# ST. OLAF COLLEGE
Northfield, Minnesota

Financial Statements
Including Independent Auditors' Report

May 31, 2008, 2007 and 2006

**ST. OLAF COLLEGE**

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Virchow Krause & company

INDEPENDENT AUDITORS' REPORT

To the Board of Regents
St. Olaf College
Northfield, Minnesota

We have audited the accompanying statements of financial position of St. Olaf College as of May 31, 2008, 2007 and 2006 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 College'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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Olaf College at May 31, 2008, 2007 and 2006 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.

As discussed in Note 1 to the financial statements, St. Olaf College adopted the provisions of FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*, in 2006 and FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, in 2007.

Virchow Krause & Company, LLP

Minneapolis, Minnesota
September 15, 2008

**ST. OLAF COLLEGE**

STATEMENTS OF FINANCIAL POSITION
May 31, 2008, 2007, and 2006

## *ASSETS*

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Cash and cash equivalents | $ 35,149,721 | $ 15,984,246 | $ 12,350,357 |
| Receivables | | | |
| Student accounts, net of allowance for doubtful accounts of $442,226, $397,700, and $408,500 | 264,558 | 179,286 | 194,661 |
| Contributions, net | 15,986,044 | 14,673,214 | 15,147,895 |
| Insurance | 1,631,877 | 1,631,877 | |
| Other | 598,312 | 911,344 | 824,675 |
| Inventories | 562,492 | 701,474 | 735,288 |
| Prepaid expenses and deposits | 967,181 | 768,756 | 648,148 |
| Student notes receivable, net of allowance for doubtful notes of $508,725, $457,300, and $93,000 | 8,619,759 | 8,674,554 | 9,371,782 |
| Investments | | | |
| Cash and short-term investments | 2,345,062 | 36,918,276 | 2,981,925 |
| Marketable securities | 199,821,245 | 213,989,260 | 206,484,976 |
| Mortgages and contracts for deed | 613,907 | 593,379 | 583,107 |
| Notes receivable | 352,803 | 352,803 | 352,803 |
| Real estate | 2,176,100 | 2,617,238 | 2,504,362 |
| Other investments | 187,123,787 | 134,013,682 | 114,676,319 |
| Deposits held by trustee | 3,278,626 | 28,773,096 | 1,009,893 |
| Deferred debt acquisition costs | 584,955 | 610,959 | 331,063 |
| Funds held in trust by others | 2,073,944 | 2,174,177 | 2,003,624 |
| Cash restricted for plant acquisitions | 592,389 | 7,687,765 | 1,995,899 |
| Construction in progress | 52,425,224 | 12,650,318 | 6,914,126 |
| Property, plant and equipment, net | 126,991,971 | 126,464,340 | 119,614,044 |
| **TOTAL ASSETS** | $ 642,159,957 | $ 610,370,044 | $ 498,724,947 |

## *LIABILITIES AND NET ASSETS*

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| **LIABILITIES** | | | |
| Accounts payable | $ 13,062,143 | $ 4,167,848 | $ 2,323,926 |
| Accrued liabilities | 14,378,241 | 16,272,315 | 12,784,211 |
| Deferred revenue | 4,055,872 | 3,318,078 | 3,319,923 |
| Annuities payable | 14,138,948 | 16,069,326 | 17,080,067 |
| Interest rate exchange liability | 879,225 | 552,023 | 467,581 |
| Asset retirement obligation | 2,661,596 | 2,712,661 | 2,875,606 |
| Long-term debt | 86,268,199 | 86,299,563 | 53,325,000 |
| U. S. government grants refundable | 6,234,730 | 6,257,378 | 6,826,140 |
| Deposits held in trust for others | 5,212,655 | 5,341,937 | 4,328,536 |
| Total Liabilities | 146,891,609 | 140,991,129 | 103,330,990 |
| **NET ASSETS** | | | |
| Unrestricted | 281,569,285 | 261,565,126 | 206,315,631 |
| Temporarily restricted | 73,389,444 | 71,117,614 | 62,278,064 |
| Permanently restricted | 140,309,619 | 136,696,175 | 126,800,262 |
| Total Net Assets | 495,268,348 | 469,378,915 | 395,393,957 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 642,159,957 | $ 610,370,044 | $ 498,724,947 |

See accompanying notes to financial statements.

## ST. OLAF COLLEGE

STATEMENT OF ACTIVITIES
Year Ended May 31, 2008

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **REVENUES, GAINS AND OTHER SUPPORT** | | | | |
| **OPERATING REVENUES** | | | | |
| Tuition | $ 90,506,866 | | | $ 90,506,866 |
| Less: Unfunded scholarships and grants | (32,827,954) | | | (32,827,954) |
| Funded scholarships and grants | (3,689,177) | | | (3,689,177) |
| Net tuition | 53,989,735 | | | 53,989,735 |
| Other tuition and fees | 3,661,567 | | | 3,661,567 |
| Government grants | 4,222,090 | $ 3,857 | | 4,225,947 |
| Private gifts and grants | 4,070,075 | 2,047,999 | | 6,118,074 |
| Long-term investment income and gains allocated for operations | 4,205,855 | 5,776,516 | | 9,982,371 |
| Other sources | 2,647,519 | 487,950 | | 3,135,469 |
| Investment income | 935,729 | 69,434 | | 1,005,163 |
| Net losses on investments and capital assets | (335,217) | (13,599) | | (348,816) |
| Capital gifts allocated | | 1,228,190 | | 1,228,190 |
| Auxiliary enterprises - sales and services | 24,654,311 | | | 24,654,311 |
| | 98,051,664 | 9,600,347 | | 107,652,011 |
| Net assets released from restrictions | 9,233,638 | (9,233,638) | | |
| Total Operating Revenues, Gains and Other Support | 107,285,302 | 366,709 | | 107,652,011 |
| **OPERATING EXPENSES** | | | | |
| Program expenses | | | | |
| Instruction | 42,734,992 | | | 42,734,992 |
| Research | 1,538,821 | | | 1,538,821 |
| Public service | 1,232,194 | | | 1,232,194 |
| Academic support | 9,305,666 | | | 9,305,666 |
| Student services | 14,841,320 | | | 14,841,320 |
| Auxiliary enterprises | 17,689,530 | | | 17,689,530 |
| Support expenses | | | | |
| Institutional support | 10,409,274 | | | 10,409,274 |
| Fundraising | 3,069,513 | | | 3,069,513 |
| Total Operating Expenses | 100,821,310 | | | 100,821,310 |
| **Change in Net Assets from Operating Activities** | 6,463,992 | 366,709 | | 6,830,701 |
| **NONOPERATING ACTIVITIES** | | | | |
| Long-term investment activities | | | | |
| Investment income | 3,994,526 | 2,570,415 | $ 48,631 | 6,613,572 |
| Net gains on investments | 4,469,661 | 2,152,432 | 173,697 | 6,795,790 |
| Total long-term investment income | 8,464,187 | 4,722,847 | 222,328 | 13,409,362 |
| Less: Long-term investment income and gains allocated for operations | (4,205,855) | (5,776,516) | | (9,982,371) |
| | 4,258,332 | (1,053,669) | 222,328 | 3,426,991 |
| Student loan income net of expenses | (7,702) | | 19,130 | 11,428 |
| Capital giving activities - gifts and grants | 908,750 | 9,320,891 | 3,226,924 | 13,456,565 |
| Deferred giving activities - gifts | 50,193 | 139,267 | 223,652 | 413,112 |
| Capital gifts allocated to operations | | (1,228,190) | | (1,228,190) |
| Interest rate swap loss and settlements | (480,794) | | | (480,794) |
| Adjustment to actuarial liability for annuities payable | 145,758 | (63,434) | 824,804 | 907,128 |
| Other activities | 2,552,492 | | | 2,552,492 |
| | 7,427,029 | 7,114,865 | 4,516,838 | 19,058,732 |
| Net assets released from restrictions | 6,113,138 | (6,113,138) | | |
| **Change in Net Assets from Nonoperating Activities** | 13,540,167 | 1,001,727 | 4,516,838 | 19,058,732 |
| Change in Net Assets before reclassification of net assets | 20,004,159 | 1,368,436 | 4,516,838 | 25,889,433 |
| Reclassification of prior year net assets | | 903,394 | (903,394) | |
| **Change in Net Assets** | 20,004,159 | 2,271,830 | 3,613,444 | 25,889,433 |
| Net Assets - Beginning of Year | 261,565,126 | 71,117,614 | 136,696,175 | 469,378,915 |
| **NET ASSETS - END OF YEAR** | $ 281,569,285 | $ 73,389,444 | $ 140,309,619 | $ 495,268,348 |

See accompanying notes to financial statements.

**ST. OLAF COLLEGE**

STATEMENT OF ACTIVITIES
Year Ended May 31, 2007

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **REVENUES, GAINS AND OTHER SUPPORT** | | | | |
| **OPERATING REVENUES** | | | | |
| Tuition | $ 83,649,733 | | | $ 83,649,733 |
| Less: Unfunded scholarships and grants | (29,833,365) | | | (29,833,365) |
| Funded scholarships and grants | (3,254,474) | | | (3,254,474) |
| Net tuition | 50,561,894 | | | 50,561,894 |
| Other tuition and fees | 4,095,734 | $ 400 | | 4,096,134 |
| Government grants | 4,002,312 | | | 4,002,312 |
| Private gifts and grants | 3,735,066 | 2,375,688 | | 6,110,754 |
| Long-term investment income and gains allocated for operations | 3,817,099 | 5,108,381 | | 8,925,480 |
| Other sources | 2,948,548 | 574,060 | | 3,522,608 |
| Investment income | 1,364,766 | 91,576 | | 1,456,342 |
| Net gains on investments and capital assets | (76,104) | 94,247 | | 18,143 |
| Capital gifts allocated | | 1,194,522 | | 1,194,522 |
| Auxiliary enterprises - sales and services | 23,567,750 | 25,308 | | 23,593,058 |
| | 94,017,065 | 9,464,182 | | 103,481,247 |
| Net assets released from restrictions | 9,255,879 | (9,255,879) | | |
| Total Operating Revenues, Gains and Other Support | 103,272,944 | 208,303 | | 103,481,247 |
| **OPERATING EXPENSES** | | | | |
| Program expenses | | | | |
| Instruction | 41,815,089 | | | 41,815,089 |
| Research | 1,149,541 | | | 1,149,541 |
| Public service | 1,018,134 | | | 1,018,134 |
| Academic support | 9,070,869 | | | 9,070,869 |
| Student services | 14,024,256 | | | 14,024,256 |
| Auxiliary enterprises | 16,903,058 | | | 16,903,058 |
| Support expenses | | | | |
| Institutional support | 8,638,964 | | | 8,638,964 |
| Fundraising | 2,799,998 | | | 2,799,998 |
| Total Operating Expenses | 95,419,909 | | | 95,419,909 |
| **Change in Net Assets from Operating Activities** | 7,853,035 | 208,303 | | 8,061,338 |
| **NONOPERATING ACTIVITIES** | | | | |
| Long-term investment activities | | | | |
| Investment income | 3,862,297 | 2,419,875 | $ 52,882 | 6,335,054 |
| Net gains on investments | 27,166,624 | 16,554,539 | 456,934 | 44,178,097 |
| Total long-term investment income | 31,028,921 | 18,974,414 | 509,816 | 50,513,151 |
| Less: Long-term investment income and gains allocated for operations | (3,817,099) | (5,108,381) | | (8,925,480) |
| | 27,211,822 | 13,866,033 | 509,816 | 41,587,671 |
| Student loan income net of expenses | (54,620) | | 61,375 | 6,755 |
| Capital giving activities - gifts and grants | 748,850 | 7,597,856 | 5,675,627 | 14,022,333 |
| Deferred giving activities - gifts | 48,224 | (637) | 53,618 | 101,205 |
| Capital gifts allocated to operations | | (1,194,522) | | (1,194,522) |
| Interest rate swap loss and settlements | (172,003) | | | (172,003) |
| Adjustment to actuarial liability for annuities payable | 5,717,438 | 318,392 | 3,595,477 | 9,631,307 |
| Gain on disposal of property, plant and equipment | 4,206,220 | | | 4,206,220 |
| | 37,705,931 | 20,587,122 | 9,895,913 | 68,188,966 |
| Net assets released from restrictions | 11,955,875 | (11,955,875) | | |
| **Change in Net Assets from Nonoperating Activities** | 49,661,806 | 8,631,247 | 9,895,913 | 68,188,966 |
| Change in Net Assets before Effect of Adoption of FASB Statement No. 158 | 57,514,841 | 8,839,550 | 9,895,913 | 76,250,304 |
| Effect of Adoption of FASB Statement No. 158 | (2,265,346) | | | (2,265,346) |
| **Change in Net Assets** | 55,249,495 | 8,839,550 | 9,895,913 | 73,984,958 |
| Net Assets - Beginning of Year | 206,315,631 | 62,278,064 | 126,800,262 | 395,393,957 |
| **NET ASSETS - END OF YEAR** | $ 261,565,126 | $ 71,117,614 | $ 136,696,175 | $ 469,378,915 |

See accompanying notes to financial statements.

ST. OLAF COLLEGE

STATEMENT OF ACTIVITIES
Year Ended May 31, 2006

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **REVENUES, GAINS AND OTHER SUPPORT** | | | | |
| **OPERATING REVENUES** | | | | |
| Tuition | $ 78,408,748 | | | $ 78,408,748 |
| Less: Unfunded scholarships and grants | (26,148,307) | | | (26,148,307) |
| Funded scholarships and grants | (3,547,928) | | | (3,547,928) |
| Net tuition | 48,712,513 | | | 48,712,513 |
| Other tuition and fees | 3,981,774 | $ 200 | | 3,981,974 |
| Government grants | 3,982,882 | 3,457 | | 3,986,339 |
| Private gifts and grants | 3,734,962 | 1,939,057 | | 5,674,019 |
| Long-term investment income and gains allocated for operations | 3,571,579 | 4,814,703 | | 8,386,282 |
| Other sources | 2,596,904 | 595,260 | | 3,192,164 |
| Investment income | 570,809 | 69,617 | | 640,426 |
| Net gains on investments and capital assets | 21,178 | 2,419 | | 23,597 |
| Capital gifts allocated | | 1,154,451 | | 1,154,451 |
| Auxiliary enterprises - sales and services | 20,172,979 | | | 20,172,979 |
| | 87,345,580 | 8,579,164 | | 95,924,744 |
| Net assets released from restrictions | 7,194,787 | (7,194,787) | | |
| Total Operating Revenues, Gains and Other Support | 94,540,367 | 1,384,377 | | 95,924,744 |
| **OPERATING EXPENSES** | | | | |
| Program expenses | | | | |
| Instruction | 39,387,613 | | | 39,387,613 |
| Research | 1,028,132 | | | 1,028,132 |
| Public service | 841,462 | | | 841,462 |
| Academic support | 8,717,752 | | | 8,717,752 |
| Student services | 13,361,278 | | | 13,361,278 |
| Auxiliary enterprises | 16,058,894 | | | 16,058,894 |
| Support expenses | | | | |
| Institutional support | 7,634,563 | | | 7,634,563 |
| Fundraising | 2,958,486 | | | 2,958,486 |
| Total Operating Expenses | 89,988,180 | | | 89,988,180 |
| **Change in Net Assets from Operating Activities** | 4,552,187 | 1,384,377 | | 5,936,564 |
| **NONOPERATING ACTIVITIES** | | | | |
| Long-term investment activities | | | | |
| Investment income | 1,352,019 | 957,036 | $ 15,557 | 2,324,612 |
| Net gains on investments | 20,060,399 | 14,050,769 | 245,046 | 34,356,214 |
| Total long-term investment income | 21,412,418 | 15,007,805 | 260,603 | 36,680,826 |
| Less: Long-term investment income and gains allocated for operations | (3,571,579) | (4,814,703) | | (8,386,282) |
| | 17,840,839 | 10,193,102 | 260,603 | 28,294,544 |
| Student loan income net of expenses | (11,881) | | 64,277 | 52,396 |
| Capital giving activities - gifts and grants | 1,468,488 | 6,929,060 | 1,382,198 | 9,779,746 |
| Deferred giving activities - gifts | 48,105 | 270,428 | 135,475 | 454,008 |
| Capital gifts allocated to operations | | (1,154,451) | | (1,154,451) |
| Interest rate swap gain and settlements | 610,992 | | | 610,992 |
| Adjustment to actuarial liability for annuities payable | 2,407,951 | 96,245 | 1,926,985 | 4,431,181 |
| Loss on disposition of property, plant and equipment | (514,350) | | | (514,350) |
| | 21,850,144 | 16,334,384 | 3,769,538 | 41,954,066 |
| Net assets released from restrictions | 9,038,286 | (9,038,286) | | |
| **Change in Net Assets from Nonoperating Activities** | 30,888,430 | 7,296,098 | 3,769,538 | 41,954,066 |
| Change in Net Assets before Reclassification of Net Assets | 35,440,617 | 8,680,475 | 3,769,538 | 47,890,630 |
| Reclassification of prior year net assets | 74,847 | 158,895 | (233,742) | |
| Change in Net Assets before Cumulative Effect of Change in Accounting Principle | 35,515,464 | 8,839,370 | 3,535,796 | 47,890,630 |
| Cumulative effect of change in accounting principle | (2,715,049) | | | (2,715,049) |
| **Change in Net Assets** | 32,800,415 | 8,839,370 | 3,535,796 | 45,175,581 |
| Net Assets - Beginning of Year | 173,515,216 | 53,438,694 | 123,264,466 | 350,218,376 |
| **NET ASSETS - END OF YEAR** | $ 206,315,631 | $ 62,278,064 | $ 126,800,262 | $ 395,393,957 |

See accompanying notes to financial statements.

ST. OLAF COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended May 31, 2008, 2007, and 2006

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Change in net assets | $ 25,889,433 | $ 73,984,958 | $ 45,175,581 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | | |
| Effect of changes in accounting principles | | 2,265,346 | 2,715,050 |
| Depreciation, amortization and accretion expense | 8,771,798 | 8,336,325 | 8,082,117 |
| Net gains on investments | (2,491,848) | (51,958,444) | (39,931,695) |
| Change in allowance for uncollectible student loans | 51,381 | 364,300 | |
| Interest rate exchange (gain) loss | 327,202 | 84,442 | (797,954) |
| (Gain) loss on dispositions of property, plant and equipment | 375,211 | (4,206,220) | 514,350 |
| Actuarial adjustment of annuities payable | (292,314) | 1,047,214 | 2,167,524 |
| Gifts of property, plant and equipment | (84,710) | (95,865) | (50,755) |
| (Increases) decreases in: | | | |
| Student accounts receivable | (85,272) | 15,375 | 13,830 |
| Contributions receivable for operations | (502,567) | 137 | (144,388) |
| Other receivables | 313,032 | (1,718,546) | (369,558) |
| Inventories, prepaid expenses and deposits | (59,443) | (86,794) | 194,147 |
| Funds held in trust by others | 100,233 | (170,553) | (280,894) |
| Increases (decreases) in: | | | |
| Accounts payable | 654,693 | 890,618 | (752,576) |
| Accrued liabilities | (1,894,074) | 1,222,758 | 550,857 |
| Deferred revenue | 737,794 | (1,845) | (341,623) |
| Asset retirement obligation | (186,698) | (149,512) | |
| Gifts and grants received for long-term investment, net | (13,869,677) | (14,123,538) | (10,233,754) |
| Nonoperating investment income | (6,613,572) | (6,335,054) | (2,324,612) |
| Net Cash Flows from Operating Activities | 11,140,602 | 9,365,102 | 4,185,647 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of property, plant and equipment | (40,994,961) | (19,205,590) | (10,625,532) |
| Withdrawals from deposits held by trustee | 25,494,470 | 5,585,500 | |
| Purchases of investments | (160,041,458) | (236,273,954) | (193,128,280) |
| Proceeds from sales of investments | 158,585,040 | 228,389,777 | 192,283,698 |
| Nonoperating investment income | 6,613,572 | 6,335,054 | 2,324,612 |
| Disbursements of loans to students | (1,057,627) | (1,130,595) | (1,918,397) |
| Repayments of loans by students | 1,061,041 | 1,463,523 | 1,870,818 |
| Net Cash Flows from Investing Activities | (10,339,923) | (14,836,285) | (9,193,081) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Principal repayments of indebtedness | | (155,000) | (305,000) |
| Gifts and grants received for long-term investment, net | 13,869,677 | 14,123,538 | 10,233,754 |
| Insurance proceeds received for hail storm damage | | 3,542,023 | |
| (Increase) decrease in cash held for plant acquisitions | 7,095,376 | (5,691,866) | (1,070,050) |
| (Increase) decrease in nonoperating contributions receivable | (810,263) | 474,544 | (3,590,035) |
| Increase (decrease) in deposits held in trust for others | (129,282) | 507,916 | 118,987 |
| Increase (decrease) in U. S. government grants refundable, net | (22,648) | (568,762) | (238,063) |
| Increase in annuities payable from new gifts | 561,477 | 311,100 | 165,286 |
| Payments to annuitants | (2,199,541) | (2,369,055) | (2,395,344) |
| Debt issuance costs paid | | (297,187) | |
| Deposits to escrow account for refinanced bonds, net | | (772,179) | |
| Net Cash Flows from Financing Activities | 18,364,796 | 9,105,072 | 2,919,535 |
| **Net Change in Cash and Cash Equivalents** | 19,165,475 | 3,633,889 | (2,087,899) |
| CASH AND CASH EQUIVALENTS - Beginning of Year | 15,984,246 | 12,350,357 | 14,438,256 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 35,149,721 | $ 15,984,246 | $ 12,350,357 |

See accompanying notes to financial statements.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Founded in 1874, St. Olaf College (the "College") is a national liberal arts college of the Evangelical Lutheran Church in America with world-class programs in music and mathematics. The College is also recognized for innovative approaches to undergraduate science education, long-standing engagement in global education and commitment to environmental sustainability. The College offers 45 graduation majors, including 15 teaching certifications, 19 concentrations and 17 pre-professional fields with the most popular majors being: English, Biology, Mathematics, Economics, and Psychology. The accounting policies of the College reflect practices common to universities and colleges and conform to accounting principles generally accepted in the United States of America. The more significant accounting policies are summarized below:

***General*** - The College maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the College as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets - permanently restricted, temporarily restricted and unrestricted, as follows:

***Permanently Restricted Net Assets*** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

***Temporarily Restricted Net Assets*** - Net assets subject to donor-imposed stipulations that will be met by action of the College and/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 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 releases from restrictions between the applicable classes of net assets. Occasionally donor restrictions related to net assets may be clarified or changed, at which time they are reflected as reclassifications between the applicable classes of net assets. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Income and 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 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
- as increases in unrestricted net assets in all other cases.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Losses from investments on permanently restricted endowment funds are reported as reductions in temporarily restricted assets to the extent of prior accumulated earnings reported as such, if any, with the remaining net losses reported as reductions in the unrestricted quasi-endowment funds.

***Temporarily Restricted Net Assets*** - With respect to temporarily restricted net assets, the College has adopted the following accounting policies:

***Reporting as Temporarily Restricted Revenues*** - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

***Release of Restrictions on Net Assets for Acquisition of Land, Buildings and Equipment*** - The College reports contributions of exhaustible long-lived assets, or of cash and other assets to be used to acquire them, without donor stipulations concerning the use of such long-lived assets as revenues of the temporarily restricted net asset class; the restrictions are considered to be released over the estimated useful lives of the long-lived assets using the College's depreciation policies.

***Cash and Cash Equivalents*** - The College considers all highly liquid investments, except for those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents.

***Receivables*** - An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of receivables at the end of each year. It is reasonably possible that changes in this estimate could occur in the near term and that actual results could differ from this estimate and could have a material impact on the financial statements. Bad debts are written-off when deemed uncollectible. Receivables are generally unsecured.

***Insurance Receivable*** - In August 2006, a hail storm on the College's campus caused significant damage to roofs on many of its buildings and other property. During the year ended May 31, 2007, the College eliminated the estimated remaining net book value of the damaged property, which totaled $967,680. The College has recovered $3,542,023 from insurance companies to date related to the loss and expects to receive and additional $1,631,877 in subsequent years. As a result, the College recorded a net gain of $4,206,220 for the year ended May 31, 2007. Costs incurred associated with the replacement of the roofs were capitalized during fiscal years 2007 and 2008, and costs will continue to be capitalized as incurred in subsequent years.

***Inventories*** - Bookstore inventories are valued at a percentage of retail value, which approximates cost and is not in excess of market. All other inventories are valued at cost.

***Deposits Held by Trustee*** - Cash, short-term investments and government securities held by the trustee include amounts restricted for debt service as required by the related trust indentures.

***Deferred Debt Acquisition Costs*** - Costs of bond issuance are deferred and amortized on a straight-line basis over the term of the bonds.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Physical Plant and Equipment*** - Physical plant assets are stated at cost at date of acquisition or market value if donated, less accumulated depreciation. The College depreciates its assets on the straight-line basis over estimated useful lives as follows: buildings 50 years; improvements, 5 to 25 years; equipment 5 years; library books 15 years. Normal repair and maintenance expenses are charged to operations as incurred. The College capitalizes physical plant additions and equipment in excess of $5,000. Certain property and equipment purchased with government grant funds are subject to certain requirements and limitations. The College has developed a schedule of the estimated funding required for major capital renewal of its facilities based on a forty-year life cycle. The College's operating budget model incorporates producing this funding as a key target parameter. Specific capital expenditures are identified in the capital budget projections three to five years into the future with general assumptions about capital expenditures projected long-term. In addition to the funding for capital renewal in its capital budget, the College provides funding for routine preventive maintenance and repairs through its operating budget.

***Revenues*** - Tuition, housing and related revenue is recognized ratably over the period of instruction. Certain revenue related to summer education programs is deferred and recognized as revenue in the same period expenses are recognized. Students are generally billed for courses prior to the start of the course.

***Telecommunications Operation*** - In 1985, the College started a telecommunications operation (Telecom), in which it provided telephone related services to the College with the objective of reducing telephone costs. It gradually expanded over the years adding service to another local college, a local school, and a local hospital. During fiscal year ending May 31, 2008, Telecom began offering Competitive Local Exchange Carrier (CLEC) services to the public. The revenue and expenses from Telecom's CLEC are reported on the statement of activities under operations in the category of auxiliary enterprises.

***Government Grants Refundable*** - Funds provided by the United States Government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are included as liabilities on the statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the agreement. Any funding received before it is earned is recorded as a refundable advance. Expenses incurred before cash is received are shown as a reduction in the government grants refundable liability on the statement of financial position.

***Derivative Financial Instruments*** - The College utilizes various derivative financial instruments, such as foreign currency derivatives, fuel hedges, and interest rate exchanges. The derivatives are used as part of the college's risk management strategy to manage exposure to market and economic volatility, support fair values, and maintain investment policy allocation. The College uses an interest rate exchange agreement as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. The interest rate exchange agreement was not entered into for trading or speculative purposes. All derivatives, including those embedded in other contracts as well as interest rate exchange transactions, are recognized as either assets or liabilities and are measured at fair value. Gains or losses resulting from changes in the fair values of the interest rate exchange transactions are reflected in the statements of activities.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Grants to Specified Students*** - Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the College. The amounts of such grants were as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| State grants | $ 1,652,896 | $ 1,797,085 | $ 1,602,568 |
| Federal grants | 1,261,862 | 1,122,055 | 955,411 |

***Income Tax Status*** - The Internal Revenue Service has determined that the College is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The College is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. The most significant areas that subject the College to unrelated business income tax include conferences and events, Telecom, alternative investments, and tower leasing. Total income tax expense/(benefit) for the years ending May 31, 2008, 2007 and 2006 totaled ($26,669), $42,013 and $23,006, respectively.

***Advertising Expenses*** - Advertising costs are expensed when incurred.

***Functional Allocation of Expenses*** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

***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. Changes in accounting estimates were needed to adjust the health insurance liability reserves resulting from the implementation of the Emeriti Program. Estimates of incurred but not reported reserves were also adjusted down based on current lag reports of actual experience.

***Reclassifications*** - Certain amounts appearing in the 2007 and 2006 financial statements have been reclassified to conform with 2008 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Fair Value of Financial Instruments*** - The College records financial instruments at cost, with the exception of investments that are reflected in the financial statements at market value and those items received as gifts which are valued at fair value at the date of gift. The carrying amounts of cash and cash equivalents, accounts receivable and other receivables, amounts held for others, accounts payable and accrued expenses, deposits and deferred revenue approximate fair value because of the short maturity of these financial instruments. The carrying amounts of contributions receivable and beneficial interest in funds held in trust are recorded at fair value using appropriate discount rates.

A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to the government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the U. S. Government or its designee. The fair value of receivables under institutional loan programs approximates carrying value.

The carrying amounts of the actuarial liability for trusts and annuities payable are based on life expectancies, quoted market prices, and the present value discount included in the carrying amount. The carrying amounts of long-term debt approximate fair value because these financial instruments bear interest at rates which approximate current market rates for notes with similar maturities and credit quality. The fair value of the interest rate exchange transactions are determined by using pricing models that take into account the present value of estimated future cash flows.

Investments in securities traded on national or international securities exchanges are carried at fair value based on values provided by external investment managers or quoted market values. Investments in limited partnerships, hedge funds, private equity funds, real estate funds, venture capital funds, commodity funds, offshore fund vehicles, fund of funds and similar nonmarketable equity interests consist primarily of investments that are not readily marketable. Investments in these categories, which are managed externally, are valued utilizing the most current information provided by the general partner or investment manager. These valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments and other pertinent information. Where applicable, independent appraisers are utilized to assist in the valuation. These values are determined under the direction of, and subject to approval by, management and the investment committee of the College.

The preparation of financial statements requires management to make estimates and assumptions about the effects of matters that are inherently uncertain. The accounting policies considered potentially significant in this respect are the valuation of the limited partnerships, private equity funds, offshore fund vehicles, fund of funds and similar nonmarketable equity interests and the valuation of the interest rate exchange transaction. Values for the nonmarketable equity interests are often estimated using techniques such as discounted cash flow analysis and comparisons to similar instruments. The fair value of the interest rate exchange transaction includes utilizing the most current information available from the banks under which the interest rate exchange transaction was issued and reflects pricing models that take into account the present value of estimated future cash flows. Estimates developed using these methods are subjective and require judgment regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that appropriately reflect market and credit risks. Estimates, by their nature, are based on judgment and available information. Changes in assumptions could have a significant effect on the fair value of the instruments. It is reasonably possible that changes in these estimates could occur in the near term and that actual results could differ from these estimates and could have a material impact on the financial statements.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Effect of Changes in Accounting Principles*** - In March 2005, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*, (FIN 47). FIN 47 clarifies the term "conditional" as used in SFAS No. 143, *Accounting for Asset Retirement Obligations*. This Interpretation refers to a legal obligation to perform an asset retirement activity even if the timing and/or settlement is conditional on a future event that may or may not be within the control of the institution. Accordingly, the College must record a liability for the conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. FIN 47 was effective for fiscal years ending after December 15, 2005. The College owns certain buildings that contain encapsulated asbestos material. A liability of $2,875,606 was recorded in the May 31, 2006 financial statements for future asbestos removal, including $160,557 related to fiscal year 2006 and $2,715,049 for years prior to 2006 as a cumulative effect of a change in accounting principle as required by FIN 47. Subsequent to initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows.

In September 2006, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans*, (FAS 158). FAS 158 requires an employer to recognize the overfunded or underfunded status of a single-employer defined benefit pension or postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through changes in unrestricted net assets. FAS 158 was effective for fiscal years ending after December 15, 2006. The College has a postretirement health benefit plan that falls under the reporting requirements of FAS 158. An additional liability of $2,265,346 was recorded in the May 31, 2007 financial statements for the unfunded portion of its accumulated postretirement benefit obligation as a change in accounting principle as required by FAS 158.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***New Accounting Pronouncements*** - In July 2006, The FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48). This interpretation clarifies the accounting for uncertainty in income taxes and requires financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006 for nonpublic enterprises with conduit or public debt. The College has evaluated the implications of FIN 48, and has determined that there is no material impact on the College's financial statements.

In February 2007, the FASB issued Statement on Financial Accounting Standards No. 159 (SFAS 159), *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*, which provides all entities with an option to report selected financial assets and liabilities at fair value. Certain specified items are eligible for the irrevocable fair value measurement option as established by SFAS 159. SFAS 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. The College is currently evaluating the impact that the adoption of this Statement will have on its financial position, results of operations and cash flows.

In September 2006, the FASB issued Statement on Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The College has not yet completed its analysis of the effects of this interpretation and has not determined if the adoption of SFAS 157 will have a material impact on the financial statements.

In August 2008, the FASB issued FASB Staff Position FSP 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures*. The FSP provides guidance on classifying net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. FSP 117-1 is effective for financial statements issued for fiscal years ending after December 15, 2008. The College is currently evaluating the impact that the adoption of this Statement will have on its net assets.

## NOTE 2 - RESTRICTIONS AND LIMITATIONS ON NET ASSETS BALANCES

At May 31, 2008, 2007 and 2006, the College's unrestricted net assets were allocated as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Designated | | | |
| For long-term purposes as: | | | |
| Quasi-endowment | $ 173,313,436 | $ 156,350,491 | $ 116,126,005 |
| Debt service and facility renewal | 39,477,258 | 38,004.878 | 31,402,530 |
| Deferred gifts | 20,406,441 | 26,464,773 | 26,721,777 |
| For debt service reserves under long-term debt agreements | 3,278,626 | 3,362,784 | 896,586 |
| For construction of new science building | | 25,041,391 | |
| For specific operating activities | 1,651,507 | 1,935,021 | 2,031,253 |
| For health insurance benefits | 1,578,407 | | |
| For matching funds under federal government other student loan programs | 1,064,628 | 1,072,055 | 1,126,675 |
| Total Designated | 240,770,303 | 252,231,393 | 178,304,826 |
| Undesignated | 40,798,982 | 9,333,733 | 28,010,805 |
| | $ 281,569,285 | $ 261,565,126 | $ 206,315,631 |

Temporarily restricted net assets consist of the following at May 31, 2008, 2007 and 2006:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Gifts and other unexpended revenues and gains available for: | | | |
| Scholarships, instruction and other support | $ 4,718,949 | $ 5,859,062 | $ 6,869,060 |
| Unamortized plant gifts | 30,527,641 | 31,241,353 | 30,388,101 |
| Acquisition of buildings and equipment | 30,280,790 | 19,817,945 | 13,823,039 |
| | 65,527,380 | 56,918,360 | 51,080,200 |
| Quasi-endowment | 6,326,324 | 12,709,346 | 10,009,950 |
| Deferred gifts | 1,535,740 | 1,489,908 | 1,187,914 |
| | $ 73,389,444 | $ 71,117,614 | $ 62,278,064 |

Permanently restricted net assets consist of the following at May 31, 2008, 2007 and 2006:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Endowment funds | $ 116,707,300 | $ 112,908,157 | $ 105,934,653 |
| Student loan funds | 2,311,664 | 2,277,747 | 2,202,822 |
| Deferred gifts | 21,290,655 | 21,510,271 | 18,662,787 |
| | $ 140,309,619 | $ 136,696,175 | $ 126,800,262 |

## NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows for the years ended May 31, 2008, 2007 and 2006:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Amortization of contributions expended for long-lived assets | $ 1,228,190 | $ 1,194,522 | $ 1,154,451 |
| Scholarships, instruction and other departmental support | 14,118,586 | 20,017,232 | 15,078,622 |
| | $ 15,346,776 | $ 21,211,754 | $ 16,233,073 |
| These assets were reclassified as follows: | | | |
| Unrestricted operating net assets | $ 9,233,638 | $ 9,255,879 | $ 7,194,787 |
| Unrestricted nonoperating net assets | 6,113,138 | 11,955,875 | 9,038,286 |
| | $ 15,346,776 | $ 21,211,754 | $ 16,233,073 |

## NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at May 31, 2008, 2007 and 2006:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Temporarily restricted - operations | $ 958,329 | $ 868,222 | $ 648,434 |
| Temporarily restricted - plant projects | 14,025,959 | 17,206,681 | 12,822,413 |
| Temporarily restricted - quasi-endowment | 583 | 2,333 | 263,008 |
| Permanently restricted - deferred gifts | | 500,000 | 515,000 |
| Permanently restricted - endowment | 2,089,301 | 2,609,095 | 3,360,556 |
| Gross unconditional promises to give | 17,074,172 | 21,186,331 | 17,609,411 |
| Less: Unamortized discount | (829,346) | (5,413,154) | (1,328,480) |
| Allowance for uncollectible promises | (258,782) | (1,099,963) | (1,133,036) |
| | $ 15,986,044 | $ 14,673,214 | $ 15,147,895 |

Contributions receivable as of May 31, 2008 of $6,367,372 are expected to be collected in less than one year and $9,618,672 in two to five years. Contributions receivable expected to be collected in two to five years have been discounted using a rate of 6% at May 31, 2008, 2007 and 2006. It is reasonably possible that changes in this estimate could occur in the near term and that actual results could differ from this estimate and could have a material impact on the financial statements.

## NOTE 5 - INVESTMENTS

The following summarizes the fair value of the College's marketable securities at May 31, 2008, 2007 and 2006:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Stocks | $ 33,625,570 | $ 47,840,592 | $ 56,697,352 |
| Bonds | 450,000 | 435,618 | 367,932 |
| Mutual funds | 165,745,675 | 165,713,050 | 149,419,692 |
| | $ 199,821,245 | $ 213,989,260 | $ 206,484,976 |

The following summarizes the fair value of the College's other investments at May 31, 2008, 2007 and 2006:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Alternative investments | $ 178,462,474 | $ 124,537,213 | $ 105,940,898 |
| Private debenture bonds | 6,930,000 | 7,740,000 | 7,125,000 |
| Other investments | 1,731,313 | 1,736,469 | 1,610,421 |
| | $ 187,123,787 | $ 134,013,682 | $ 114,676,319 |

The College's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the world equity, fixed-income, commodities, real estate and private equity markets. This strategy provides the College with a long-term asset mix that is most likely to meet the College's long-term return goals with the appropriate level of risk.

Alternative investments include limited partnerships, hedge funds, private equity funds, real estate funds, venture capital funds, commodity funds, offshore fund vehicles, fund of funds and other investments. The underlying assets of alternative investments range from marketable securities to complex and/or illiquid investments. The alternative investments were entered into to diversify the College's portfolio, to provide predictability in overall earnings and to provide market neutral holdings. The College's management, the investment committee of the Board of Regents and the College's external investment consultants review reports provided by the general partners and fund managers, and the College's external investment consultants attend meetings of the various general partners and fund managers in order to evaluate the risk associated with these investments. In addition, the College monitors its portfolio mix to ensure that it is in accordance with Board policy.

The values of certain alternative investments are not based on quoted market prices, but rather based on valuation estimates provided by fund managers or general partners. Because of the inherent uncertainty of valuations, estimated fair values of such investments may differ significantly from the values that would have been used had a ready market value for the investments existed, and the difference could be material.

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

**NOTE 5 - INVESTMENTS (CONTINUED)**

The following summarizes the composition of alternative investments at May 31, 2008, 2007 and 2006:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Values based on quoted market prices or alternatives structures with underlying investments whose values are based on quoted market prices: | | | |
| Global equity | $ 31,420,577 | $ 32,721,880 | $ 45,481,848 |
| Corporate bonds | 11,872,547 | 93,303 | 129,522 |
| TIPS | 30,011,447 | 26,527,650 | 11,445,072 |
| | $ 73,304,571 | $ 59,342,833 | $ 57,056,442 |
| Values based on estimates provided by fund managers or general partners: | | | |
| Hedge funds | $ 66,386,991 | $ 38,026,472 | $ 24,735,816 |
| Real estate | 13,497,351 | 5,541,893 | 5,353,292 |
| Commodities | 7,302,092 | 5,403,655 | 5,171,904 |
| Private equity | 17,971,469 | 16,222,360 | 13,623,444 |
| | 105,157,903 | 65,194,380 | 48,884,456 |
| Total Alternative Investments | $ 178,462,474 | $ 124,537,213 | $ 105,940,898 |

The following summarizes the investment income, investment expenses and net investment gains for the alternative investments at May 31, 2008, 2007 and 2006:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Investment income | $ 3,497,082 | $ 2,647,928 | $ 1,151,634 |
| Investment expenses | (983,782) | (898,905) | (715,383) |
| Net gains on investments | 4,131,109 | 13,064,619 | 7,271,677 |
| Total alternative investments performance | $ 6,644,409 | $ 14,813,642 | $ 7,707,928 |

The College has commitments to make further investments in several of its alternative investments totaling approximately $43,805,000.

The Board of Regents designates only a portion of the College's cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. State law allows the Board to appropriate as much of the net appreciation as is prudent considering the College's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. The Board has established an endowment spending rate ranging between 4.5% and 5.0% of the average endowment market value from the previous 16 quarters.

## NOTE 5 - INVESTMENTS (CONTINUED)

Endowment investments are recorded at a market value approximating $334,810,800, $318,541,300 and $260,733,200 for the years ended May 31, 2008, 2007 and 2006, respectively. The total return on all investments held by the endowment funds, on a market basis, was 4.098%, 19.148% and 16.378% for the years ended May 31, 2008, 2007 and 2006, respectively. Income from long-term investments is shown net of expenses of $1,366,627, $1,512,261 and $1,090,854 for the years ended May 31, 2008, 2007 and 2006, respectively.

## NOTE 6 - CONSTRUCTION IN PROGRESS

Construction in progress consisted of the following projects at May 31, 2008:

| | Estimated Total Cost | Costs to Date | Funding Plan |
|---|---|---|---|
| Regents Hall | $ 64,000,000 | $ 51,570,177 | Gifts, Debt, Current operations |
| Hail storm damage | 4,139,788 | 363,792 | Insurance Proceeds |
| Christiansen Hall | 220,000 | 209,025 | Current operations |
| Art barn | 300,000 | 102,081 | Current operations |
| Boiler upgrade | 225,000 | 100,564 | Current operations |
| Switch electrical loop | 225,000 | 20,108 | Current operations |
| Halls FFE | 60,000 | 17,270 | Current operations |
| Honor House windows | 30,000 | 13,905 | Current operations |
| Rand Hall re-key | 15,000 | 13,424 | Current operations |
| RS GPS Unit | 12,500 | 7,600 | Current operations |
| Baseball project | 6,500 | 3,095 | Gifts |
| Rolvaag general contracting | 28,000 | 2,140 | Current operations |
| Buntrock general contracting | 20,000 | 1,053 | Current operations |
| Thorson flooring | 390,000 | 990 | Current operations |
| | $ 69,671,788 | $ 52,425,224 | |

Regents Hall was opened for the beginning of classes in September 2008.

The College capitalizes interest costs as a component of property additions, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowings. Total interest capitalized for 2008 is as follows:

| | |
|---|---|
| Total interest expense incurred on borrowings for projects | $ 1,524,257 |
| Investment income from investment of borrowings for projects | 706,325 |
| | $ 817,932 |

## NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

At May 31, 2008, 2007 and 2006 property, plant and equipment consisted of the following:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Land | $ 1,206,799 | $ 1,250,374 | $ 830,914 |
| Improvements other than buildings | 10,933,978 | 10,594,134 | 8,551,397 |
| Buildings | 154,114,238 | 149,958,176 | 146,259,803 |
| Equipment | 40,454,598 | 45,250,089 | 38,881,000 |
| Library materials | 18,754,424 | 18,670,499 | 17,780,152 |
| Art collection | 1,088,237 | 1,117,478 | 1,021,612 |
| | 226,552,274 | 226,840,750 | 213,324,878 |
| Less: Accumulated depreciation | (99,560,303) | (100,376,410) | (93,710,834) |
| | $ 126,991,971 | $ 126,464,340 | $ 119,614,044 |

## NOTE 8 - RETIREMENT PLANS

The College has certain contributory defined contribution pension plans for academic and nonacademic personnel. The cost of these retirement plans is paid currently and approximated $3,233,600, $3,058,400 and $3,080,900 for the years ended May 31, 2008, 2007 and 2006, respectively.

## NOTE 9 - POSTRETIREMENT BENEFIT PLAN

The College records health care benefits for current and future retired employees and covered dependents on the accrual basis. The following tables set forth the plan's status with amounts reported in the College's financial statements at May 31, 2008, 2007 and 2006:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| ***Change in benefit obligation*** | | | |
| Benefit obligation at beginning of year | $ 6,638,011 | $ 5,390,058 | $ 8,804,519 |
| Service cost | 87,542 | 85,539 | 178,327 |
| Interest cost | 373,115 | 336,895 | 420,847 |
| Plan participants' VEBA contributions | 45,268 | 51,311 | |
| Employer VEBA contributions | 611,552 | 536,634 | |
| Amendments | | | (1,860,346) |
| Actuarial loss/(gain) | 373,504 | 931,128 | (1,735,198) |
| Benefits paid | (693,842) | (693,554) | (418,091) |
| Benefit obligation at end of year | $ 7,435,150 | $ 6,638,011 | $ 5,390,058 |
| ***Change in VEBA plan assets*** | | | |
| Fair value of plan assets at beginning of year | $ 974,116 | $ - | $ - |
| Actual return on plan assets | 301,845 | 675,535 | |
| Employer contributions | 1,061,974 | 1,023,484 | 868,249 |
| Plan participants' contributions | (12,176) | (31,349) | (450,158) |
| Benefits paid | (693,842) | (693,554) | (418,091) |
| Fair value of plan assets at end of year | $ 1,631,917 | $ 974,116 | $ - |
| ***Funded status*** | | | |
| Funded status at end of year | $ (5,803,233) | $ (5,663,895) | $ (5,390,058) |
| Unrecognized transition obligation/(asset) | N/A | N/A | |
| Unrecognized prior service cost | N/A | N/A | (1,797,326) |
| Unrecognized actuarial loss/(gain) | N/A | N/A | 3,849,329 |
| Net amount recognized | $ N/A | $ N/A | $ (3,338,055) |
| ***Amounts recognized in the statement of financial position consist of:*** | | | |
| Noncurrent assets | $ - | $ - | N/A |
| Current liabilities | (529,000) | (514,000) | N/A |
| Noncurrent liabilities | (5,274,233) | (5,149,895) | N/A |
| Prepaid benefit cost | N/A | N/A | |
| Accrued benefit liability | N/A | N/A | (3,338,055) |
| Intangible asset | N/A | N/A | |
| Accumulated change in net assets | N/A | N/A | |
| Net amount recognized | $ (5,803,233) | $ (5,663,895) | $ (3,338,055) |

**NOTE 9 - POSTRETIREMENT BENEFIT PLAN (CONTINUED)**

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| ***Amounts recognized in change in net assets consist of:*** | | | |
| Transition obligation/(asset) | $ - | $ - | N/A |
| Prior service cost | (1,494,830) | (1,646,078) | N/A |
| Net actuarial (gain) loss | 3,848,308 | 3,911,424 | N/A |
| Accumulated change in net assets | $ 2,353,478 | $ 2,265,346 | N/A |
| ***Weighted-average assumptions used to determine benefit obligations at May 31*** | | | |
| Discount rate | 6.35% | 6.00% | 6.40% |
| Expected return on plan assets | 5.00% | N/A | N/A |
| Rate of compensation increase | 0.00% | 0.00% | 0.00% |
| ***Components of net periodic benefit cost*** | | | |
| Service cost | $ 87,542 | $ 85,539 | $ 178,327 |
| Interest cost | 373,115 | 336,895 | 420,847 |
| Expected return on plan assets | (48,706) | | |
| Amortization of transition obligation/(asset) | | | |
| Amortization of prior service cost | (151,248) | (151,248) | (63,020 |
| Amortization of net loss/(gain) | 183,482 | 193,496 | 294,197 |
| Net periodic postretirement benefit cost | $ 444,185 | $ 464,682 | $ 830,351 |
| ***Changes in net assets*** | | | |
| Initial effect of adopting SFAS No. 158 | | $ 2,265,346 | N/A |
| Prior service cost | | | N/A |
| Transition (asset) obligation | | | N/A |
| Net (gain) loss | $ 120,365 | | N/A |
| Amortization of transition obligation/(asset) | 151,248 | | N/A |
| Amortization of prior service cost | | | N/A |
| Amortization of net loss/(gain) | (183,482) | | N/A |
| Total recognized in change in net assets | $ 88,131 | $ 2,265,346 | N/A |
| Total recognized in net periodic benefit cost and change in net assets | $ 532,316 | $ 2,730,028 | N/A |
| ***Weighted-average assumptions used to determine net periodic benefit cost as of June 1*** | | | |
| Discount rate | 6.00% | 6.40% | 5.40% |
| Expected return on plan assets | 5.00% | N/A | N/A |
| Rate of compensation increase | 0.00% | 0.00% | 0.00% |
| ***Additional information*** | | | |
| Increase in minimum liability included in change in net assets | N/A | N/A | N/A |
| ***Assumed health care cost trend rates at May 31*** | | | |
| Health care cost trend rate assumed for next year | 10.08% - Post 65<br>11.58% - Pre 65 | 11.24% - Post 65<br>9.74% - Pre 65 | 11.63% - Post 65<br>10.13% - Pre 65 |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend) | 4.95% | 4.60% | 5.00% |
| Year that the rate reaches the ultimate rate | 2028 | 2027 | 2026 |

**NOTE 9 - POSTRETIREMENT BENEFIT PLAN (CONTINUED)**

Two voluntary employee benefit association (VEBA) trusts were established in fiscal year 2006. The Employee After-Tax-Contributions VEBA Trust (funded solely by employee after tax contributions) and the Employer Contribution VEBA Trust (funded solely by employer pre-tax contributions) were established to provide employee welfare benefit plans providing certain insured and/or self-insured health and life benefits for eligible retired employees and their eligible spouses and dependents. The trusts are exempt from taxation to the extent permitted under section 501(c)(9) and 512 of the Internal Revenue Code of 1986.

The College expects to contribute $529,000 in benefit payments for the postretirement medical plan and $1,073,000 to the VEBA during the fiscal year ending May 31, 2009.

The following estimated benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of May 31:

| | |
|---|---|
| 2009 | $ 529,000 |
| 2010 | 543,000 |
| 2011 | 555,000 |
| 2012 | 568,000 |
| 2013 | 551,000 |
| 2014 - 2018 | 2,494,000 |

It is reasonably possible that changes in these estimates could occur in the near term and that actual results could differ from these estimates and could have a material impact on the financial statements.

## NOTE 10 – ASSET RETIREMENT OBLIGATIONS

The College owns certain buildings that contain encapsulated asbestos material and as such records a liability for the reasonably estimated fair value of the conditional asset retirement obligation. The College records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The estimate of the losses that are probable from environmental remediation liabilities for asbestos removal was calculated using the expected cash flow approach and based on an inventory of the College's long-lived assets combined with an estimate of the current market prices to remove the asbestos. The College utilized a credit-adjusted risk-free rate of approximately 4% to discount the asset retirement obligation. It is reasonably possible that changes in this estimate could occur in the near term and that actual results could differ from this estimate and could have a material impact on the financial statements.

The following shows the activity in the College's asset retirement obligation liability at May 31, 2008, 2007 and 2006:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Balance at beginning of the year | $ 2,712,661 | $ 2,875,606 | |
| Initial liability assessment | | | $ 2,738,673 |
| Abatement costs | (186,698) | (130,710) | |
| Accretion expense | 135,633 | 136,551 | 136,933 |
| Adjustments to estimates | | (168,786) | |
| Balance at end of the year | $ 2,661,596 | $ 2,712,661 | $ 2,875,606 |

## NOTE 11 - LONG-TERM DEBT

Long-term debt at May 31, 2008, 2007 and 2006 consisted of the following:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-R | $ | $ | $ 13,225,000 |
| Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-H | 14,475,000 | 14,475,000 | 14,475,000 |
| Minnesota Higher Education Facility Authority Variable Rate Demand Revenue Bonds, Series Five-M1 | 12,205,000 | 12,205,000 | 12,205,000 |
| Minnesota Higher Education Facility Authority Variable Rate Demand Revenue Bonds, Series Five-M2 | 13,420,000 | 13,420,000 | 13,420,000 |
| Minnesota Higher Education Facility Authority Revenue Bonds, Series Six-O | 45,405,000 | 45,405,000 | |
| Premium on Series Six-O Revenue Bonds | 763,199 | 794,563 | |
| | $ 86,268,199 | $ 86,299,563 | $ 53,325,000 |

**NOTE 11 - LONG-TERM DEBT (CONTINUED**

Minnesota Higher Education Facilities Authority Revenue Bonds Series Four-R were issued in amount of $15,000,000 in April 1998 to partially finance the Buntrock Commons Building and to finance an electrical generator, academic and administrative computers, payroll system hardware and software, classroom renovation and residence hall furniture. The Series Four-R Bonds were the subject of an advance refunding as a portion of Series Six-O Bonds. The Four-R Bonds and the corresponding escrow settled on October 1, 2007.

Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-H, were issued in the amount of $14,475,000 to finance the renovation of St. Olaf Center to house the art and dance departments, replace residence hall furniture, replace Skoglund Athletic Center bleachers, acquire and renovate four houses, renovate the Administration Building, and renovate and improve utility tunnels. The bonds were issued October 25, 2000 and will mature October 1, 2030. Interest on the bonds is payable monthly and no principal payments are required until the maturity date. The bonds bear interest at a variable (daily reset) rate, which at May 31, 2008 was 1.40%, with an average rate of 2.89% for the 2008 fiscal year. The bonds are secured by (a) during the variable rate period, an unsecured standby letter of credit, which is subject to certain covenants; (b) a pledge of amounts payable by the College under the loan agreement; and (c) money and investments held by the trustee under the indenture. The bonds are not secured by a mortgage or lien on, or a security interest in, any property of the College. The College incurs an effective letter of credit fee of 39.6 basis points on the unsecured standby letter of credit amount outstanding, and a remarketing fee equal to 12.5 basis points.

Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-M1, were issued in the amount of $12,205,000 to finance the construction of the Tostrud Recreation Center. The bonds were issued April 16, 2002 and will mature October 1, 2032. Interest on the bonds is payable monthly and no principal payments are required until the maturity date. The bonds bear interest at a variable (daily reset) rate, which at May 31, 2008 was 1.40%, with an average rate of 2.89% for the 2008 fiscal year. The bonds are secured by (a) during the variable rate period, an unsecured standby letter of credit, which is subject to certain covenants; (b) a pledge of amounts payable by the College under the loan agreement; and (c) money and investments held by the trustee under the indenture. The bonds are not secured by a mortgage or lien on, or a security interest in, any property of the College. The College incurs an effective letter of credit fee of 64.3 basis points on the unsecured standby letter of credit amount outstanding, and a remarketing fee equal to 12.5 basis points.

Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-M2, were issued in the amount of $13,420,000 to refinance the Series 1992 bonds. The bonds were issued July 10, 2002 and will mature October 1, 2020. Interest on the bonds is payable monthly and no principal payments are required until the maturity date. The bonds bear interest at a variable (daily reset) rate, which at May 31, 2008 was 1.40%, with an average rate of 2.89% for the 2008 fiscal year. The bonds are secured by (a) during the variable rate period, an unsecured standby letter of credit, which is subject to certain covenants; (b) a pledge of amounts payable by the College under the loan agreement; and (c) money and investments held by the trustee under the indenture. The bonds are not secured by a mortgage or lien on, or a security interest in, any property of the College. The College incurs an effective letter of credit fee of 64.3 basis points on the unsecured standby letter of credit amount outstanding, and a remarketing fee equal to 12.5 basis points.

## NOTE 11 - LONG-TERM DEBT (CONTINUED)

To minimize the effect of changes in the interest rate, during 2003, the College entered into an interest rate exchange agreement on $13,420,000 of the Series Five-M2 bonds to set the interest at a fixed rate of 4.38% until maturity. Under the agreement, the College either pays additional interest or receives an interest credit depending on the relationship between the variable rate and the fixed rate. The College recorded a gain/(loss) of ($327,202), ($84,442) and $797,954, relating to the agreement for the years ended May 31, 2008, 2007 and 2006, respectively. The gain/(loss) is included in nonoperating activities on the statement of activities. At May 31, 2008, 2007 and 2006, the College has recorded an interest rate exchange liability of $879,225, $522,023 and $467,581, respectively, in the statement of financial position.

Minnesota Higher Education Facilities Authority Revenue Bonds Series Six-O were issued in an amount of $45,405,000 in March 2007 to partially finance construction of a new science building and to complete an advance refunding of MHEFA Revenue Bonds Series Four-R. Interest payments on the bonds are payable semiannually on April 1 and October 1 through 2032. The first principal payment of $1,105,000 is due October 1, 2008. Annual principal payments will range between $1,105,000 and $1,875,000 through 2020. Term bonds due in 2022, 2027 and 2032 call for principal payments of $4,040,000, $11,915,000 and $10,645,000 respectively. The bonds bear interest rates from 4.00% to 5.00%. The bonds are secured by the pledge of loan repayments and a reserve account.

The College maintains short-term investments and U.S. government securities held by trustees for retirement of indebtedness totaling $3,278,626. These funds are intended to satisfy the reserve requirements of the Series Six-O issue.

Anticipated long-term debt principal payments are as follows:

| | |
|---|---|
| Year Ending May 31: | |
| 2009 | $ 1,105,000 |
| 2010 | 1,155,000 |
| 2011 | 1,195,000 |
| 2012 | 1,245,000 |
| 2013 | 1,295,000 |
| Thereafter | 79,510,000 |
| Total | $ 85,505,000 |

## NOTE 12 - SHORT-TERM CREDIT ARRANGEMENT

The College has an unsecured $8,000,000 line of credit through Wells Fargo Bank. Borrowings under this line of credit bear interest at an annual rate of 50 basis points below the Bank's base (prime) rate. Interest is payable on the last day of each quarter. Principal, and any unpaid interest, is due on January 31. In addition, the agreement requires the College to comply with certain financial covenants. At May 31, 2008, 2007 and 2006, there were no outstanding borrowings under this arrangement.

## NOTE 13 - SELF-INSURANCE

The College provides medical benefits through a self-insurance plan, which is available to all employees of the College for certain medical expenses. Accrued liabilities include a reserve of approximately $220,000, an estimate of amounts due and payable on existing claims for which the College is self-insured and which are expected to be settled currently. The College is self-insured for the first $100,000 per claim with an aggregate stop loss of $4,544,829.

## NOTE 14 - ALLOCATION OF EXPENSES

The College allocated the following expenses to program and support functions for the years ended May 31, 2008, 2007 and 2006 as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Interest expense | $ 2,090,474 | $ 2,655,740 | $ 2,081,364 |
| Operation and maintenance of plant | 11,843,659 | 10,638,973 | 10,263,164 |
| Depreciation | 8,641,525 | 8,332,467 | 7,930,796 |
| Accretion | 135,633 | (13,433) | 136,933 |
| Faculty staff tuition allowance | 1,342,656 | 1,325,368 | 1,220,373 |
| | $ 24,053,947 | $ 22,939,115 | $ 21,632,630 |

## NOTE 15 - DEFERRED GIFT (SPLIT-INTEREST) AGREEMENTS

The College has arrangements with donors classified as charitable lead trusts, charitable remainder trusts, charitable gift annuities and pooled life income funds. In general, under these arrangements the College receives a gift from a donor in which it has a remainder interest and agrees to pay the donor stipulated amounts over the life of the donor. The arrangement may cover one or more lives. The College invests and administers the related assets and makes distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by the College as unrestricted, temporarily restricted or permanently restricted net assets, or in some instances, distributed to third-party beneficiaries.

## NOTE 15 - DEFERRED GIFT (SPLIT-INTEREST) AGREEMENTS (CONTINUED)

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of the College or third-party beneficiaries. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age and sex characteristics of the donor. The College used interest rates of ranging from 3.6% to 11.6% for the years ended May 31, 2008, 2007 and 2006 in making the calculations. In some cases, there can be a time delay in the recording of the asset because of the time needed for discovery, verification of the College's rights, and the determination of the valuation of future payments.

Information pertaining to the College's deferred gift agreements for the years ended May 31, 2008, 2007 and 2006 follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Deferred gift income recognized | $ 413,111 | $ 300,228 | $ 412,159 |
| Annuities payable related to new gifts | 561,477 | 311,100 | 165,286 |
| Funds held for others related to new gifts | | 17,055 | |
| Total funds received | $ 974,588 | $ 628,383 | $ 577,445 |
| Total deferred gift assets held by the College at fair value | $ 59,003,177 | $ 67,462,337 | $ 65,316,427 |
| Total deferred gift liabilities | $ 15,770,340 | $ 17,997,387 | $ 18,743,948 |

## NOTE 16 - OPERATING LEASE

As of May 31, 2008, the College had an operating lease for modular villages. Future minimum rental payments are as follows:

| Year Ending May 31: | |
|---|---|
| 2009 | $ 173,580 |
| 2010 | 173,580 |
| 2011 | 28,930 |
| Total | $ 376,090 |

Total rent expense under this lease was $177,515 for the year ending May 31, 2008.

## NOTE 17 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, marketable securities and other investments, accounts receivable and notes, mortgages and contracts for deed. The College places substantially all of its cash and liquid investments with high-quality financial institutions and limits the amount of credit exposure to any one financial institution; however, cash balances may periodically exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by different investment managers in order to limit credit risk. Concentrations of credit risk with respect to the notes, mortgages and contracts for deed are limited due to the College holding a secured position in these agreements. Student notes and receivables and other receivables are due from a variety of sources concentrated primarily in the midwestern United States. In addition, the College's student's receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's programs and activities.

## NOTE 18 - RELATED PARTY TRANSACTIONS

The College has a signed contract with a construction company owned by a member of the Board of Regents to design and construct the new science center in the amount of $62,241,683. The contract was approved in accordance with the Board of Regents' conflict of interest policy. Total amounts payable to the construction company totaled approximately $9,350,000 and $980,000 as of May 31, 2008 and 2007, respectively.

As of May 31, 2008, 2007, and 2006 approximately $8,174,000, $8,193,000 and $6,378,000, respectively, of contributions receivable were due from members of the Board of Regents.

The College has invested in various private equity investments, in which members of the Investment Committee and Board of Regents have an affiliation. The individuals fully disclosed their interests in these investments when they were discussed, did not receive a commission or referral fee, and did not participate in the voting regarding these investments. As of May 31, 2008, 2007 and 2006, the College's total value of these funds was approximately $3,544,000, $651,000 and $128,000. The College's cumulative contributions to these investments as of May 31, 2008 totaled approximately $3,716,000. The College's outstanding future commitments to these investments totaled approximately $17,784,000 at May 31, 2008. The College has also received donations of privately issued debentures, in which a member of the Board of Regents is affiliated. These debentures are held as investments and as of May 31, 2008, 2007 and 2006 had market values of $6,160,000, $6,880,000 and $6,175,000, respectively.

## NOTE 19 - CONTINGENCIES

Various lawsuits, claims and other contingent liabilities arise in the ordinary course of the College's activities. The College is currently the defendant in a case in which the plaintiff claims to have suffered injuries as a result of a chemical accident. In another incident, the College is currently the defendant in a case in which the plaintiff claims to have suffered injuries as a result of a skiing accident. Since the likelihood of an unfavorable outcome is neither probable nor remote, it is not possible to estimate the loss or range of loss that might result from these cases if they were to result in unfavorable outcomes for the College. Therefore, no provision has been made in the financial statements for potential losses related to these matters.

## NOTE 20 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Interest paid, net of capitalized interest | $ 2,067,907 | $ 2,164,401 | $ 2,083,626 |
| Capitalized interest | 817,932 | | |
| Noncash investing and financing activities | | | |
| Property, plant and equipment acquired through accounts payable | $ 9,974,739 | $ 1,735,136 | $ 781,833 |
| Summary of bond issuance | | | |
| Proceeds from bond issue | | $ 45,405,000 | |
| Bond premium, net of amortization | | 794,563 | |
| Principal payment on refinanced debt (cash) | | (155,000) | |
| Refinanced debt | | (13,070,000) | |
| Net increase in new debt | | $ 32,974,563 | |