(243)
Pension related changes other than net periodic pension cost	(4,380)	2,863
Changes in operating assets and liabilities		
Student accounts receivable	(2,569)	(1,682)
Accounts receivable and other current assets	749	(2,139)
Contributions receivable	82	390
Accounts payable and accrued liabilities	(1,647)	511
Accrued salaries and liabilities for compensated absences	(148)	1,383
Deferred tuition revenues	114	204
Post-retirement benefits liability	2,061	1,947
Other liabilities	734	(115)
Net cash provided by operating activities	21,790	20,400
Cash flows from investing activities		
Increase in restricted cash and cash equivalents	1,134	(3,795)
Proceeds from student loans collections	1,052	1,146
Student loans issued	(1,268)	(1,603)
Proceeds from sale of investments	16,468	13,464
Purchases of investments	(23,108)	(13,540)
Proceeds from sale of property	37	-
Purchases of property, plant and equipment, net	(17,459)	(14,266)
Net cash used in investing activities	(23,144)	(18,594)
Cash flows from financing activities		
Gifts and donations permanently restricted and for capital improvements	2,035	749
Principal payments of debt	(4,130)	(3,937)
Increase in U.S. Government grants refundable	745	815
Net cash used in financing activities	(1,350)	(2,373)
Net decrease in cash and cash equivalents	(2,704)	(567)
Cash and cash equivalents		
Beginning of year	60,724	61,291
End of year	$ 58,020	$ 60,724
Supplemental information		
Interest paid	$ 5,254	$ 5,479
Noncash gifts-in-kind	49	109
Property, plant and equipment obligations incurred	-	3,285
Asset retirement cost incurred	4,275	-

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

(in thousands of dollars)

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 pharmacy, 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, pharmacy, 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 subsidiary, Harbinger Corporation, currently inactive, is 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, which opened with academic programs in August 2007 respectively. The consolidated financial statements also include the accounts of the University's wholly owned inactive subsidiary, Harbinger Corporation. All significant intercompany transactions and balances have been eliminated in consolidation.

Net Assets

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 (see Note 9).

(in thousands of dollars)

- **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. Investment income and gains/losses on permanently restricted net assets are reported as temporarily restricted until appropriated for expenditure in accordance with donor imposed stipulations. The appropriation and spending of such income is subject to a standard of prudence, as more fully disclosed in footnote 9.

- **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 direct loans, 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 $87,708 and $87,652, respectively, in 2013 and $81,865 and $82,056, respectively, in 2012.

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.

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.

(in thousands of dollars)

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 to 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 by donors 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 based on estimated undiscounted future net cash flows expected to be generated by the asset. 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, 2013 and 2012.

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.

(in thousands of dollars)

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 $1,501 and $1,258 for the years ended June 30, 2013 and 2012, 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. Nonoperating activities also include contributions, change in fair value of interest in split interest agreements, investment (loss)/return, transfer between net assets, post-retirement medical plan changes other than net periodic costs, faculty retirement incentive program, and net assets released from restrictions for capital.

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 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 $1,493 in 2013 and $1,217 in 2012.

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 $27,107 and $24,371 in fiscal year 2013 and 2012, respectively, were allocated based on the square footage of space occupied by, or assets assigned to, each program and supporting service. Interest costs of $5,410 and $5,606 in fiscal year 2013 and 2012, respectively, were allocated functionally based on usage of debt proceeds. Employee benefits costs of $29,731 and $29,636 in fiscal year 2013 and 2012, 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, 2013 and 2012 was $12,013 and $7,018, respectively.

As of June 30, 2013, the University due to new information becoming available had a change in estimate associated with their asset retirement obligations which resulted in an increase in the asset retirement obligation and the associated asset retirement cost within Property, Plant and Equipment of $4,275 in the consolidated statement of financial position.

(in thousands of dollars)

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.

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.

(in thousands of dollars)

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. Fair value estimates for publicly traded marketable equity securities are based on quoted market prices and are 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, Bond Fund and Intermediate Term Fund), U.S. government securities, as well as specific corporate bonds held within the Bank of New York General Securities Fund. Estimated fair values of the U.S. government securities are based on market data for the same or comparable instruments and transactions in establishing the prices. 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. The University has no unfunded commitments. The Commonfund's funds can be redeemed daily to monthly.

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 consist of nonmarketable stocks. Portfolio securities for which market quotations are not readily available are valued at fair value using approved procedures. 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.

(in thousands of dollars)

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

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.

Reclassifications

Certain amounts in the 2012 consolidated financial statements have been reclassified to conform to the current year's presentation.

Subsequent Events

The University has performed an evaluation of subsequent events through September 27, 2013, the date our consolidated financial position and activities was issued.

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 for all Level 3 investments, 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 the University's year ended June 30, 2013. There were no transfers in and out of Level 1 and 2 of the fair value hierarchy in 2013. All other applicable disclosures are appropriately included in footnote 14.

In October 2012, the FASB issued ASU No.2012-05, Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (a consensus of the FASB EITF). This guidance requires not-for-profit entities to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit entity imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless

(in thousands of dollars)

the donor restricted the use of the contributed resources to long-term purposed, in which case those cash receipts from the sale of donated financial assets should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the not-for-profit entity. The guidance is effective prospectively (with retrospective application permitted) for fiscal years beginning after June 15, 2013, and early adoption is permitted. The University will adopt this in fiscal 2014.

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 $367 and $378 at June 30, 2013 and 2012, respectively. Contributed charitable remainder trust assets under the control of the University as trustee are included at the estimated present value of $179 and $183 at June 30, 2013 and 2012, with a liability for future payments to other beneficiaries included at an estimated amount of $30 and $35 at June 30, 2013 and 2012, respectively.

During fiscal year 2013 and 2012, the University reported payments from charitable remainder trusts of $32 and $259, respectively, from the close out of certain trusts.

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

	2013	2012
Unconditional promises to give	$ 1,096	$ 1,169
Interests in split interest agreements	546	561
	1,642	1,730
Less: Discount to present value	(89)	(94)
	1,553	1,636
Less: Allowance for uncollectibles	(23)	(85)
Net contributions receivable	$ 1,530	$ 1,551

(in thousands of dollars)

Discount rates ranged as follows at June:

	2013	2012
Split interest agreements	1.0% to 9.0%	1.0% 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:

	2013	2012
Within one year	$ 335	$ 311
Between one to five years	649	711
More than five years	546	529
	$ 1,530	$ 1,551

As of June 30, 2013 and 2012, 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.

Expenses related to fundraising activities are $3,616 and $3,636 for the years ended June 30, 2013 and 2012, respectively.

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:

	2013	2012
Past Due:		
1-89 days	$ 730	$ 737
Greater than 90 days	259	265
Collections	1,177	1,012
Litigation	1,584	1,517
Total past due	3,750	3,531
Current	6,660	6,663
Total gross student loans receivable	$ 10,410	$ 10,194

(in thousands of dollars)

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 receivable includes the amounts due from current and former students. Loans disbursed under the Federal government loan programs 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.

4. Investments

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

	2013		2012	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Commonfund and other U.S. Government securities	$ 9,193	$ 9,216	$ 6,087	$ 6,119
Corporate stocks				
Equities-marketable	426	357	279	228
Equities-nonmarketable	30	30	30	30
Total corporate stocks	456	387	309	258
Corporate stock funds				
Commonfund equity fund	18,912	8,607	13,938	6,764
Commonfund equity index fund	12,916	9,432	10,251	8,854
Other equity funds	172	139	142	131
Total equity funds	32,000	18,178	24,331	15,749
Total stocks and stock funds	32,456	18,565	24,640	16,007
Corporate bonds				
Specific corporate bonds	332	327	497	486
Corporate bond funds				
Commonfund bond fund	10,376	9,133	9,081	7,803
Other bond funds	504	522	455	462
Total corporate bond funds	10,880	9,655	9,536	8,265
Total corporate bonds and bond funds	11,212	9,982	10,033	8,751
Other				
Annuity contracts	-	-	229	229
Other alternative investments	48	51	36	38
Total other	48	51	265	267
Total investments	$ 52,909	$ 37,814	$ 41,025	$ 31,144

Included in Commonfund and U.S. Government Securities at June 30, 2013 and 2012 is $9,193 and $6,087, respectively, restricted for debt service and renewal and replacement. At June 30, 2013 and 2012, specific corporate bonds are also restricted for debt service and renewals and replacement in the amount of $174 and $164, respectively.

(in thousands of dollars)

The following table presents the financial instruments carried at fair value as of June 30, 2013, by caption on the consolidated statement of financial position by the valuation hierarchy defined above:

	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value	Valuation Techniques
Assets					
Investments					
Commonfund and other U.S. Government Securities	$ -	$ 9,193	$ -	$ 9,193	M
Corporate stocks	426	-	-	426	M
Commonfund and other equity funds	172	31,828	-	32,000	M
Corporate bonds					
Specific corporate bonds	53	279	-	332	M
Commonfund bond fund	-	10,376	-	10,376	M
Other	378	174	30	582	M
Total investments	1,029	51,850	30	52,909	
Cash and cash equivalents					
Money market funds	-	7,114	-	7,114	M
Contributions receivable					
Interest in split interest agreements	-	-	546	546	I
Total assets at fair value	$ 1,029	$ 58,964	$ 576	$ 60,569	

The following table presents the financial instruments carried at fair value as of June 30, 2012, by caption on the consolidated statement of financial position by the valuation hierarchy defined above:

	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total Fair Value	Valuation Techniques
Assets					
Investments					
Commonfund and other U.S. Government Securities	$ -	$ 6,087	$ -	$ 6,087	M
Corporate stocks	279	-	-	279	M
Commonfund and other equity funds	142	24,190	-	24,332	M
Corporate bonds					
Specific corporate bonds	52	444	-	496	M
Commonfund bond fund	-	9,081	-	9,081	M
Other	327	164	259	750	M
Total investments	800	39,966	259	41,025	
Cash and cash equivalents					
Money market funds	-	10,070	-	10,070	M
Contributions receivable					
Interest in split interest agreements	-	-	561	561	I
Total assets at fair value	$ 800	$ 50,036	$ 820	$ 51,656	

(in thousands of dollars)

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:

	Other	Interest in Split Interest Agreements
Fair values at June 30, 2011	$ 251	$ 881
Net purchases, sales, settlements	-	(259)
Total gains (realized/unrealized)	8	(61)
Transfers in (out)	-	-
Fair values at June 30, 2012	259	561
Net purchases, sales, settlements	-	(32)
Total gains (realized/unrealized)	-	17
Transfers in (out)	(229)	-
Fair values at June 30, 2013	$ 30	$ 546

Realized and unrealized losses in the table above are included in investment (loss) return 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:

	2013	2012
Land and land improvements	$ 19,148	$ 18,676
Buildings and building improvements	244,533	219,313
Furniture and equipment	29,968	26,637
Construction in progress	1,304	12,554
	294,953	277,180
Less: Accumulated depreciation		
Buildings and building improvements	(95,868)	(89,612)
Furniture and equipment	(17,802)	(17,696)
	(113,670)	(107,308)
Property, plant and equipment, net	$ 181,283	$ 169,872

Depreciation of property, plant, and equipment for the years ended June 30, 2013 and 2012 amounted to $8,906 and $8,161, respectively. Accretion and depreciation expense relating to the asset retirement obligations for the years ended June 30, 2013 and 2012 was $364 and $348, respectively. At June 30, 2013, approximately $9,760 of the costs transferred from construction in progress to buildings and building improvements related to the new Monniger Learning Center.

(in thousands of dollars)

6. Revolving Credit Facility

At June 30, 2013, the University had a $5,000 aggregate revolving credit facility (“Credit Agreement”) with a bank, which will expire on March 31, 2014. 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 2013 and 2012.

The Credit Agreement contains certain covenants which, among other things, place limitations on the University. For the year ended June 30, 2013, the most restrictive of these provisions required that the University’s change in net assets from operating activities plus depreciation and amortization plus interest on long term debt for the fiscal year ended June 30, 2013 must equal or exceed aggregate annual debt service of long term debt by 1.15 times. 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 years ended June 30, 2013 and 2012, the University was in compliance with these covenants.

(in thousands of dollars)

7. Long-term Debt

Long-term debt at June 30 consists of:

	2013	2012
Bonds payable		
Dormitory and Dining Hall Bonds of 1967, 3%, due serially through 2017	$ 550	$ 650
Mortgages payable		
3%, payable to Department of Housing and Urban Development in semi-annual installments of $17 including interest to 2021	224	251
Higher Education Facilities Revenue Bonds, Higher Education Capital Improvement Fund, 2000 Series A due serially through 2020, interest from 5.0% to 5.75%	1,765	1,938
Higher Education Facilities Revenue Bonds of 2002, Series D due serially through 2032, interest from 4.0% to 6.0%	54,100	55,505
Higher Education Facilities Revenue Bonds of 2004, Series C due serially through 2023, interest from 4.25% to 6.0%	25,555	27,225
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	12,250	12,745
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	839	880
Other debt		
NJEFA Dormitory Safety Trust Fund, 2001 and 2003 Series A, due serially through 2018 at 0% interest	739	958
	96,022	100,152
Less: Unamortized bond discount	(590)	(627)
Net long term debt	$ 95,432	$ 99,525

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 (Note 4) with the trustee, having an aggregate fair value of $17,399 and $17,280 at June 30, 2013 and 2012, 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 for the years ended June 30, 2013 and 2012.

Interest expense was $5,410 and $5,606 in fiscal year 2013 and 2012, respectively.

(in thousands of dollars)

As of June 30, 2013, the total principal payments due over the next five fiscal years and thereafter are:

2014	$	4,345
2015		4,568
2016		4,799
2017		4,857
2018		5,148
Thereafter		72,305
	$	96,022

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, 2013 and 2012 were $5,393 and $5,443, 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.

(in thousands of dollars)

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, 2013 and 2012 and statements of the funded status both years.

	2013	2012
Change in Accumulated Postretirement Benefit Obligation (APBO)		
APBO at July 1	$ 30,535	$ 25,725
Service cost	1,112	770
Interest cost	1,163	1,366
Retiree contributions	433	432
Benefits paid	(1,475)	(1,414)
Actuarial (gain) loss	(3,552)	3,656
APBO at June 30	$ 28,216	$ 30,535
Change in plan assets		
University's contribution	$ 1,042	$ 982
Retiree contributions	433	432
Benefits paid	(1,475)	(1,414)
Net change in plan assets	$ -	$ -
Funded status of the plan		
APBO in excess of plan assets	$ 28,216	$ 30,535
Accrued liabilities	$ 28,216	$ 30,535
Periodic costs recognized in income		
Service cost	$ 1,112	$ 770
Interest cost	1,163	1,366
Amortization of net actuarial loss	828	793
Net postretirement expense	$ 3,103	$ 2,929
Weighted-average assumptions used to determine benefit obligations at end of year		
Discount rate	4.75 %	4.12 %
Rate of compensation increase	N/A	N/A
Healthcare cost trend		
Increase from current to next fiscal year: Pre-65 medical	9.00 %	8.00 %
Increase from current to next fiscal year: Post-65 medical	7.00 %	8.00 %
Increase from current to next fiscal year: Prescription drug	7.00 %	8.00 %
Ultimate rate of decline	5.00 %	5.00 %
Year that the ultimate rate is attained	2022	2019
Amounts recognized in accumulated unrestricted net assets		
Net actuarial loss	$ 9,571	$ 13,951

(in thousands of dollars)

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	$ 5,382	$ (3,947)

	2013	2012
Weighted-average assumptions used to determine the net periodic benefit cost at beginning of year		
Discount rate	4.12 %	5.50 %
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: Pre-65 medical	9.00 %	8.00 %
Increase from current to next fiscal year: Post-65 medical	7.00 %	8.00 %
Increase from current to next fiscal year: Prescription drug	7.00 %	8.00 %
Ultimate rate of decline	5.00 %	5.00 %
Year that the ultimate rate is attained	2022	2019

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	$ 604	$ (423)

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

	Postretirement Benefits
Fiscal Year	
2014	$ 1,256
2015	1,333
2016	1,384
2017	1,452
2018	1,528
Years 2019-2023	8,293

(in thousands of dollars)

"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 2014 are the same as expected benefit payments.

Estimated amount that will be amortized from accumulated unrestricted net assets into net periodic benefit cost in 2014 relates to an actuarial gain of $4,380.

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 115 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;

(in thousands of dollars)

- Other resources of the University; and
- The investment policy of the University.

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, 2013, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted funds	$ (1)	$ 9,881	$ 19,045	$ 28,925
Board-designated funds	15,379	-	-	15,379
Total funds	$ 15,378	$ 9,881	$ 19,045	$ 44,304

During 2013, the University transferred $3,000 of surplus funds into board designated endowment funds to be used for scholarships.

(in thousands of dollars)

Changes in the endowment net assets for the fiscal year ended June 30, 2013, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 10,713	$ 7,244	$ 16,947	$ 34,904
Investment return				
Investment income	180	352	3	535
Net appreciation (realized and unrealized)	1,994	3,194	6	5,194
Total investment gain	2,174	3,546	9	5,729
Contributions	-	-	1,957	1,957
Change in fair value of interests in split-interest agreements	-	-	5	5
Appropriation of endowment assets for expenditure	(509)	(990)	(2)	(1,501)
Other changes				
Transfers to create board-designed endowment funds	3,000	-	-	3,000
Other transfers	-	81	129	210
Endowment net assets at end of year June 30, 2013	$ 15,378	$ 9,881	$ 19,045	$ 44,304

At June 30, 2012, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ (213)	$ 7,244	$ 16,947	$ 23,978
Board-designated funds	10,926	-	-	10,926
Total funds	$ 10,713	$ 7,244	$ 16,947	$ 34,904

(in thousands of dollars)

Changes in the endowment net assets for the fiscal year ended June 30, 2012, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 7,687	$ 7,529	$ 16,058	$ 31,274
Investment return				
Investment income	169	438	3	610
Net appreciation (realized and unrealized)	212	65	-	277
Total investment gain	381	503	3	887
Contributions	-	-	950	950
Change in fair value of interests in split-interest agreements	-	-	(63)	(63)
Appropriation of endowment assets for expenditure	(355)	(901)	(2)	(1,258)
Other changes				
Transfers to create board-designed endowment funds	3,000	-	-	3,000
Other transfers	-	113	1	114
Endowment net assets at end of year June 30, 2012	$ 10,713	$ 7,244	$ 16,947	$ 34,904

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 as of June 30, 2013 and $213 as of June 30, 2012. 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.

(in thousands of dollars)

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

	2013	2012
Operating		
Split interest agreements	$ 32	$ 245
Scholarships	390	173
University programs and other	424	1,973
	846	2,391
Nonoperating		
Buildings and equipment	56	2,257
	$ 902	$ 4,648

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

	2013	2012
Split interest agreements	$ 221	$ 236
Endowment return restricted for scholarships and other	9,881	7,244
Scholarships	2,353	2,480
Buildings and equipment	927	484
University programs and other	2,591	3,148
	$ 15,973	$ 13,592

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:

	2013	2012
Split interest agreements	$ 295	$ 290
Pledges-endowed scholarships	923	490
Endowments-scholarships	14,487	12,829
Endowments-endowed chairs and other	3,305	3,305
Other-scholarships	35	33
	$ 19,045	$ 16,947

(in thousands of dollars)

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:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net interest and dividend income	$ 501	$ 190	$ -	$ 691
Net realized and unrealized gains (losses)	2,667	2,570	7	5,244
Total return on investments	3,168	2,760	7	5,935
Less: Investment return designated for current operations				
Endowment return-spending rate	1,311	190	-	1,501
Other investment return	208	-	-	208
Investment return in excess of endowment spending amount	$ 1,649	$ 2,570	$ 7	$ 4,226

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net interest and dividend income	$ 673	$ 161	$ -	$ 834
Net realized and unrealized gains (losses)	634	(386)	1	249
Total return on investments	1,307	(225)	1	1,083
Less: Investment return designated for current operations				
Endowment return-spending rate	1,097	161	-	1,258
Other investment return	198	-	-	198
Investment return in excess of endowment spending amount	$ 12	$ (386)	$ 1	$ (373)

12. Commitments and Contingencies

At June 30, 2013, the University is obligated under operating and capital leases for equipment, software and buildings used in its operations aggregating $27,291. These obligations are payable for the following fiscal years ending:

2014	$ 3,416
2015	3,232
2016	2,683
2017	2,329
2018	2,219
2019 and thereafter	13,412
	$ 27,291

(in thousands of dollars)

Equipment, software, and space rental expenses for 2013 and 2012 were $6,010 and $4,545, 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, 2013 and 2012 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, 2013 and 2012 based on market inputs for underlying debt securities are as follows and classified as Level 2:

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 96,022	$ 96,994	$ 100,152	$ 101,977

(in thousands of dollars)

At June 30, 2013 and 2012, 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, 2013 and 2012, 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.