VILLANOVA
UNIVERSITY
and Subsidiaries

FINANCIAL STATEMENTS
MAY 31, 2010

VILLANOVA UNIVERSITY

FINANCIAL STATEMENTS
May 31, 2010

Table of Contents

PricewaterhouseCoopers LLP
Two Commerce Square, Suite 1700
2001 Market Street
Philadelphia PA 19103-7042
Telephone (267) 330 3000
Facsimile (267) 330 3300

Report of Independent Auditors

To the Board of Trustees
Villanova University

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of activities, changes in net assets and cash flows present fairly, in all material respects, the financial position of Villanova University and its Subsidiaries (the "University") at May 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the University adopted the FASB Statement *Fair Value Measurements*, in the year ended May 31, 2009.

PricewaterhouseCoopers LLP

October 12, 2010

VILLANOVA UNIVERSITY AND SUBSIDIARIES

Consolidated Statements of Financial Position at May 31, 2010 and 2009

(in thousands)

	2010	2009
ASSETS		
Cash and cash equivalents	$133,967	$119,452
Short-term investments	913	6,288
Accounts receivable, less allowances of $1,531 in 2010 and $1,571 in 2009	10,445	9,336
Inventories	2,097	2,022
Other assets	6,689	7,891
Assets whose use is limited	120	118
Pledges receivable, net	21,403	28,683
Student loans receivable, net	11,901	11,581
Investments	306,984	269,604
Land, buildings and equipment, net	347,786	334,849
Total assets	$842,305	$789,824
LIABILITIES		
Accounts payable	$ 12,012	$ 9,742
Accrued expenses	29,670	31,188
Deposits	4,846	4,328
Deferred revenues	9,800	9,908
Accrued postretirement benefits	13,785	8,982
Refundable government loan funds	6,810	6,283
Long-term debt	210,344	216,611
Accrued pension cost	15,343	11,220
Total liabilities	302,610	298,262
NET ASSETS		
Unrestricted	309,142	275,841
Temporarily restricted	85,739	79,103
Permanently restricted	144,814	136,618
Total net assets	539,695	491,562
Total liabilities and net assets	$842,305	$789,824

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

VILLANOVA UNIVERSITY AND SUBSIDIARIES

Consolidated Statement of Activities for the Year Ended May 31, 2010

(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2009 Total
OPERATING REVENUES					
Student related revenue:					
Student tuition and fees, net of $77,489 in student financial aid	$247,217			$247,217	$238,553
Sales and services of auxiliary enterprises, net of $2,271 in student financial aid	63,740			63,740	63,527
	310,957			310,957	302,080
Private gifts and grants	12,445	$ 2,274		14,719	15,565
Government grants	9,241			9,241	7,630
Endowment resources	8,976	6,562		15,538	14,506
Investment income	1,110	-		1,110	1,793
Other sources	16,697	468		17,165	14,894
Net assets released from restrictions	11,197	(11,197)	$ -	-	-
Total operating revenues	370,623	(1,893)	-	368,730	356,468
OPERATING EXPENSES					
Salaries and fringe benefits	201,037			201,037	191,023
Supplies and services	46,517			46,517	43,407
Depreciation	16,326			16,326	14,801
Cost of goods sold	13,200			13,200	13,243
Interest on indebtedness	8,892			8,892	8,690
Travel and special events	9,511			9,511	10,486
Utilities	9,052			9,052	9,112
Other	31,156			31,156	29,001
Total operating expenses	335,691	-	-	335,691	319,763
Change in net assets from operating activities	34,932	(1,893)	-	33,039	36,705
NON-OPERATING					
Investment Income					
Interest and dividends	246	430	276	952	1,192
Realized (losses)/gains	3,578	3,451	(52)	6,977	(24,712)
Other					
Rental property revenue	2,111	-	-	2,111	2,091
Rental property expenses	(1,314)	-	-	(1,314)	(1,581)
Change in fair value of investments	11,262	11,210	161	22,633	(73,198)
Adjustment to asset retirement obligations	(53)	-	-	(53)	243
Endowment resources	(8,976)	(6,562)	-	(15,538)	(14,506)
	6,854	8,529	385	15,768	(110,471)
Endowment and other gifts	-		7,811	7,811	4,305
Change in net assets from non-operating activities	6,854	8,529	8,196	23,579	(106,166)
Change in net assets prior to loss on bond refunding	41,786	6,636	8,196	56,618	(69,461)
Loss on bond refunding	(2,289)	-	-	(2,289)	-
Change in net assets before other adjustments	$ 39,497	$ 6,636	$ 8,196	$ 54,329	$ (69,461)

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

VILLANOVA UNIVERSITY AND SUBSIDIARIES
Consolidated Statement of Activities for the Year Ended May 31, 2009
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2008 Total
OPERATING REVENUES					
Student related revenue:					
Student tuition and fees, net of $67,179 in student financial aid	$ 238,553			$ 238,553	$ 224,642
Sales and services of auxiliary enterprises, net of $2,086 in student financial aid	63,527			63,527	62,829
	302,080			302,080	287,471
Private gifts and grants	11,415	$ 4,150		15,565	21,972
Government grants	7,630			7,630	8,303
Endowment resources	8,356	6,150		14,506	12,219
Investment income	1,697	96		1,793	6,076
Other sources	14,347	547		14,894	14,238
Net assets released from restrictions	8,612	(8,612)	$ -	-	-
Total operating revenues	354,137	2,331	-	356,468	350,279
OPERATING EXPENSES					
Salaries and fringe benefits	191,023			191,023	182,556
Supplies and services	43,407			43,407	44,657
Depreciation	14,801			14,801	13,068
Cost of goods sold	13,243			13,243	12,226
Interest on indebtedness	8,690			8,690	8,908
Travel and special events	10,486			10,486	10,914
Utilities	9,112			9,112	9,413
Other	29,001			29,001	30,048
Total operating expenses	319,763	-	-	319,763	311,790
Change in net assets from operating activities	34,374	2,331	-	36,705	38,489
NON-OPERATING					
Investment Income					
Interest and dividends	160	594	438	1,192	3,413
Realized (losses)/gains	(12,422)	(12,301)	11	(24,712)	24,849
Other					
Rental property revenue	2,091	-	-	2,091	2,047
Rental property expenses	(1,581)	-	-	(1,581)	(1,577)
Change in fair value of investments	(37,059)	(35,899)	(240)	(73,198)	(14,809)
Adjustment to asset retirement obligations	243	-	-	243	(335)
Endowment resources	(8,356)	(6,150)	-	(14,506)	(12,219)
	(56,924)	(53,756)	209	(110,471)	1,369
Endowment and other gifts			4,305	4,305	12,173
Change in net assets from non-operating activities	(56,924)	(53,756)	4,514	(106,166)	13,542
Change in net assets before other adjustments	$ (22,550)	$ (51,425)	$ 4,514	$ (69,461)	$ 52,031

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

VILLANOVA UNIVERSITY AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets
For the Years Ended May 31, 2010 and 2009
(in thousands)

	2010	2009
Unrestricted Net Assets:		
Change in net assets before other adjustments	$ 39,497	$ (22,550)
Adjustment for retirement plan obligations	(6,196)	(9,029)
Increase in unrestricted net assets	33,301	(31,579)
Temporarily Restricted Net Assets:		
Change in net assets	6,636	(51,425)
Increase in temporarily restricted net assets	6,636	(51,425)
Permanently Restricted Net Assets:		
Change in net assets	8,196	4,514
Increase in permanently restricted net assets	8,196	4,514
Increase in net assets	48,133	(78,490)
Net assets:		
Beginning of Year	491,562	570,052
End of Year	$ 539,695	$ 491,562

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

VILLANOVA UNIVERSITY AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended May 31, 2010 and 2009
(in thousands)

	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES		
(Decrease)/Increase in net assets	$ 48,133	$ (78,490)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,326	14,801
Contributions restricted for long-term investment	(14,371)	(9,954)
Realized losses/(gains) on sales of investments	(6,977)	24,712
Change in market value of investments	(22,633)	73,198
Pension and other postretirement benefit plan adjustments	6,196	9,029
Receipt of contributed securities	(2,850)	(453)
Amortization of debt (premium)/discount	4,415	(313)
Changes in operating assets and liabilities:		
Accounts receivable	(1,069)	(744)
Pledges receivable	8,368	9,154
Provision for doubtful accounts	(1,104)	80
Accounts payable and accrued expenses	(1,415)	3,050
Other changes	4,267	(241)
Net cash provided by operating activities	37,286	43,829
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	119,106	281,171
Purchases of investments	(124,026)	(289,338)
Student loans receivable	(344)	(430)
Purchase of land, buildings and equipment	(27,096)	(57,139)
Short-term investments, net	5,375	(5,322)
Decrease in assets whose use is limited	(2)	6,972
Net cash used by investing activities	(26,987)	(64,086)
CASH FLOW FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	14,371	9,954
Repayment of debt principal	(7,842)	(7,513)
Refinancing of debt	(2,840)	-
Government loan funds	527	131
Net cash used in financing activities	4,216	2,572
Net (decrease)/increase in cash and cash equivalents	14,515	(17,685)
Cash and cash equivalents at beginning of year	119,452	137,137
Cash and cash equivalents at end of year	$ 133,967	$ 119,452
SUPPLEMENTAL DISCLOSURES		
Purchases of property, plant, and equipment in accounts payable	$ 3,264	$ 1,097
Cash paid for interest	9,731	10,054
Tax payments	435	868
Contributed securities	2,850	453

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

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES:

Nature of Operations

Villanova University and Subsidiaries (the "University") is an independent, coeducational institution offering undergraduate and graduate instruction, located in Radnor Township, Delaware County, Pennsylvania. The campus presently covers approximately 260 acres and comprises 72 buildings. The University also has a Conference Center approximately one-half mile from the campus which encompasses 32 acres. The University has approximately 10,200 students, of whom approximately 6,400 are full-time undergraduates. Refer to Note 16 for a description of the University's subsidiaries.

Significant Accounting Policies and Reporting Practices

Principles of Consolidation

The consolidated financial statements include the accounts of the University and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into similar categories.

- **Unrestricted Net Assets -** Unrestricted net assets generally result from revenues derived from providing services, receiving unrestricted contributions, receiving dividends and interest from investing in income-producing assets, and unrestricted gains and losses, less expenses incurred in providing services, raising contributions, and performing administrative functions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

- **Temporarily Restricted Net Assets –** Temporarily restricted net assets generally result from contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the University pursuant to those stipulations or by law. Gifts of cash and other non-capital assets are reported as temporarily restricted operating revenue if the gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose for restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

- **Permanently Restricted Net Assets –** Permanently restricted net assets generally represent the corpus of contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the University.

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

Fair Value

Effective June 1, 2008, the University adopted the provisions of the fair value measurements standard, which defines the term "fair value," establishes a framework for measuring it within generally accepted accounting principles, and expands disclosure about fair value measurements.

The standard established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- *Level 1* – Observable inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;
- *Level 2* – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument; and
- *Level 3* – Unobservable inputs to the valuation methodology in which there is little or no market data and which are significant to the fair value measurement.

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 University's investments consist of separate accounts, daily traded mutual funds, commingled funds and limited partnership interests.

Investments in domestic equities consist of separate accounts and one limited partnership investment. Securities in the separate accounts are traded daily and are valued based on quoted market prices and categorized as Level 1. The limited partnership interest invests in securities that are traded daily and a small number of investments that do not have a readily determinable market value. Subsequently, the limited partnership interest is categorized as Level 3 in the fair value hierarchy.

Investments in domestic corporate and other bonds consist of a commingled fund and a separate account. Securities which are regularly traded are valued based on quoted market prices in active markets and are categorized as Level 1 in the fair value hierarchy. Bond funds that invest in other collective investment funds are valued based on quoted market prices in less liquid markets and are categorized as Level 2 in the fair value hierarchy.

Investments in foreign equities consist of commingled funds and daily traded mutual funds. Securities held in daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1 in the fair value hierarchy, with no valuation adjustments applied. Commingled funds are valued at NAV and are categorized as Level 2 in the fair value hierarchy.

Investments in inflation hedging and opportunistic strategies consist of daily traded mutual funds, commingled funds, and limited partnership interests. Securities held in daily traded mutual funds are categorized as Level 1. Securities in commingled funds are valued at NAV and categorized as Level 2. Limited partnership interests are valued at NAV and are categorized in accordance with the *Fair Value Measurement* standard. As the University does not have the ability to redeem from the limited partnership at the measurement date or is restricted from redeeming for an uncertain or extended period of time from the measurement date, the investment is classified as a Level 3 in the fair value hierarchy.

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments with an original maturity date not exceeding 90 days, while short-term investments reflect liquid investments with a maturity date in excess of 90 days, but less than one year.

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

Investments

The University records investments at fair value. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Investment Income

Investment income related to long-term investments is recorded as non-operating income, and the portion of investment income that is utilized in operating revenues under the University's endowment spending formula (see description in Note 3) is shown as a reduction in non-operating income ("Endowment resources"). Investment income related to the endowment is classified as unrestricted or temporarily restricted, depending on donor specifications and applicable law.

Student Loans Receivable

Student loans receivable are stated net of allowances for doubtful accounts. Student loans receivable are principally amounts due from students under U.S. Government-sponsored loan programs, which are subject to significant restrictions.

Land, Building, and Equipment

Land, buildings and equipment are carried at cost or fair value on the date of gift. Depreciation is computed on a straight-line basis over the estimated useful lives of land improvements (10-25 years), buildings (10-55 years) and equipment (4-10 years). All gifts of land, buildings and equipment are recorded as unrestricted non-operating activity unless explicit donor stipulations specify how the donated assets must be used.

Capitalized Software Costs

Capitalized software costs included in property, plant and equipment relate to purchased software, which is capitalized and depreciated on a straight-line basis over a five-year period.

Early Retirement Benefits

The University offers an early retirement program to full-time faculty members who meet certain eligibility criteria. The University accrues the present value of all future benefit payments in accrued expenses for individuals who accept the University's early retirement offer at the time of acceptance.

Deferred Revenue

All revenues received and expenditures incurred prior to the end of the fiscal year which relate to the following fiscal year are recorded as deferred revenues or other assets, respectively.

Noncash Gifts

Noncash gifts are recorded at fair value on the date of donation.

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(s) of the financial statements and the reported amounts of revenues and expenses during the reporting period(s). Actual results could differ from those estimates.

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

Statement of Activities

Operating revenues reflect all transactions increasing unrestricted and temporarily restricted net assets except those of a capital or long-term nature, such as gifts for long-term investments and endowments. Operating revenues include realized gains appropriated in accordance with the University's endowment spending policy (see description in Note 3).

Operation and maintenance of plant, depreciation and interest expenses have been allocated to the other operating expense categories in Note 11. In addition, student tuition and fees as well as sales and services of auxiliary enterprises are shown net of student financial aid.

NOTE 2 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS:

At May 31, 2010 and 2009, the fair value of cash and cash equivalents, short-term investments, and deposits with bond trustees approximate their respective carrying amounts. The fair value of short-term investments, investments and deposits with bond trustees are based on the quoted market price of the underlying securities; the fair value of long-term debt is estimated based primarily on quoted market prices of similar bonds and currently offered mortgage interest rates.

The aggregate carrying amount and fair value of the University's outstanding bonds at May 31, 2010 and 2009 are as follows:

2010		2009	
Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
$190,705,000	$203,877,000	$207,780,000	$205,759,000

Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs.

The following table presents the financial instruments carried at fair value on a recurring basis as of May 31, 2010, and indicates the fair value hierarchy of the valuation techniques that were utilized to determine such fair value.

	Fair Value Measurements at Reporting Date Using (in thousands)			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 8,976	$ 8,976	-	-
Domestic equities	59,166	37,588	-	$ 21,578
Domestic corporate and other bonds	36,621	10,764	$ 25,857	-
Foreign equities	52,635	18,328	34,307	-
Hedge funds	62,162	-	-	62,162
Inflation hedging	36,070	14,576	17,998	3,496
Private equities	12,807	-	-	12,807
Venture capital	6,498	-	-	6,498
Real estate	1,039	-	-	1,039
Opportunistic managers	26,707	9,753	-	16,954
Other investments	4,303	4,303	-	-
Total investments at fair value	**$ 306,984**	**$ 104,288**	**$ 78,162**	**$ 124,534**

NOTE 2 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS: (Continued)

Following is a description of the University's valuation methodologies for assets measured at fair value. Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers. Level 3, which primarily consists of alternative investments (principally interests in hedge funds, private equity, venture capital, inflation hedging, real estate, and natural resources partnerships), represents the University's ownership interest in the net asset value (NAV) of the respective partnership. Investments consist of marketable securities as well as securities that do not have readily determinable fair values. The fair values of the securities that do not have readily determinable fair values are determined by the investment fund manager and are based on historical costs, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a rollforward of the statement of financial position amounts for financial instruments classified by the University within Level 3 of the valuation hierarchy defined above:

	Level 3 Fair Value Measurements (in thousands)					
	Domestic Equities	Hedge Funds	Inflation Hedging	Private Equities	Opportunistic Managers	Total
Fair Value, June 1, 2009	$ 17,356	$ 58,691	$ 2,724	$ 16,185	$ 16,404	$ 111,360
Unrealized Gains/(Losses)	4,222	(1,275)	311	1,706	637	5,601
Net Purchases, sales and settlements	-	4,746	1,500	1,414	(87)	7,573
Fair Value, May 31, 2010	$ 21,578	$ 62,162	$ 4,535	$ 19,305	$ 16,954	$ 124,534

The amount of unrealized gains/(losses) related to financial instruments classified as Level 3 held at May 31, 2010, included in the statement of activities is as follows (in thousands):

Domestic Equities	$ 4,222
Hedge Funds	(1,275)
Inflation Hedging	311
Private Equities	1,706
Opportunistic Managers	637
Total	$ 5,601

NOTE 2 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS: (Continued)

Liquidity risk is the risk that the University will not be able to meet its obligations associated with financial liabilities (restrictions on ability to redeem investments). The University has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups and gates. Details on remaining estimated life, current redemption terms and restrictions by asset class and type of investment are provided below:

	Remaining Life	Redemption Terms	Redemption Restrictions
Cash and cash equivalents	N/A	Daily	None
Domestic equities	N/A	Daily per formal notification letter. Excludes one Fund with quarterly liquidity with 60 days' written notice.	None
Domestic corporate and other bonds	N/A	Monthly for one Fund. Daily with 2 business days written notice for the other Fund.	None
Foreign equities	N/A	Daily per formal notification letter. Excludes two Funds with monthly liquidity with varying notice periods.	None
Hedge funds	N/A	Annual liquidity for remaining funds, 90 days written notice as of each December 31.	One Fund's class ($6 million) has a 3-year lock-up period. One-year holding period for a portion of another Fund ($5 million) can first be liquidated on December 31, 2010. For one Fund, $0.7 million of previously redeemed investments received in June 2010.
Inflation hedging	11 to 13 years, for limited partnerships	Daily with varying notice periods. Excludes 1 Fund with monthly liquidity with 5 days notice required; and 2 limited partnerships with no redemptions permitted. Distributions received as underlying investments are liquidated.	None
Private equities	5 to 12 years	Redemptions not permitted. Distributions received as underlying investments are liquidated.	N/A
Venture capital	5 to 13 years	Redemptions not permitted. Distributions received as underlying investments are liquidated.	N/A
Real estate	5 years	Redemptions not permitted. Distributions received as underlying investments are liquidated.	N/A
Opportunistic managers	N/A	Daily to quarterly with varying notice periods.	None
Other investments	N/A	Daily	None

NOTE 3 - NET ASSETS:

	(in thousands) 2010	2009
Temporarily restricted net assets consist of the following:		
Unexpended income for instruction and scholarships	$ 14,832	$ 15,603
Unexpended income for capital expenditures	1,479	1,190
Property, plant, and equipment acquired through donations	34,122	35,318
Annuity and life income funds	1,618	1,979
Endowment – accumulated change in market value of investments and realized gains	33,688	25,013
	$ 85,739	$ 79,103
Permanently restricted net assets consist of the following:		
Student loans	$ 1,872	$ 1,862
Endowment principal, primarily for scholarships and instruction	142,942	134,756
	$ 144,814	$ 136,618

In August 2008, the FASB issued a FASB Staff Position on net asset classification of endowments of not-for-profit organizations, which, among other things, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. The University is not subject to UPMIFA's guidance on the net asset classification of donor-restricted endowment funds as the State of Pennsylvania has not adopted UPMIFA. However, under the new position, a not-for-profit organization, whether or not it is subject to an enacted version of UPMIFA, shall disclose information to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policy, and related investment policy of its endowment funds.

The University's endowment consists of approximately 450 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University has interpreted relevant Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by Pennsylvania law.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

NOTE 3 - NET ASSETS: (Continued)

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

Under the University's spending policy, the University utilizes endowment and quasi-endowment resources to support operations at a level of 5% of the 12 calendar quarter moving average of the fair value of endowment and quasi-endowment investment assets calculated as of December 31st of the year immediately preceding the beginning of the University's fiscal year. Any difference between actual investment income and the amounts distributed is retained to support operations of future years. These retained balances are used in any year that the actual total investment return is below the spending rate. The remaining realized and unrealized gains/losses are reported as non-operating revenues. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

At May 31, 2010, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 33,688	$ 131,205	$ 164,893
Board-designated funds	137,644	-	-	137,644
Total Funds	$ 137,644	$ 33,688	$ 131,205	$ 302,537

Changes in endowment net assets for the fiscal year ended May 31, 2010 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 122,685	$ 25,013	$ 118,017	$ 265,715
Investment return:				
Investment Income	1,093	2,201	-	3,294
Management and Admin Fees	(1,170)	(1,175)	-	(2,345)
Net appreciation (realized and unrealized)	14,212	14,211	-	28,423
Total investment return	14,135	15,237	-	29,372
Contributions	-	-	13,188	13,188
Planned Savings	9,300	-	-	9,300
Distribution for Spending	(8,976)	(6,562)	-	(15,538)
Other changes:				
Aldwyn Lane Distribution	500	-	-	500
Endowment net assets, end of year	$ 137,644	$ 33,688	$ 131,205	$ 302,537

NOTE 3 - NET ASSETS: (Continued)

At May 31, 2009, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 25,013	$ 118,017	$ 143,030
Board-designated funds	122,685	-	-	122,685
Total Funds	$ 122,685	$ 25,013	$ 118,017	$ 265,715

Changes in endowment net assets for the fiscal year ended May 31, 2009 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 170,955	$ 77,101	$ 107,199	$ 355,255
Investment return:				
Investment Income	1,004	2,883	-	3,887
Management and Admin Fees	(1,397)	(1,375)	-	(2,772)
Net depreciation (realized and unrealized)	(48,821)	(47,446)	-	(96,267)
Total investment return	(49,214)	(45,938)	-	(95,152)
Contributions	-	-	10,818	10,818
Planned Savings	8,800	-	-	8,800
Distribution for Spending	(8,356)	(6,150)	-	(14,506)
Other changes:				
Aldwyn Lane Distribution	500	-	-	500
Endowment net assets, end of year	$ 122,685	$ 25,013	$ 118,017	$ 265,715

NOTE 4 - ASSETS WHOSE USE IS LIMITED:

Assets whose use is limited represent amounts required to be held by bond trustees for debt service payments.

NOTE 5 - INVESTMENTS:

Investments at May 31, 2010 and 2009 consisted of the following:

	(in thousands)			
	2010		2009	
	FAIR VALUE	COST	FAIR VALUE	COST
Cash and cash equivalents	$ 8,976	$ 8,976	$ 14,846	$ 14,846
Domestic equities	59,166	55,670	47,116	55,322
Domestic corporate and other bonds	36,621	35,195	41,338	40,697
Foreign equities	52,635	55,291	39,533	47,690
Hedge funds	62,162	58,748	58,691	54,001
Inflation hedging	36,070	28,420	29,302	24,424
Private equities	12,807	12,693	10,829	11,670
Venture capital	6,498	6,174	5,356	5,783
Real estate	1,039	1,350	1,247	1,247
Opportunistic managers	26,707	24,913	16,404	15,000
Other investments	4,303	4,646	4,942	6,021
	$ 306,984	$ 292,076	$ 269,604	$ 276,701

The University uses various external investment managers to diversify the investments in alternative assets. The largest allocation to any alternative investment strategy manager as of May 31, 2010 and 2009 was 7.3% and 7.2%, respectively. At May 31, 2010, based on partnership agreements, the University was committed to invest an additional $35.1 million in alternative investments, which is expected to occur over the next five to ten years. Alternative investments have liquidity restrictions. Amounts can be divested only at specified times based on terms in the partnership agreements. The financial statements of the limited partnerships are audited annually, generally as of December 31.

Investment gain (loss) consisted of and is reported in the consolidated statements of activities as follows for the year ended May 31:

	(in thousands)	
	2010	2009
Interest and dividends	$ 952	$ 1,192
Net realized (losses) gains	6,977	(24,712)
Net change in unrealized gains and losses	22,633	(73,198)
	$ 30,562	$ (96,718)

NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment at May 31, 2010 and 2009 consisted of the following:

	(in thousands) 2010	2009
Land and improvements	$ 27,022	$ 27,022
Buildings and improvements	471,053	397,053
Equipment	52,944	50,099
Construction in progress	6,485	53,970
Capitalized interest	-	519
Unamortized asset retirement costs	1,089	1,429
Aldwyn Lane Rental Properties – Land and Buildings	18,385	18,385
	576,978	548,477
Less accumulated depreciation	(229,192)	(213,628)
	$ 347,786	$ 334,849

Depreciation expense totaled $16,326,000 and $14,801,000 for the years ended May 31, 2010 and 2009, respectively.

NOTE 7 - ACCRUED EXPENSES:

Accrued expenses at May 31, 2010 and 2009 consisted of the following:

	(in thousands) 2010	2009
Faculty and Staff Salaries	$ 12,467	$ 12,418
Early Retirement Plan Payments	618	889
Interest on Long-Term Debt	1,739	1,747
Vacation Accrual	2,293	2,195
Asset Retirement Obligations	1,822	2,108
Payroll Tax Withholdings	2,107	1,918
Annuities Payable	1,368	1,777
Workers Compensation Claims	1,593	1,316
Other	5,662	6,820
	$ 29,670	$ 31,188

NOTE 8 – OPERATING LEASES:

The University leases equipment and vehicles under operating leases expiring through January 2016. Rental expense for the years ended May 31, 2010 and 2009 totaling $5,426,000 and $5,140,000, respectively, is included in the accompanying Consolidated Statements of Activities.

At May 31, 2010, future minimum lease payments under operating leases with remaining terms greater than one year were as follows (in thousands):

2011	$ 5,291
2012	3,080
2013	718
2014	258
2015	71
Thereafter	-
Total minimum lease payments	$ 9,418

NOTE 9 - LONG-TERM DEBT:

Long-term debt payable at May 31, 2010 and 2009 consisted of the following:

DESCRIPTION	MATURITY DATE	INTEREST RATE	(in thousands) PRINCIPAL BALANCE 2010		(in thousands) PRINCIPAL BALANCE 2009	
Delaware County Authority (a):						
2010 Bonds	12/1/2010 to 12/1/1932	2.25% to 5.00%	$ 83,416	*	$ -	*
2006 Bonds	8/1/2010 to 8/1/2024	3.50% to 5.00%	$ 49,855	*	$ 50,751	*
2005 Bonds	8/1/2010 to 8/1/2024	3.50% to 5.00%	24,255	*	25,345	*
2003 Bonds	8/1/2010 to 8/1/2022	4.25% to 5.25%	32,873	*	34,687	*
2002 Bonds			-		8,310	
2001 Bonds			-		12,525	
1998 B Bonds			-		8,235	*
1998 A Bonds	12/1/2010 to 12/1/2013	5.50%	8,873	*	65,080	*
U.S. Dept. of HUD (b):						
1969 Dormitory Bonds	4/1/2019	3.00%	610		670	
Mortgage Note – Aldwyn Lane Rental Properties (c)	1/10/2022	7.35%	10,462		11,008	
			$ 210,344		$ 216,611	

NOTE 9 - LONG-TERM DEBT: (Continued)

*Net of original issue discount/(premium) as follows:

	(in thousands) 2010	2009
2010 Bonds	$ (3,611)	$ -
2006 Bonds	(2,070)	(2,216)
2005 Bonds	(780)	(835)
2003 Bonds	(2,233)	(2,417)
1998B Bonds	-	25
1998A Bonds	127	1,290
	$ (8,568)	$ (4,153)

(a) The University has pledged and granted to the Delaware County Authority a lien on and security interest in the University's unrestricted revenues and certain property and equipment to collateralize the annual principal maturities and interest payments which average approximately $16,454,000 through 2015, and $11,291,000 from 2016 to 2032. The University is required to maintain unrestricted net revenues equal to 100% of the annual debt service requirement.

(b) To collateralize the annual principal and interest payments, the University has granted a mortgage lien on the Stanford dormitory and related parcels of land. Annual principal and interest payments are approximately $80,000.

(c) The mortgage note on the Aldwyn Lane rental properties is collateralized by the related buildings and parcels of land. The mortgage note is non-recourse to the University. Equal monthly payments are to be made over the twenty-year term of the loan.

In January 2010, the University's 2010 Debt Series was issued by Delaware County Authority to refinance a portion of the 1998A Series and all of the outstanding 1998B, 2001, and 2002 Series. The 2010 Series was issued as fixed rate debt, principal amount of $79,805,000. As a result of the refinancing, the University no longer holds variable rate debt.

Aggregate maturities of long-term debt including call provisions at 100% for each of the next five fiscal years are as follows (in thousands):

2011	$ 8,334
2012	8,363
2013	8,842
2014	9,288
2015	9,824
Thereafter	157,125

Interest paid on long-term debt amounted to $9,731,000 and $10,054,000 for the years ended May 31, 2010 and 2009, respectively. Interest expense allocated to the operating expense categories in the consolidated statement of activities amounted to $8,892,000 and $8,690,000 for the years ended May 31, 2010 and 2009, respectively.

The University is required, among other things, to generate net revenue at least equal to 100% of annual debt service requirements. The University was in compliance with such requirements at May 31, 2010 and 2009.

NOTE 10 - PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS:

For full-time faculty members and for full-time non-academic employees not covered by the defined benefit plan, the University sponsors a defined contribution retirement plan under which the University makes annual contributions for the benefit of the participants to either the Teachers Insurance Annuity Association of America-College Retirement Equities Fund (TIAA-CREF) or The Vanguard Group, at the option of the participants, and the University has no further liability. The University's contributions to the defined contribution plan amounted to $9,922,000 and $9,309,000 for the years ended May 31, 2010 and 2009, respectively.

The University has a non-contributory defined benefit pension plan for certain full-time non-academic employees employed prior to May 31, 1996. Benefits under the plan are based on years of service and the highest average level of earnings for any three consecutive years during the last ten years of service. In October 1999, the University offered participants in the plan the opportunity to transfer to the defined contribution plan effective January 1, 2000. Effective January 1, 2000, the benefits for new retirees, those employees that did not transfer to the defined contribution plan in October 1999 and those employees retiring between June 1, 1998 and December 31, 1999 are based on the highest average level of earnings for any three consecutive years during the last ten years of service.

The University provides postretirement medical benefits to all employees who meet certain eligibility requirements. The University accrues for expected medical postretirement benefits over the years that the employees render the necessary service.

The University recognizes the funded status (the difference between the fair value of plan assets and the benefit obligation) of its pension and other postretirement plans in the consolidated statement of financial position, with a corresponding adjustment to unrestricted net assets. These amounts are recognized as net periodic cost. Further, actuarial gains and losses that are not recognized as net periodic costs in the same periods are recognized as other changes in unrestricted net assets.

The following is a reconciliation of the beginning and ending balances of the pension benefits projected benefit obligation of the University (in thousands):

Change in Benefit Obligation	**2010**	**2009**
Benefit obligation at the beginning of the year	$ 43,545	$ 44,564
Interest cost on projected benefit obligations	2,873	2,720
Service costs – during the year	303	433
Actuarial (gain)/loss	7,149	(1,878)
Benefits and administrative expenses paid	(2,405)	(2,294)
Benefit obligation at the end of the year	$ 51,465	$ 43,545

The following table sets forth the funded status and amount recognized in the University's consolidated balance sheets for its defined benefit plan:

	2010	**2009**
Change in Plan Assets		
Fair value of plan assets at beginning of year	$ 32,325	$ 42,787
Actual return on plan assets	5,802	(8,168)
Employer contributions	400	-
Benefits and administrative expenses paid	(2,405)	(2,294)
Fair value of plan assets at end of year	$ 36,122	$ 32,325

NOTE 10 - PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS: (Continued)

Funded Status		
Actuarial present value of benefit obligations:		
Projected benefit obligation	$ (51,465)	$ (43,545)
Plan assets at fair value*	36,122	32,325
Funded Status	$ (15,343)	$ (11,220)

*Consist principally of investments in debt and equity funds.

The principal assumptions used in determining the actuarial present value of projected benefit obligations were as follows:

	2010	**2009**
Weighted average discount rate	5.37%	6.76%
Rate of increase in compensation levels	3.50%	4.00%
Expected long-term rate of return on assets	7.50%	8.00%

	(in thousands)	
Components of Net Periodic Benefit Cost	**2010**	**2009**
Service cost – benefits earned during the period	$ 303	$ 433
Interest cost on projected benefit obligation	2,873	2,720
Expected return on plan assets	(2,482)	(3,525)
Amortization of unrecognized net loss	2,116	778
Amortization of prior service cost	-	9
Total net periodic benefit cost	$ 2,810	$ 415

Plan assets are allocated at May 31, 2010 and May 31, 2009 as follows:

Plan Assets	**2010**	**2009**
Equity Securities	59%	60%
Debt Securities	41%	39%
Other	0%	1%
Total	100%	100%

The plan assets are diversified among a mix of assets including large, mid, and small cap, domestic and international equities, fixed income, managed funds, and cash. Asset mix is targeted to a specific allocation, either intermediate or long-term, that is established by evaluating expected return, standard deviation, and correlation of various assets against the plan's long-term objectives. Asset performance is monitored monthly and rebalanced if asset classes exceed explicit ranges. The investment policy governs permitted types of investments, and outlines specific benchmarks and performance percentiles. The Retirement Plans Investment Committee oversees the pension investment program and monitors investment performance. Risk is closely monitored through the evaluation of portfolio holdings and tracking the portfolio performance.

NOTE 10 - PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS: (Continued)

The following table presents the Plan's financial instruments as of May 31, 2010, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 1:

	(in thousands)				
	Level 1	Level 2	Level 3	Total	Valuation Technique
Pension investment program:					
Equity securities	$ -	$21,274	$ -	$21,274	Market
Debt securities	-	14,750	-	14,750	Market
Other	95	-	3	98	
Total pension investment program	$ 95	$36,024	$ 3	$36,122	

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the Plan for the period from May 31, 2009 to May 31, 2010.

	(in thousands) 2010
Fair value June 1	$ 3
Realized and unrealized losses	-
Sales	-
Net investment income	-
Fair value May 31	$ 3
Amount of unrealized losses related to Level 3 investments held at May 31	$ -

The expected benefit payments from the Plan in subsequent years are as follows:

Year ending	**(in thousands)**
May 31, 2011	$ 3,016
May 31, 2012	3,124
May 31, 2013	3,239
May 31, 2014	3,364
May 31, 2015	3,424
May 31, 2016 through May 31, 2020	18,163

The components of medical postretirement benefits as of May 31, 2010 and 2009 are as follows:

	(in thousands)	
	2010	2009
Projected benefit obligation	$ 13,785	$ 8,982
Fair value of plan assets	-	-
Unfunded status	$ (13,785)	$ (8,982)
Accrued post-retirement benefits	$ (13,785)	$ (8,982)
Weighted-average assumptions:		
Discount rate	5.41%	6.70%

NOTE 10 - PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS: (Continued)

There is no healthcare cost trend rate associated with the liabilities, because the University provides a fixed subsidy for postretirement medical benefits. Benefit expense totaled $1,090,000 and $763,000 for the years ended May 31, 2010 and 2009, respectively. Benefits paid totaled $770,000 and $455,000 for the years ended May 31, 2010 and 2009, respectively.

The University allows faculty members that meet specific criteria for eligibility to elect to participate in an ongoing voluntary severance program. The accrued liability for future payments under this program amounted to $618,000 and $889,000 as of May 31, 2010 and 2009, respectively.

NOTE 11 - OPERATING EXPENSE:

Expenses were incurred for the following functions for the years ended May 31:

	(in thousands) 2010	2009
Instruction	$ 139,595	$ 131,470
Research	7,123	6,293
Academic support	41,648	38,782
Student services	43,756	41,343
Institutional support	38,976	37,097
Auxiliary enterprises	64,593	64,778
Total operating expense	$ 335,691	$ 319,763

Included in the above operating expenses are expenditures related to fund-raising activities for the year ended May 31, 2010 and 2009 of $8,020,000 and $6,817,000, respectively.

NOTE 12 - ALLOCATION OF EXPENSES:

The University allocated operation and maintenance of plant, interest on indebtedness and depreciation expenses to functional expense categories in the consolidated statement of activities for the fiscal years ended May 31, 2010 and 2009. Those expenses were allocated to the individual functional categories as follows:

		(in thousands) 2010	
	Operation and Maintenance	Interest on Indebtedness	Depreciation
Instruction	$ 10,103	$ 4,477	$ 6,170
Research	-	169	131
Academic support	1,492	304	753
Student services	4,259	135	2,063
Institutional support	1,865	113	1,286
Auxiliary enterprises	13,367	3,365	4,632
Operation and maintenance of plant	-	329	1,291
	$ 31,086	$ 8,892	$ 16,326

NOTE 12 - ALLOCATION OF EXPENSES: (Continued)

	(in thousands) 2009		
	Operation and Maintenance	Interest on Indebtedness	Depreciation
Instruction	$ 8,619	$ 4,625	$ 5,007
Research	-	175	102
Academic support	1,461	200	778
Student services	4,178	110	2,035
Institutional support	1,841	96	1,005
Auxiliary enterprises	13,118	3,270	4,577
Operation and maintenance of plant	-	214	1,297
	$ 29,217	$ 8,690	$ 14,801

NOTE 13 - INCOME TAX:

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The University files IRS Form 990-T (Exempt Organization Business Income Tax Return) annually, with regards to unrelated business income reported on IRS Form 990-T.

NOTE 14 - COMMITMENTS AND CONTINGENCIES:

During the 2010 fiscal year, the University invested $5,334,000 in nineteen long-term partnerships which were formed prior to the 2010 fiscal year, bringing its cumulative contributions to the partnerships to $35,374,000. Under the terms of the partnership agreements, the University and other investors are committed to fund additional investments. As of May 31, 2010, the University's remaining commitments to these nineteen partnerships total approximately $29,735,000.

The University also committed a total of $4,000,000 to two additional long-term partnerships which were formed during the 2010 fiscal year. As of May 31, 2010, the University had invested $30,000 in these partnerships. As a result, the University's remaining commitments to these partnerships total $3,970,000.

As of May 31, 2010, the University's remaining commitments to all twenty-one partnerships total $33,705,000.

Outstanding commitments for construction contracts totaled approximately $17,395,000 as of May 31, 2010.

The University has a $5,000,000 unsecured line of credit. No portion of the line was utilized during the fiscal year.

NOTE 15 - UNCONDITIONAL PROMISES AND PLEDGES:

Contributions received, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the University reports the support as unrestricted. Conditional promises are recorded when donor stipulations are substantially met.

NOTE 15 - UNCONDITIONAL PROMISES AND PLEDGES: (Continued)

Unconditional promises at May 31, 2010 and 2009 and the time periods in which they are expected to be realized are as follows:

	(in thousands)	
	2010	2009
In one year or less	$ 18,237	$ 18,507
Between one year and five years	10,094	18,782
In more than five years	72	576
Less: Discount	(1,927)	(3,021)
Allowance for doubtful accounts	(5,073)	(6,161)
	$ 21,403	$ 28,683

Estimated cash flows from pledges receivable due after one year are discounted using a base rate of the Federal Reserve Treasury constant maturities 5-year rate of return, adjusted for a risk factor related to potential write-offs of uncollectible pledges.

NOTE 16 - SUBSIDIARIES:

The Aldwyn Lane LLC (LLC) and the Aldwyn Lane Limited Partnership (Partnership) were formed by the University for the purpose of acquiring property and office space adjacent to the campus. The LLC is 100% owned by the University, and it is the general partner in the Partnership, in which the University is the limited partner. The Partnership purchased property and office space adjacent to the campus in December 2001, and entered into an agreement to lease back the property to the previous owner for a period of twenty years. The Partnership also obtained a mortgage on the property at the time of purchase.

Rental income related to the property is collected by the Partnership, and the mortgage payments are made by the Partnership. The title to the property and the related mortgage are both held by the Partnership. The assets and liabilities of both the Partnership and the LLC are consolidated into the University financial statements, and the net income from the rental of the property is shown as non-operating income on the consolidated statement of activities.

NOTE 17 – SUBSEQUENT EVENTS:

In May 2009, the FASB issued a standard on Subsequent Events. This topic provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It is effective for fiscal periods ending after June 15, 2009, and was required to be adopted by the University in 2010. The adoption of this standard only affected disclosures, and thus had no impact on the University's financial position, results of operations or cash flows. In connection with the preparation of the consolidated financial statements and in accordance with the new standard, the University evaluated subsequent events after the balance sheet date of May 31, 2010 through its distribution date of October 12, 2010.

VILLANOVA
UNIVERSITY