



UNIVERSITY OF DELAWARE

Consolidated Financial Statements

June 30, 2011

(With Independent Auditors' Report Thereon)

UNIVERSITY OF DELAWARE

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KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Trustees
University of Delaware:

We have audited the accompanying consolidated statement of financial position of the University of Delaware (the University) as of June 30, 2011, and the related consolidated statements of activities, expenses by natural classification, and cash flows for the year then ended. 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 audit. The prior year summarized financial information has been derived from the University's 2010 consolidated financial statements and, in our report dated October 27, 2010, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Delaware as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 31, 2011

UNIVERSITY OF DELAWARE

Consolidated Statement of Financial Position

June 30, 2011

(with summarized financial information as of June 30, 2010)

(In thousands)

Assets	2011	2010
Cash and cash equivalents	\$ 40,677	34,094
Restricted cash and cash equivalents	111,984	18,192
Accounts and notes receivable	49,913	41,964
Prepaid expenses and inventories	4,708	3,326
Contributions receivable	22,041	15,345
Student loan receivables	14,719	15,377
Endowment funds and other investments	1,358,000	1,175,474
Annuity and life income funds	8,629	8,572
Funds held in trust by others	60,566	54,021
Property, plant, and equipment, net of depreciation	1,067,858	970,974
Total assets	\$ 2,739,095	2,337,339
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 71,799	53,677
Deferred revenues and student deposits	9,099	8,140
Obligations under capital leases	7,099	7,616
Notes and bonds payable	363,948	243,750
Interest rate swap liabilities	21,434	26,118
Annuity and life income funds payable	4,721	4,959
Compensated absences payable	13,434	12,987
Postretirement benefit obligation	209,491	227,509
Advances from federal government for student loans	14,903	14,807
Asset retirement obligation	20,185	18,136
Total liabilities	736,113	617,699
Unrestricted	1,115,786	958,025
Unrestricted – noncontrolling interest in First State Marine Wind, LLC	1,307	—
Temporarily restricted	566,294	454,692
Permanently restricted	319,595	306,923
Total net assets	2,002,982	1,719,640
Total liabilities and net assets	\$ 2,739,095	2,337,339

See accompanying notes to consolidated financial statements.

UNIVERSITY OF DELAWARE
Consolidated Statement of Activities
Year ended June 30, 2011
(with summarized financial information for the year ended June 30, 2010)
(In thousands)

	2011			2010	
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Operating revenue:					
Tuition and fees (less scholarships and fellowships of \$97,287 during 2011, \$87,948 during 2010)	\$ 322,634	—	—	322,634	296,648
Contributions	17,085	1,731	—	18,816	19,885
Contracts and other exchange transactions	175,151	—	—	175,151	165,951
State operating appropriations	116,152	—	—	116,152	117,873
Endowment spending payout	43,902	—	—	43,902	46,239
Other investments payout (includes net realized gain of \$3,112 during 2011 and \$3,678 during 2010)	6,260	74	—	6,334	6,896
Activities of educational departments	10,388	—	—	10,388	9,725
Sales and services of auxiliary enterprises (less scholarships and fellowships of \$1,092 during 2011, \$457 during 2010)	101,902	—	—	101,902	99,519
Other revenue	14,808	—	—	14,808	15,665
Total operating revenue	<u>808,282</u>	<u>1,805</u>	<u>—</u>	<u>810,087</u>	<u>778,401</u>
Operating expenses:					
Educational and general:					
Instruction and departmental research	341,221	—	—	341,221	315,998
Sponsored research	130,400	—	—	130,400	123,126
Extension and public service	43,312	—	—	43,312	43,719
Academic support	59,480	—	—	59,480	57,904
Student services	28,002	—	—	28,002	27,494
General institutional support	74,205	—	—	74,205	69,465
Student aid	5,475	—	—	5,475	4,805
Independent operations	1,183	—	—	1,183	556
Total educational and general expenses	<u>683,278</u>	<u>—</u>	<u>—</u>	<u>683,278</u>	<u>643,067</u>
Auxiliary enterprises	93,981	—	—	93,981	94,955
Total operating expenses	<u>777,259</u>	<u>—</u>	<u>—</u>	<u>777,259</u>	<u>738,022</u>
Change in net assets from operating activities	31,023	1,805	—	32,828	40,379
Nonoperating activities:					
Net realized and unrealized gains	60,300	133,969	8,923	203,192	97,505
Decrease (increase) in postretirement benefit obligation	31,580	—	—	31,580	(24,194)
Endowment income	10,833	7,060	1,086	18,979	19,198
Endowment spending payout	(43,902)	—	—	(43,902)	(46,239)
Contributions for endowment and life income funds	—	187	5,151	5,338	6,196
Contributions for buildings and program activities	6,696	7,386	—	14,082	15,911
State capital appropriations	1,066	—	—	1,066	900
Hotel operations – net	(67)	—	—	(67)	(1,243)
Wind turbine operations – net	1,905	—	—	1,905	—
Net change in asset retirement obligation liability	6,226	—	—	6,226	606
Other	14,349	454	(2,688)	12,115	(4,116)
Reclassifications of funds	(1,782)	1,582	200	—	—
Net assets released from restrictions	40,841	(40,841)	—	—	—
Change in net assets	<u>159,068</u>	<u>111,602</u>	<u>12,672</u>	<u>283,342</u>	<u>104,903</u>
Net assets at beginning of year	<u>958,025</u>	<u>454,692</u>	<u>306,923</u>	<u>1,719,640</u>	<u>1,614,737</u>
Net assets at end of year	<u>\$ 1,117,093</u>	<u>566,294</u>	<u>319,595</u>	<u>2,002,982</u>	<u>1,719,640</u>

See accompanying notes to consolidated financial statements.

UNIVERSITY OF DELAWARE

Consolidated Statement of Expenses by Natural Classification

Year ended June 30, 2011

(with summarized financial information for the year ended June 30, 2010)

(In thousands)

	2011									2010	
	Instruction and departmental research	Sponsored research	Extension and public service	Academic support	Student services	General institutional support	Student aid	Auxiliary enterprises	Independent operations	Total	Total
Operating expenses:											
Expenses:	\$										
Salaries and wages	185,528	59,703	20,862	26,949	12,280	36,636	2,784	8,035	—	352,777	337,749
Employee fringe benefits	53,291	14,022	6,182	10,275	3,540	14,562	—	2,635	—	104,507	95,144
Employee postretirement benefits	12,296	1,955	773	1,039	286	1,322	—	265	—	17,936	17,959
Supplies and general	37,630	32,505	9,163	5,289	6,757	23,240	975	59,853	182	175,594	166,866
Travel	13,925	3,015	1,005	937	392	779	105	93	1	20,252	19,304
Operation and maintenance of plant	27,486	9,721	3,258	6,273	1,514	5,913	—	—	1,000	55,165	(a) 50,670
Information processing	146	1	1	2	3,096	8,671	—	—	—	11,917	11,086
Interest expense	1,476	256	—	—	313	36	—	12,315	—	14,396	11,590
Scholarships, fellowships, and awards	—	—	—	—	—	—	98,614	—	—	98,614	87,866
Depreciation and accretion	12,122	9,441	2,070	9,625	617	4,123	—	12,267	—	50,265	49,025
Loss on disposals	637	276	14	9	1	142	—	105	—	1,184	4,377
Amortization of bond discount (premium)	—	23	—	—	—	—	—	(105)	—	(82)	(34)
Internal service (credits) charges	(2,599)	5	(2)	(797)	(793)	(21,219)	—	(1,482)	—	(26,887)	(25,175)
Expense before scholarship allowance	341,938	130,923	43,326	59,601	28,003	74,205	102,478	93,981	1,183	875,638	826,427
Reconciliation to statement of activities:											
Scholarship allowance	(717)	(523)	(14)	(121)	(1)	—	(97,003)	—	—	(98,379)	(88,405)
Total operating expenses	\$ 341,221	130,400	43,312	59,480	28,002	74,205	5,475	93,981	1,183	777,259	738,022

Notes:

- (a) Includes salaries and wages of \$23,790, fringe benefits of \$12,475, employee postretirement benefits of \$298, and depreciation expense for plant facilities of \$1,139 during 2011.
- (b) Includes salaries and wages of \$22,931, fringe benefits of \$11,189, employee postretirement benefits of \$299, and depreciation expense for plant facilities of \$860 during 2010.

See accompanying notes to consolidated financial statements.

UNIVERSITY OF DELAWARE

Consolidated Statement of Cash Flows

Year ended June 30, 2011

(with summarized financial information for the year ended June 30, 2010)

(In thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 283,342	104,903
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	52,029	50,759
Loss on disposals	1,184	4,377
Amortization of discounts and premiums on notes and bonds payable and capital lease obligations	(70)	(23)
Net realized and unrealized gains	(206,304)	(76,989)
Gifts of land, building, and equipment	(745)	(429)
State capital appropriations	(1,066)	(900)
Contributions for endowment	(5,338)	(5,771)
Contributions for buildings, gross	(7,386)	(5,655)
Endowment income restricted for reinvestment	(1,086)	(1,582)
Changes in assets and liabilities:		
Accounts and notes receivable	(7,949)	(10,976)
Prepaid expenses and inventories	(1,382)	(1,693)
Contributions receivable	(6,696)	(10,255)
Accounts payable, accrued liabilities, and annuity and life income funds payable	17,884	8,911
Deferred revenues and students deposits	959	(351)
Interest rate swap liability	(4,684)	(20)
Asset retirement obligation	(5,728)	6,375
Compensated absences payable and postretirement benefit obligation	(17,571)	38,871
Net cash provided by operating activities	<u>89,393</u>	<u>99,552</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	3,463,000	2,779,592
Purchases of investments	(3,445,824)	(2,827,804)
Acquisitions of property, plant, and equipment	(141,575)	(90,293)
Disbursements of loans to students	(1,507)	(2,277)
Repayments of loans	2,165	1,877
Net cash used in investing activities	<u>(123,741)</u>	<u>(138,905)</u>
Cash flows from financing activities:		
Repayments of principal of notes and bonds payable	(123,922)	(6,895)
Net proceeds from issuance of notes and bonds payable	244,213	9,276
Reduction in principal of capital leases	(540)	(510)
State capital appropriations	1,066	900
Endowment income restricted for reinvestment	1,086	1,582
Contributions for endowment	5,338	5,771
Contributions for buildings, gross	7,386	5,655
Advances from federal government for student loans	96	82
(Increase) decrease in restricted cash and cash equivalents	(93,792)	2,271
Net cash provided by financing activities	<u>40,931</u>	<u>18,132</u>
Net increase (decrease) in cash and cash equivalents	6,583	(21,221)
Cash and cash equivalents, beginning of year	34,094	55,315
Cash and cash equivalents, end of year	\$ <u>40,677</u>	<u>34,094</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 13,778	10,789

See accompanying notes to consolidated financial statements.

UNIVERSITY OF DELAWARE

Notes to Consolidated Financial Statements

June 30, 2011

(with comparative information for the prior year)

(1) Summary of Significant Accounting Policies

(a) Description of Operations

The University of Delaware (the University), a privately chartered university with public support, is a Doctoral/Research Institution-Extensive, land-grant, sea-grant, space-grant, and urban-grant institution. The University, with origins in 1743, was chartered by the State of Delaware (the State) in 1833. A Women's College was opened in 1914, and in 1945, the University became permanently co-educational. The main campus is located in Newark, Delaware, a suburban community of 30,000, situated midway between Philadelphia and Baltimore. Also, courses are offered at other locations throughout the State, including Wilmington, Lewes, Dover, Milford, and Georgetown.

The significant accounting principles and practices followed by the University are presented below to assist the reader in analyzing the consolidated financial statements and accompanying notes.

(b) Basis of Presentation

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles (U.S. GAAP). Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Restricted gifts, which may be expended only for the purpose indicated by the donor/grantor, are maintained in separate accounts in the University's system. Accordingly, net assets of the University and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time.
- Permanently restricted net assets – 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 of, or part of, the total investment return on related investments for general or specific purposes.

There are three financial statements presented under U.S. GAAP for not-for-profit organizations:

Statement of Financial Position – is a listing of the total assets, total liabilities, and net assets as of the end of a fiscal year.

Statement of Activities – is a summary of the financial activity during a fiscal year and reports the amounts of the changes in unrestricted net assets, temporarily restricted net assets, permanently restricted net assets, and total net assets.

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Notes to Consolidated Financial Statements

June 30, 2011

(with comparative information for the prior year)

Statement of Cash Flows – is a summary of the cash receipts and cash payments during a fiscal year.

As a supplement to the financial statements, the statement of expenses by natural classification presents expenses by natural classification within functional categories. Operation and maintenance of plant, depreciation and accretion expense, and disposals are allocated based on square footage. Postretirement benefit obligation expense and fringe benefit expense are allocated based on salaries and wages. Interest expense and amortization of bond discount are allocated to the functional classification that benefited from the use of the proceeds of the debt.

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 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 released from restrictions between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. 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 received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class. Income and realized and unrealized net gains on investments of endowment and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift or the University's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund.
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income or until appropriated by the University.

(c) *Reclassifications of Funds*

The reclassification of funds includes transfers made in accordance with contractual agreements relative to federal loan programs, operating funds designated by the University for investment in endowment, and financial transactions between net asset classes.

(d) *Auxiliary Operations*

The operation of auxiliaries is supplementary to the primary educational function of the University. Accordingly, revenues of auxiliary enterprises provide for debt service, and renewal and replacement of equipment. Auxiliary operations primarily include the residence and dining halls, the bookstore, and student health service.

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Notes to Consolidated Financial Statements

June 30, 2011

(with comparative information for the prior year)

(e) Cash and Cash Equivalents

Cash equivalents include all highly liquid interest-bearing deposits and short-term investments with maturities of three months or less at time of purchase, excluding amounts held for long-term investments as disclosed in note 6. Deposits in escrow accounts for future bond interest payments and principal reduction and bond proceeds restricted to use on specific projects account for approximately 98% and 94% of restricted cash and cash equivalents as of June 30, 2011 and 2010, respectively. Other restrictions on use are for funds held for federal loan programs and funds held for the benefit of or under regulations promulgated by the federal government.

(f) Investments

Investments in stocks, bonds, and notes are stated at estimated fair value, as described in note 3.

(g) Compensated Absences Payable

Compensated absences payable represents vacation time earned by full-time professional and salaried staff employees, but not yet taken as of fiscal year-end. An employee is entitled to receive pay in lieu of vacation upon separation from the University. Employees may accrue a maximum of 25 days to 40 days based upon years of service.

(h) Operating versus Nonoperating

The nonoperating section of the consolidated statement of activities represents the activities of the University's endowment, gains/losses on other investments, capital contributions restricted for plant, hotel operations, wind turbine operations, and funds set aside for loans to faculty, staff, and students. All other University activities are accounted for in the operating section of the consolidated statement of activities.

(i) Income Taxes

The University has been recognized by the Internal Revenue Service (IRS) as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose. Accordingly, no provisions for income taxes have been made in the accompanying consolidated financial statements. U.S. GAAP require management to evaluate tax positions taken by the University and recognize a tax liability (or asset) if the University has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the University, and has concluded that as of June 30, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

(j) Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial

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June 30, 2011

(with comparative information for the prior year)

statements. Estimates also affect the reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(k) *Impact of Recent Accounting Pronouncements*

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* (ASU 2010-06), which adds new requirements for disclosures about transfers into and out of Level 1 and 2 in the fair value hierarchy and additional disclosures about purchases, sales, issuances and settlements relating to Level 3 fair value measurements. Additionally, it clarifies existing fair value disclosures about the level of disaggregation about inputs and valuation techniques used to measure fair value. For public entities, ASU 2010-06 is generally effective for the first reporting period beginning after December 15, 2009, except for the requirement to provide Level 3 activity on a gross basis, which has an effective date for fiscal years beginning after December 15, 2010. The University has adopted the disclosure requirements of the ASU, except for the Level 3 gross basis activity reporting which will be adopted in fiscal 2012. The adoption of ASU 2010-06 only required additional disclosures and did not have a material impact on the consolidated financial statements.

In January 2010, FASB issued ASU 2010-07, *Not-for-Profit Entities (Topic 958), Not-for-Profit Entities: Mergers and Acquisition* (ASU 2010-07), which codified previous guidance on accounting for a combination of not-for-profit entities and applies to a combination that meets the definition of either a merger of not-for-profit entities or an acquisition by a not-for-profit entity. The guidance also requires the presentation of noncontrolling interests in the net assets of consolidated subsidiaries be reported as a separate component of the appropriate class of net assets in the consolidated statements of financial position and the amount of consolidated excess of revenues over expenses attributable to the University and to the noncontrolling interest be disclosed. The provisions of the standard related to the presentation and disclosure of noncontrolling interests are to be applied retrospectively to all periods presented. The adoption of this standard did not have a material impact on the University's consolidated financial statements.

In July 2010, the FASB issued ASU 2010-28, *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* (ASU 2010-28), which increases disclosures about credit quality of financing receivables and the allowance for credit losses, and requires disclosures to be made at a greater level of disaggregation. For public entities, the disclosures as of the end of the reporting period are effective for periods ending on or after December 15, 2010 and the disclosures about activity that occurs during a reporting period are effective for period beginning on or after December 15, 2010. The amount of financing receivables subject to this ASU is immaterial to the University's financial position and results of operations.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04), which do not extend the use of fair value, but rather provide guidance about how fair value should be determined where it is already required or permitted under International Financial Reporting Standards (IFRS) or U.S. GAAP. For U.S. GAAP, most of the changes are

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Notes to Consolidated Financial Statements

June 30, 2011

(with comparative information for the prior year)

clarifications of existing guidance or wording changes to align with IFRS. For public entities, the ASU is effective for period beginning after December 15, 2011. The University does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

(1) Reclassifications

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

(2) Subsidiary Operations

In October 2009, Blue Hen Wind, Inc. was created as a wholly owned, for-profit, subsidiary of the University. Simultaneously, Blue Hen Wind, Inc. entered into a Limited Liability Company Agreement with Gamesa Technology Corporation, Inc. and formed First State Marine Wind, LLC for the purpose of constructing and operating a wind turbine near the University's campus in Lewes. At inception, Blue Hen Wind, Inc. had a 49% ownership interest in First State Marine Wind, LLC. As of February 15, 2011, Blue Hen Wind, Inc.'s ownership interest increased to approximately 69%.

The operations of Blue Hen Wind, Inc. are consolidated into the University's financial statements. Operations for the year ended June 30, 2011, resulted in revenues of \$2,252,000 and expenses of \$347,000 being recognized. Operations for the year ended June 30, 2010, did not result in any revenues or expenses being recognized by Blue Hen Wind, Inc. Gamesa Technology Corporation, Inc.'s noncontrolling interest in First State Marine Wind, LLC is presented as a separate component of net assets in the statement of financial position. The fiscal year 2011 net income attributable to the noncontrolling interest is \$942,000.

In December 2008, 1743 Holdings, LLC was created as a wholly owned subsidiary of the University for the purpose of purchasing and managing a 272-acre site that was formerly occupied by a Chrysler Corporation automobile assembly plant, which is contiguous to the University's 968-acre Newark campus. That property was acquired during fiscal 2010 for a purchase price of \$24,250,000.

The operations of 1743 Holdings, LLC are consolidated into the University's financial statements. Operations for the year ended June 30, 2011 resulted in operating expenses of \$1,183,000 and nonoperating revenue of \$9,775,000, which are presented in independent operations and nonoperating activities, respectively, in the statement of activities.

The University is the sole owner of Blue Hen Hotel, LLC and therefore the operations of Blue Hen Hotel, LLC are consolidated into the University's financial statements. Shaner Hotel Group Limited Partnership manages the hotel under a management contract that provides for a management fee of 3% of gross operating revenues of the LLC.

Operations of Blue Hen Hotel, LLC for the years ended June 30, 2011 and 2010 resulted in total revenues of \$4,967,000 and \$4,513,000, respectively, and operating losses of \$67,000 and \$1,243,000, respectively. See note 11 for the impact of a related interest rate swap.

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Notes to Consolidated Financial Statements

June 30, 2011

(with comparative information for the prior year)

(3) Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market in an orderly transaction between participants at the measurement date and establishes a framework for measuring fair value.

The three levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets and 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 full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage backed securities, corporate-debt securities certain private debt and equity funds, and certain alternative investments.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity funds and certain other alternative investments.

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.

The above methodology applies in instances in which other accounting pronouncements require or permit fair value measurements; it does not require any new fair value measurements. The carrying amount of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the short-term maturity of these financial instruments. The University measures its investments, liabilities related to annuity and life-income funds, interest rate swaps related to its debt, and contributions receivable at inception at fair value in accordance with other accounting pronouncements. Additionally, the University discloses the fair value of its outstanding debt. The valuation methodology for each of these items is described below:

(a) Investments

Investments are recorded at fair value as described above. Additional considerations used to categorize investments include:

U.S. government obligations, stock and convertible securities, international investments, and stock futures held directly by the University are classified as Level 1 since quoted prices in active markets are available. When these types of investments are held as part of commingled funds, they are

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classified as Level 2; although the commingled fund net asset value is available, these funds are not traded in active public markets. Investments in commingled funds can be redeemed at net asset value on at least a monthly basis. Corporate obligations and obligations of agencies of the U.S. government are classified as Level 2 as they are not traded in an active market but are valued using third-party vendor pricing services by custodian banks.

Valuations for limited partnerships, Limited Liability Companies (LLC), and inflation sensitive assets are based on valuations provided by external investment managers or on audited financial statements when available. The University generally uses valuations as reported by investment managers as a practical expedient to estimate fair value without further adjustment. If the manager's reporting date is for a date prior to June 30, the University adjusts the net asset value for any capital contributions or distributions during the period from the investment manager measurement date to June 30. The University has classified those investments that can be redeemed at net asset value at or near the date of the consolidated statement of financial position as Level 2. The remaining investments contain illiquid underlying assets, which are not publicly traded for which pricing inputs are unobservable, which may include situations where there is little, if any, market activity for the asset, and require significant judgment or estimation and, therefore, have been classified as Level 3. While manager estimates of fair value are obtained, the University cannot redeem its investments at these estimates for Level 3 assets. The stated lives of the investments vary and they offer no liquidity until the underlying assets are sold.

Other assets classified as Level 2 consist primarily of municipal obligations held in commingled funds, while those classified as Level 3 consist primarily of collateralized mortgage obligations and restricted real estate.

(b) *Annuity and Life Income Funds*

The annuity and life income funds asset represents the fair value of assets held in charitable gift annuities, charitable remainder annuity trusts, and charitable remainder unitrusts. These assets consist primarily of corporate obligations, stock and convertible securities, and international investments and have been classified as Level 2 using the same methodology described above for similar types of underlying assets.

The annuity and life income funds payable represents the present value of future annuity payments due under these agreements, as calculated for each annuity using discount rates and actuarial assumptions consistent with American Counsel of Gift Annuities standards. These liabilities have been classified as Level 3 as the fair value is determined based upon a discounted cash flow methodology, which required significant judgment and estimation.

(c) *Funds Held in Trust by Others*

Funds held in trust by others represent amounts held by third parties where the University receives an income stream in perpetuity, but the assets are required to be held by a trustee. The University does not own the underlying assets, but rather has a beneficial interest in the trust. These trusts are invested in a combination of readily marketable assets, limited partnerships and land and have been classified as Level 2 in instances in which the trusts are invested in marketable securities for which

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market pricing data is available at the statement of financial position date, and Level 3 in instances in which the trusts are invested in nonmarketable assets.

(d) Debt and Related Interest Rate Swaps

The fair value of the University's debt is presented in note 11. The fair value of variable rate long-term debt approximates the carrying value because these financial instruments bear interest rates, which approximate current market rates for loans with similar maturities and credit quality. The fair value of the University's fixed rate long-term debt is based upon a discounted cash flow model.

The fair value of the University's interest rate swaps related to its debt obligation is based on a third-party valuation independent of the counterparty. Although a number of observable inputs are utilized in determining the fair value of its swaps, the University has classified this liability as a Level 3 as the fair value was determined using a pricing model involving significant judgment and estimation.

(e) Contributions Receivable

The University values contributions receivable using the present value of future cash flows as described in note 4. Contributions receivable are not measured at fair value subsequent to this initial measurement because the discount rate selected is to remain constant over time rather than adjusted to reflect changing financial conditions.

(f) Student Loan Programs

An estimate of the fair value of loans receivable from students under government loan programs cannot be made because the notes are not marketable and can only be assigned to the U.S. government or its designees.

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The following tables present the University's fair value hierarchy for financial instruments that are measured at fair value on a recurring basis as shown on the June 30, 2011 and 2010 consolidated statements of financial position (in thousands):

	June 30, 2011			
	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Investments:				
Money market and other liquid funds	\$ 11,851	11,142	709	—
U.S. government obligations:				
Mortgage-backed securities	60,655	8,846	51,809	—
Treasury obligations	33,052	24,292	8,760	—
Other	5,085	2,765	2,320	—
	<u>98,792</u>	<u>35,903</u>	<u>62,889</u>	<u>—</u>
Corporate obligations	167,217	3,164	164,053	—
Stock and convertible securities	159,222	157,951	1,271	—
International investments	92,077	91,002	1,075	—
Limited partnerships and LLCs	709,305	—	279,347	429,958
Inflation sensitive assets	64,707	—	64,707	—
Stock futures fund	30,534	—	30,534	—
Real estate investment trust	22,781	—	22,781	—
Other	10,143	—	3,008	7,135
Funds held in trust by others	60,566	—	28,829	31,737
Total	\$ <u>1,427,195</u>	<u>299,162</u>	<u>659,203</u>	<u>468,830</u>
Financial liabilities:				
Annuity and life income funds payable	\$ 4,721	—	—	4,721
Interest rate swaps	21,434	—	—	21,434
Total	\$ <u>26,155</u>	<u>—</u>	<u>—</u>	<u>26,155</u>

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		June 30, 2010			
		Fair value	Level 1	Level 2	Level 3
Financial assets:					
Investments:					
Money market and other liquid funds	\$	27,689	27,321	368	—
U.S. government obligations:					
Mortgage-backed securities		63,235	—	63,235	—
Treasury obligations		51,567	51,372	195	—
Other		12,370	—	12,370	—
		127,172	51,372	75,800	—
Corporate obligations		136,664	91	136,573	—
Stock and convertible securities		141,067	137,800	3,267	—
International investments		78,803	76,819	1,984	—
Limited partnerships and LLCs		556,172	—	212,524	343,648
Inflation sensitive assets		49,230	—	49,230	—
Stock futures fund		23,189	—	23,189	—
Real estate investment trust		21,349	—	21,349	—
Other		22,711	532	14,220	7,959
Funds held in trust by others		54,021	—	23,715	30,306
Total	\$	1,238,067	293,935	562,219	381,913
Financial liabilities:					
Annuity and life income funds payable	\$	4,959	—	—	4,959
Interest rate swaps		26,118	—	—	26,118
Total	\$	31,077	—	—	31,077

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The following tables present a reconciliation of the consolidated statements of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2011 and 2010 (in thousands):

	<u>Limited Partnerships and LLCs</u>	<u>Funds held in trust by others</u>	<u>Other</u>	<u>Total</u>
Financial assets:				
Balance at June 30, 2010	\$ 343,648	30,306	7,959	381,913
Net realized and unrealized gains (losses)	58,280	2,672	—	60,952
Purchases, sales, issuances and settlements	1,330	(1,241)	(824)	(735)
Transfers into level 3	26,700	—	—	26,700
Total at June 30, 2011	<u>\$ 429,958</u>	<u>31,737</u>	<u>7,135</u>	<u>468,830</u>
Change in unrealized gains related to financial instruments still held at June 30, 2011				
	\$ 19,403	3,617	—	23,020
	<u>Interest rate swaps</u>	<u>Annuity and life income funds payable</u>	<u>Total</u>	
Financial liabilities:				
Balance at June 30, 2010	\$ 26,118	4,959	31,077	
Net realized and unrealized (gains) losses	(4,684)	(26)	(4,710)	
Purchases, sales, issuances and settlements	—	(212)	(212)	
Total at June 30, 2011	<u>\$ 21,434</u>	<u>4,721</u>	<u>26,155</u>	
Change in unrealized gains related to financial instruments still held at June 30, 2011				
	\$ (4,684)	(26)	(4,710)	

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	<u>Limited Partnerships and LLCs</u>	<u>Funds held in trust by others</u>	<u>Other</u>	<u>Total</u>
Financial assets:				
Balance at June 30, 2009	\$ 266,525	35,692	9,073	311,290
Net realized and unrealized gains (losses)	22,723	(3,287)	—	19,436
Purchases, sales, issuances, and settlements	81,100	(2,099)	(479)	78,522
Transfers out of level 3	<u>(26,700)</u>	<u>—</u>	<u>(635)</u>	<u>(27,335)</u>
Total at June 30, 2010	\$ <u>343,648</u>	<u>30,306</u>	<u>7,959</u>	<u>381,913</u>

Change in unrealized losses related to financial instruments still held at June 30, 2010	\$ 21,360	12,241	—	33,601
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	<u>Interest rate swaps</u>	<u>Annuity and life income funds payable</u>	<u>Total</u>
Financial liabilities:			
Balance at June 30, 2009	\$ 26,138	5,385	31,523
Net realized and unrealized (gains) losses	9,247	378	9,625
Purchases, sales, issuances, and settlements	<u>(9,267)</u>	<u>(804)</u>	<u>(10,071)</u>
Total at June 30, 2010	\$ <u>26,118</u>	<u>4,959</u>	<u>31,077</u>

Change in unrealized losses related to financial instruments still held at June 30, 2010	\$ 7,247	378	7,625
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(4) Contributions Receivable and Conditional Promises

Contributions receivable at June 30, 2011 and 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Unconditional promises expected to be collected in:		
Less than one year	\$ 10,061	3,668
One year to five years	<u>11,980</u>	<u>11,677</u>
	<u>\$ 22,041</u>	<u>15,345</u>

The unamortized discount for contributions to be received after one year amounted to \$537,000 and \$505,000 in 2011 and 2010, respectively. Contributions to be received after one year are discounted at a discount rates ranging from 2.3% to 5.1% and 2.4% to 6.2% for the years ended June 30, 2011 and 2010, respectively.

(5) Student Loan Programs

The student loan programs consist primarily of the Perkins Loan and Nursing Student Loan Programs. The U.S. government provides 75% of the funds for the Perkins loans and 90% for Nursing Student loans. The University provides 25% and 10% of the funds, respectively, to support these programs.

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(6) Investments

Investments in stocks, bonds, and notes are recorded at fair value as described below and in note 3. Included in investments are endowment funds and other investments. The cost and market value at June 30, 2011 and 2010 were as follows:

	2011		2010	
	Cost	Fair value	Cost	Fair value
	(In thousands)			
Money market and other				
liquid funds	\$ 11,907	11,851	27,689	27,689
U.S. government obligations	96,689	98,792	123,290	127,172
Corporate obligations	167,047	167,217	135,923	136,664
Stock and convertible securities	134,863	159,222	139,505	141,067
International investments	85,992	92,077	90,990	78,803
Limited partnerships and LLCs	537,457	709,305	473,801	556,172
Inflation sensitive assets	55,803	64,707	55,480	49,230
Stock futures fund	33,177	30,534	32,488	23,189
Real estate investment trust	17,237	22,781	21,227	21,349
Other	10,157	10,143	22,256	22,711
	<u>\$ 1,150,329</u>	<u>1,366,629</u>	<u>1,122,649</u>	<u>1,184,046</u>
Total	<u>\$ 1,150,329</u>	<u>1,366,629</u>	<u>1,122,649</u>	<u>1,184,046</u>

Included in the investments table above are \$8,629,000 and \$8,572,000 of annuity and life income funds, which are shown separately on the consolidated statement of financial position at June 30, 2011 and 2010, respectively. Additionally, the University has \$60,566,000 and \$54,021,000 of funds held in trust by others that are shown separately on the consolidated statement of financial position at June 30, 2011 and 2010, respectively, but which are not included in the above table of investments.

The stock futures fund is a pooled fund that uses stock index futures and options in combination with short-term and other liquid debt instruments to approximate the total return of the Standard & Poor's 500 Index. The derivatives are not used to leverage the underlying cash position of this investment, but rather to meet the endowment asset allocation and spending policy targets. The futures contracts and options are stated at fair market value based on their quoted daily settlement prices.

The limited partnerships and LLCs are primarily invested in private equity funds, real estate, and other alternative investments in various industries. The University is obligated, under certain limited partnership agreements, to make additional capital contributions up to contractual levels. The timing and amounts of the contributions will be determined by the general partner of the respective limited partnership.

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The following table presents at June 30, 2011 the attributes of the University's investments in alternative assets that estimate fair value using the net asset value reported by the funds (in thousands):

	<u>Fair value</u>	<u>Estimated remaining lives</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice frequency</u>
Inflation sensitive asset fund	\$ 64,707	N/A	\$ N/A	Monthly	30 days
Stock futures fund	30,534	N/A	N/A	Monthly	30 days
Real estate investment trust	22,781	N/A	N/A	Monthly	10 days
Limited partnerships and LLCs:					
U.S. corporate debt funds	44,971	N/A	N/A	Monthly	30 days
U.S. equity funds	29,759	N/A	N/A	Monthly	30 days
International equity funds	163,631	N/A	N/A	Monthly	30 days
Multi-strategy fund of funds	201,901	N/A	N/A	Annually	100 days
Long-short hedge fund	25,544	N/A	N/A	Annually	90 days
Private equity	36,744	2 – 8 years	29,159	Not eligible	N/A
Venture capital	27,218	4 – 10 years	18,810	Not eligible	N/A
Hybrid fund of funds	54,055	2 – 8 years	10,030	Not eligible	N/A
Distressed securities	12,594	2 – 9 years	21,909	Not eligible	N/A
Real estate	50,264	1 – 12 years	20,454	Not eligible	N/A
Natural resources	32,950	5 – 11 years	20,728	Not eligible	N/A
Oil and gas	29,674	4 – 8 years	18,660	Not eligible	N/A
	<u>709,305</u>		<u>139,750</u>		
	\$ <u><u>827,327</u></u>		\$ <u><u>139,750</u></u>		

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The following table presents at June 30, 2010 the attributes of the University's investments in alternative assets that estimate fair value using the net asset value reported by the funds (in thousands):

	<u>Fair value</u>	<u>Estimated remaining lives</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice frequency</u>
Inflation sensitive asset fund	\$ 49,230	N/A	\$ N/A	Monthly	30 days
Stock futures fund	23,189	N/A	N/A	Monthly	30 days
Real estate investment trust	21,349	N/A	N/A	Monthly	10 days
Limited partnerships and LLCs:					
U.S. corporate debt funds	7,382	N/A	N/A	Monthly	30 days
U.S. equity funds	24,938	N/A	N/A	Monthly	30 days
International equity funds	125,305	N/A	N/A	Monthly	30 days
Multi-strategy fund of funds	194,032	N/A	N/A	Annually	100 days
Long-short hedge fund	26,700	N/A	N/A	Quarterly	90 days
Private equity	28,242	2 – 8 years	18,500	Not eligible	N/A
Venture capital	18,389	4 – 10 years	29,500	Not eligible	N/A
Hybrid fund of funds	48,490	2 – 8 years	17,000	Not eligible	N/A
Distressed securities	11,454	2 – 9 years	15,800	Not eligible	N/A
Real estate	23,101	1 – 12 years	26,100	Not eligible	N/A
Natural resources	23,719	5 – 11 years	19,700	Not eligible	N/A
Oil and gas	24,420	4 – 8 years	21,700	Not eligible	N/A
	<u>556,172</u>		<u>148,300</u>		
	<u>\$ 649,940</u>		<u>\$ 148,300</u>		

Inflation Sensitive Asset Fund

Inflation sensitive assets include liquid investments in assets that are viewed as positively correlated with inflation, including common stocks in energy and other extractive industries, commodities and inflation linked bonds. The investment is made through a commingled fund vehicle.

Real Estate Investment Trust

This category is an investment in a common trust fund that invests primarily in securities of entities with activities in or related to the development, operation, and/or ownership of real estate, including real estate investment trusts. The fund may also invest in real estate service companies and non-U.S. companies.

U.S. Corporate Debt Funds, U.S. Equity Funds, International Equity Funds

These categories are investments that can be redeemed at net asset value at or near the date of the statement of financial position and therefore classified as level 2 assets in the fair value hierarchy tables in note 3.

Multi-strategy Fund of Funds

This category includes investments in funds of funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds that make up these funds of funds invest in a variety of marketable securities, including stocks, bonds, credit-oriented securities, and arbitrage investments. The managers have the ability to shift investments between strategies and between net long and net short positions. At

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June 30, 2011 and 2010, \$26,142,000 and \$28,199,000, respectively, of these investments are classified as level 2 assets in the fair value hierarchy tables in note 3. The remaining investments in this category are classified as level 3 assets.

Long-Short Hedge Fund

This category includes investments both long and short in U.S. and non-U.S. stocks and other marketable assets. The investment is made through a commingled fund vehicle. At June 30, 2010, the fund was redeemable quarterly, including redeemable as of the date of the consolidated statement of financial position, and therefore classified as a level 2 asset in the fair value hierarchy table at June 30, 2010 in note 3. During fiscal 2011, the redemption frequency was changed to annually at December 31, and therefore classified as a level 3 asset at June 30, 2011.

All of the following University partnerships and LLCs receive distributions through the liquidation of the underlying assets of the fund. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated.

Private Equity, Venture Capital, Hybrid Fund of Funds, and Distressed Securities

These categories include illiquid investments in buyout, mezzanine, venture capital, growth equity, and distressed debt held in commingled limited partnership funds and are classified as level 3 assets in the fair value hierarchy tables in note 3.

Real Estate

This category includes illiquid investments in residential and commercial real estate assets, projects, or land held in commingled limited partnership funds. At June 30, 2011 and 2010, \$14,844,000 and \$0, respectively, of these investments are classified as level 2 assets in the fair value hierarchy tables in note 3. The remaining investments in this category are classified as level 3 assets.

Natural Resources and Oil and Gas

These categories include illiquid assets in timber, oil and gas production, mining, energy, and related businesses held in commingled limited partnership funds and are classified as level 3 assets in the fair value hierarchy tables in note 3.

The asset allocation of the University's investments involves exposure to a diverse set of markets. The investments within these markets involve various risks such as interest rate, market, sovereign, and credit risks. The University anticipates that the value of its investments may, from time to time, fluctuate substantially as a result of these risks.

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Dividends and interest from investments during the periods were as follows:

	2011	2010
	(In thousands)	
Operating (a)	\$ 3,347	3,507
Endowment (b)	18,979	19,198
	\$ 22,326	22,705

- (a) Includes interest from Auxiliary operations of \$124,000 and \$289,000 in 2011 and 2010, respectively.
- (b) Includes earnings of funds held in trust by others distributed to the University of \$2,295,000 and \$2,836,000 in 2011 and 2010, respectively.

(7) Endowment Funds

The University endowment consists of approximately 844 individual funds established for a variety of purposes. The endowment funds are subdivided into appropriate net asset classifications. The permanently restricted endowment funds, primarily consisting of funds whose return is unrestricted, represent gifts received under circumstances indicating a stipulation of the donor that principal is not to be expended. Temporarily restricted and unrestricted endowment funds represent funds where there is no requirement to maintain the principal.

(a) Interpretation of Relevant Law

Based upon its interpretation of the provisions of Delaware’s enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the University classifies the portion of donor-restricted endowment funds that is not classified as permanently restricted net assets as temporarily restricted net assets, unless it has previously been appropriated for use by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. At the time of appropriation by the University, and providing there are no additional purpose restrictions in place, the temporarily restricted net assets will be reclassified to unrestricted net assets. As of June 30, 2011 and 2010, the amount of temporarily restricted endowment funds having no purpose restriction was \$367,843,000 and \$309,745,000, respectively. The University continues to classify as permanently restricted net assets the historical cost value of the original donor-restricted endowment.

(b) Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide in perpetuity financial support of the University’s educational goals. Toward that end, the University’s Board of Trustees, Investment Visiting Committee, and administration have a shared mission to maximize the endowment fund’s total return consistent with the University’s prudent investment risk constraints. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy approved by the Board of Trustees, the endowment assets are invested in a

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manner that is intended to achieve an average annual real return of at least 5% over time while assuming an acceptable level of investment risk. Actual returns in any year may vary from that amount. To monitor the effectiveness of the investment strategy of endowment funds, performance goals are established and monitored related to benchmark indices and returns earned by comparable endowment funds.

(c) *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate of return objectives, the University employs a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). The University's investment policy includes a target asset allocation, well diversified among suitable asset classes, that is expected to generate, on average, the level of expected return necessary to meet endowment objectives while assuming a level of risk (volatility) consistent with achieving that return.

(d) *Spending Policy and How the Investment Objectives Relate to Spending Policy*

In accordance with Delaware's enacted version of 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 fund; (2) the purposes of the organization 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 organization; and (7) the investment policies of the organization.

The University endowment spending policy guidelines target an annual distribution in the range of 4.5% to 5.5% of the endowment pooled portfolio average market value over the 12 trailing quarters through December 31 of the year prior to the new fiscal year. The actual rate is set annually by the Board of Trustees, and was 4.0% and 4.3% at June 30, 2011 and 2010, respectively.

In establishing this policy, the University considered the long-term expected return on its funds. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at a rate in excess 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 specified term as well as to provide additional real growth through new gifts and investment return.

(e) *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount maintained as permanently restricted net assets. Deficiencies of this nature were approximately \$16,000 and \$1,760,000 as of June 30, 2011 and June 30, 2010, respectively. Such deficiencies are recorded in unrestricted net assets. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

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(f) Net Asset Classification of Endowment Funds

Net asset composition by type of fund consists of the following as of June 30, 2011 (in thousands):

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (16)	518,271	256,369	774,624
Board-designated endowment funds	<u>295,205</u>	<u>7,808</u>	<u>—</u>	<u>303,013</u>
	<u>\$ 295,189</u>	<u>526,079</u>	<u>256,369</u>	<u>1,077,637</u>

Net asset composition by type of fund consists of the following as of June 30, 2010 (in thousands):

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (1,760)	417,223	250,086	665,549
Board-designated endowment funds	<u>255,391</u>	<u>6,590</u>	<u>—</u>	<u>261,981</u>
	<u>\$ 253,631</u>	<u>423,813</u>	<u>250,086</u>	<u>927,530</u>

Board-designated temporarily restricted funds represent the income on nonendowed purpose restricted gifts to the University that the Board of Trustees has designated as endowment, but which cannot reasonably be expended within a year.

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Changes in endowment net assets for the year ended June 30, 2011 (in thousands):

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 253,631	423,813	250,086	927,530
Investment return:				
Investment income	10,833	7,060	1,086	18,979
Net appreciation – realized and unrealized	<u>43,857</u>	<u>127,515</u>	<u>407</u>	<u>171,779</u>
Total investment return	308,321	558,388	251,579	1,118,288
Contributions	—	116	4,790	4,906
Endowment spending payout	(11,477)	(32,425)	—	(43,902)
Other changes	<u>(1,655)</u>	<u>—</u>	<u>—</u>	<u>(1,655)</u>
	<u>\$ 295,189</u>	<u>526,079</u>	<u>256,369</u>	<u>1,077,637</u>

Changes in endowment net assets for the year ended June 30, 2010 (in thousands):

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 233,169	386,303	240,487	859,959
Investment return:				
Investment income	10,361	7,255	1,582	19,198
Net appreciation – realized and unrealized	<u>22,430</u>	<u>63,913</u>	<u>1,828</u>	<u>88,171</u>
Total investment return	265,960	457,471	243,897	967,328
Contributions	—	7	6,189	6,196
Endowment spending payout	(12,329)	(33,910)	—	(46,239)
Other changes	<u>—</u>	<u>245</u>	<u>—</u>	<u>245</u>
	<u>\$ 253,631</u>	<u>423,813</u>	<u>250,086</u>	<u>927,530</u>

(8) Annuity and Life-Income Funds

The University held \$8,629,000 and \$8,572,000 in investments related to annuity and life-income funds as of June 30, 2011 and 2010, respectively. A related liability of \$4,721,000 and \$4,959,000 as of June 30, 2011 and 2010, respectively, represents the present value of future annuity payments due under these

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agreements, and was calculated for each annuity using discount rates and actuarial assumptions consistent with American Council of Gift Annuities standards.

The University's annuity and life income funds include charitable gift annuities, charitable remainder annuity trusts, and charitable remainder unitrusts.

The University is required by the laws of certain states to maintain reserves against charitable gift annuities. Such reserves amounted to \$38,000 and \$197,000 as of June 30, 2011 and 2010, respectively.

(9) Property, Plant, and Equipment

Land is recorded at cost or appraised value at time of receipt if contributed, including land deeded by the Board of Trustees of Delaware College to the State in the early 1900s and thereafter used by the University, as successor, for the purposes of the University.

Buildings are recorded at cost of initial construction, including buildings on land deeded to the State and thereafter used for the purposes of the University. Costs of major renovations to buildings are capitalized. Costs of equipment in excess of \$5,000 with a useful life expectancy of two or more years are also capitalized.

The University uses the straight-line method of depreciation for its plant assets based on the following estimated useful lives:

	<u>Estimated lives (years)</u>
Land improvements	15
Buildings	40
Equipment and furnishings	2 – 20

Property, plant, and equipment as of June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
	(In thousands)	
Land and improvements	\$ 99,860	79,440
Buildings	1,162,413	1,141,013
Equipment and furnishings	404,136	380,750
Collections and works of art	8,872	8,673
Capital leasehold	15,003	14,841
Construction in progress	107,297	23,546
Total property, plant, and equipment	<u>1,797,581</u>	<u>1,648,263</u>
Less accumulated depreciation	<u>(729,723)</u>	<u>(677,289)</u>
Total property, plant, and equipment, net	<u>\$ 1,067,858</u>	<u>970,974</u>

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The University has four major building and renovation projects as of June 30, 2011 budgeted to cost \$217,250,000. At year-end, \$66,654,000 has been disbursed with \$150,596,000 committed to complete these projects.

(10) Obligations Under Capital Leases

The University has obligations under capital leases that amounted to \$7,099,000 and \$7,616,000 as of June 30, 2011 and 2010, respectively. The University's obligation at June 30, 2011 includes a building lease with Delaware Technology Park for the Delaware Biotechnology Institute, a unit of the University. The lease consists of annual lease payments ranging from \$345,000 to \$900,000 to be paid over a 20-year term.

The aggregate amount of principal and interest payments on the University's obligation under capital leases is due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
		(In thousands)	
2012	\$ 542	346	888
2013	572	320	892
2014	607	287	894
2015	642	254	896
2016	682	214	896
Thereafter	4,054	469	4,523
	<u>\$ 7,099</u>	<u>1,890</u>	<u>8,989</u>

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(11) Notes and Bonds Payable

Indebtedness at June 30, 2011 and 2010 consisted of the following:

	2011	2010
	(In thousands)	
Series 1997 Revenue Bonds (a)	\$ —	35
Series 2004A Revenue Bonds (b)	—	2,080
Series 2004B Revenue Bonds (c)	40,835	40,835
Series 2005 Revenue Bonds (d)	45,315	46,815
Series 2009A Revenue Bonds (e)	68,600	71,310
Series 2009B Revenue Bonds (f)	60,625	64,000
Series 2010A Revenue Bonds(g)	119,580	—
Series 2010B Revenue Bonds (h)	12,080	—
Blue Hen Hotel LLC Bonds (i)	9,390	9,710
University Early Learning Center Line of Credit (j)	3,470	3,682
Note payable (k)	—	349
	359,895	238,816
Premiums on notes and bonds payable	4,053	4,934
Notes and bonds payable	\$ 363,948	243,750

(a) Series 1997 Revenue Bonds

In May 1997, the University issued \$15,500,000 of Series 1997 Revenue Bonds to fund a portion of the costs to renovate and equip certain housing facilities for students. The Series 1997 Bonds bear interest rates ranging from 5% to 5.125%, mature at various dates through November 1, 2010 and are secured by a pledge of gross revenues received by the University for operation of its existing facilities located on the University's main campus, which provide housing, dining, or healthcare services for students; the Student Center fees; and certain parking and bookstore revenues. All outstanding Series 1997 Bonds were redeemed in November 2010.

The Series 2005 Bond issue refunded \$12,065,000 of the Series 1997 Bonds with maturities ranging from 2010 to 2022 (note (d) below).

(b) Series 2004A Revenue Bonds

In April 2004, the University issued \$12,070,000 of Series 2004A Revenue Bonds. Approximately \$8,041,000 of these Series 2004A Bonds were used to retire the Series 1993 Revenue Notes. The remaining portion of the Series 2004A Revenue Bonds were used to construct a parking garage, to demolish existing University dormitories, to construct three new dormitory buildings, and for other capital improvements.

The Series 2004A Bonds will bear interest rates ranging from 2% to 5%, maturing over various dates through November 2010, and are secured by a pledge of gross revenues received by the University

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from the operations of all project facilities including housing, dining, parking, and other revenue producing facilities. All outstanding Series 2004A Bonds were redeemed in November 2010.

(c) *Series 2004B Revenue Bonds*

In April 2004, the University issued \$40,835,000 of Series 2004B Variable Rate Demand Revenue Bonds. The Series 2004B Bonds were used to construct a parking garage, to demolish existing University dormitories, to construct three new dormitory buildings, and for other capital improvements.

The Series 2004B Bonds will initially bear interest at a Daily Rate (0.05% at June 30, 2011) and will continue to bear interest at a Daily Rate until converted to bear interest at a Weekly, Flexible, Term, or Fixed Rate to maturity. The interest rate to be in effect for a particular period of time will be reset by the Remarketing Agent and will never exceed 12% per annum. A 3.25% interest cost through fiscal year 2035 is anticipated based on an existing interest rate exchange agreement, with additional costs of remarketing and a Standby Bond Purchase Agreement (SBPA) with a scheduled termination date of April 5, 2012. The Bonds are secured by a pledge of gross revenues received by the University from the operations of all project facilities including housing, dining, parking, and other revenue producing facilities. The Series 2004B Bonds mature on November 1, 2034, but are subject to optional redemption and tender for purchase prior to maturity.

(d) *Series 2005 Revenue Bonds*

In July 2005, the University issued \$49,945,000 of Series 2005 Variable Rate Demand Revenue Bonds. \$37,880,000 of the Series 2005 Bonds were used to complete the construction of three new dormitory buildings, the demolition of some existing University dormitories, and other capital improvements started with proceeds of the Series 2004B Revenue Bonds. In addition, \$12,065,000 was used to Advance Refund a portion of the Series 1997 Bonds.

The Series 2005 Bonds will initially bear interest at a Daily Rate (0.05% at June 30, 2011) and will continue to bear interest at a Daily Rate until converted to bear interest at a Weekly, Flexible, Term, or Fixed Rate to maturity. The interest rate to be in effect for a particular period of time will be reset by the Remarketing Agent and will never exceed 12% per annum. A 3.87% interest cost through fiscal year 2036 is anticipated on the \$37,880,000 project funds and 3.75% interest cost through fiscal year 2022 on the \$12,065,000, both based on existing interest rate exchange agreements, with additional costs of remarketing and a SBPA with scheduled termination date of May 31, 2016 at which time it may be terminated, extended or replaced. The Bonds are secured by a pledge of gross revenues received by the University from the operations of all project facilities including housing, dining, parking, and other revenue producing facilities. The Series 2005 Bonds mature on November 1, 2035, but are subject to optional redemption and tender for purchase prior to maturity.

The Series 2005 Bonds in the amount of \$45,315,000 were remarketed on June 1, 2011 as a result of a change in the SBPA provider.

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(e) Series 2009A Revenue Bonds

In March 2009, the University issued \$71,310,000 of Series 2009A Variable Rate Revenue Bonds in term mode with a termination date of May 31, 2011. On June 1, 2011, replacement term mode bonds were issued with a termination date of June 4, 2013. These bonds were issued for the purpose of refinancing a taxable bank demand note, which was entered into on July 10, 2008, the proceeds of which the University used to redeem its Auction Rate Revenue Bonds Series 2007.

The Series 2009A Bonds issued June 1, 2011 will initially bear interest at a Term Rate of 0.85% and will continue to bear interest at a Term Rate until converted to bear interest at a Daily, Weekly, Flexible, or Fixed Rate to maturity. The interest rate to be in effect for a particular Interest Period when the Term Rate is in effect, will be set by the Remarketing Agent as the minimum per annum rate of interest that is necessary to market the Series 2009A Bonds at a price equal to 100% of their principal amount plus accrued interest. The initial interest period extends until June 4, 2013 with interest payments on each June 1 and December 1. The Bonds are subject to mandatory tender on June 2013. A 3.76% interest cost is expected through October 31, 2037 based on an existing interest rate exchange agreement, plus costs of remarketing.

(f) Series 2009B Revenue Bonds

In December 2009, the University issued \$64,000,000 of Series 2009B Revenue Bonds in fixed rate mode with the sole purpose of refunding the Series 1998, 2001A, and 2001B Variable Rate Demand Bonds and terminating related interest rate exchange agreements as discussed above.

The Series 2009B Bonds will bear interest rates ranging from 2% to 4%, maturing over various dates through November 2026, and are secured by a pledge of gross revenues received by the University from the operations of all project facilities including housing, dining, parking, and other revenue producing facilities.

(g) Series 2010A Revenue Bonds

In November 2010, the University issued \$119,580,000 of Series 2010A Revenue Bonds in fixed rate mode with the purposes of providing funds for certain project facilities. The American Recovery and Reinvestment Act of 2009 (ARRA) permitted the University to issue the 2010A Bonds as "Build America Bonds" to finance capital expenditures for the purposes for which it could have issued tax-exempt bonds and to elect to receive payments from U.S. Treasury equal to 35% of the corresponding interest payable on 2010A Bonds (the Subsidy Payments). For the year ended June 30, 2011, the University received Subsidy Payments of \$1,112,000, which are included in other operating revenue on the consolidated statement of activities. The Series 2010A Bonds are subject to mandatory redemption from November 1, 2028 through November 1, 2040, but are subject to optional redemption and tender for purchase prior to maturity.

The Series 2010A Bonds will bear the fixed interest rate of 5.866% (3.8129% after Subsidy Payments are received) and are secured by a pledge of gross revenues received by the University from the operations of all project facilities including housing and other revenue producing facilities.

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(h) Series 2010B Revenue Bonds

In November 2010, the University issued \$12,080,000 of Series 2010B Revenue Bonds in fixed rate mode with the purpose of providing funds for certain project facilities.

The Series 2010B Bonds will bear interest rates ranging from 0.65% to 3.796%, maturing on November 1 from 2011 to 2019. The Bonds are subject to optional redemption and tender for purchase prior to maturity.

(i) Blue Hen Hotel LLC Bonds

In September 2001, the Blue Hen Hotel, LLC, a Company wholly owned (note 2) by the University and consolidated into the University's financial statements, issued \$11,500,000 of Blue Hen Hotel, LLC Variable Rate Demand Bonds, Series 2001 (Series 2001 Bonds), which were also guaranteed by the University. The Series 2001 Bonds funded the design, construction, and start-up operating costs of the hotel.

The Series 2001 Bonds will initially bear interest at a Weekly Rate (0.45% at June 30, 2011) and will continue to bear interest at a Weekly Rate until converted to bear interest at a Daily, Flexible, Term, or Fixed Rate to maturity. The interest rate to be in effect for a particular period of time will be reset by the Remarketing Agent and will never exceed 18% per annum. A 5.50% interest cost through September 1, 2027 is anticipated based on an existing interest rate exchange agreement, with additional costs of remarketing and a SBPA with a scheduled termination date of December 12, 2012. The swap agreement counterparty has the right to terminate the agreement under certain market conditions in which the daily weighted average of the one-month LIBOR equals or exceeds 9.00% for the previous six-month period. If such right is exercised, the bond interest would revert to the market rate for weekly traded variable rate demand bonds.

The Series 2001 Bonds mature on September 1, 2027, but are subject to optional redemption and tender for purchase prior to maturity.

To date, the Blue Hen Hotel, LLC has called \$2,110,000 of its outstanding bonds.

(j) Early Learning Center Line of Credit

In December 2008, the University obtained a five-year extension to the \$5,000,000 line of credit that was originally opened in December 2003 to renovate the University Early Learning Center facility. The interest rate is a variable rate of 65% of the Bank's National Commercial Rate (calculated to be 2.6% at June 30, 2011) and there is an outstanding balance of \$3,469,000 at June 30, 2011.

(k) Note Payable

The University's note payable bears an interest rate of 3.0%. The note payable, for the U.S. Department of Housing and Urban Development Loan, was paid off in November 2010.

The carrying amount of variable rate long-term debt approximates fair value because these financial instruments bear interest at rates, which approximate current market rates for loans with similar maturities and credit quality. The fair value of fixed and variable rate Revenue Bonds (par amount of

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\$347,035,000) approximates \$357,426,000. Such amount has been estimated by discounting the future cash outflows associated with such debt by current market rates for loans with similar maturities and credit quality.

Certain long-term debt obligations expose the University to cash flow risk related to changes in interest rates. Management believes it is prudent and cost effective to hedge some of its exposure to interest rate risk. To achieve this objective, management has interest rate swap agreements for approximately \$172,690,000 (including \$9,390,000 related to the Blue Hen Hotel, LLC, note 2) of long-term debt obligations as of June 30, 2011. In accordance with FASB standards, not-for-profit organizations shall recognize the gain or loss on a hedging instrument as a change in net assets in the period of change. Accordingly, for the year ended June 30, 2011, the University has recognized an unrealized gain of \$4,684,000 (including a gain of \$368,000 related to the Blue Hen Hotel, LLC) in the consolidated statement of activities for the increase in fair value of its interest rate swaps and a corresponding decrease in the fair value of its interest rate swap liability in the consolidated statement of financial position.

The aggregate amount of principal payments on the University's note and bonds payable are due as follows (in thousands):

2012	\$	5,961
2013		6,380
2014		6,594
2015		6,914
2016		5,171
Thereafter		332,928
	\$	363,948

(12) Derivative Instruments

The University employs derivatives in the form of interest rate swap agreements to manage market risk associated with outstanding debt (in thousands).

	<u>Statement of financial position location</u>	<u>Location of gain (loss)</u>	<u>Fair value 2011</u>	<u>Fair value 2010</u>	<u>Amount of gain (loss) 2011</u>	<u>Amount of gain (loss) 2010</u>
Interest rate swap agreements	Interest rate swap liabilities	Net realized and unrealized gains \$	21,434	26,118	4,684	(9,247)

A portion of the total interest rate swap liabilities reported on the consolidated statement of financial position, \$19,673,000 at June 30, 2011, contains provisions that require the University's debt and the counterparty to maintain an investment grade credit rating from one or both of the major credit rating agencies. A downgrade of the University or the counterparty's rating may require that party to provide collateralization above a predetermined threshold on all rate swaps in net liability positions. The University's current rating of AA+ by Standard & Poor's would have to drop five levels or more to a rating

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of A- or below, at which time the University might be required to post collateral. To date, the University has not posted collateral for any rate swap agreements.

(13) Employee Benefit Plans

Substantially all faculty and professional employees are provided pension benefits under the University's Retirement Annuity Program. The policy of the University is to pay its share of the annual premium accrued in connection with the University Retirement Annuity Program; there are no unfunded benefits. Pension plan expense for the University Retirement Annuity Program was \$25,263,000 in 2011 and \$24,325,000 in 2010. Expenses under the State of Delaware Pension Plan, which covers all other employees, were \$9,756,000 and \$8,428,000 in 2011 and 2010, respectively.

In addition to retirement benefits, the University also provides postretirement benefits primarily for medical insurance to retired employees who are not eligible under the State of Delaware Pension Plan. The University recognizes the funded status (i.e., the difference between the fair value of plan assets and the accumulated postretirement benefit obligation) of its postretirement benefit plan in the consolidated statement of financial position. Also, the University measures the fair value of plan assets and benefit obligations as of the date of the fiscal year-end consolidated statement of financial position. As of June 30, 2011, the University has not funded these benefits.

Net periodic postretirement benefit cost for 2011 and 2010 includes the following components:

	2011	2010
	(In thousands)	
Service cost	\$ 7,204	6,264
Interest cost	11,030	11,992
Amortization of unrecognized loss	—	—
Net periodic postretirement benefit cost	\$ 18,234	18,256

The accumulated postretirement benefit obligation at June 30, 2011 and 2010 is as follows:

	2011	2010
	(In thousands)	
Accrued postretirement liability	\$ 196,036	182,474
Unrecognized net loss	13,455	45,035
Accumulated postretirement benefit obligation	\$ 209,491	227,509

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Change in plan assets for 2011 and 2010 includes the following:

	2011	2010
	(In thousands)	
Employer contributions	\$ 4,672	4,011
Benefits paid	(4,672)	(4,011)

The accumulated postretirement benefit obligation was determined using a discount rate of 5.90% and 5.60% in 2011 and 2010. The health care cost trend rate used in 2010 was 5.75% and was revised as of July 1, 2010 to reflect the differences between pre-65 and post-65 claims; 8.00% and 7.00%, respectively, in 2011. This rate gradually decreases to 5.00% by the year 2021 and 2015 for pre-65 and post-65 claims, respectively. Increasing the assumed healthcare cost trend rate by 1.00% in each year and holding all other assumptions constant would increase the accumulated postretirement benefit obligation by approximately \$39,522,000 and \$43,859,000 at June 30, 2011 and 2010, respectively, and increase the aggregate of the service and interest cost components of the net periodic postretirement benefit cost by approximately \$4,252,000 and \$3,540,000 for the years ended June 30, 2011 and 2010, respectively.

The University expects to contribute \$5,399,000 to the plan for the year ended June 30, 2012.

At June 30, 2011, the University's expected future benefit payments for future service are as follows (in thousands):

Year ended June 30:		
2012	\$	5,399
2013		6,028
2014		6,754
2015		7,509
2016		8,183
2017 through 2021		53,554
	\$	87,427

The effect of federal subsidies enacted by the Medicare Prescription Drug Improvement and Modernization Act of 2003 has been reflected in the measurement of the accumulated postretirement benefit obligation or net periodic postretirement benefit cost.

(14) Asset Retirement Obligations

The University has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities. When an asset retirement obligation is identified, the University records the fair value of the obligation as a liability. The liability is accreted to its present value and accretion expense is recognized. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the period of expected remediation.

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The University had asset retirement obligations of \$20,185,000 and \$18,136,000 as of June 30, 2011 and 2010, respectively. The following table reconciles the obligation as of June 30, 2011 and 2010 (in thousands):

	<u>2011</u>	<u>2010</u>
Balance at beginning of year	\$ 18,136	11,761
Additional obligations incurred	40	6,981
Obligations settled in current period	9	—
Changes in estimates, including timing	(249)	(606)
Accretion expense	<u>2,249</u>	<u>—</u>
Balance at end of year	<u>\$ 20,185</u>	<u>18,136</u>

(15) Net Assets

Temporarily restricted net assets include the following at June 30, 2011 and 2010 (in thousands):

	<u>2011</u>	<u>2010</u>
Contributions receivable	\$ 22,041	15,345
Annuity and life income funds	1,548	987
Accumulated gains on permanent endowment funds	526,079	423,813
Other – related to time and purpose restrictions	<u>16,626</u>	<u>14,547</u>
	<u>\$ 566,294</u>	<u>454,692</u>

Generally, the donors of these assets permit the University to use all or part of the income earned and net appreciation on related investments for general or specific purposes, such as scholarships, faculty salaries, or other operational support.

Permanently restricted net assets include the following at June 30, 2011 and 2010 (in thousands):

	<u>2011</u>	<u>2010</u>
Permanent loan funds	\$ 300	290
Annuity and life income funds	2,360	2,526
Funds held in trust by others	60,566	54,021
Permanent endowment funds	<u>256,369</u>	<u>250,086</u>
	<u>\$ 319,595</u>	<u>306,923</u>

(16) Scholarship Allowance

The University provides financial assistance to eligible students to partially offset the direct costs of tuition, on-campus housing, and meal contracts. These scholarship allowances are presented as a reduction of tuition and sales of auxiliary enterprises.

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Scholarships are funded from unrestricted resources, as well as funds from donors, federal and state governments, and endowment income restricted to use for student financial assistance.

The table below identifies this financial assistance by source and by student classification for the year ended June 30, 2011.

	<u>Undergraduate</u>	<u>Graduate</u>	<u>Total</u>
		(In thousands)	
Unrestricted	\$ 28,102	53,087	81,189
Federal	527	723	1,250
State	10,420	117	10,537
Private gifts	1,904	334	2,238
Endowment	3,135	30	3,165
Total	<u>\$ 44,088</u>	<u>54,291</u>	<u>98,379</u>

An additional \$5,475,000 of University-provided financial assistance was utilized by students for books, supplies, and off-campus living expenses.

(17) Fund-Raising Costs

Fund-raising costs were approximately \$12,453,000 and \$9,174,000 for the years ended June 30, 2011 and 2010, respectively.

(18) Contingencies

The University is party to certain claims and litigation arising in the ordinary course of business. In the opinion of management, the resolution of such claims and litigation will not materially affect the University's financial position, statement of activities, or cash flows.

(19) Subsequent Events

In connection with the preparation of the consolidated financial statements, the University evaluated subsequent events after the balance sheet date of June 30, 2011 through October 31, 2011, which was the date the consolidated financial statements were issued.