Fairleigh Dickinson University

Consolidated Financial Statements
June 30, 2012 and 2011

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June 30, 2012 and 2011

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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 of cash flows present fairly, in all material respects, the financial position of Fairleigh Dickinson University (the "University") as of June 30, 2012 and 2011, 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, 2012

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Fairleigh Dickinson University
Consolidated Statements of Financial Position
June 30, 2012 and 2011

(in thousands of dollars)		2012		2011
Assets				
Cash and cash equivalents	$	60,724	$	61,291
Restricted cash and cash equivalents		12,494		8,699
Student accounts receivable, net of allowance for doubtful accounts of $15,359 and $14,209 in 2012 and 2011, respectively		7,180		7,944
Accounts receivable and other current assets		6,069		3,930
Contributions receivable, net		1,551		1,214
Student loans receivable, net of allowance for doubtful accounts of $2,540 and $2,491 in 2012 and 2011, respectively		7,654		7,246
Investments, at fair value		41,025		40,700
Deferred bond issuance costs		2,880		3,002
Property, plant and equipment, net		169,872		160,146
Total assets	$	309,449	$	294,172
Liabilities				
Accounts payable and accrued liabilities	$	18,770	$	14,974
Accrued salaries and liabilities for compensated absences		7,047		5,664
Deferred tuition revenues		2,212		2,008
U.S. government grants refundable		9,310		8,495
Long-term debt		99,525		103,427
Long-term liabilities				
Post-retirement benefits liability		30,535		25,725
Asset retirement obligations		7,018		6,687
Other		4,566		4,681
Total liabilities		178,983		171,661
Net Assets				
Unrestricted		99,927		89,252
Temporarily restricted		13,592		17,201
Permanently restricted		16,947		16,058
Total net assets		130,466		122,511
Total liabilities and net assets	$	309,449	$	294,172

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

Fairleigh Dickinson University
Consolidated Statements of Activities
Years Ended June 30, 2012 and 2011

(in thousands of dollars)	2012 Unrestricted	2012 Temporarily Restricted	2012 Permanently Restricted	2012 Total	2011 Unrestricted	2011 Temporarily Restricted	2011 Permanently Restricted	2011 Total
Operating revenues, gains and other support								
Tuition and fees	$ 229,882	$ -	$ -	$ 229,882	$ 222,609	$ -	$ -	$ 222,609
Less: Scholarships, tuition grants and aid	(66,057)	-	-	(66,057)	(62,488)	-	-	(62,488)
Net tuition and fees	163,825	-	-	163,825	160,121	-	-	160,121
Contributions	2,102	745	-	2,847	2,335	2,079	-	4,414
New Jersey State aid	61	-	-	61	72	-	-	72
Contracts and grants	3,608	-	-	3,608	4,153	-	-	4,153
Investment return-endowment spending rate and other	1,295	161	-	1,456	1,301	114	-	1,415
Other sources	4,334	-	-	4,334	4,555	30	-	4,585
Auxiliary enterprises	28,910	-	-	28,910	27,814	-	-	27,814
Less: Scholarships, tuition grants and aid	(309)	-	-	(309)	(277)	-	-	(277)
Total revenues, gains and other support	203,826	906	-	204,732	200,074	2,223	-	202,297
Net assets released from restrictions	2,391	(2,391)	-	-	8,060	(8,060)	-	-
Total operating revenues, gains and other support	206,217	(1,485)	-	204,732	208,134	(5,837)	-	202,297
Expenses								
Educational and general								
Instruction	71,681	-	-	71,681	68,352	-	-	68,352
Research	153	-	-	153	145	-	-	145
Academic support	32,478	-	-	32,478	31,387	-	-	31,387
Student services	36,870	-	-	36,870	34,427	-	-	34,427
Institutional support	31,756	-	-	31,756	28,846	-	-	28,846
Other	199	-	-	199	194	-	-	194
Total educational and general expenses	173,137	-	-	173,137	163,351	-	-	163,351
Auxiliary enterprises	21,764	-	-	21,764	22,068	-	-	22,068
Total expenses and losses	194,901	-	-	194,901	185,419	-	-	185,419
Increase (decrease) in net assets from operating activities	11,316	(1,485)	-	9,831	22,715	(5,837)	-	16,878
Nonoperating								
Contributions	19	447	950	1,416	507	117	704	1,328
Change in fair value of interests in split interest agreements	13	(6)	(63)	(56)	1,104	150	(27)	1,227
Investment (loss)/return in excess of endowment spending amount	12	(386)	1	(373)	2,132	2,183	7	4,322
Transfer between net assets	(79)	78	1	-	(1,237)	(13)	1,250	-
Post-retirement medical plan changes other than net periodic cost	(2,863)	-	-	(2,863)	(893)	-	-	(893)
Net assets released from restrictions - for capital	2,257	(2,257)	-	-	614	(614)	-	-
(Decrease) increase in net assets from nonoperating activities	(641)	(2,124)	889	(1,876)	2,227	1,823	1,934	5,984
Increase (decrease) in net assets	10,675	(3,609)	889	7,955	24,942	(4,014)	1,934	22,862
Net assets								
Beginning of year	89,252	17,201	16,058	122,511	64,310	21,215	14,124	99,649
End of year	$ 99,927	$ 13,592	$ 16,947	$ 130,466	$ 89,252	$ 17,201	$ 16,058	$ 122,511

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

Fairleigh Dickinson University
Consolidated Statements of Cash Flows
Years Ended June 30, 2012 and 2011

(in thousands of dollars)	**2012**	**2011**
Cash flows from operating activities		
Increase in net assets	$ 7,955	$ 22,862
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities		
Depreciation and amortization	8,319	7,854
Provision for losses on student accounts receivable	2,446	2,590
Provision for losses on student loans receivable	49	35
Gifts and donations permanently restricted and for capital improvements	(1,476)	(1,363)
Gifts of property, plant and equipment	(6)	(37)
Net unrealized and realized appreciation on investments	(249)	(4,831)
Pension related changes other than net periodic pension cost	2,863	893
Changes in operating assets and liabilities		
Student accounts receivable	(1,682)	(2,906)
Accounts receivable and other current assets	(2,139)	(901)
Contributions receivable	390	6,851
Accounts payable and accrued liabilities	511	603
Accrued salaries and liabilities for compensated absences	1,383	304
Deferred tuition revenues	204	(837)
Post-retirement benefits liability	1,947	1,709
Other liabilities	(115)	(319)
Net cash provided by operating activities	20,400	32,507
Cash flows from investing activities		
Increase in restricted cash and cash equivalents	(3,795)	(576)
Proceeds from student loans collections	1,146	1,228
Student loans issued	(1,603)	(1,247)
Proceeds from sale of investments	11,223	7,105
Purchases of investments	(11,299)	(9,607)
Purchases of property, plant and equipment, net	(14,266)	(11,270)
Net cash used in investing activities	(18,594)	(14,367)
Cash flows from financing activities		
Gifts and donations permanently restricted and for capital improvements	749	1,409
Principal payments of debt	(3,937)	(3,788)
Increase in U.S. Government grants refundable	815	514
Net cash used in financing activities	(2,373)	(1,865)
Net (decrease) increase in cash and cash equivalents	(567)	16,275
Cash and cash equivalents		
Beginning of year	61,291	45,016
End of year	$ 60,724	$ 61,291
Supplemental information		
Interest paid	$ 5,479	$ 5,668
Noncash gifts-in-kind	109	170
Property, plant and equipment obligations incurred	3,813	528

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 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 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, 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 subsidiary, Harbinger Corporation. During August 2010, Three University Plaza Corporation was dissolved. 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 $81,865 and $82,056, respectively, in 2012 and $76,654 and $76,499, respectively, in 2011.

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 15-60 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 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, 2012 and 2011.

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 $1,258 and $1,130 for the years ended June 30, 2012 and 2011, 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, 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 $1,217 in 2012 and $1,209 in 2011.

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 $24,371 and $23,324 in fiscal year 2012 and 2011, respectively, were allocated based on the square footage of space occupied by, or assets assigned to, each program and supporting service. Interest costs of $5,606 and $5,686 in fiscal year 2012 and 2011, respectively, were allocated functionally based on usage of debt proceeds. Employee benefits costs of $29,636 and $27,441 in fiscal year 2012 and 2011, 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, 2012 and 2011 were $7,018 and $6,687, respectively.

(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 and Bond Fund), US government securities, as well as specific corporate bonds held within the Bank of New York General Securities Fund. Estimated fair values of the US 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.

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.

(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).

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, 2012, the date our consolidated financial position and activities was issued.

New Authoritative Accounting Pronouncements
In January 2010, the Financial Accounting Standards Board ("FASB") issued two new financial instruments disclosure requirements and clarified guidance on existing financial instruments disclosure requirements. The new guidance required entities to disclose transfers of assets in and out of Levels 1 and 2 of the fair value hierarchy and the reasons for those transfers and is effective for the University's year ended June 30, 2011. This guidance also requires entities to disclose gross reporting of changes in Level 3 fair value measurements, effective for the University's year ended June 30, 2012. The first clarification requires entities to further disaggregate the presentation of investments by class of assets and liabilities rather than by major category. The second clarification requires entities to disclose the valuation techniques used and the inputs used in determining the fair values of each class of assets and liabilities. There were no significant transfers in and out of Levels 1 and 2 of the fair value hierarchy in 2012. All other applicable disclosures are appropriately included within footnote 4.

(in thousands of dollars)

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 Stated 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 2013 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 $378 and $698 at June 30, 2012 and 2011, respectively. Contributed charitable remainder trust assets under the control of the University as trustee are included at the estimated present value of $183 at June 30, 2012 and 2011, with a liability for future payments to other beneficiaries included at an estimated amount of $35 and $39 at June 30, 2012 and 2011, respectively.

During fiscal year 2012 and 2011, the University reported payments from charitable remainder trusts of $259 and $8,458, respectively, from the close out of certain trusts.

(in thousands of dollars)

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

	2012	2011
Unconditional promises to give	$ 1,169	$ 457
Interests in split interest agreements	561	881
	1,730	1,338
Less: Discount to present value	(94)	(46)
	1,636	1,292
Less: Allowance for uncollectibles	(85)	(78)
Net contributions receivable	$ 1,551	$ 1,214

Discount rates ranged as follows at June:

	2012	2011
Split interest agreements	1.0% to 7.0%	2.5% 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:

	2012	2011
Within one year	$ 311	$ 377
Between one to five years	711	117
More than five years	529	720
	$ 1,551	$ 1,214

As of June 30, 2012 and 2011, 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.

(in thousands of dollars)

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:

	2012	2011
Past Due:		
1-89 days	$ 737	$ 802
Greater than 90 days	265	273
Collections	1,012	932
Litigation	1,517	1,495
Total past due	3,531	3,502
Current	6,663	6,235
Total gross student loans receivable	$ 10,194	$ 9,737

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.

(in thousands of dollars)

4. Investments

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

	2012		2011	
	Fair Value	Cost	Fair Value	Cost
U.S. Government securities	$ 6,087	$ 6,119	$ 9,228	$ 9,463
Corporate stocks				
Equities-marketable	279	228	338	273
Equities-nonmarketable	30	30	30	30
Total corporate stocks	309	258	368	303
Corporate stock funds				
Commonfund equity fund	13,938	6,764	12,635	5,124
Commonfund equity index fund	10,251	8,854	10,016	9,009
Other equity funds	142	131	138	116
Total equity funds	24,331	15,749	22,789	14,249
Total stocks and stock funds	24,640	16,007	23,157	14,552
Corporate bonds				
Specific corporate bonds	497	486	401	396
Corporate bond funds				
Commonfund bond fund	9,081	7,803	7,200	6,158
Other bond funds	455	462	465	484
Total corporate bond funds	9,536	8,265	7,665	6,642
Total corporate bonds and bond funds	10,033	8,751	8,066	7,038
Other				
Annuity contracts	229	229	221	221
Other alternative investments	36	38	28	28
Total other	265	267	249	249
Total investments	$ 41,025	$ 31,144	$ 40,700	$ 31,302

Included in U.S. Government Securities at June 30, 2012 and 2011 is $6,087 and $9,177, respectively, restricted for debt service and renewal and replacement. At June 30, 2012 and 2011, specific corporate bonds are also restricted for debt service and renewals and replacement in the amount of $164 and $178, respectively.

(in thousands of dollars)

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					
U.S. Government Securities	$ -	$ 5,781	$ 306	$ 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	-	423	750	M
Total investments	800	39,496	729	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	$ 49,566	$ 1,290	$ 51,656	

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:

	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					
U.S. Government securities	$ -	$ 8,949	$ 279	$ 9,228	M
Corporate stocks	338	-	-	338	M
Commonfund and 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	812	39,180	708	40,700	
Money market funds	-	6,881	-	6,881	M
Interest in split interest agreements	-	-	881	881	I
Total assets at fair value	$ 812	$ 46,061	$ 1,589	$ 48,462	

(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:

	U.S. Government Securities	Other	Interest in Split Interest Agreements
Fair values at June 30, 2010	$ 304	$ 638	$ 7,586
Net purchases, sales, settlements	-	-	(7,940)
Total gains (realized/unrealized)	4	14	1,235
Interest	6	4	-
Income reinvested	-	-	-
Transfers out	(35)	(227)	-
Fair values at June 30, 2011	279	429	881
Net purchases, sales, settlements	-	-	(259)
Total gains (realized/unrealized)	4	10	(61)
Interest	5	2	-
Income reinvested	-	-	-
Transfers in (out)	18	(18)	-
Fair values at June 30, 2012	$ 306	$ 423	$ 561

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:

	2012	2011
Land and land improvements	$ 18,676	$ 18,405
Buildings and building improvements	219,313	214,435
Furniture and equipment	26,637	24,311
Construction in progress	12,554	2,522
	277,180	259,673
Less: Accumulated depreciation		
Buildings and building improvements	(89,612)	(83,435)
Furniture and equipment	(17,696)	(16,092)
	(107,308)	(99,527)
Property, plant and equipment, net	$ 169,872	$ 160,146

(in thousands of dollars)

Depreciation of property, plant, and equipment for the years ended June 30, 2012 and 2011 amounted to $8,161 and $7,701, respectively. Accretion and depreciation expense relating to the asset retirement obligations for the years ended June 30, 2012 and 2011 was $348 and $334, respectively. At June 30, 2012, approximately $10,000 of costs incurred in construction in progress relate to the new Monniger Learning Center.

6. Revolving Credit Facility

At June 30, 2012, the University had a $5,000 aggregate revolving credit facility ("Credit Agreement") with a bank, which will expire on March 31, 2013. 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 2012 and 2011.

The Credit Agreement contains certain covenants which, among other things, place limitations on the University. For the year ended June 30, 2012, 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, 2012 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, 2012 and 2011, the University was in compliance with these covenants.

(in thousands of dollars)

7. Long-term Debt

Long-term debt at June 30 consists of:

		2012		2011
Bonds payable				
Dormitory and Dining Hall Bonds of 1967, 3%, due serially through 2017	$	650	$	750
Mortgages payable				
3%, payable to Department of Housing and Urban Development in semi-annual installments of $17 including interest to 2021		251		278
Higher Education Facilities Revenue Bonds, Higher Education Capital Improvement Fund, 2000 Series A due serially through 2020, interest from 5.0% to 5.75%		1,938		2,100
Higher Education Facilities Revenue Bonds of 2002, Series D due serially through 2032, interest from 4.0% to 6.0%		55,505		56,830
Higher Education Facilities Revenue Bonds of 2004, Series C due serially through 2023, interest from 4.25% to 6.0%		27,225		28,820
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		12,745		13,215
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		880		918
Other debt				
NJEFA Dormitory Safety Trust Fund, 2001 and 2003 Series A, due serially through 2018 at 0% interest		958		1,178
		100,152		104,089
Less: Unamortized bond discount		(627)		(662)
Net long term debt	$	99,525	$	103,427

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 $17,280 and $17,191 at June 30, 2012 and 2011, 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, 2012 and 2011.

Interest expense was $5,606 and $5,686 in fiscal year 2012 and 2011.

(in thousands of dollars)

As of June 30, 2012, the total principal payments due over the next five fiscal years and thereafter are:

2013	$	4,130
2014		4,345
2015		4,568
2016		4,799
2017		4,857
Thereafter		77,453
	$	100,152

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, 2012 and 2011 were $5,443 and $5,226, 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, 2012 and 2011 and statements of the funded status both years.

		2012		2011
Change in Accumulated Postretirement Benefit Obligation (APBO)				
APBO at July 1	$	25,725	$	23,123
Service cost		770		666
Interest cost		1,366		1,306
Retiree contributions		432		422
Benefits paid		(1,414)		(1,382)
Actuarial loss		3,656		1,590
APBO at June 30	$	30,535	$	25,725
Change in plan assets				
University's contribution	$	982	$	960
Retiree contributions		432		422
Benefits paid		(1,414)		(1,382)
Net change in plan assets	$	-	$	-
Funded status of the plan				
APBO in excess of plan assets	$	30,535	$	25,725
Accrued liabilities	$	30,535	$	25,725
Periodic costs recognized in income				
Service cost	$	770	$	666
Interest cost		1,366		1,306
Net amortization and other		-		-
Amortization of net actuarial loss		793		698
Net postretirement expense	$	2,929	$	2,670
Weighted-average assumptions used to determine benefit obligations at end of year				
Discount rate		4.12 %		5.50 %
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		2019
Amounts recognized in accumulated unrestricted net assets				
Net actuarial loss	$	13,951	$	11,088

(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	$	5,297	$	(4,200)

	2012	2011
Weighted-average assumptions used to determine the net periodic benefit cost at beginning of year		
Discount rate	5.50 %	6.00 %
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 %	8.00 %
Ultimate rate of increase	5.00 %	5.00 %
Year that the ultimate rate is attained	2019	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	$	524	$	(389)

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

		Postretirement Benefits
Fiscal Year		
2013	$	1,207
2014		1,326
2015		1,400
2016		1,445
2017		1,515
Years 2018-2022		8,366

“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).

(in thousands of dollars)

Employer Contributions
Expected employer contributions for the postretirement benefits and federal subsidy under MMA for fiscal year 2013 are the same as expected benefit payments.

Estimated amount that will be amortized from accumulated unrestricted net assets into net periodic benefit cost in 2013 relates to an actuarial loss of $2,863.

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 112 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.

(in thousands of dollars)

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, 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

During 2012, the University transferred $3,000 of surplus funds into board designated endowment funds to be used for scholarships.

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	7,776	-	-	7,776
Total funds	$ 7,687	$ 7,529	$ 16,058	$ 31,274

(in thousands of dollars)

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 at beginning of year	$ 4,538	$ 5,266	$ 14,124	$ 23,928
Investment return				
Investment income	132	402	3	537
Net appreciation (realized and unrealized)	2,295	2,616	6	4,917
Total investment gain	2,427	3,018	9	5,454
Contributions	-	-	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	-	95	1,250	1,345
Endowment net assets at end of year June 30, 2011	$ 7,687	$ 7,529	$ 16,058	$ 31,274

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 $213 as of June 30, 2012 and $89 as of June 30, 2011. 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.

(in thousands of dollars)

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

	2012	2011
Operating		
Split interest agreements	$ 245	$ 6,835
Scholarships	173	371
University programs and other	1,973	854
	2,391	8,060
Nonoperating		
Buildings and equipment	2,257	614
	$ 4,648	$ 8,674

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

	2012	2011
Split interest agreements	$ 236	$ 489
Endowment return restricted for scholarships and other	7,244	7,529
Scholarships	2,480	2,282
Buildings and equipment	484	2,595
University programs and other	3,148	4,306
	$ 13,592	$ 17,201

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:

	2012	2011
Split interest agreements	$ 290	$ 353
Pledges-endowed scholarships	490	67
Endowments-scholarships	12,829	12,302
Endowments-endowed chairs and other	3,305	3,305
Other-scholarships	33	31
	$ 16,947	$ 16,058

(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:

	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)

	2011			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
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

12. Commitments and Contingencies

At June 30, 2012, the University is obligated under operating leases for equipment, software and building used in its operations aggregating $18,297. These obligations are payable for the following fiscal years ending:

2013	$ 3,558
2014	2,681
2015	2,333
2016	1,891
2017	1,533
2018 and thereafter	6,301
	$ 18,297

(in thousands of dollars)

Equipment, software, and space rental expenses for 2012 and 2011 were $4,545 and $4,186, 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, 2012 and 2011 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, 2012 and 2011 based on market information for underlying debt securities are as follows:

	2012		2011	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Long-term debt	$ 100,152	$ 101,977	$ 104,089	$ 105,008

At June 30, 2012 and 2011, 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.

(in thousands of dollars)

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, 2012 and 2011, 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.