



BRYANT UNIVERSITY

Financial Statements

June 30, 2005 and 2004

(With Independent Auditors' Report Thereon)

BRYANT UNIVERSITY

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KPMG LLP
600 Fleet Center
50 Kennedy Plaza
Providence, RI 02903

Independent Auditors' Report

The Board of Trustees
Bryant University:

We have audited the accompanying statements of financial position of Bryant University (the University) as of June 30, 2005 and 2004, and the related statements of activities and cash flows for the year ended June 30, 2005 and the eleven-month period ended June 30, 2004. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the year ended June 30, 2005 and eleven-month period ended June 30, 2004 in conformity with accounting principles generally accepted in the United States of America.

In fiscal 2004, the University changed its year-end to June 30 from July 31. Accordingly, the accompanying 2004 financial statements include eleven months of activity, compared to twelve months of activity in 2005.

KPMG LLP

August 12, 2005

BRYANT UNIVERSITY
 Statements of Financial Position
 June 30, 2005 and 2004
 (Dollars in thousands)

Assets	2005	2004
Cash and short-term investments (note 3)	\$ 17,736	20,312
Accounts receivable, net	886	880
Contributions receivable, net (note 4)	2,280	3,417
Prepaid expenses and other assets	896	1,261
Notes receivable, net (note 5)	5,471	5,405
Long-term investments (note 3)	141,231	131,279
Deposits held by bond trustees (note 7)	358	350
Land, buildings, and equipment, net (notes 6 and 7)	90,236	85,733
Total assets	\$ 259,094	248,637
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 8,900	9,014
Deferred revenues and advance payments	6,264	6,573
Notes and bonds payable, net (note 7)	44,506	48,004
Interest rate swap liability (note 8)	2,513	—
Refundable advances – U.S. government grants (note 5)	5,469	5,365
Total liabilities	67,652	68,956
Net assets:		
Unrestricted:		
Available for operations	6,423	8,471
Designated for long-term investment	126,945	118,291
Net investment in plant	43,574	38,079
Total unrestricted net assets	176,942	164,841
Temporarily restricted (note 9)	2,552	3,885
Permanently restricted (notes 10 and 13)	11,948	10,955
Total net assets	191,442	179,681
Total liabilities and net assets	\$ 259,094	248,637

See accompanying notes to financial statements.

BRYANT UNIVERSITY

Statement of Activities

Year ended June 30, 2005

(Dollars in thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating:				
Revenues:				
Tuition and fees	\$ 71,819	—	—	71,819
Residence and dining	19,954	—	—	19,954
Less scholarships and grants	<u>(20,529)</u>	<u>—</u>	<u>—</u>	<u>(20,529)</u>
Net student revenue	71,244	—	—	71,244
Contributions	1,141	—	—	1,141
Net assets released from restrictions (note 11)	567	—	—	567
Government grants	617	—	—	617
Long-term investment income used in operations (note 3)	6,028	—	—	6,028
Short-term investment income	698	—	—	698
Public service	2,407	—	—	2,407
Auxiliary and other sources	<u>3,377</u>	<u>—</u>	<u>—</u>	<u>3,377</u>
Total operating revenues	<u>86,079</u>	<u>—</u>	<u>—</u>	<u>86,079</u>
Expenses (note 14):				
Instruction	22,551	—	—	22,551
Academic support	8,708	—	—	8,708
Student services	14,444	—	—	14,444
Institutional support	14,240	—	—	14,240
Public service	3,187	—	—	3,187
Auxiliary services	<u>18,094</u>	<u>—</u>	<u>—</u>	<u>18,094</u>
Total operating expenses	<u>81,224</u>	<u>—</u>	<u>—</u>	<u>81,224</u>
Increase in net assets from operating activities	<u>4,855</u>	<u>—</u>	<u>—</u>	<u>4,855</u>
Nonoperating:				
Capital contributions	199	1,019	682	1,900
Net assets released from restrictions (note 11)	1,817	(2,406)	22	(567)
Net unrealized and realized gain on long-term investments, less amount used in operations (note 3)	8,880	—	289	9,169
Change in fair value of interest rate swaps (note 8)	(2,513)	—	—	(2,513)
Other (expense) income	(65)	54	—	(11)
Capital campaign fundraising expenses	<u>(1,072)</u>	<u>—</u>	<u>—</u>	<u>(1,072)</u>
Changes in net assets from nonoperating activities	<u>7,246</u>	<u>(1,333)</u>	<u>993</u>	<u>6,906</u>
Change in net assets	12,101	(1,333)	993	11,761
Net assets:				
Beginning of year	<u>164,841</u>	<u>3,885</u>	<u>10,955</u>	<u>179,681</u>
End of year	\$ <u><u>176,942</u></u>	\$ <u><u>2,552</u></u>	\$ <u><u>11,948</u></u>	\$ <u><u>191,442</u></u>

See accompanying notes to financial statements.

BRYANT UNIVERSITY

Statement of Activities

Eleven-month period ended June 30, 2004

(Dollars in thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating:				
Revenues:				
Tuition and fees	\$ 64,724	—	—	64,724
Residence and dining	18,157	—	—	18,157
Less scholarships and grants	<u>(19,181)</u>	<u>—</u>	<u>—</u>	<u>(19,181)</u>
Net student revenue	63,700	—	—	63,700
Contributions	1,088	—	—	1,088
Net assets released from restrictions (note 11)	594	—	—	594
Government grants	601	—	—	601
Long-term investment income used in operations (note 3)	5,980	—	—	5,980
Short-term investment income	509	—	—	509
Public service	2,152	—	—	2,152
Auxiliary and other sources	<u>2,054</u>	<u>—</u>	<u>—</u>	<u>2,054</u>
Total operating revenues	<u>76,678</u>	<u>—</u>	<u>—</u>	<u>76,678</u>
Expenses (note 14):				
Instruction	21,386	—	—	21,386
Academic support	7,489	—	—	7,489
Student services	12,410	—	—	12,410
Institutional support	12,236	—	—	12,236
Public service	2,911	—	—	2,911
Auxiliary services	<u>15,719</u>	<u>—</u>	<u>—</u>	<u>15,719</u>
Total operating expenses	<u>72,151</u>	<u>—</u>	<u>—</u>	<u>72,151</u>
Increase in net assets from operating activities	<u>4,527</u>	<u>—</u>	<u>—</u>	<u>4,527</u>
Nonoperating:				
Capital contributions	19	1,755	434	2,208
Net assets released from restrictions (note 11)	4,120	(4,714)	—	(594)
Net unrealized and realized gain on long-term investments, less amount used in operations (note 3)	12,456	—	344	12,800
Other income	116	7	—	123
Capital campaign fundraising expenses	<u>(1,450)</u>	<u>—</u>	<u>—</u>	<u>(1,450)</u>
Change in net assets from nonoperating activities	<u>15,261</u>	<u>(2,952)</u>	<u>778</u>	<u>13,087</u>
Change in net assets	19,788	(2,952)	778	17,614
Net assets:				
Beginning of period	<u>145,053</u>	<u>6,837</u>	<u>10,177</u>	<u>162,067</u>
End of period	<u>\$ 164,841</u>	<u>3,885</u>	<u>10,955</u>	<u>179,681</u>

See accompanying notes to financial statements.

BRYANT UNIVERSITY

Statements of Cash Flows

Year ended June 30, 2005 and eleven-month period ended June 30, 2004

(Dollars in thousands)

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Change in net assets	\$ 11,761	17,614
Adjustment to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	8,574	6,661
Net unrealized and realized gain on long-term investments	(12,705)	(15,875)
Contributions of furniture, equipment, and other assets	(14)	(18)
Contributions received for long-term investment	(783)	(499)
Change in fair value of interest rate swaps	2,513	—
Net change in working capital	2,403	3,433
Net cash provided by operating activities	<u>11,749</u>	<u>11,316</u>
Cash flows from investing activities:		
Additions to land, buildings, and equipment	(14,328)	(8,739)
Proceeds from maturities and sales of investments	145,182	142,490
Cost of purchases of investments	(139,772)	(142,160)
Decrease in deposits held by bond trustees	(8)	5,158
Change in notes receivable, net	(66)	(109)
Net cash used in investing activities	<u>(8,992)</u>	<u>(3,360)</u>
Cash flows from financing activities:		
Contributions received for long-term investment	783	499
Repayment of principal on notes and bonds payable	(3,562)	(7,983)
Increase in refundable advances – U.S. government grants	104	117
Net cash used in financing activities	<u>(2,675)</u>	<u>(7,367)</u>
Change in cash	82	589
Cash, beginning of period	<u>66</u>	<u>(523)</u>
Cash, end of period	<u>\$ 148</u>	<u>66</u>

See accompanying notes to financial statements.

BRYANT UNIVERSITY

Notes to Financial Statements

June 30, 2005 and 2004

(Dollars in thousands)

(1) Description of the University

Bryant University (the University) is a private, nonsectarian, coeducational institution of higher education chartered under the laws of the State of Rhode Island. The University was founded in 1863 and is located in Smithfield, on approximately 400 acres. The University offers a program leading to bachelors degrees in business administration, communication, information technology, applied psychology, and liberal studies. Additionally, the University offers graduate programs leading to masters degrees in business administration, information systems, and taxation.

In fiscal 2004, the University changed its year-end to June 30 from July 31. Accordingly, the accompanying 2005 financial statements include twelve months of activity, compared to eleven months of activity in 2004.

Effective August 25, 2004, the University changed its name from "Bryant College" to "Bryant University." Associated with this change, the Academic Affairs division was restructured to create a College of Business and a College of Arts and Sciences.

(2) Summary of Significant Accounting Policies

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

(a) Net Assets

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

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income and gains, if any, on related investments for general or specific purposes.

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

Unrestricted net assets – Net assets not subject to donor-imposed stipulations which the University may use at its discretion.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and or the stipulated time period has elapsed, are reported as net assets released from restrictions between the applicable classes of net assets.

BRYANT UNIVERSITY

Notes to Financial Statements

June 30, 2005 and 2004

(Dollars in thousands)

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

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

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted revenues. Promises to give that are scheduled to be received after the statements of financial position date are shown as increases in temporarily restricted net assets and are released to unrestricted net assets when the purpose and/or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. The University reports contributions of land, buildings or equipment as unrestricted revenues unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as unrestricted revenues provided the long-lived assets are placed in service in the same reporting period. Otherwise, the contributions are reported as temporarily restricted support until the assets are acquired and placed in service.

Unconditional promises to give that are receivable as of the end of the fiscal year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is expected to be received. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any.

The University adheres to the AICPA *Not-for-Profit Organizations Audit and Accounting Guide* in reporting expenses by their functional classification. Accordingly, depreciation, interest, and operations and maintenance expenses have been allocated to functional classifications based on building square footage. In addition, total fundraising expenses were \$2,233 and \$2,273 for the year ended June 30, 2005 and for the period August 1, 2003 to June 30, 2004, respectively.

(b) Short-Term Investments

Short-term investments include cash equivalents having maturities at date of purchase of three months or less, and are carried at cost, which approximates market value.

BRYANT UNIVERSITY
Notes to Financial Statements
June 30, 2005 and 2004
(Dollars in thousands)

(c) Investments

Investments are carried at fair value. All long-term investments have been reported in the financial statements at their fair value in the case of marketable securities. The fair value of publicly traded securities is based upon quotes from the principal exchanges on which the security is traded. Mutual fund investments are valued based on net asset values. The net increase (decrease) in realized and unrealized appreciation (depreciation) in the fair value of such investments has been included in the statements of activities in the appropriate net asset classification.

Alternative investments are comprised of hedge funds, and partnerships in venture capital, private equity, natural resources, and real estate, for which quoted market prices are not available, the estimated fair value of these investments is based on valuations provided by the external investment managers. Since limited partnership investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. These investments represent approximately 27.2% and 19.4% of total investments, as of June 30, 2005 and 2004, respectively.

Management is responsible for the fair measurements of investments reported in the financial statements. The University has implemented policies and procedures to assess the reasonableness of the fair values provided and believes that reported fair values as of the statement of financial position date are reasonable.

(d) Liquidity

In order to provide information about liquidity, assets have been sequenced according to their convertibility to cash, and liabilities according to their estimated maturity.

(e) 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 as of 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.

(f) Land, Buildings, and Equipment

Land, constructed and purchased property, and equipment are carried at historical cost. Long-lived fixed assets, with the exception of land, are depreciated using the straight-line method over their estimated useful lives, which range from three to forty years.

(g) Deferred Revenues

Students' reservation deposits along with advance payments for tuition, room, board, and certain expenditures which relate to the University's summer or fall sessions have been deferred and will be recorded as unrestricted revenues and expenses, respectively, in the year in which they are earned or incurred.

BRYANT UNIVERSITY
Notes to Financial Statements
June 30, 2005 and 2004
(Dollars in thousands)

(h) Tax Status

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from income taxes pursuant to Section 501(a) of the Code.

(i) Operations

The statements of activities report the changes in unrestricted, temporarily restricted and permanently restricted assets from operating and nonoperating activities. Unrestricted operating revenues consist of those items attributable to the University's primary mission of providing education. It includes investment earnings on the University's operating funds. Investment earnings on the University's unrestricted long-term investments and all realized and unrealized gains, net of the amount appropriated for operations, are classified as nonoperating. Net assets released from restrictions for capital purposes are included in nonoperating. Additionally, unrestricted operating revenues include contributions received related to annual fund support while all other contributions, and related capital campaign fundraising expenses, are classified as nonoperating.

(j) Reclassifications

Certain 2004 balances have been reclassified to conform to 2005 reporting practices.

(3) Investments

Long-term investments consisted of the following as of June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Equity securities and mutual funds	\$ 75,859	76,421
Fixed income securities and mutual funds	26,083	27,275
Alternative investments:		
Hedge Funds	18,946	9,222
Real Estate Funds	11,993	11,621
Private Equity and Venture Capital Fund	4,272	2,210
Natural Resources	3,152	2,408
Cash equivalents	926	2,122
Total long-term investments, at fair value	<u>\$ 141,231</u>	<u>131,279</u>

The University had open purchase commitments for its partnership investments of \$15,954 as of June 30, 2005.

BRYANT UNIVERSITY
Notes to Financial Statements
June 30, 2005 and 2004
(Dollars in thousands)

Long-term investment activity consisted of the following for the year ended June 30, 2005 and for the period August 1, 2003 to June 30, 2004:

	2005	2004
Long-term investments at beginning of period	\$ 131,279	117,980
Contributions	783	499
Interest and dividends	4,029	4,336
Net realized and unrealized gain	12,705	15,875
Management fees	(1,537)	(1,431)
Total investment earnings	15,197	18,780
Amount appropriated for operating activities	(6,028)	(5,980)
Long-term investments at end of period	\$ 141,231	131,279

Management fees have been calculated based on actual costs charged by investment managers and, in the case of mutual funds, based on an approximation of expense ratios on assets under management. For the eleven-month period ending June 30, 2004, management fees were similarly recalculated for purposes of comparability.

Under the University's long-term investment spending policy, up to 5% of the long-term investments' three-year average market value is appropriated for expenditure.

Cash and short-term investments of \$17,736 and \$20,312 as of June 30, 2005 and 2004, respectively, include a cash balance of \$148 and \$66, respectively.

(4) Contributions Receivable

Contributions receivable consisted of the following as of June 30, 2005 and 2004:

	2005	2004
Amounts due in:		
Less than one year	\$ 1,155	2,108
One to five years	1,676	1,993
Over five years	53	110
Less discount and allowance for uncollectible contributions	(604)	(794)
Contributions receivable, net	\$ 2,280	3,417

BRYANT UNIVERSITY
Notes to Financial Statements
June 30, 2005 and 2004
(Dollars in thousands)

(5) Notes Receivable

Notes receivable include funds advanced to the University by the U.S. government under the Federal Perkins Loan Program (the Program). Such funds may be reloaned by the University after collection, but in the event that the University no longer participates in the Program, the amounts are generally refundable to the U.S. government. Notes receivable are principally amounts under the Program and are subject to significant restrictions. Accordingly, it is not practicable to determine the fair value of such amounts.

(6) Land, Buildings and Equipment

The University's land, buildings and equipment are comprised of the following as of June 30, 2005 and 2004:

	2005	2004
Buildings and leasehold improvements	\$ 119,669	112,857
Furniture, equipment, and other assets	31,205	36,537
Land and improvements	10,168	11,082
Construction in progress	940	841
	161,982	161,317
Less accumulated depreciation	(71,746)	(75,584)
Land, buildings and equipment, net	\$ 90,236	85,733

Depreciation expense was \$8,420 and \$6,520 for the year ended June 30, 2005 and for the period August 1, 2003 to June 30, 2004, respectively.

BRYANT UNIVERSITY
Notes to Financial Statements
June 30, 2005 and 2004
(Dollars in thousands)

(7) Notes and Bonds Payable

Notes and bonds payable outstanding as of June 30, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
3%, U.S. Department of Housing and Urban Development (HUD) Bryant College Dormitory Bonds of 1969, due in semiannual installments of varying amounts to 2010	\$ 358	433
4.73%, RIHEBC, 1998 Master Lease, due in varying amounts to 2008	1,086	1,416
4.24%, RIHEBC, 1998 Master Lease, due in varying amounts to 2009	1,992	2,509
4.25%-5.00%, RIHEBC, 2001 Series, due in varying amounts to 2032	28,105	28,625
4.00%-5.00%, RIHEBC, 2002 Series, due in varying amounts to 2019	13,305	15,425
Less unamortized bond discount	<u>(340)</u>	<u>(404)</u>
Notes and bonds payable, net	<u>\$ 44,506</u>	<u>48,004</u>

Cash paid for interest was \$2,277 and \$2,458 for the year ended June 30, 2005 and for the period August 1, 2003 to June 30, 2004, respectively.

The University believes that its debt approximates fair value based on estimates using interest rates available for similar debt with equivalent maturities.

Scheduled annual principal repayments of notes and bonds payable as of June 30, 2005 and 2004 are as follows:

	<u>Bonds</u>	<u>Notes</u>
Fiscal year:		
2006	\$ 1,315	885
2007	1,368	925
2008	1,435	966
2009	1,497	302
2010	1,508	—
Thereafter	<u>34,645</u>	<u>—</u>
Total principal payments	<u>\$ 41,768</u>	<u>3,078</u>

The 1969 HUD bonds are collateralized by a first mortgage on certain dormitories of the University.

BRYANT UNIVERSITY

Notes to Financial Statements

June 30, 2005 and 2004

(Dollars in thousands)

In June 1998, the University entered into a \$3,100 Master Lease with RIHEBC to finance the expansion of computer technology, renovation, and rehabilitation of certain buildings at the University, and to pay certain expenses of issuance with respect to the Master Lease. The lease is collateralized by the assets purchased with the lease proceeds.

In December 1998, the University entered into a \$5,000 Master Lease with RIHEBC to finance the construction of athletic facilities, expansion of computer technology, renovation, and rehabilitation of certain buildings at the University, and to pay certain expenses of issuance with respect to the Master Lease. The lease is collateralized by the assets purchased with the lease proceeds.

In January 2001, the University entered into an agreement with RIHEBC which provided for the issuance of \$30,000, 4.00%-5.19%, Higher Education Facility Revenue Bonds, Series 2001 due in varying principal payments or sinking fund payments to June 1, 2019. These bonds are a general obligation of the University, requiring a pledge of tuition and admission fees received in each fiscal year.

In May 2002, the University entered into an agreement with RIHEBC which provided for the issuance of \$19,425, 2.00%-5.24%, Higher Education Facility Revenue Refunding Bonds, 2002 Series A Bonds, due in varying principal payments or sinking fund payments to June 1, 2019. These bonds are a general obligation of the University, requiring a pledge of tuition and admission fees received in each fiscal year.

(8) Interest Rate Swaps

In anticipation of issuance of variable-rate debt in the upcoming fiscal years, the University entered into two interest rate swap agreements with a financial institution counterparty. The purpose of these agreements is to swap the variable rate on the underlying debt anticipated to be issued for \$30,000 and \$10,000 in October 2005 and 2008, for fixed rates of 3.79% and 3.79%, respectively. Counterparty payments will commence monthly from November 1, 2008 through June 1, 2035. The University entered into the agreements to hedge cash flows attributable to interest payments on the anticipated debt issue, and does not use such instruments for speculative purposes. Under SFAS 133, the instruments' fair value values and changes therein must be measured in the University's net assets. The values of the swap instruments represent the estimated cost to the University to cancel the agreements at the reporting date, which are liabilities and are based on option pricing models that consider risks and market factors.

The amount charged to net assets for the year ended June 30, 2005 included \$2,513 representing the effect on net assets for changes in the swaps' fair value since February 7, 2005, the inception of the swap agreements.

BRYANT UNIVERSITY
Notes to Financial Statements
June 30, 2005 and 2004
(Dollars in thousands)

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Contributions receivable, net	\$ 2,136	3,242
Purpose restrictions:		
Scholarships	178	147
Instruction	101	96
Academic support	1	138
Student services	40	48
Institutional support	4	3
Public service	36	119
Buildings and facilities	21	39
Other capital campaign	35	53
Total purpose restrictions	<u>416</u>	<u>643</u>
Total temporarily restricted net assets	<u>\$ 2,552</u>	<u>3,885</u>

(10) Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following as of June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Contributions receivable, net	\$ 106	175
Assets for which income is restricted for the following purposes:		
Scholarships	9,953	8,944
Instruction and other programs	1,889	1,836
Total income restricted as to purpose	<u>11,842</u>	<u>10,780</u>
Total permanently restricted net assets	<u>\$ 11,948</u>	<u>10,955</u>

BRYANT UNIVERSITY
Notes to Financial Statements
June 30, 2005 and 2004
(Dollars in thousands)

(11) Net Assets Released from Restrictions

Net assets released from temporary donor restrictions by incurring expenses or costs satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

	2005	2004
Buildings and facilities	\$ 1,816	4,120
Scholarships and other programs	590	594
Total net assets released from restrictions	\$ 2,406	4,714

(12) Retirement Plan

The University has a contributory retirement plan (the Plan) for eligible full-time academic, administrative and service personnel. The Plan is designed in accordance with the provisions of Section 403(b) of the Code. Contributions are made by the University and the participants to the Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and the Fidelity Service Company, the Plan's investment custodians, based on participant elections. The University's expense under the Plan was \$2,473 and \$2,248 for the year ended June 30, 2005 and for the period August 1, 2003 to June 30, 2004, respectively.

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(13) Uniform Management of Institutional Funds Act

The University is incorporated under the laws of the State of Rhode Island and is, therefore, subject to the provisions of the Rhode Island Uniform Management of Institutional Funds Act (the Act), as amended. Under the Act, the accumulated realized and unrealized gains related to the investment of a permanently restricted contribution may legally be appropriated for expenditure by the University to a specified limit, with a fixed amount remaining with the permanently restricted contribution in order to account for any changes in the purchasing power of the historic dollar value of the contribution, unless donor-imposed restrictions explicitly provide otherwise, thus preserving the buying power of these contributions. Accordingly, the net gains on permanently restricted contributions that contain no donor restrictions as to the use of income derived therefrom have been included in unrestricted net assets. The net gains on permanently restricted contributions that contain donor restrictions as to the use of income derived therefrom have been included in temporarily restricted net assets to the extent that they are not spent pursuant to the restrictions in the same period they are earned. Only the original amount of permanently restricted contributions, plus the calculation of a portion of the income and gains based upon the consumer price index, has been included in permanently restricted net assets.

(14) Natural Classification of Operating Expenses

Operating expenses by their natural classification were as follows for the year ended June 30, 2005 and for the period August 1, 2003 to June 30, 2004:

	<u>2005</u>	<u>2004</u>
Salaries and wages	\$ 35,205	32,483
Fringe benefits	10,015	9,302
Depreciation and amortization	8,574	6,661
Food service	4,957	4,225
Purchased services	4,339	3,209
Utilities and communications	2,886	2,806
Facility renovations	2,153	2,341
Interest	2,267	2,219
Advertising and publications	1,948	1,644
Supplies and postage	1,262	798
Other	7,618	6,463
Total operating expenses	<u>\$ 81,224</u>	<u>72,151</u>