BRYANT UNIVERSITY

Consolidated Financial Statements

June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)

BRYANT UNIVERSITY

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KPMG LLP
50 Kennedy Plaza
Providence, RI 02903

Independent Auditors' Report

The Board of Trustees
Bryant University:

We have audited the accompanying consolidated statements of financial position of Bryant University (the University) as of June 30, 2008 and 2007, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 15, 2008

BRYANT UNIVERSITY

Consolidated Statements of Financial Position

June 30, 2008 and 2007

(Dollars in thousands)

Assets		**2008**	**2007**
Cash and short-term investments (note 3)	$	38,484	32,317
Accounts receivable, net		1,227	1,520
Contributions receivable, net (note 4)		387	846
Prepaid expenses and other assets		1,362	1,694
Notes receivable, net (note 5)		6,070	5,961
Interest rate swap (note 8)		—	365
Long-term investments (note 3)		171,337	178,108
Deposits held by bond trustees (note 7)		494	18,670
Land, buildings, and equipment, net (notes 6 and 7)		140,493	125,126
Total assets	$	359,854	364,607
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	16,134	16,239
Deferred revenues and advance payments		8,402	7,138
Asset remediation obligation		3,100	3,526
Interest rate swap (note 8)		2,913	36
Notes and bonds payable, net (note 7)		88,226	90,143
Refundable advances – U.S. government grants (note 5)		5,706	5,640
Total liabilities		124,481	122,722
Net assets:			
Unrestricted:			
Available for operations		19,024	22,890
Designated for long-term investment		153,193	161,726
Net investment in plant		46,748	42,316
Total unrestricted net assets		218,965	226,932
Temporarily restricted (note 9)		991	1,466
Permanently restricted (notes 10 and 13)		15,417	13,487
Total net assets		235,373	241,885
Commitments and contingencies (note 3)			
Total liabilities and net assets	$	359,854	364,607

See accompanying notes to consolidated financial statements.

BRYANT UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2008

(Dollars in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2008
Operating:				
Revenues:				
Tuition and fees	$ 95,427	—	—	95,427
Residence and dining	28,684	—	—	28,684
Less scholarships and grants	(30,470)	—	—	(30,470)
Net student revenue	93,641	—	—	93,641
Contributions	875	—	—	875
Net assets released from restrictions (note 11)	751	—	—	751
Government grants	648	—	—	648
Long-term investment income used in operations (note 3)	7,136	—	—	7,136
Short-term investment income	1,370	—	—	1,370
Public service	1,160	—	—	1,160
Auxiliary and other sources	4,529	—	—	4,529
Total operating revenues	110,110	—	—	110,110
Expenses (note 14):				
Instruction	30,891	—	—	30,891
Academic support	10,056	—	—	10,056
Student services	20,344	—	—	20,344
Institutional support	17,246	—	—	17,246
Public service	2,195	—	—	2,195
Auxiliary services	25,054	—	—	25,054
Total operating expenses	105,786	—	—	105,786
Increase in net assets from operating activities	4,324	—	—	4,324
Nonoperating:				
Capital contributions	—	622	1,196	1,818
Net assets released from restrictions (note 11)	336	(1,087)	—	(751)
Net unrealized and realized (loss) gain on long-term investments, less amount used in operations (note 3)	(8,709)	—	734	(7,975)
Change in fair value of interest rate swaps (note 8)	(3,242)	—	—	(3,242)
Other	(676)	(10)	—	(686)
Change in net assets from nonoperating activities	(12,291)	(475)	1,930	(10,836)
Change in net assets	(7,967)	(475)	1,930	(6,512)
Net assets:				
Beginning of year	226,932	1,466	13,487	241,885
End of year	$ 218,965	991	15,417	235,373

See accompanying notes to consolidated financial statements.

BRYANT UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2007

(Dollars in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2007
Operating:				
Revenues:				
Tuition and fees	$ 86,962	—	—	86,962
Residence and dining	25,418	—	—	25,418
Less scholarships and grants	(25,393)	—	—	(25,393)
Net student revenue	86,987	—	—	86,987
Contributions	1,019	—	—	1,019
Net assets released from restrictions (note 11)	685	—	—	685
Government grants	652	—	—	652
Long-term investment income used in operations (note 3)	6,496	—	—	6,496
Short-term investment income	2,432	—	—	2,432
Public service	1,228	—	—	1,228
Auxiliary and other sources	4,419	—	—	4,419
Total operating revenues	103,918	—	—	103,918
Expenses (note 14):				
Instruction	27,760	—	—	27,760
Academic support	9,440	—	—	9,440
Student services	18,547	—	—	18,547
Institutional support	15,887	—	—	15,887
Public service	1,979	—	—	1,979
Auxiliary services	21,861	—	—	21,861
Total operating expenses	95,474	—	—	95,474
Increase in net assets from operating activities	8,444	—	—	8,444
Nonoperating:				
Capital contributions	—	534	412	946
Net assets released from restrictions (note 11)	637	(1,322)	—	(685)
Net unrealized and realized gain on long-term investments, less amount used in operations (note 3)	21,451	—	354	21,805
Change in fair value of interest rate swaps (note 8)	(93)	—	—	(93)
Other	(206)	37	—	(169)
Change in net assets from nonoperating activities	21,789	(751)	766	21,804
Change in net assets	30,233	(751)	766	30,248
Net assets:				
Beginning of year	196,699	2,217	12,721	211,637
End of year	$ 226,932	1,466	13,487	241,885

See accompanying notes to consolidated financial statements.

BRYANT UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2008 and 2007

(Dollars in thousands)

		2008	2007
Cash flows from operating activities:			
Change in net assets	$	(6,512)	30,248
Adjustment to reconcile change in net assets to cash provided by operating activities:			
Depreciation and amortization		13,518	12,164
Write-off of issuance costs of series 2005 & 2007 bonds		959	—
Net unrealized and realized loss (gain) on long-term investments		3,336	(24,741)
Loss on disposal of assets		69	54
Contributions of furniture, equipment, and other assets		(41)	(33)
Contributions received for long-term investment		(1,231)	(459)
Change in fair value of interest rate swaps		3,242	93
Net change in working capital		2,151	1,118
Net cash provided by operating activities		15,491	18,444
Cash flows from investing activities:			
Additions to land, buildings, and equipment		(29,850)	(33,057)
Proceeds from sale of equipment		227	266
Proceeds from maturities and sales of investments		235,833	128,406
Cost of purchases of investments		(234,858)	(133,676)
Change in deposits held by bond trustees		18,176	1,908
Change in notes receivable, net		(109)	2
Net cash used in investing activities		(10,581)	(36,151)
Cash flows from financing activities:			
Contributions received for long-term investment		1,231	459
Repayment of principal on notes and bonds payable		(2,401)	(2,293)
Retirement of debt		(50,000)	—
Proceeds from debt issuance		50,420	20,000
Payment of bond issuance costs		(520)	(276)
Increase in refundable advances – U.S. government grants		66	114
Net cash (used in) provided by financing activities		(1,204)	18,004
Change in cash		3,706	297
Cash overdraft, beginning of year (note 3)		(2,237)	(2,534)
Cash (overdraft), end of year (note 3)	$	1,469	(2,237)

See accompanying notes to consolidated financial statements.

(1) Description of the University

Bryant University (the University) is a private, nonsectarian, co-educational institution of higher education chartered under the laws of the State of Rhode Island, composed of a College of Business and a College of Arts and Sciences. The University was founded in 1863 and is located in Smithfield, Rhode Island, on approximately 420 acres. The University offers a program leading to bachelor's degrees in business administration, communications, information technology, applied psychology, and liberal studies. Additionally, the University offers graduate programs leading to master's degrees in accounting, business administration, information systems, and taxation.

The University has a wholly-owned consolidated subsidiary, BRU LLC. The purpose of the subsidiary is to own and manage real estate and to conduct or engage in any lawful business or purpose related thereto. All significant intercompany transactions and balances have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

The accompanying consolidated 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.

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 requires that they be added to the principal of a permanently 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 consolidated statements of financial position dates 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 $2,057 and $1,706 for the years ended June 30, 2008 and 2007, 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.

(c) Investments

Investments are carried at fair value. All long-term investments have been reported in the consolidated 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 consolidated statements of activities in the appropriate net asset classification.

Alternative investments are composed of hedge funds, 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, and such difference could be material. These investments represent approximately 38% of total investments as of June 30, 2008 and 31% as of June 30, 2007.

Management is responsible for the fair measurements of investments reported in the consolidated 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 consolidated statements of financial position dates are reasonable.

(d) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) 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.

(f) Deferred Revenues

Students' reservation deposits, along with advance payments for tuition, room, board, and certain expenditures that 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.

(Continued)

(g) 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.

(h) Operations

The consolidated 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 also classified as 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. Changes in the fair values of the University's swap investments and losses on early termination of debt are classified as nonoperating.

(i) Asset Retirement Obligations

The fair value of a liability for legal obligations associated with asset retirements is recognized in the period in which it is incurred in accordance with Statement of Financial Accounting Standards (SFAS) No. 143, *Accounting for Asset Retirement Obligations* (SFAS 143), and Financial Accounting Standards Board (FASB) Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligations is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of activities. The University had an asset retirement obligation of $3,100 and $3,526 as of June 30, 2008 and 2007, respectively.

(Continued)

(Dollars in thousands)

(3) Investments

Long-term investments consisted of the following as of June 30, 2008 and 2007:

		2008	2007
Equity securities and institutional funds	$	77,497	95,389
Fixed income securities and institutional funds		25,025	27,439
Alternative investments:			
Hedge funds		28,611	27,749
Real estate funds		9,455	9,343
Private equity and venture capital funds		14,563	10,842
Natural resources funds		12,014	6,878
Cash equivalents		4,172	468
Total long-term investments, at fair value	$	171,337	178,108

The University had open purchase commitments for its partnership investments of $16,326 as of June 30, 2008.

Long-term investment activity consisted of the following for the years ended June 30, 2008 and 2007:

		2008	2007
Long-term investments at beginning of year	$	178,108	154,727
Contributions		1,231	459
Interest and dividends		5,112	5,476
Net realized and unrealized (loss) gain		(3,336)	24,741
Management fees		(2,615)	(1,915)
Total investment (loss) earnings		(839)	28,302
Amount appropriated for operating activities		(7,136)	(6,496)
Interfund transfers		(27)	1,116
Long-term investments at end of year	$	171,337	178,108

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.

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 $38,484 and $32,317 as of June 30, 2008 and 2007, respectively, include a cash balance (overdraft) of $1,469 and $(2,237), respectively.

(Continued)

(Dollars in thousands)

(4) Contributions Receivable

Contributions receivable consisted of the following as of June 30, 2008 and 2007:

		2008	2007
Amounts due in:			
Less than one year	$	533	760
One to five years		161	350
Over five years		10	18
Less discount and allowance for uncollectible contributions		(317)	(282)
Contributions receivable, net	$	387	846

(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 composed of the following as of June 30, 2008 and 2007:

		2008	2007
Buildings and leasehold improvements	$	175,817	137,653
Furniture, equipment, and other assets		43,823	39,884
Land and improvements		15,914	15,816
Construction in progress		5,364	22,444
		240,918	215,797
Less accumulated depreciation		(100,425)	(90,671)
Land, buildings and equipment, net	$	140,493	125,126

Depreciation expense was $13,233 and $11,902 for the years ended June 30, 2008 and 2007, respectively. The University capitalized net interest on construction in progress in the amount of $(171) and $57 in 2008 and 2007, respectively.

(Dollars in thousands)

(7) Notes and Bonds Payable

Notes and bonds payable outstanding as of June 30, 2008 and 2007 are as follows:

		2008	2007
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	$	125	205
4.73%, Rhode Island Health and Educational Building Corporation (RIHEBC), 1998 Master Lease, due in varying amounts to 2008		—	379
4.24%, RIHEBC, 1998 Master Lease, due in varying amounts to 2009		303	890
4.00%-5.00%, RIHEBC, 2001 Series, due in varying amounts to 2032		26,410	27,000
4.30%-5.125%, RIHEBC, 2002 Series, due in varying amounts to 2019		11,115	11,880
Variable rate, RIHEBC, 2005 Series, due in varying amounts to 2035		—	30,000
Variable rate, RIHEBC, 2007 Series, due in varying amounts to 2035		—	20,000
Variable rate, RIHEBC, 2008 Series, due in varying amounts to 2035		50,420	—
Less unamortized bond discount		(147)	(211)
Notes and bonds payable, net	$	88,226	90,143

Cash paid for interest was $4,132 and $3,165 for the years ended June 30, 2008 and 2007, 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 are as follows:

		Bonds	Notes
Fiscal year:			
2009	$	1,612	303
2010		1,823	—
2011		1,900	—
2012		1,965	—
2013		2,035	—
Thereafter		78,735	—
Total principal payments	$	88,070	303

(Continued)

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

In June 1998, the University entered into a $3,100 Master Lease with RIHEBC. The lease is collateralized by the assets purchased with the lease proceeds. This obligation was paid off during 2008.

In December 1998, the University entered into a $5,000 Master Lease with RIHEBC. 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 December 1, 2031. 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.

In December 2005, the University entered into an agreement with RIHEBC which provided for the issuance of $30,000, variable rate, Higher Education Facility Revenue Bonds, due in varying principal payments or sinking fund payments to June 1, 2035. These bonds are a general obligation of the University, requiring a pledge of tuition and admission fees received in each fiscal year. The interest rate as of June 30, 2007 was 3.60%. These bonds were refunded during 2008.

In June 2007, the University entered into an agreement with RIHEBC which provided for the issuance of $20,000, variable rate, Higher Education Facility Revenue Bonds, due in varying principal payments or sinking fund payments to June 1, 2035. These bonds are a general obligation of the University, requiring a pledge of tuition and admission fees received in each fiscal year. The interest rate at June 30, 2007 was 3.65%. These bonds were refunded during 2008.

In June 2008, the University entered into an agreement with RIHEBC which provided for the issuance of $50,420, variable rate, Higher Education Facility Revenue Refunding Bonds, due in varying principal payments or sinking fund payments to June 1, 2035. They are a general obligation of the University, requiring a pledge of tuition and admission fees received in each fiscal year. This bond series is backed by a $51,199 direct-pay Letter of Credit agreement with TD Banknorth, N.A., which expires on April 24, 2011. The purpose of issuing the 2008 debt was to refund the 2005 and 2007 variable rate bonds including certain expenses incurred in connection with the issuance. The interest rate at June 30, 2008 was 1.45%.

In conjunction with the refunding of the 2005 and 2007 issues, the University wrote off unamortized debt issuance costs of $959, which is included as a nonoperating expense.

(8) Interest Rate Swaps

In February 2005, 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 $30,000 debt issued in December 2005, and another $10,000 of debt issued in June 2007, for fixed rates of 3.793% and

(Dollars in thousands)

3.790%, respectively. Counterparty payments will commence monthly from November 1, 2008 through June 1, 2035.

In February 2006, the University entered into another interest rate swap for a further $10,000 of variable debt issued in June 2007. The variable rate on the underlying debt was swapped for a fixed rate of 3.856%. Counterparty payments commenced monthly beginning November 1, 2007 and will continue through June 1, 2035. The University entered into these agreements to hedge cash flows attributable to interest payments on the debt issues and does not use such instruments for speculative purposes. Under SFAS 133, the instruments' fair values and changes therein must be measured in the University's net assets. The values of the swap instruments represent the estimated benefit or cost to the University to cancel the agreements at the reporting date, and are based on option pricing models that consider risks and market factors. The swap agreements remain in effect for the 2008 bond series, which refunded the 2005 and 2007 bond series.

The liability, representing a decrease in the value of all three swap agreements, has been recorded as an unrestricted net liability on the consolidated statements of financial position for the year ended June 30, 2008 in the amount of $2,913 (a liability in the amount of $36 at June 30, 2007). The asset, representing an increase in value of the first two swap agreements, was recorded as an unrestricted net asset on the consolidated statements of financial position for the year ended June 30, 2007 in the amount of $365.

Subsequent to June 30, 2008, the global financial markets experienced significant turmoil. In September 2008, the counterparty to the swap was in default. The University is in the process of reviewing its termination options on the swap agreements and obtaining Board approval for a possible termination. The University is not owed any collateral by the counterparty given the current mark-to-market valuation of the swaps. In addition, the University is also in the process of evaluating proposals from various third party counterparties to assume the swap terms.

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of June 30, 2008 and 2007:

		2008	2007
Contributions receivable, net	$	378	803
Purpose restrictions:			
Scholarships		357	372
Instruction		113	212
Academic support		1	16
Student services		41	21
Buildings and facilities		38	30
Other capital campaign		63	12
Total purpose restrictions		613	663
Total temporarily restricted net assets	$	991	1,466

(Dollars in thousands)

(10) Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following as of June 30, 2008 and 2007:

		2008	2007
Contributions receivable, net	$	9	43
Assets for which income is restricted for the following purposes:			
Scholarships		13,108	11,323
Instruction and other programs		2,300	2,121
Total income restricted as to purpose		15,408	13,444
Total permanently restricted net assets	$	15,417	13,487

(11) Net Assets Released from Restrictions

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

		2008	2007
Buildings and facilities	$	331	627
Scholarships and other programs		756	695
Total net assets released from restrictions	$	1,087	1,322

(12) Retirement Plan

The University has a defined contribution 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 Internal Revenue 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 $3,062 and $2,745 for the years ended June 30, 2008 and 2007, respectively.

(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.

(Dollars in thousands)

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 years ended June 30, 2008 and 2007:

		2008	2007
Salaries and wages	$	43,502	39,589
Depreciation and amortization		13,518	12,164
Fringe benefits		13,356	11,825
Purchased services		6,412	6,111
Food service		6,678	6,131
Interest		3,958	2,744
Utilities and communications		3,932	3,381
Advertising and publications		2,217	2,113
Facility renovations		1,837	1,722
Supplies and postage		1,603	1,396
Other		8,773	8,298
Total operating expenses	$	105,786	95,474

(15) Recently Issued Accounting Standards

Effective July 1, 2007, the University adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109 (FIN 48).* This Interpretation requires an enterprise to analyze their income tax positions under a new two-step recognition and measurement standard. The first step requires evaluation of a tax position that encompasses recognition through a more-likely-than-not threshold that the position would be sustained under examination. The second step is to measure those tax positions that meet the more-likely-than-not threshold of recognition. Measurement is done to determine if there needs to be a change in a tax liability or receivable, or in a deferred tax liability or receivable.

The University has analyzed its tax positions and believes the Interpretation had no significant impact on the consolidated financial statements.