# Grand View University

Financial Report
June 30, 2011

**Contents**

McGladrey

**Independent Auditor's Report**

To the Board of Trustees
Grand View University
Des Moines, Iowa

We have audited the accompanying statements of financial position of Grand View University as of June 30, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grand View University as of June 30, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Des Moines, Iowa
October 10, 2011

**Grand View University**

**Statements of Financial Position**
**June 30, 2011 and 2010**

| | **2011** | 2010 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | **$ 2,259,728** | $ 2,280,351 |
| Student and other receivables | **1,011,342** | 1,016,944 |
| Prepaid expenses | **433,390** | 179,806 |
| Inventories | **285,579** | 291,789 |
| Contributions receivable | **1,073,529** | 1,693,678 |
| Investments | **18,338,221** | 15,161,876 |
| Student loans receivable | **1,401,288** | 1,450,464 |
| Other assets | **997,110** | 886,819 |
| Unexpended bond proceeds | **2,972,982** | 13,451,771 |
| Debt service reserve fund | **2,010,080** | 2,010,080 |
| Land, buildings and equipment, net | **60,909,428** | 48,586,342 |
| **Total assets** | **$ 91,692,677** | $ 87,009,920 |
| **LIABILITIES AND NET ASSETS** | | |
| LIABILITIES | | |
| Lines of credit | **$ 232,761** | $ 1,564,224 |
| Accounts payable | **2,954,030** | 933,871 |
| Student deposits | **513,272** | 513,252 |
| Accrued expenses | **1,632,698** | 1,584,945 |
| Notes and bonds payable | **44,460,187** | 45,229,482 |
| Interest rate swap liability | **428,983** | - |
| Advances from federal government for student loans and grants | **1,088,787** | 1,147,944 |
| **Total liabilities** | **51,310,718** | 50,973,718 |
| NET ASSETS | | |
| Unrestricted: | | |
| Operations | **9,568,489** | 7,695,676 |
| Board designated: | | |
| United States government loan program | **306,921** | 310,562 |
| Long-term investment | **1,171,559** | 924,489 |
| **Total unrestricted net assets** | **11,046,969** | 8,930,727 |
| Temporarily restricted | **21,109,328** | 18,890,004 |
| Permanently restricted | **8,225,662** | 8,215,471 |
| **Total net assets** | **40,381,959** | 36,036,202 |
| **Total liabilities and net assets** | **$ 91,692,677** | $ 87,009,920 |

See Notes to Financial Statements.

**Grand View University**

**Statement of Activities**
**Year Ended June 30, 2011**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Student tuition and fees | $ 34,175,259 | $ - | $ - | $ 34,175,259 |
| Scholarships and fellowships | (10,377,219) | - | - | (10,377,219) |
| **Net tuition and fees** | 23,798,040 | - | - | 23,798,040 |
| Gifts | 265,403 | 508,405 | - | 773,808 |
| Grants | 254,397 | 60,973 | - | 315,370 |
| Investment income | 163,495 | 435,661 | - | 599,156 |
| Sales and services of auxiliary enterprises | 5,588,437 | - | - | 5,588,437 |
| Other income, net | 319,919 | 242,872 | - | 562,791 |
| Net assets released from restrictions | 1,419,632 | (1,419,632) | - | - |
| **Total operating revenues** | 31,809,323 | (171,721) | - | 31,637,602 |
| Operating expenses: | | | | |
| Instruction and research | 10,707,855 | - | - | 10,707,855 |
| Academic support | 2,524,653 | - | - | 2,524,653 |
| Student services | 5,708,079 | - | - | 5,708,079 |
| Institutional support | 5,950,192 | - | - | 5,950,192 |
| Auxiliary enterprises | 4,747,303 | - | - | 4,747,303 |
| **Total operating expenses** | 29,638,082 | - | - | 29,638,082 |
| **Increase (decrease) in net assets from operating activities** | 2,171,241 | (171,721) | - | 1,999,520 |
| Nonoperating activities: | | | | |
| Contributions restricted for building and equipment | - | 421,695 | - | 421,695 |
| Investment income restricted for building and equipment | - | 99,429 | - | 99,429 |
| Gifts for nonoperating purposes | 45,464 | - | 10,191 | 55,655 |
| Net assets released from restrictions | 112,214 | (112,214) | - | - |
| Change in fair value of interest rate swap | (428,983) | - | - | (428,983) |
| Investment return reduced by the portion of cumulative investment return designated for current operations, net of expenses | 216,306 | 1,982,135 | - | 2,198,441 |
| **Increase (decrease) in net assets from nonoperating activities** | (54,999) | 2,391,045 | 10,191 | 2,346,237 |
| **Change in net assets** | 2,116,242 | 2,219,324 | 10,191 | 4,345,757 |
| Net assets at beginning of year | 8,930,727 | 18,890,004 | 8,215,471 | 36,036,202 |
| Net assets at end of year | $ 11,046,969 | $ 21,109,328 | $ 8,225,662 | $ 40,381,959 |

See Notes to Financial Statements.

**Grand View University**

**Statement of Activities**
**Year Ended June 30, 2010**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Student tuition and fees | $ 31,098,809 | $ - | $ - | $ 31,098,809 |
| Scholarships and fellowships | (9,587,577) | - | - | (9,587,577) |
| **Net tuition and fees** | 21,511,232 | - | - | 21,511,232 |
| Gifts | 291,861 | 315,954 | - | 607,815 |
| Grants | 323,005 | 119,458 | - | 442,463 |
| Investment income | 181,961 | 348,064 | - | 530,025 |
| Sales and services of auxiliary enterprises | 5,211,888 | - | - | 5,211,888 |
| Other income, net | 359,293 | 202,486 | - | 561,779 |
| Net assets released from restrictions | 1,155,310 | (1,155,310) | - | - |
| **Total operating revenues** | 29,034,550 | (169,348) | - | 28,865,202 |
| Operating expenses: | | | | |
| Instruction and research | 10,330,723 | - | - | 10,330,723 |
| Academic support | 2,416,239 | - | - | 2,416,239 |
| Student services | 5,377,759 | - | - | 5,377,759 |
| Institutional support | 5,653,892 | - | - | 5,653,892 |
| Auxiliary enterprises | 4,531,569 | - | - | 4,531,569 |
| **Total operating expenses** | 28,310,182 | - | - | 28,310,182 |
| **Increase (decrease) in net assets from operating activities** | 724,368 | (169,348) | - | 555,020 |
| Nonoperating activities: | | | | |
| Contributions restricted for building and equipment | - | 709,805 | - | 709,805 |
| Investment income restricted for building and equipment | - | 230,465 | - | 230,465 |
| Gifts for nonoperating purposes | 5,863 | - | 233,601 | 239,464 |
| Investment return reduced by the portion of cumulative investment return designated for current operations, net of expenses | 187,207 | 521,533 | - | 708,740 |
| **Increase in net assets from nonoperating activities** | 193,070 | 1,461,803 | 233,601 | 1,888,474 |
| **Change in net assets** | 917,438 | 1,292,455 | 233,601 | 2,443,494 |
| Net assets at beginning of year | 8,013,289 | 17,597,549 | 7,981,870 | 33,592,708 |
| Net assets at end of year | $ 8,930,727 | $ 18,890,004 | $ 8,215,471 | $ 36,036,202 |

See Notes to Financial Statements.

**Grand View University**

**Statements of Cash Flows**
**Years Ended June 30, 2011 and 2010**

| | **2011** | 2010 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | **$ 4,345,757** | $ 2,443,494 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | **2,279,525** | 2,228,596 |
| Amortization | **39,794** | 32,248 |
| Realized and unrealized (gains) losses on investments, net | **(2,300,188)** | (986,844) |
| Noncash contributions | **(122,680)** | (158,440) |
| Contributions and income restricted for long-term investment | **(576,779)** | (1,179,734) |
| Change in fair value of interest rate swap | **428,983** | - |
| Loss on asset disposal | **550** | - |
| Changes in assets and liabilities: | | |
| Student and other receivables | **5,602** | (372,466) |
| Student loans written off or cancelled | **33,280** | 9,989 |
| Prepaid expenses | **(253,584)** | 55,731 |
| Inventories | **6,210** | (7,160) |
| Other assets | **(122,774)** | 41,433 |
| Contributions receivable | **620,149** | (433,768) |
| Accounts payable | **4,373** | (125,339) |
| Student deposits | **20** | 188,445 |
| Accrued expenses | **47,753** | 299,621 |
| **Net cash provided by operating activities** | **4,435,991** | 2,035,806 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | **(1,245,135)** | (642,288) |
| Proceeds from sales and maturities of investments | **491,658** | 309,183 |
| Purchase of property and equipment | **(12,587,375)** | (3,422,893) |
| (Increase) decrease in unexpended bond proceeds | **10,478,789** | (13,451,771) |
| Issuance of student loans receivable | **(220,288)** | (207,144) |
| Payments from student loans receivable | **236,184** | 287,317 |
| **Net cash (used in) investing activities** | **(2,846,167)** | (17,127,596) |

(Continued)

**Grand View University**

**Statements of Cash Flows (Continued)**
**Years Ended June 30, 2011 and 2010**

| | **2011** | 2010 |
|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on notes and bonds payable | **$ (778,374)** | $ (740,975) |
| Proceeds from issuance of bonds | **-** | 15,395,000 |
| Payment of deferred financing costs | **(18,232)** | (154,952) |
| Proceeds from lines of credit | **1,100,750** | 5,440,224 |
| Payments on lines of credit | **(2,432,213)** | (6,226,000) |
| Advances from federal government for student loans and grants | **(59,157)** | (9,320) |
| Contributions and income restricted for long-term investments | **576,779** | 1,179,734 |
| **Net cash provided by (used in) financing activities** | **(1,610,447)** | 14,883,711 |
| **Net (decrease) in cash and cash equivalents** | **(20,623)** | (208,079) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning | **2,280,351** | 2,488,430 |
| Ending | **$ 2,259,728** | $ 2,280,351 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION, cash payments for interest, net of capitalized interest 2011 $638,893; 2010 $61,825 | **$ 1,424,922** | $ 1,562,504 |
| SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES, purchase of property and equipment on account | **$ 2,015,786** | $ - |

See Notes to Financial Statements.

## Note 1. Summary of Significant Accounting Policies and Related Matters

Nature of operations: Grand View University (the University) is a private, liberal arts institution located in Des Moines, Iowa, serving primarily students from Iowa. It is affiliated with the Evangelical Lutheran Church in America and is accredited by the Higher Learning Commission for baccalaureate degrees as well as a Master of Science in Innovative Leadership.

Basis of presentation: The financial statements of the University have been prepared on the accrual basis. The University has adopted authoritative accounting guidance for not-for-profit organizations, which requires that resources be classified for reporting purposes into three net asset categories according to the existence or absence of donor-imposed restrictions.

Descriptions of the three net asset categories and types of transactions affecting each category follow:

Unrestricted net assets: Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets: Net assets subject to donor-imposed restrictions that may or will be met either by actions of the University or the passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed restrictions to be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

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

Cash and cash equivalents: Cash and cash equivalents include interest-bearing money market accounts and other investments with a maturity of less than three months at the date of purchase other than money market mutual funds included in the investment portfolio. Cash at June 30, 2011 and 2010 included $74,013 and $60,937, respectively, restricted to use in the Federal Perkins Loan Program and included $827 and $25,899 at June 30, 2011 and 2010, respectively, restricted to use in the Federal Nursing Loan Program.

Accounts and loans receivable: Accounts receivable are carried at the unpaid balance of the original amount billed to students net of allowance for doubtful accounts of $320,361 and $291,533 at June 30, 2011 and 2010, respectively. Student loans receivable are carried at the amount of unpaid principal net of allowance for doubtful accounts of $244,312 and $229,470 at June 30, 2011 and 2010, respectively. Management determines the allowance for doubtful accounts by calculating a specific percent reserve on the aging of the accounts based on historical experience and by identifying specific past due amounts. Student accounts and loans receivable are written off when deemed uncollectible and when student loans receivable may be assigned to the U.S. Department of Education. Recoveries of student accounts and loans receivable previously written off are recorded when received. Recoveries totaled approximately $7,000 and $2,200 for the years ended June 30, 2011 and 2010, respectively. The provisions for bad debts charged to expense totaled approximately $28,800 and $25,200 for the years ended June 30, 2011 and 2010, respectively.

Interest is charged on student accounts receivable that are past due and is recognized as it is charged. A student account receivable is considered to be past due if any portion of the receivable balance is outstanding at the beginning of the term following the term to which the charges relate or if payments are not received as agreed upon. Once a receivable is sent to a collection agency, accrual of interest is suspended and recorded only if collected.

Interest is charged and recognized on student loans receivable after a student is no longer enrolled in an institution of higher education and after a grace period. Interest is recognized as charged. Late fees are charged if payments are not paid by the payment due date and are recognized as they are received. Students may be granted a deferment, forbearance or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education or, in the case of loan funds of the University, based on the respective program.

Inventories: Bookstore inventories are stated at the lower of cost or market.

Investments: Investments in equity and debt securities are recorded at fair value with gains and losses included in the statements of activities. Investments in certificates of deposits and a partial interest in real estate are recorded at cost which approximates fair value.

Deferred financing costs: Deferred financing costs are amortized by the effective interest method over the term of the related debt and are included in other assets.

Unexpended bond proceeds: Unexpended bond proceeds are held in interest-bearing accounts and are carried at cost.

Debt service reserve fund: Debt service reserve fund is held in an interest-bearing account and carried at cost.

Land, buildings and equipment: Land, buildings and equipment are stated at cost or, if received by gift, at the market or appraised value at the date of gift. Depreciation is provided on the straight-line basis over the estimated useful lives of depreciable property and equipment. Interest is capitalized on construction projects with construction periods of greater than one year.

| | Years |
|---|---|
| Buildings and rental properties | 20 - 60 |
| Equipment and vehicles | 3 - 10 |

Advances from federal government for student loans and grants: Funds provided by the United States government under the Federal Perkins Loan Program and Federal Nursing Student Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the United States government and are included as a liability in the statements of financial position.

Revenue recognition: Revenues are reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions with donor-imposed restrictions that are met within the same reporting period are reported as temporarily restricted revenues, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenues in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions of exhaustible long-lived assets, or of cash or other assets to be used to acquire them, without donor stipulations concerning the use of such long-lived assets, are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released over the estimated useful lives of the long-lived assets using the University's depreciation policy.

Income and net gains on investments are reported as follows:

- Increases in permanently restricted net assets if the terms of the gift or the interpretation of relevant State law require that they be added to the principal of a permanent endowment fund.

- Increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income.

- Increases in unrestricted net assets in all other cases.

Tuition and fees are recognized as revenue in the applicable enrollment period that the University provides services to its students. Revenue from auxiliary enterprises is recognized when goods or services are provided.

<u>Scholarships and fellowships</u>: Scholarships and fellowships are offered by the University to attract and retain students. The University offers institutional support to students in the form of merit-based scholarships and need-based fellowships at the University's discretion.

<u>Income taxes</u>: The University has received a tax determination letter from the Internal Revenue Service stating it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes. As such, the University is subject to federal income taxes only on any net unrelated business income under Section 511 of the Code.

The University files a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the tax position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to universities include such matters as the following: the tax exempt status of each entity and various positions relative to potential sources of unrelated business taxable income (UBIT). UBIT is reported on Form 990-T, as appropriate. The benefit of tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for uncertain tax positions in the accompanying statements of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of June 30, 2011 and 2010, there were no uncertain tax positions identified and recorded as a liability.

Forms 990 and 990-T filed by the University are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990-T filed by the University are no longer subject to examination for the fiscal years ended June 30, 2007 and prior.

Functional expenses: Fund-raising expenses for the University consist of development, alumni, grant services and capital campaign costs. Total fund-raising expenses for the years ended June 30, 2011 and 2010 were approximately $933,000 and $841,000, respectively. The following schedule incorporates fund-raising expenses into a schedule of functional expenses:

| | **2011** | 2010 |
|---|---|---|
| Program services | **$ 23,687,890** | $ 22,656,290 |
| Supporting activities: | | |
| Management and general | **5,017,061** | 4,813,206 |
| Fund-raising | **933,131** | 840,686 |
| | **$ 29,638,082** | $ 28,310,182 |

Operating and nonoperating activities: The University has reported its activities as operating or nonoperating. Operating activities are an integral part of the programs, services and mission of the University. Nonoperating activities do not directly affect the programs and services of the University, such as contributions for land, buildings and equipment or permanently restricted contributions. The difference between investment return and the spending rate is reported as a nonoperating activity.

Conditional asset retirement obligations: The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, in accordance with authoritative accounting guidance regarding asset retirement obligations. The University has a liability recorded of approximately $167,475 and $159,500 for the years ended June 30, 2011 and 2010, respectively, which is included with accrued expenses on the statements of financial position.

Concentration of credit risk: The University had cash balances and certificates of deposit with financial institutions in excess of FDIC-insured limits during the year ended June 30, 2011. The University has not experienced any losses due to these concentrations.

Subsequent events: Subsequent events have been evaluated for potential recognition and disclosure through October 10, 2011, the date the financial statements were issued. Through that date there were no events requiring recognition or disclosure except as disclosed in Note 6.

Fair value measurements: In general, fair value measurements are based upon quoted market prices, where available. If quoted market prices are not available, fair value measurements are estimated using relevant market information and other assumptions as described in Note 11.

Derivate financial instruments: Changes in the fair value of derivatives during the year are reported in the statement of activities. The University's participation in interest rate swap agreements as described in Note 6 are considered derivative financial instruments and have been reported in the statements of financial position at June 30, 2011 at fair value. Changes in the fair value of the University's participation in the agreements during the year are reported in the statements of activities as change in fair value of interest rate swap agreements. The net cash received or paid under the terms of the University's participation is reported as a component of interest expense.

## Note 2. Contributions Receivable

Unconditional promises to give at June 30, 2011 and 2010 are summarized as follows:

| | 2011 | 2010 |
|---|---|---|
| Restricted for time | **$ 208,967** | $ 250,863 |
| Restricted for instruction and operational support | **11,000** | 22,000 |
| Restricted for student scholarships and services | **92,866** | 255,564 |
| Restricted for purchase or renovation of property and equipment | **1,035,428** | 1,471,387 |
| **Gross unconditional promises to give** | **1,348,261** | 1,999,814 |
| Less unamortized discount at rates from 1.8% to 5.1% | **(274,732)** | (306,136) |
| **Net unconditional promises to give** | **$ 1,073,529** | $ 1,693,678 |

| | 2011 | 2010 |
|---|---|---|
| Amount due in: | | |
| Less than one year | **$ 463,950** | $ 843,289 |
| One year to five years | **261,832** | 527,637 |
| Over five years | **622,479** | 628,888 |
| **Gross unconditional promises to give** | **$ 1,348,261** | $ 1,999,814 |

During the year ended June 30, 2007, the University received a conditional promise to give of up to $450,000. The gift has a variety of conditions, primarily with the University meeting certain construction benchmarks and providing required reports to the donor. As of June 30, 2011, the University has received $360,000 of this gift. The remaining conditions have not been met, and therefore, the remaining balance is not included above.

Included in gross unconditional promises to give are approximately $720,500 and $1,059,000 from members of the Board of Trustees, affiliates of the Board, and officers and employees of the University as of June 30, 2011 and 2010, respectively.

The University has reviewed the collectability of contributions receivable as of June 30, 2011 and 2010 and determined that no allowance for doubtful accounts is necessary.

## Note 3. Investments

The University's long-term investment portfolio at June 30, 2011 and 2010 consisted of the following:

| | 2011 | 2010 |
|---|---|---|
| Endowment investments: | | |
| Equity mutual funds: | | |
| US - large cap | **$ 3,978,626** | $ 3,204,207 |
| Non-US - large cap | **3,356,826** | 2,728,378 |
| Emerging markets | **1,115,358** | 879,356 |
| Fixed income mutual funds: | | |
| US - total return | **3,700,494** | 3,276,767 |
| Non-US - total return | **707,433** | 650,394 |
| World allocation mutual fund | **1,564,413** | 1,335,210 |
| Real assets mutual fund | **735,809** | 571,926 |
| Money market funds | **348,339** | 153,285 |
| | **15,507,298** | 12,799,523 |
| Other investments: | | |
| US - large cap equity mutual funds | **84,976** | 56,029 |
| US - total return fixed income mutual funds | **94,077** | 89,664 |
| Non-US - large cap equity mutual funds | **25,435** | 16,748 |
| Real assets mutual fund | **16,173** | 12,080 |
| Money market funds | **68,496** | 50,869 |
| Certificates of deposit | **1,295,710** | 1,407,480 |
| Municipal bonds | **1,135,513** | 729,483 |
| Partial interest in real estate | **109,482** | - |
| Other investments | **1,061** | - |
| | **2,830,923** | 2,362,353 |
| | **$ 18,338,221** | $ 15,161,876 |

Investment income (loss) for the years ended June 30, 2011 and 2010 consisted of the following:

| | 2011 | 2010 |
|---|---|---|
| Interest and dividends | **$ 643,131** | $ 542,079 |
| Realized gains and losses, net | **182,038** | (244,126) |
| Unrealized gains and losses, net | **2,118,150** | 1,230,970 |
| Investment management fees | **(46,293)** | (59,693) |
| | **$ 2,897,026** | $ 1,469,230 |

The investments of the University are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

## Note 4. Student Loans Receivable

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Student loans represented 1.52% and 1.67% of total assets at June 30, 2011 and 2010, respectively.

At June 30, student loans consisted of the following:

| | **2011** | 2010 |
|---|---|---|
| Federal government programs | **$ 1,567,400** | $ 1,602,018 |
| Institutional programs | **78,200** | 77,916 |
| | **1,645,600** | 1,679,934 |
| Less allowance for doubtful accounts: | | |
| Beginning of the year | **(229,470)** | (243,510) |
| Decreases (increases) | **(14,842)** | 14,040 |
| End of year | **(244,312)** | (229,470) |
| **Student loans receivable, net** | **$ 1,401,288** | $ 1,450,464 |

The University participates in the Perkins and Nursing Student Loan federal revolving loan programs. The availability of funds for loans under the programs is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government are ultimately refundable to the government and are classified as liabilities in the statement of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At June 30, 2011 and 2010, the following amounts were past due under student loan programs:

| | **2011** | 2010 |
|---|---|---|
| Past due 1 - 60 days | **$ -** | $ - |
| Past due 60 - 90 days | **18,741** | 12,498 |
| Past due more than 90 days | **288,397** | 283,051 |
| **Total past due** | **$ 307,138** | $ 295,549 |

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Federal student loans receivable are written off when deemed uncollectible and when student loans receivable may be assigned to the U.S. Department of Education. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

For each class of financing receivable, the following presents the recorded investment by credit quality indicator as of June 30, 2011:

| | Federal Loans | Institutional Loans | Total |
|---|---|---|---|
| Performing | $ 1,260,262 | $ 78,200 | $ 1,338,462 |
| Nonperforming | 307,138 | - | 307,138 |
| | $ 1,567,400 | $ 78,200 | $ 1,645,600 |

For student loans, the credit quality indicator is performance determined by delinquency status and, for Federal Perkins Loans, origination and servicing of the loan. Delinquency status is updated monthly by the University's loan servicer. Federal Perkins Loans that are originated and serviced properly under Department of Education regulations can be assigned to the Department of Education when deemed no longer collectible. The University is not aware of any material amount of loans not properly originated or serviced under Department of Education regulations.

## Note 5. Land, Buildings and Equipment

Land, buildings and equipment were comprised of the following at June 30, 2011 and 2010:

| | **2011** | 2010 |
|---|---|---|
| Land | **$ 8,280,657** | $ 7,569,433 |
| Buildings | **48,407,480** | 48,306,102 |
| Rental properties | **347,457** | 62,082 |
| Vehicles | **67,822** | 45,232 |
| Equipment | **11,150,944** | 11,560,262 |
| Construction in progress | **13,177,554** | 579,585 |
| | **81,431,914** | 68,122,696 |
| Less accumulated depreciation | **20,522,486** | 19,536,354 |
| | **$ 60,909,428** | $ 48,586,342 |

## Note 6. Notes and Bonds Payable and Lines of Credit and Subsequent Event

Notes and bonds payable at June 30, 2011 and 2010 were comprised of the following:

| | **2011** | 2010 |
|---|---|---|
| Iowa Higher Education Loan Authority (IHELA): | | |
| Loan agreement maturing 2036 (A) | **$ 25,800,000** | $ 26,415,000 |
| Loan agreement maturing 2035 (B) | **15,395,000** | 15,395,000 |
| City of Altoona, loan agreement maturing 2022 (C) | **3,050,846** | 3,212,547 |
| Promissory note (D) | **91,200** | 92,873 |
| Promissory note (E) | **145,000** | 145,000 |
| Promissory note (F) | **140,000** | 140,000 |
| | **44,622,046** | 45,400,420 |
| Unamortized bond discount and premium | **(161,859)** | (170,938) |
| | **$ 44,460,187** | $ 45,229,482 |

(A) The loan agreement maturing October 1, 2036 was issued September 26, 2006 and relates to the construction, improvement, and equipping of various campus student housing, classroom, office and athletic facilities. In addition, $6,515,000 of the proceeds were used to pay off a loan agreement maturing October 1, 2025. Interest is payable semiannually on April 1 and October 1, and principal is payable annually beginning October 1, 2009. The bond bears interest at rates ranging from 4.50% to 5.10%. In accordance with the bond agreement, the University is required to maintain a debt service reserve fund which shall be used solely for the payment of principal and interest on the bonds, and the agreement provides for certain covenants including financial ratios.

(B) The loan agreement dated June 15, 2010 and maturing March 1, 2035 relates to the acquisition, construction, equipping and furnishing of a new student housing facility and related housing facility improvements, including, parking. Interest is payable monthly, and principal is payable annually beginning March 1, 2012. The loan agreement has a variable interest rate indexed 70% of one month LIBOR plus 2.1% which is reset monthly (2.23% as of June 30, 2011). The variable rate formula may be adjusted beginning June 15, 2017. The loan agreement is collateralized by a real estate mortgage on the project and other specified campus property. The loan agreement provides for certain covenants including financial ratios.

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, on June 30, 2010 the University entered into an interest rate swap agreement for the full amount of the loan. The agreement is effective July 1, 2010 and provides for the University to receive interest from the counterparty at 70% of one-month LIBOR plus 2.10% and to pay interest to the counterparty at a fixed rate of 4.15% on the outstanding loan balance. Under the agreement, the University pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The swap terminates July 1, 2017. The fair value of the swap agreement was a liability of approximately $429,000 at June 30, 2011.

(C) The loan agreement dated October 31, 2002 and maturing October 15, 2022 relates to the acquisition, construction, equipping and furnishing of a new student housing facility and related housing facility improvements including, but not limited to, parking and general improvements to the facilities and campus of the University. Interest and principal are payable monthly, and the agreement has a ten year fixed interest rate of 4.63% with a rate adjustment scheduled for October 31, 2012. The loan agreement provides that, in the event of default, the University shall provide the bank with real estate mortgages on the project. The letter of credit agreement provides for certain covenants.

(D) On August 9, 2007, the University purchased a house on contract for $100,000. The note is for 5 years at 6%, with the final payment due on September 1, 2012.

(E) The loan agreement dated September 6, 2007 relates to the acquisition of property adjacent to campus. The agreement is for 5 years at 6.75%, with the payment for principal and interest due on September 6, 2012. All interest is waived if paid by September 6, 2011.

(F) The loan agreement dated September 24, 2007 relates to the acquisition of property adjacent to campus. The agreement is for 5 years at 6.75%, with the payment for principal and interest due on September 24, 2012. All interest is waived if paid by September 24, 2011.

Interest expense totaled approximately $1,500,000 for each of the years ended June 30, 2011 and 2010 under these obligations. The University capitalizes interest as a component of the cost of construction in progress. Interest of approximately $639,000 and $62,000 was capitalized during the years ended June 30, 2011 and 2010, respectively.

Maturities of notes and bonds payable for the years ending June 30 are approximately: 2012 $666,000; 2013 $3,792,000; 2014 $585,000; 2015 $630,000; 2016 $680,000 and thereafter, $38,107,000.

The University has a $5,000,000 line of credit with a bank with an expiration date of May 9, 2012. Borrowings of none and $1,200,000 were outstanding at June 30, 2011 and 2010, respectively. The interest rate on this line of credit is 0.5% below the prime rate with a 4% floor (4% at June 30, 2011). Interest expense incurred for the years ended June 30, 2011 and 2010 under the line of credit totaled approximately $11,000 and $29,000, respectively.

The University has a $300,000 line of credit with a bank with an expiration date of July 30, 2011. The interest rate on this line of credit is the prime rate with a 4% floor (4% at June 30, 2011). Subsequent to year end in July 2011, the expiration date was extended to July 30, 2012 and maximum borrowings were reduced to $232,761. Borrowings of $232,761 and $364,224 were outstanding at June 30, 2011 and 2010, respectively.

## Note 7. Retirement Plans

The University has a defined contribution plan covering academic and nonacademic personnel. The University also participates in the defined contribution plans of the Evangelical Lutheran Church in America for its clergy personnel. Retirement plan expense for the years ended June 30, 2011 and 2010 totaled approximately $777,000 and $774,000, respectively.

The University also provides employees the opportunity to defer current compensation under both a 403(b) and a 457(b) plan. Although the University makes no contributions to these plans, the 457(b) plan assets and related liability to employees of $220,661 and $174,521 at June 30, 2011 and 2010, respectively, are included on the University's statement of financial position.

## Note 8. Endowment Fund and Net Asset Classifications

The University's Endowment Fund consists of various donor restricted endowment funds and funds designated as endowment, quasi-endowment, by the Board of Trustees. Net assets associated with endowment funds, including funds designated to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the 2008 Iowa legislature 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, Grand View 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 the State of Iowa in its enacted version of UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the Endowment Fund; (2) the purposes of the University and the donor-restricted Endowment Fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the University; and (7) the investment policies of the University.

The University has adopted investment and spending policies for its Endowment Fund. The objective of these policies is to provide the University a predictable funding stream for its programs while protecting the purchasing power of the Endowment Fund. To satisfy its long-term rate-of-return objective, the University expects to maintain appropriate diversification among equity, fixed income, and alternative investment allocations as stipulated by its investment policy. The purpose is to moderate the overall investment risk of the Endowment Fund.

The Board of Trustees of Grand View University may appropriate for expenditure or accumulate so much of the Endowment Fund as the University determines is prudent for the uses, benefits, purposes, and duration for which the Endowment Fund is established. The amount appropriated, the spending policy, is a Board approved percentage applied to the average fair value of the endowment fund assets during the prior three year period. In cases where the fair value of endowment fund assets fall below the original value of the gifts donated to the permanent endowment, the Board has determined that no funds shall be appropriated. The Board approved spending percentage was 4.5% for the fiscal years ended June 30, 2011 and 2010.

Endowment net assets as of June 30, 2011 were as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment funds: | | | | |
| Instruction and operational support | **$ -** | **$ 2,069,682** | **$ 3,807,556** | **$ 5,877,238** |
| Student scholarships and services | **(1,030)** | **1,366,523** | **3,964,436** | **5,329,929** |
| Institutional support | **-** | **169,763** | **37,312** | **207,075** |
| Academic support | **-** | **103,688** | **100,000** | **203,688** |
| General endowment | **-** | **2,407,335** | **316,358** | **2,723,693** |
| Board-designated (quasi) endowment funds: | | | | |
| Instruction and operational support | **1,172,589** | **-** | **-** | **1,172,589** |
| **Total endowment funds** | **$ 1,171,559** | **$ 6,116,991** | **$ 8,225,662** | **$ 15,514,212** |

Endowment net assets as of June 30, 2010 were as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment funds: | | | | |
| Instruction and operational support | $ - | $ 1,054,023 | $ 3,807,556 | $ 4,861,579 |
| Student scholarships and services | (45,666) | 596,072 | 3,955,599 | 4,506,005 |
| Institutional support | - | 138,250 | 37,312 | 175,562 |
| Academic support | - | 70,780 | 100,000 | 170,780 |
| General endowment | - | 2,029,296 | 315,004 | 2,344,300 |
| Board-designated (quasi) endowment funds: | | | | |
| Instruction and operational support | 969,205 | - | - | 969,205 |
| **Total endowment funds** | $ 923,539 | $ 3,888,421 | $ 8,215,471 | $ 13,027,431 |

The changes in endowment net assets for the year ended June 30, 2011 were as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 923,539 | $ 3,888,421 | $ 8,215,471 | $ 13,027,431 |
| Investment return: | | | | |
| Investment income | 36,707 | 435,661 | - | 472,368 |
| Net appreciation/(depreciation) (realized and unrealized) | 222,835 | 2,096,655 | - | 2,319,490 |
| **Total investment return** | 259,542 | 2,532,316 | - | 2,791,858 |
| Contributions | 30,464 | - | 10,191 | 40,655 |
| Appropriation of endowment funds for expenditure | (41,986) | (303,746) | - | (345,732) |
| **Endowment net assets, end of year** | $ 1,171,559 | $ 6,116,991 | $ 8,225,662 | $ 15,514,212 |

The changes in endowment net assets for the year ended June 30, 2010 were as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 719,988 | $ 3,115,074 | $ 7,981,870 | $ 11,816,932 |
| Investment return: | | | | |
| Investment income | 28,519 | 348,064 | - | 376,583 |
| Net appreciation/(depreciation) (realized and unrealized) | 204,555 | 652,410 | - | 856,965 |
| **Total investment return** | 233,074 | 1,000,474 | - | 1,233,548 |
| Contributions | 5,863 | - | 233,601 | 239,464 |
| Appropriation of endowment funds for expenditure | (43,617) | (211,402) | - | (255,019) |
| Other changes | 8,231 | (15,725) | - | (7,494) |
| **Endowment net assets, end of year** | $ 923,539 | $ 3,888,421 | $ 8,215,471 | $ 13,027,431 |

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration, underwater endowments. As of June 30, 2011 and 2010, $1,030 and $45,666, respectively, or 0.01% and 0.35%, respectively, of the University's donor restricted endowment funds were underwater. This amount is reported in unrestricted net assets. These deficiencies, which the University believes are temporary, resulted from unfavorable market fluctuations. The Board determined that continued appropriation during fiscal years ended June 30, 2010 and 2011 for certain programs was prudent.

## Note 9. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30, 2011 and 2010:

| | **2011** | 2010 |
|---|---|---|
| Gifts and other unexpended amounts available for: | | |
| Instruction and operational support | **$ 2,148,185** | $ 1,203,749 |
| Student scholarships and services | **2,042,504** | 1,173,287 |
| Purchase or renovation of property and equipment | **1,426,528** | 1,658,193 |
| Institutional support | **2,866,662** | 2,446,694 |
| | **8,483,879** | 6,481,923 |
| Time restrictions | **12,625,449** | 12,408,081 |
| | **$ 21,109,328** | $ 18,890,004 |

Permanently restricted net assets consist of endowment funds for which the income is restricted for the following at June 30, 2011 and 2010:

| | **2011** | 2010 |
|---|---|---|
| Instruction and operational support | **$ 3,807,556** | $ 3,807,556 |
| Student scholarships and services | **3,964,435** | 3,955,599 |
| Institutional support | **37,312** | 37,312 |
| Academic support | **100,000** | 100,000 |
| General endowment | **316,359** | 315,004 |
| | **$ 8,225,662** | $ 8,215,471 |

## Note 10. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors and appropriated by the University for the years ended June 30, 2011 and 2010 as follows:

| | 2011 | 2010 |
|---|---|---|
| Instruction and operational support | **$ 184,882** | $ 98,388 |
| Student scholarships and services | **673,045** | 573,452 |
| Purchase or renovation of property and equipment | **177,499** | 6,462 |
| Institutional support | **49,946** | 20,405 |
| | **1,085,372** | 698,707 |
| Time restrictions, primarily depreciation | **446,474** | 456,603 |
| | **$ 1,531,846** | $ 1,155,310 |

## Note 11. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Authoritative accounting guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, authoritative accounting guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices 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.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Financial assets and financial liabilities measured at fair value on a recurring basis as of June 30, 2011 and 2010 are as follows:

| | June 30, 2011 | | | |
|---|---|---|---|---|
| | **Fair Value** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Investments: | | | | |
| Equity mutual funds: | | | | |
| US - large cap | **$ 4,063,602** | **$ 4,063,602** | **$ -** | **$ -** |
| Non-US - large cap | **3,382,261** | **3,382,261** | **-** | **-** |
| Emerging markets | **1,115,358** | **1,115,358** | **-** | **-** |
| Fixed income mutual funds: | | | | |
| US - total return | **3,794,571** | **3,794,571** | **-** | **-** |
| Non-US - total return | **707,433** | **707,433** | **-** | **-** |
| World allocation mutual fund | **1,564,413** | **1,564,413** | **-** | **-** |
| Real assets mutual fund | **751,982** | **751,982** | **-** | **-** |
| Municipal bonds | **1,135,513** | **-** | **1,135,513** | **-** |
| Other | **1,061** | **1,061** | **-** | **-** |
| | **$ 16,516,194** | **$ 15,380,681** | **$ 1,135,513** | **$ -** |
| Liability, interest rate swap | **$ 428,983** | **$ -** | **$ 428,983** | $ - |

| | June 30, 2010 | | | |
|---|---|---|---|---|
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments: | | | | |
| Equity mutual funds: | | | | |
| US - large cap | $ 3,260,236 | $ 3,260,236 | $ - | $ - |
| Non-US - large cap | 2,745,126 | 2,745,126 | - | - |
| Emerging markets | 879,356 | 879,356 | - | - |
| Fixed income mutual funds: | | | | |
| US - total return | 3,366,431 | 3,366,431 | - | - |
| Non-US - total return | 650,394 | 650,394 | - | - |
| World allocation mutual fund | 1,335,210 | 1,335,210 | - | - |
| Real assets mutual fund | 584,006 | 584,006 | - | - |
| Municipal bonds | 729,483 | - | 729,483 | - |
| | $ 13,550,242 | $ 12,820,759 | $ 729,483 | $ - |

Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available in an active market (Level 1). If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow (Level 2).

The interest rate swap is valued using a discounted cash flow model that uses verifiable yield curve inputs to calculate the fair value and is classified within Level 2 of the valuation hierarchy. This method is not dependent on the input of any significant judgments or assumptions by management.

Authoritative accounting guidance also requires disclosures of the fair value of financial instruments whether or not recognized in the statement of financial position. Fair value is determined under the framework established above. Certain financial instruments and all nonfinancial instruments are excluded from these disclosure requirements.

Cash and cash equivalents, unexpended bond proceeds and debt service reserve fund: The carrying amount approximates fair value because of the short maturity of those instruments.

Loans to students and advances from federal government for student loans and grants: Determining the fair value of loans to students and advances from federal government for student loans and grants is not practicable due to the unique nature of these instruments.

Notes and bonds payable: The carrying amount of notes and bonds payable approximates fair value as borrowing rates currently available to the University for similar instruments are consistent with existing terms.

Lines of credit: The carrying amount of lines of credit approximates fair value because of the short-term nature and variable rates of those instruments.

## Note 12. Commitments

The University has entered into various leases for automobiles and equipment, accounted for as operating leases. Rental expense for the years ended June 30, 2011 and 2010 totaled approximately $115,000 and $108,000, respectively. Future minimum rental payments are as follows: 2012 $73,000; 2013 $25,000; 2014 $14,000; 2015 $10,000 and 2016 $9,000.

The University has entered into two construction contracts with two general contractors totaling approximately $11,900,000 for construction of a new student housing facility and additional parking lots. As of June 30, 2011, approximately $10,500,000 of construction costs have been incurred on the contracts.

## Note 13. Current Accounting Developments

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. The ASU requires new disclosures on transfers into and out of Level 1 and 2 of the fair value hierarchy and requires separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures relating to the level of disaggregation and inputs and valuation techniques used to measure fair value. The ASU is effective for the University for the year ending June 30, 2011, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. The additional disclosures required by this ASU have been provided in the Fair Value Measurements note to these financial statements and the adoption did not have a material impact on the financial statements overall. The adoption of the remaining provisions of the ASU is also not expected to have a material impact on the financial statements.

In July 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, which requires significant new disclosures about the allowance for uncollectible accounts and the credit quality of financing receivables. The requirements are intended to enhance transparency regarding credit losses and the credit quality of loan and lease receivables. Under this statement, allowance for credit losses and fair value are to be disclosed by portfolio segment, while credit quality information, impaired financing receivables and nonaccrual status are to be presented by class of financing receivable. A portfolio segment is defined by the ASU as the level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses. A class of financing receivable is defined by the ASU as a further disaggregation of a portfolio segment based on risk characteristics and the entity's method for monitoring and assessing credit risk. The disclosures are to be presented at the level of disaggregation that management uses when assessing and monitoring the portfolio's risk and performance. This ASU was effective for annual reporting periods ending on or after December 15, 2010. Accordingly, the University has included the new disclosures throughout these financial statements.