

Fairfield University

**Financial Statements
At and for the years ended
June 30, 2005 and 2004**

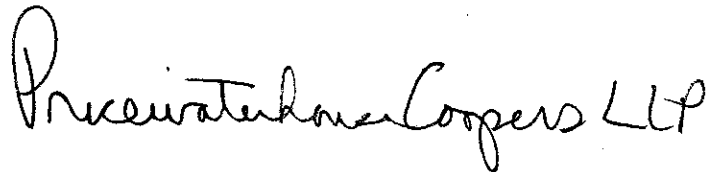
Fairfield University
Financial Statements
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Report of Independent Auditors

To the Board of Trustees of
Fairfield University

In our opinion, the accompanying statements of financial position and the related statements of unrestricted revenues and expenses and other changes in unrestricted net assets, changes in net assets and cash flows present fairly, in all material respects, the financial position of Fairfield University (the "University") at June 30, 2005 and 2004, 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. 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 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.



September 9, 2005

Fairfield University
Statements of Financial Position
At June 30, 2005 and 2004

Assets	2005	2004
Cash	\$ 7,001,648	\$ 4,110,680
Short-term investments	14,634,998	24,024,058
Deposits with trustee	16,898,637	25,607,741
Accounts receivable - students, less allowance for doubtful collections of \$318,548 in 2005 and \$234,907 in 2004	112,945	137,170
Student loans, less allowance for doubtful collections of \$200,000 in 2005 and 2004	2,487,981	2,567,962
Contributions receivable	9,169,496	17,141,070
Other assets	9,735,344	9,642,532
Investments	187,630,187	154,014,916
Land, buildings and equipment, net	<u>213,612,228</u>	<u>205,673,226</u>
Total assets	<u>\$ 461,283,464</u>	<u>\$ 442,919,355</u>
 Liabilities and net assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 8,650,457	\$ 8,485,261
Accrued compensation	8,345,140	7,997,323
Deferred revenue	10,073,309	8,968,670
Government grants refundable - student loans	2,183,112	2,144,299
Long-term debt	<u>146,634,327</u>	<u>150,114,044</u>
Total liabilities	<u>175,886,345</u>	<u>177,709,597</u>
 Net assets		
Unrestricted	159,840,374	146,711,209
Temporarily restricted	46,705,688	41,815,147
Permanently restricted	<u>78,851,057</u>	<u>76,683,402</u>
Total net assets	<u>285,397,119</u>	<u>265,209,758</u>
Total liabilities and net assets	<u>\$ 461,283,464</u>	<u>\$ 442,919,355</u>

See notes to financial statements.

Fairfield University
Statements of Unrestricted Revenues and Expenses
and Other Changes in Unrestricted Net Assets
For the years ended June 30, 2005 and 2004

	2005	2004
Operating revenues		
Educational and general		
Tuition and fees	\$ 118,263,529	\$ 113,353,743
Less		
University sponsored student financial aid	(21,400,043)	(21,702,236)
Student financial aid funded from donor contributions and government grants	<u>(4,297,576)</u>	<u>(4,030,496)</u>
Net tuition and fees	92,565,910	87,621,011
Government grants and financial aid	1,828,592	1,774,136
Contributions	6,348,127	3,977,566
Investment return designated for current operations	4,428,194	3,682,330
Departmental and other revenues	4,474,788	4,040,037
Net assets released from restrictions	<u>8,815,713</u>	<u>7,922,261</u>
Total educational and general	118,461,324	109,017,341
Auxiliary services	<u>24,439,710</u>	<u>23,217,583</u>
Total operating revenues	<u>142,901,034</u>	<u>132,234,924</u>
Operating expenses		
Educational and general services		
Instruction	45,345,526	43,162,753
Research	4,599,176	4,669,452
Public service	1,161,064	975,863
Academic support	16,315,746	15,251,492
Institutional support	23,711,157	22,061,626
Student services	<u>20,908,731</u>	<u>19,484,872</u>
Total educational and general services	112,041,400	105,606,058
Auxiliary services	<u>23,703,791</u>	<u>22,530,303</u>
Total operating expenses	<u>135,745,191</u>	<u>128,136,361</u>
Increase in unrestricted net assets from operations	<u>7,155,843</u>	<u>4,098,563</u>
Nonoperating activities		
Investment return in excess of amounts designated for current operations	3,138,219	2,996,520
Realized and unrealized gain (loss) on interest rate swap agreement	673,318	(140,952)
Nonoperating net assets released from restrictions	<u>2,161,785</u>	<u>14,073,164</u>
Total nonoperating activities	<u>5,973,322</u>	<u>16,928,732</u>
Increase in unrestricted net assets	<u>\$ 13,129,165</u>	<u>\$ 21,027,295</u>

See notes to financial statements.

Fairfield University
Statements of Changes in Net Assets
For the years ended June 30, 2005 and 2004

	2005	2004
Unrestricted net assets		
Total unrestricted revenues	\$ 137,896,858	\$ 127,413,185
Net assets released from restrictions	10,977,498	21,995,425
Total expenses and losses	<u>(135,745,191)</u>	<u>(128,381,315)</u>
Increase in unrestricted net assets	<u>13,129,165</u>	<u>21,027,295</u>
Temporarily restricted net assets		
Contributions	5,065,091	5,294,423
Investment income, net	10,802,948	12,221,936
Net assets released from restrictions	<u>(10,977,498)</u>	<u>(21,995,425)</u>
Increase (decrease) in temporarily restricted net assets	<u>4,890,541</u>	<u>(4,479,066)</u>
Permanently restricted net assets		
Contributions	2,281,172	5,387,430
Change in value of split-interest agreements	(168,251)	-
Investment income	<u>54,734</u>	<u>55,757</u>
Increase in permanently restricted net assets	<u>2,167,655</u>	<u>5,443,187</u>
Increase in net assets	20,187,361	21,991,416
Net assets		
Beginning of year	<u>265,209,758</u>	<u>243,218,342</u>
End of year	<u>\$ 285,397,119</u>	<u>\$ 265,209,758</u>

See notes to financial statements.

Fairfield University
Statements of Cash Flows
For the years ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Increase in net assets	\$ 20,187,361	\$ 21,991,416
Debt extinguishment charges	-	201,965
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	9,654,296	9,323,385
Contributions restricted for long-term investment	(8,071,741)	(11,269,487)
Realized and unrealized (gains) losses on investments, net	(13,066,017)	(14,880,329)
Unrealized (gain) loss on interest rate swap agreement	(292,789)	244,954
Changes in operating assets and liabilities		
Short-term investments	9,389,060	(979,294)
Contributions receivable	7,971,574	4,710,794
Receivable from sale of investments	-	7,970,636
Accounts receivable	24,225	62,075
Other assets	(92,812)	(1,645,575)
Accounts payable and other accruals	513,013	804,754
Deferred revenue	1,104,639	939,417
Government grants refundable-student loans	38,813	8,452
Net cash provided by operating activities	<u>27,359,622</u>	<u>17,483,163</u>
Cash flows from investing activities		
Proceeds from sale of investments	28,141,077	71,967,457
Purchase of investments	(48,690,331)	(89,100,149)
Purchase of land, buildings and equipment	(17,526,363)	(16,735,191)
Decrease (increase) in deposits with trustee	8,709,104	(16,693,298)
Issuance of student loans	(490,900)	(586,036)
Repayment of student loans	570,881	448,467
Net cash used in investing activities	<u>(29,286,532)</u>	<u>(50,698,750)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for		
Investment in permanently restricted endowment	6,216,041	4,879,817
Investment for capital expenditures	1,855,700	6,389,670
Net proceeds from long-term borrowings	-	36,896,782
Payment of line of credit	-	(650,000)
Repayment of long-term debt	(3,253,863)	(13,899,094)
Net cash provided by financing activities	<u>4,817,878</u>	<u>33,617,175</u>
Net increase in cash	2,890,968	401,588
Cash at beginning of year	<u>4,110,680</u>	<u>3,709,092</u>
Cash at end of year	<u>\$ 7,001,648</u>	<u>\$ 4,110,680</u>
Supplemental disclosure of cash flow information		
Interest paid on debt (net of \$562,183 and \$125,404 of capitalized interest in 2005 and 2004, respectively)	\$ 6,249,217	\$ 6,444,869

See notes to financial statements.

Fairfield University
Notes to Financial Statements
June 30, 2005 and 2004

1. Summary of Significant Accounting Policies

Background

The accompanying financial statements, which include the accounts of Fairfield University (the “University”) and its Preparatory School (the “Prep”), which together are a 501(c)(3) tax-exempt institution, have been prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America.

Basis of Statement Presentation

General

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donor of these assets permits the University to use all or part of the return on the related investments.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by actions of the University or the passage of time.
- Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases 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 stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished or the stipulated time period has elapsed, are reported as net assets released from restrictions. Donor contributions restricted for capital expenditures are released to unrestricted net assets when the assets are placed in service and time restrictions have been met.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received at their fair value. Promises to give that are scheduled to be received after the date of the statement of financial position are shown as increases in temporarily restricted net assets and are released to unrestricted net assets when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted based upon a risk free interest rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

Fairfield University

Notes to Financial Statements

June 30, 2005 and 2004

Investment Income (Loss)

Dividends, interest and net gains (losses) on investments are reported as follows:

- as increases (decreases) in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the current use of the income or net gains (losses); and
- as increases (decreases) in unrestricted net assets in all other cases.

Measure of Operations

The Statements of Unrestricted Revenues and Expenses and Other Changes in Unrestricted Net Assets report the change in unrestricted net assets from operating and nonoperating activities separately. For this purpose, operations include operating revenues consisting of those items attributable to the University's educational programs or research conducted by the academic departments and operating expenses include the costs of providing University programs and other activities. Unrestricted investment return on the University's long-term investments in excess of (less than) the amount appropriated under the University spending plan, as discussed in Note 3, donor contributions restricted for capital expenditures, change in value of split-interest agreements, unrealized gain (loss) on interest rate swap agreements, and gain (loss) on sale of assets are reported as nonoperating revenues (expenses). Additionally, nonoperating revenues consist of contributions that are not in direct support of the annual operating budget. Such contributions are typically multi-year gifts which the University will designate as quasi-endowment. This measure of operations is different from cash flows from operating activities reported in the Statements of Cash Flows which include the cash effects of all transactions and other events (including certain nonoperating items) that enter into the determination of the change in net assets.

Other

Included in institutional support expenses are fund raising costs of \$3,166,190 and \$2,675,990 in fiscal 2005 and 2004, respectively.

Cash

The University has several bank accounts at June 30, 2005 containing balances which exceed FDIC limits. The University believes that no significant risk exists at June 30, 2005 with respect to these balances.

Government Grants and Contracts

Revenues associated with Government grants for educational purposes and contracts are recognized as the related direct costs are incurred and are accounted for with unrestricted net assets. The University records reimbursement of indirect costs relating to such grants and contracts at authorized rates for each fiscal year as unrestricted revenue.

Investments

Investments are reflected in the financial statements at fair value. Quoted market prices are used to value short-term investments, fixed income securities, and equity securities. Values for investments in limited partnerships, which are generally subject to certain withdrawal restrictions, are provided by the general partner, and may be based on historical cost, appraisals, obtainable prices for similar assets, or other estimates. Because of the inherent uncertainty of valuation for

Fairfield University
Notes to Financial Statements
June 30, 2005 and 2004

the University's investments in investment partnerships and for certain of the underlying investments held by the investment partnerships, values for those investments may differ significantly from values that would have been used had a ready market for the investments existed. Unrealized gains or losses are determined by comparison of cost to fair value at the beginning and end of the reporting period. Purchases and sales of securities are reflected on a trade-date basis. Gains or losses on sales of securities are based on average cost.

Deferred Revenue

The University recognizes revenues from student tuition and fees predominantly within the fiscal year in which the academic term is conducted.

Depreciation

Investment in plant is stated at cost less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of buildings (40-60 years) and equipment and library books (3-10 years).

Fair Value of Financial Instruments

The recorded value approximates fair value for all financial instruments with the exception of accounts and loans receivable and bonds payable. Fair value at June 30, 2005 for bonds payable is disclosed in Note 5.

Accounts and Loans Receivable

Accounts and loans receivable are stated net of allowances for doubtful accounts. Loans receivable are principally amounts due from students under federally sponsored loan programs which are subject to significant restrictions. Accordingly, it is not practicable to determine the fair value of such amounts.

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. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

Fairfield University
Notes to Financial Statements
June 30, 2005 and 2004

2. Contributions Receivable

Contributions receivable at June 30, 2005 and 2004 are expected to be collected as follows:

	2005	2004
2005	\$ -	\$ 8,917,311
2006	5,475,419	5,379,658
2007	2,446,932	2,322,057
2008	1,010,460	804,298
2009	496,800	455,220
2010	223,539	-
	<u>9,653,150</u>	<u>17,878,544</u>
Less		
Present value discount	(283,654)	(537,474)
Allowance for doubtful collections	(200,000)	(200,000)
Total	<u>\$ 9,169,496</u>	<u>\$ 17,141,070</u>

The discount rate used in fiscal years 2005 and 2004 was 4%.

3. Investments

Investments at June 30, 2005 and 2004 consisted of the following:

	<u>2005</u>		<u>2004</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 19,009,898	\$ 19,009,898	\$ 5,803,150	\$ 5,803,150
Corporate bonds	1,331,434	1,391,663	1,329,804	1,434,571
Corporate stocks	26,636,563	30,131,261	11,544,484	13,322,591
Limited partnerships	2,851,485	3,040,639	2,580,493	1,840,583
Investment funds				
Commonfund - intermediate cash	-	-	6,048,662	5,998,660
Commonfund - equities	19,435,891	24,452,606	16,662,208	20,261,688
Commonfund - bonds	23,204,038	25,205,005	19,920,705	21,079,258
Bond funds	15,600,000	16,890,657	11,800,000	11,886,476
Equity funds	56,650,933	67,508,458	63,643,251	72,387,939
Total investments	<u>\$ 164,720,242</u>	<u>\$ 187,630,187</u>	<u>\$ 139,332,757</u>	<u>\$ 154,014,916</u>

The University's policy is to distribute a portion of the total investment return for current operations at a predetermined rate set annually (currently at 5%) by the Board of Trustees on the average market value of endowment and quasi-endowment assets for the preceding three fiscal years. Any difference between actual investment income and the amounts distributed is retained to support operations of future years. These retained balances would be used in any year that the actual total investment return is below the spending rate.

Fairfield University
Notes to Financial Statements
June 30, 2005 and 2004

State law allows the Board of Trustees to appropriate net realized gains (unless temporarily or permanently restricted by explicit donor stipulation) as is prudent considering the University's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions.

The following schedule summarizes the investment return for the years ended June 30, 2005 and 2004:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
2005			
Dividends and interest	\$ 1,134,731	\$ 1,680,326	\$ 2,815,057
Net realized and unrealized gains	<u>4,208,649</u>	<u>8,912,102</u>	<u>13,120,751</u>
Return on long-term investments	5,343,380	10,592,428	15,935,808
Interest on short-term investments	<u>2,223,033</u>	<u>210,520</u>	<u>2,433,553</u>
Total return on investments	7,566,413	10,802,948	18,369,361
Investment return designated for current operations	<u>(4,428,194)</u>	<u>(4,568,907)</u>	<u>(8,997,101)</u>
Investment return in excess of amounts designated for current operations	<u>\$ 3,138,219</u>	<u>\$ 6,234,041</u>	<u>\$ 9,372,260</u>
2004			
Dividends and interest	\$ 892,522	\$ 1,284,475	\$ 2,176,997
Net realized and unrealized gains	<u>4,141,813</u>	<u>10,794,273</u>	<u>14,936,086</u>
Return on long-term investments	5,034,335	12,078,748	17,113,083
Interest on short-term investments	<u>1,644,515</u>	<u>143,188</u>	<u>1,787,703</u>
Total return on investments	6,678,850	12,221,936	18,900,786
Investment return designated for current operations	<u>(3,682,330)</u>	<u>(4,279,518)</u>	<u>(7,961,848)</u>
Investment return in excess of amounts designated for current operations	<u>\$ 2,996,520</u>	<u>\$ 7,942,418</u>	<u>\$ 10,938,938</u>

Assets of endowment and quasi-endowment are pooled on a market value basis, with each individual asset subscribing to or disposing of units on the basis of the market value per unit at the end of the quarter within which the transaction takes place.

Short-term investments reported on the Statements of Financial Position comprise principally cash invested in the Commonfund Short-Term Fund.

At June 30, 2005, the University has capital commitments of approximately \$16,149,000 remaining to private capital programs with Commonfund Capital Inc., Northgate Private Equity Partners, Parish Capital, L.P., and European Strategic Partners.

Deposits with trustee of \$16,898,637 at June 30, 2005 and \$25,607,741 at June 30, 2004 were primarily invested in guaranteed investment contracts or treasury bills with an interest rate of 6.54%, 5.67% and 1.67% related to Connecticut Health and Educational Facilities Authority ("CHEFA") Revenue Bonds, Series I, J and K, respectively, at June 30, 2005.

Fairfield University
Notes to Financial Statements
June 30, 2005 and 2004

4. Land, Buildings and Equipment, Net

The University's investments in plant assets are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. The cost of plant assets at June 30, 2005 and 2004 and most recent appraisal values are as follows:

	2005	2004	Replacement Cost Based Upon Latest Independent Appraisal (Unaudited)	Appraisal Date
	<u>Cost</u>	<u>Cost</u>		
Land and land improvements	\$ 10,491,631	\$ 7,905,906	\$ 25,000,000	4/01/86
Buildings	256,971,981	243,774,497	368,773,477	6/30/05
Equipment and library books	43,668,265	41,140,301	83,061,338	6/30/05
Construction in progress	9,337,428	10,124,754	-	
	<u>320,469,305</u>	<u>302,945,458</u>	<u>476,834,815</u>	
Less - Accumulated depreciation	<u>(106,857,077)</u>	<u>(97,272,232)</u>	-	
Land, buildings and equipment, net	<u>\$ 213,612,228</u>	<u>\$ 205,673,226</u>	<u>\$ 476,834,815</u>	

During fiscal year 2005, the University capitalized net interest costs of \$562,183 (\$802,065 of interest cost, less \$239,882 of interest income). During fiscal year 2004, the University capitalized net interest costs of \$125,404 (\$167,095 of interest cost, less \$41,691 of interest income). For the years ended June 30, 2005 and 2004, net investment in plant included in unrestricted net assets totaled \$83,661,702 and \$84,137,613, respectively.

5. Long-Term Debt

Bonds payable at June 30, 2005 and 2004 consisted of the following:

<u>Facility Financed</u>	<u>Bonds of CHEFA</u>	<u>Average Coupon Interest Rate</u>	<u>2005 Principal Balances</u>	<u>2004 Principal Balances</u>
Various campus facilities	1998-H, due 2028	4.97%	\$ 27,615,047	\$ 27,598,311
Various campus facilities	1999-I, due 2029	5.34%	66,264,670	66,907,364
Various campus facilities	2001-J, due 2029	4.89%	16,954,610	17,286,719
Various campus facilities	2004-K, due 2034	Variable	35,800,000	38,075,000
Fair market value of swap			-	244,954
Loans payable			-	1,696
			<u>\$ 146,634,327</u>	<u>\$ 150,114,044</u>

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Notes to Financial Statements
June 30, 2005 and 2004

The above listed Connecticut Health and Educational Facilities Authority (“CHEFA”) bonds are payable in annual installments on a graduating scale. The principal balances of the 1998-H, 1999-I, and 2001-J bonds are net of unamortized debt discounts at June 30, 2005 of \$401,689, \$1,182,636 and \$78,280, respectively, and of the 1998-H, 1999-I and 2001-J bonds at June 30, 2004 of \$401,689, \$1,182,636, and \$78,280, respectively. The fair value of the University’s bonds is approximately \$155,004,074 and \$155,511,115 at June 30, 2005 and 2004, respectively. The fair value of bonds is estimated based upon quoted market prices for the same or similar bond issuances.

In April 2004, the University closed on a new bond issue, CHEFA Series K, Revenue Bonds, in the amount of \$38,075,000. The net proceeds from the issuance of approximately \$36,897,000 were used to redeem the CHEFA Series G, Revenue Bonds for which the outstanding principal balance was approximately \$12,865,000 and the remainder of the net proceeds is being used to fund new construction and improvements to a variety of campus facilities. In connection with the redemption of the Series G Revenue Bonds, the University incurred debt extinguishment charges of \$201,965 consisting of an early redemption premium of \$110,611 and a write off of unamortized discount of the Series G Revenue Bonds in the amount of \$91,354. The Series K Revenue Bonds bear interest at a variable rate based on an auction rate which is reset every 7 days. The average interest rate paid during the year ended June 30, 2005 was approximately 1.51%. Principal payments are due in annual installments beginning in fiscal year 2005 to 2034.

In accordance with each of the bond indentures, the University maintains a sinking fund with bank trustees at an amount sufficient to pay interest and principal during the succeeding twelve months of \$5,183,250 as required by the CHEFA I bond indenture, \$1,559,690 as required by the CHEFA J bond indenture at June 30, 2005 and 2004, and a reserve fund insurance policy for the 1998-H bonds. The University has guaranteed reimbursement for any payments made from this reserve fund insurance policy. The University also maintains a construction fund of \$7,549,600 and a reserve fund of \$2,606,097 as required by the CHEFA K bond indenture. These amounts are included in Deposits with Trustee on the accompanying Statement of Financial Position at June 30, 2005 and 2004. Further, the bond indentures provide for certain restrictions on future indebtedness and disposition of real property and require compliance with certain financial covenants. As of June 30, 2005, the University is in compliance with financial covenants.

During 2004, the University entered into an interest rate swap agreement to manage its interest costs associated with a portion of its outstanding bonds payable. The interest rate swap agreement was not entered into for trading or speculative purposes. Under the terms of the agreement, the University pays a variable interest rate based on the Municipal Swap Index which is reset each week and it receives a fixed interest rate determined at the inception of the agreement. The notional amount of the swap agreement is \$20,000,000 and the agreement expires in 2014. The University accounts for the agreement under the terms of Financial Accounting Standards Board Statement No. 133, as amended. The realized and unrealized gain (loss) associated with the agreement of \$673,318 and (\$140,952) at June 30, 2005 and 2004 respectively is included within non-operating activities in the Statement of Unrestricted Revenues and Expenses and Other Changes in Unrestricted Net Assets. The fair value of the swap of \$47,585 and (\$244,254) was recorded as other assets and long-term debt on the Statement of Financial Position at June 30, 2005 and 2004, respectively.

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Notes to Financial Statements
June 30, 2005 and 2004

During fiscal 2000, the University purchased athletic equipment and vehicles and issued two promissory notes in the amounts of \$37,100 and \$146,691. The outstanding balances on these notes at June 30, 2005 and 2004 are \$0 and \$1,696, respectively. The notes were included in Long-term debt at June 30, 2004.

Interest expense for the years ended June 30, 2005 and 2004 was \$6,316,751 and \$6,609,679, respectively.

The aggregate amount of principal due in respect of long-term debt within each of the five fiscal years subsequent to June 30, 2005 is as follows:

2006	\$	3,303,068
2007		3,453,068
2008		3,558,068
2009		3,718,068
2010		3,848,068
	\$	<u>17,880,340</u>

6. Retirement Benefits

The University has a 403(b) defined contribution retirement plan which covers substantially all of its employees, other than those of the Jesuit Community, and which is funded through direct payments to the Teachers' Insurance and Annuity Association and College Retirement Equities Fund and/or Fidelity Investment Tax Exempt Services Company for the purchase of individual annuities. For each eligible employee, the University generally contributes an amount equal to 10% of the employee's salary or base compensation and the employee contributes 2-1/2%.

With respect to faculty and administrative members of the Jesuit Community, an equivalent 10% of their salaries is paid directly to the Jesuit Community.

Retirement contributions paid by the University and charged to unrestricted operations for the years ended June 30, 2005 and 2004 were approximately \$3,938,000 and \$3,795,000, respectively.

7. Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2005 and 2004 were available for the following purposes:

	2005	2004
Educational and general services	\$ 12,946,128	\$ 14,571,427
Acquisition of buildings and equipment	7,541,540	6,777,201
Scholarships	<u>26,218,020</u>	<u>20,466,519</u>
	<u>\$ 46,705,688</u>	<u>\$ 41,815,147</u>

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Permanently restricted net assets at June 30, 2005 and 2004 consist primarily of endowment corpus, with donor stipulations that they be invested in perpetuity to provide a permanent source of income. Such income is primarily restricted for instruction and student scholarship expenses.

Endowment and quasi-endowment, including undistributed income, gains, and losses, included in net assets at June 30, 2005 and 2004 were as follows:

	2005	2004
Permanently restricted	\$ 78,851,057	\$ 76,683,402
Temporarily restricted	29,193,639	24,166,798
Unrestricted	<u>77,030,383</u>	<u>46,927,111</u>
	<u>\$ 185,075,079</u>	<u>\$ 147,777,311</u>

8. Net Assets Released from Restrictions

Net assets released from donor restrictions when expenses were incurred to satisfy the restricted purposes or by occurrence of other events as specified by donors for the years ended June 30, 2005 and 2004 were as follows:

	2005	2004
Purpose of restrictions		
Student financial aid	\$ 2,631,717	\$ 2,437,681
Educational and general programs	6,087,077	5,387,661
Auxiliary services	<u>96,919</u>	<u>96,919</u>
Total operating	8,815,713	7,922,261
Capital expenditures	1,406,785	12,867,609
Contributions released from time restrictions	<u>755,000</u>	<u>1,205,555</u>
	<u>\$ 10,977,498</u>	<u>\$ 21,995,425</u>

9. Operating Leases

The University has various equipment lease agreements, for printers, copiers, and other types of similar equipment, with obligations that extend through 2010. Future minimum rental payments at June 30, 2005, under agreements classified as operating leases with terms in excess of one year, are as follows:

2006	\$ 466,321
2007	466,321
2008	240,621
2009	200,791
2010	173,145
Thereafter	<u>75,995</u>
Total future minimum lease payments	<u>\$ 1,623,194</u>

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10. Commitments and Contingencies

At June 30, 2005, the University had a line of credit agreement which allows for borrowings up to \$5,000,000. The agreement expires on January 24, 2006. Interest on any borrowings is at the LIBOR rate plus 0.75%. At June 30, 2005 and 2004, there were no outstanding borrowings.

The University is involved in various legal actions, arising in the normal course of operations. The University is of the opinion that the resolution of these matters will not have a significant effect on the financial condition of the University.