KPMG

BRANDEIS UNIVERSITY

Financial Statements

June 30, 2007 and 2006

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

The Board of Trustees
Brandeis University:

We have audited the accompanying statements of financial position of Brandeis University (the University) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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, 2007 and 2006 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

September 19, 2007

BRANDEIS UNIVERSITY

Statements of Financial Position

June 30, 2007 and 2006

(Dollars in thousands)

Assets		2007	2006
Cash and cash equivalents	$	50,557	47,690
Accounts receivable, net (note 2)		9,650	9,573
Notes receivable, net (note 3)		12,958	12,998
Other assets		9,419	8,507
Contributions receivable, net (note 4)		90,452	92,635
Funds held under bond agreement		55,671	6,340
Investments, at fair value (note 5)		734,709	616,258
Funds held in trust by others		10,687	10,091
Property, plant and equipment, net (notes 6, 7 and 12)		223,707	192,692
Total assets	$	1,197,810	996,784
Liabilities and Net Assets			
Accounts payable and other accrued liabilities (notes 5 and 12)	$	51,742	40,922
Sponsored program advances and deferred income		13,062	12,995
Accrued interest payable – capital appreciation bonds (note 7)		13,177	14,869
Long-term debt, net (note 7)		201,504	134,234
Refundable advances for student loans (note 3)		6,264	6,345
Total liabilities		285,749	209,365
Net assets (notes 8 and 12):			
Unrestricted		169,346	140,985
Temporarily restricted		286,464	223,957
Permanently restricted		456,251	422,477
Total net assets		912,061	787,419
Total liabilities and net assets	$	1,197,810	996,784

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Statements of Activities

Years ended June 30, 2007 and 2006

(Dollars in thousands)

	2007	2006
Changes in unrestricted net assets:		
Revenues and gains:		
Tuition and fees	$ 149,256	136,791
Residence hall and dining income	24,736	23,274
Total tuition, fees, residence hall and dining	173,992	160,065
Less university-funded financial aid	(58,025)	(51,790)
Net tuition, fees, residence hall and dining	115,967	108,275
Contributions	8,962	11,045
Sponsored programs, grants and contracts	53,425	54,677
Investment earnings (note 5)	6,294	4,484
Investment income from funds held in trust by others	761	312
Net realized and unrealized investment gains (note 5)	18,575	922
Other sources	10,093	8,516
Total revenues and gains	214,077	188,231
Net assets released from restrictions	60,493	56,714
Total unrestricted revenues, gains and other support	274,570	244,945
Expenses and losses:		
Instructional and sponsored programs	140,414	136,879
Libraries	13,436	13,178
Student services	23,426	22,022
Institutional support	38,104	31,303
Auxiliary enterprises	29,970	29,064
Other reductions	859	1,480
Total expenses and losses	246,209	233,926
Cumulative effect of accounting change (note 12)	—	6,362
Increase in unrestricted net assets	28,361	4,657
Changes in temporarily restricted net assets:		
Contributions	31,982	40,770
Investment earnings (note 5)	91,847	55,890
Change in value of split interest agreements	(653)	606
Net assets released from restrictions	(60,669)	(57,522)
Increase in temporarily restricted net assets	62,507	39,744
Changes in permanently restricted net assets:		
Contributions	31,767	39,238
Investment earnings (note 5)	2,088	528
Change in value of funds held in trust by others	599	294
Change in value of split interest agreements	(753)	(516)
Donors' clarification of intent	176	808
Other reductions	(103)	(215)
Increase in permanently restricted net assets	33,774	40,137
Change in net assets	124,642	84,538
Net assets at beginning of year	787,419	702,881
Net assets at end of year	$ 912,061	787,419

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2007 and 2006

(Dollars in thousands)

		2007	2006
Cash flows from operating activities:			
Change in net assets	$	124,642	84,538
Adjustments to reconcile change in net cash provided by operating activities:			
Cumulative effect of change in accounting principle		—	6,362
Depreciation and amortization		14,386	14,397
Net realized and unrealized investment gains		(101,571)	(45,850)
Net change from funds held in trust by others		(596)	(291)
Loss on the disposal and impairment of property, plant and equipment		10	3
Contributions restricted for long-term investment		(43,432)	(37,671)
Change in other assets		1,193	(23,257)
Change in other liabilities		4,261	2,566
Net cash (used by) provided by operating activities		(1,107)	797
Cash flows from investing activities:			
Acquisitions of buildings and equipment		(40,447)	(27,113)
Purchase of investments		(128,015)	(173,662)
Proceeds from sale and maturities of investments		111,136	164,638
Change in notes receivable, net		40	(9)
Net cash used in investing activities		(57,286)	(36,146)
Cash flows from financing activities:			
Repayments of bonds, notes and leases		(3,347)	(3,590)
Proceeds from issuance of bonds, notes and leases		70,506	2,378
Change in funds held under bond agreement		(49,331)	8,293
Contributions restricted for long-term investment		43,432	37,671
Net cash provided by financing activities		61,260	44,752
Change in cash and cash equivalents		2,867	9,403
Cash and cash equivalents, beginning of year		47,690	38,287
Cash and cash equivalents, end of year	$	50,557	47,690
Supplemental data:			
Interest paid	$	10,162	9,056

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

Brandeis University (the University) is a private, coeducational institution of higher learning and research. Founded in 1948 and located in Waltham, Massachusetts, 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.

(a) Basis of Accounting

The University's financial statements are prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles.

Depreciation, interest, and operation of plant expenses are allocated to functional expense categories on the basis of square feet utilized.

The classification of net assets, revenues, expenses, gains, and losses into three categories is based on the existence or absence of donor-imposed restrictions. The three categories are defined as follows:

Unrestricted – Net assets not subject to donor-imposed restrictions.

Temporarily restricted – Net assets with use limited by law or by donor-imposed restrictions as to purpose or time. Life income trusts and pledges receivable for which the ultimate use is not permanently restricted are reported as temporarily restricted.

Permanently restricted – Net assets subject to donor-imposed restrictions that require the assets to be invested in perpetuity.

(b) Revenue Recognition

Revenues are reported as an increase in unrestricted net assets, unless the use of the related assets is limited by donor-imposed restrictions or by law. Donor restricted gifts that are received and spent within the same fiscal year are reported as temporarily restricted revenue with a subsequent release of restrictions. Expenses are reported as a decrease in unrestricted net assets. Expiration of temporary restrictions is reflected in the accompanying statements of activities as net assets released from restrictions. Net realized gains (losses) from the sale or other disposition of investments and the change in unrealized appreciation (depreciation) of investments are reported as revenue in unrestricted net assets, unless use of these gains is restricted by donor-imposed stipulations or by law. Realized gains (losses) are computed using the average cost basis of securities sold.

Revenues associated with research and other grants and contracts are recognized when the related expenses are incurred. Indirect cost recovery by the University on federal grants and contracts is based upon a predetermined negotiated rate and is recorded as unrestricted revenue.

Student deposits, along with advance payments for tuition, room, and board for fall and certain summer sessions are deferred and will be recorded as revenues in the year in which the sessions are held.

(Continued)

(c) Contributions and Pledges

Contributions are nonreciprocal unconditional transfers of assets or cancellations of liabilities. Contributions received without donor-imposed restrictions are recorded as unrestricted revenue. Contributions received with donor-imposed restrictions are reported as revenue in the temporarily restricted or permanently restricted net asset category according to donors' restrictions. Contributions of noncash assets are recorded at fair value on the date of the contribution.

Unconditional promises to give are recognized as temporarily or permanently restricted revenues in the year the contributions are received. Contributions are recorded as assets at the present value of the expected cash flow using discount rates of 2.3% to 6.0%, net of an allowance for unfulfilled contributions based upon collection experience and other relevant factors. Conditional contributions are not recognized until the stated conditions are met.

(d) Fundraising Expense

Fundraising expense was $11,088 and $9,406 for the years ended June 30, 2007 and 2006, respectively, and is classified as institutional support in the accompanying statement of activities.

(e) Cash and Cash Equivalents

The University records all liquid investments purchased with an original maturity of three months or less as cash equivalents.

(f) Investments and Funds Held Under Bond Agreements

Investments and funds held under bond agreements are stated at fair value as determined by the investment custodians using market quotations or estimates from professional appraisers.

(g) Funds Held in Trust by Others

Funds held in trust by others are held in perpetuity by external trustees, as specified by the donor, and are recorded by the University at fair value. Trust income is distributed at least annually to the University in accordance with the terms of the trusts and is recorded as investment income. Changes in market values of the trusts are recorded as permanently restricted gains or losses.

(h) Property, Plant, and Equipment

Property, plant, and equipment is stated at cost or, if contributed, the fair value on the date of contribution, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of land improvements (18 years), buildings (35-60 years), building systems and improvements (18-25 years) and equipment and furnishings (3-15 years). Equipment purchased with grant funds is expensed; disposition of grant-funded equipment follows the applicable agency or foundation guidelines.

The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with Statement of Financial Accounting Standards (SFAS) No. 143 and Interpretation No. 47 (FIN 47), *Accounting for*

Conditional Asset Retirement Obligations, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the University capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation 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 statement of operations.

(i) Sponsored Programs, Grants, and Contracts

Sponsored activities include various research and instructional programs funded by external parties including the federal government, foreign and state governments and private foundations and corporations. Revenues associated with sponsored programs, grants, and contracts are recognized when related costs are incurred. Under the terms of federal grants, periodic audits are required and costs may be questioned and subject to reimbursement. Management believes that the outcome of such audits will not have a material effect on the financial position of the University.

(j) Use of Estimates

The preparation of financial statements in conformity with 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) Other Assets

Other assets include unamortized debt issuance costs, other prepayments, interest rate swap receivable, and inventories.

(l) Reclassification

Certain 2006 balances have been reclassified to conform to the 2007 presentation.

(Dollars in thousands)

(2) Accounts Receivable

The composition of accounts receivable as of June 30 is as follows:

		2007	2006
Student receivables	$	1,877	1,583
Sponsored programs grants receivable		6,813	5,834
Investment income receivable		354	1,128
Other		1,127	1,539
		10,171	10,084
Less allowance for doubtful accounts		(521)	(511)
Accounts receivable, net	$	9,650	9,573

(3) Notes Receivable

The composition of the notes receivable as of June 30 is as follows:

		2007	2006
Federal Perkins Loan Program	$	6,856	6,851
University loan programs		7,585	7,553
		14,441	14,404
Less allowance for doubtful loans		(1,483)	(1,406)
Notes receivable, net	$	12,958	12,998

Notes receivable include funds advanced to the University by the U.S. government under the Federal Perkins Loan Program (the Program). Notes receivable under the Program are subject to significant restrictions. Such funds are 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. Accordingly, it is not practicable to determine the fair value of such amounts.

(Dollars in thousands)

(4) Contributions Receivable

The composition of contributions receivable as of June 30 is as follows:

		2007	2006
Amounts due in:			
One year or less	$	23,196	37,830
Between one and five years		60,296	43,094
More than five years		21,578	25,882
Gross contributions receivable		105,070	106,806
Less:			
Discount		(10,793)	(10,464)
Allowance for unfulfilled contributions		(3,825)	(3,707)
Contributions receivable, net	$	90,452	92,635

Contributions receivable have been discounted to net present value at rates ranging from 2.3% to 6.0%.

(5) Investments

The University's investments comprised the following as of June 30:

		2007	2006
Cash and cash equivalents	$	8,345	22,977
Fixed income		124,401	95,748
Equities		220,835	218,597
Real estate		7,885	7,705
Alternative investments		373,243	271,231
Investments, at fair value	$	734,709	616,258

The majority of permanently restricted net assets is true endowment and is pooled for investment purposes. Income earned is allocated to the appropriate net asset category, based upon the unit share method.

Investments include gift annuities and charitable remainder trusts. These funds are held in trust for one or more beneficiaries, and generally pay lifetime income to those beneficiaries, after which the principal is made available to the University in accordance with donor intentions. The assets are recorded at fair value and liabilities are recorded to recognize the present value of estimated future payments due to beneficiaries. The liabilities of $16,069 in 2007 and $12,384 in 2006 are included in accounts payable and other liabilities in the statements of financial position.

(Continued)

(Dollars in thousands)

Investments are stated at fair value. The estimated fair value of investments is based on quoted market prices, except for certain alternative investments, principally privately held equity and hedge funds, limited partnerships, real estate and similar interests, for which quoted market prices are not readily available. The estimated fair value of alternative investments is based on management's evaluation of the underlying investments. Since such 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 significant. Approximately 51% and 44% of total investments, as of June 30, 2007 and 2006, respectively, are invested in such alternative investments. Management is responsible for the fair value measurements reported in the financial statements. The University has implemented policies and procedures to assess the reasonableness of the fair values provided and believes that the reported fair values as of the statements of financial position dates are reasonable. 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.

The University has agreed to make additional capital contributions totaling $80,404 in several private equity funds. The timing and amounts of the contributions will be determined by the general partners.

At June 30, 2007, the University has hedge fund investments of approximately $283,601, of which $70,056 is restricted from redemption for lock up periods. Some of the hedge fund investments with redemption restrictions allow early redemption for specified fees. The expiration of redemption lock up period amounts for the next five years are summarized in the table below:

		Amount
Fiscal year:		
2008	$	11,285
2009		13,928
2010		44,843
2011		—
2012		—
Total	$	70,056

(Dollars in thousands)

The following summarizes the investment return for all investments for the years ended June 30:

		2007	2006
Investment income	$	17,233	15,974
Net realized gain		34,726	29,312
		51,959	45,286
Less management fees		(2,080)	(1,982)
		49,879	43,304
Net increase in unrealized appreciation		66,845	16,538
Investment earnings	$	116,724	59,842

The Board of Trustees approved a spending policy, which authorizes the use of a prudent amount of capital appreciation in accordance with provisions of the Massachusetts Uniform Management of Institutional Funds Act. Accumulated capital gains spent in 2007 and 2006 amount to $18,062 and $22,744, respectively. The funds are utilized principally for financial aid and support of faculty chairs. Future utilization of gains is dependent on market performance. Deficiencies in donor-restricted endowment funds, resulting from declines in market value, have been offset by transfers from unrestricted net assets to temporarily restricted net assets. There were no deficiencies at June 30, 2007 and 2006.

The University has relied upon the Massachusetts Attorney General's interpretation of relevant state law as generally permitting the spending of gains on permanently restricted net assets over a stipulated period of time. State law allows the Board of Trustees to appropriate all of the income and a specified percentage of the net appreciation as is prudent considering the University's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Under the University's spending policy, which is deemed to be within the guidelines specified under state law, a percentage of permanently restricted long-term investments is appropriated annually as determined by the University's Board of Trustees.

(Dollars in thousands)

(6) Property, Plant and Equipment

The composition of property, plant and equipment as of June 30 is as follows:

		2007	2006
Land and land improvements	$	22,579	19,596
Buildings		89,304	84,105
Building systems and improvements		233,871	210,566
Equipment and furnishings		57,724	58,068
		403,478	372,335
Less accumulated depreciation		(205,171)	(194,068)
Construction in progress		25,400	14,425
Property, plant and equipment, net	$	223,707	192,692

Depreciation expense amounted to $14,275 in 2007 and $14,280 in 2006. Operation and maintenance expenses amounted to $33,053 in 2007 and $30,864 in 2006.

Expenses for the repairs and maintenance of facilities are recorded during the period incurred; betterments, which add to the value of the related assets or materially extend the lives of the assets, are capitalized. At the time of disposition, the cost and associated accumulated depreciation are removed from the related accounts and gains or losses are reported as unrestricted revenue or expense.

The University has commitments to expend approximately $17,600 to complete various construction projects as of June 30, 2007. The university anticipates additional expenditures of approximately $127,400 to complete the construction projects.

(Continued)

(Dollars in thousands)

(7) Indebtedness

Outstanding debt as of June 30 consists of the following:

		2007	2006
Commonwealth of Massachusetts Health and Educational Facilities Authority (MHEFA) Brandeis University Issue Series I Revenue Bonds at effective interest rates from 4.67% to 5.125%, maturing October 1, 2012 through October 1, 2028	$	82,380	82,380
Commonwealth of Massachusetts Development Finance Agency Revenue Bonds, Brandeis University Issue 2007 Series L, Select Auction Variable Rate Securities maturing in annual installments from October 1, 2008 through October 1, 2037		61,975	—
Commonwealth of Massachusetts Development Finance Agency (MDFA) Revenue Bonds, Brandeis University Issue 2004 Series K, at interest rates from 2.0% to 4.94%, maturing in annual installments from October 2004 through October 1, 2033		23,940	24,430
Commonwealth of Massachusetts Health and Educational Facilities Authority (MHEFA) Brandeis University Issue Series J Revenue Bonds at an interest rate of 5%, maturing October 1, 2024 through October 1, 2026		19,120	19,120
Commonwealth of Massachusetts Health and Educational Facilities Authority (MHEFA) Brandeis University Issue Master Lease, at interest rate of 3.60%, with principal to be paid monthly from December 2008 through November 2015		8,000	—
Commonwealth of Massachusetts Industrial Finance Agency (MIFA) Revenue Bonds, Brandeis University Issue 1989 Series C, at interest rates from 6.40% to 6.85%, maturing in annual installments from October 1, 2003 through October 1, 2011		5,594	6,958
Various capital lease agreements with a financial services corporation with lease payments at interest rates from 2.57% to 10.25% through January 2010		2,161	2,902
Various mortgage notes payable at interest rates from 0% to 8.50%, maturing in various years through November 1, 2011 (see note 1)		702	921
Long-term debt before discount		203,872	136,711
Less unamortized discount		(2,368)	(2,477)
Long-term debt, net	$	201,504	134,234

(Continued)

(Dollars in thousands)

In January 2004, the University issued Massachusetts Development Finance Agency (MDFA) Revenue Bonds, Brandeis University Issue, Series K, in the amount of $25,385. The proceeds of the Series K Bonds were used to finance a major infrastructure renewal project on the University's campus.

During fiscal years 2007 and 2006 the University obtained lease financing through financial services corporations in the amount of $368 and $2,378, respectively, for the installation of network wiring and acquisition of computer equipment.

In November 2006 the University entered a lease agreement with the Massachusetts Health and Educational Facilities Authority in the amount of $8,000. The proceeds of the Lease Agreement are being used to finance equipment related to information technology.

In March 2007, the University issued Massachusetts Development Finance Agency Revenue Bonds, Brandeis University Issue, Series L, Select Auction Variable Rate Securities, in the amount of $61,975. The proceeds of the Series L Bonds will be used to finance construction of a new science center, a new residence hall, and a new parking garage.

Dining facilities renovations have been financed by loans from a University vendor. The outstanding balance of $464 at June 30, 2007 is included in notes payable and will be repaid in installments through September 2010. During the year ended June 30, 2007, the vendor made a new loan $165.

MIFA 1989 Series C capital appreciation bonds require interest to be paid when the principal on the bonds is due. The capital appreciation bonds mature in 2003 through 2011. The University accrues for the capital appreciation interest currently. The balance at June 30, 2007 and 2006 was $13,177 and $14,869, respectively.

The University has a $25,000 line of credit, with a variable rate of interest at prime or a fixed rate at LIBOR plus 1% that is redetermined on a 30 to 90 day basis. There was no amount outstanding as of June 30, 2007 and 2006.

The fair value of the external debt is estimated to be approximately $6,000 higher than the aggregate carrying value at June 30, 2007.

The University's payments for debt and lease obligations are as follows:

		Debt	**Leases**
Year ending June 30:			
2008	$	2,126	1,031
2009		3,930	738
2010		4,408	392
2011		4,428	—
2012		4,463	—
Thereafter		182,356	—
	$	201,711	2,161

(Dollars in thousands)

Interest expense for the years ended June 30, 2007 and 2006 was $7,496 and $7,666, respectively. Interest costs incurred in association with the Series K bond, Series L bond, and MHEFA Master Lease and capitalized during 2007 and 2006 were $1,008 and $31, respectively, and will be amortized over the useful lives of the related assets. The bond agreements contain covenants, which among other restrictions include the maintenance of a specific amount of cash and investments not subject to legal restrictions. The University was compliant with these covenants as of June 30, 2007.

The University is party to two interest rate swap transactions designed to manage the University's interest costs and risks associated with variable rate debt. In January 2006, the University entered into two interest rate swap agreements, which expire in October 2036 and October 2039, effectively to convert $60,000 and $40,000, respectively, of the variable rate exposure to a fixed rate. Under the terms of this agreement the University pays a fixed rate of 3.78% and 3.91% and receives 67% LIBOR on the notional principal amount. The estimated fair value of this agreement, based on various factors related to the underlying debt facility and interest rates, represents an unrealized gain of $1,110 and $1,309 at June 30, 2007 and June 30, 2006, respectively. This is included in other assets in the Statement of Financial Position. These financial instruments involve counter-party credit exposure. The counter-party for these swap transactions is a major financial institution that meets the University's criteria for financial stability and creditworthiness.

Residence facilities with a book value of $2,174 are pledged as collateral for certain of the mortgage notes payable.

In June 2003, the University contracted to lease a telephone system. The initial lease term is 36 months with options to renew for two consecutive periods of 24 and 12 months. Future minimum operating lease payments under this agreement are as follows:

	Amount
Fiscal year:	
2008	$ 819
2009	819
	$ 1,638

(8) Net Assets

(a) Temporarily Restricted Net Assets

Temporarily restricted net assets are gifts and income received with donor stipulations and the realized and unrealized gains on endowment assets. These assets are expendable principally for instruction or financial aid.

(Dollars in thousands)

The composition of the temporarily restricted net assets as of June 30 is as follows:

		2007	2006
Restricted contributions	$	41,220	36,079
Unexpended endowment income		4,836	2,401
Net realized and unrealized gains on endowment		153,552	96,166
Life income and annuity funds		8,402	6,399
Contributions receivable, net		57,090	61,169
Physical plant and other		21,364	21,743
Total temporarily restricted net assets	$	286,464	223,957

(b) Permanently Restricted Net Assets

The composition of the permanently restricted net assets as of June 30 is as follows:

		2007	2006
Endowment funds	$	398,662	369,162
Student loan funds		4,298	4,311
Life income and annuity funds		9,242	7,447
Contributions receivable, net		33,362	31,466
Funds held in trust by others		10,687	10,091
Total permanently restricted net assets	$	456,251	422,477

(9) Retirement Programs

The University participates in defined contribution pension programs providing retirement benefits for substantially all full-time and regular part-time employees. Under the programs, the University makes monthly contributions, currently limited to 3%-10% of the annual eligible wages of participants, up to defined limits. Voluntary contributions by participants are made subject to IRS defined limits. Retirement program expenses amounted to $6,764 in 2007 and $6,283 in 2006.

In addition, the University has implemented a supplemental executive retirement plan for certain senior management employees. Benefits are based on the employees' service and earnings. The Plan is a nonqualified plan under the Code and currently has no advanced funding.

(10) Related Party Transactions

The University has invested $30,892 and $24,312 as of June 30, 2007 and 2006, respectively, in two investments with related parties. One University Trustee was a general partner at June 30, 2006 and is no longer a general partner at June 30, 2007. Another University Trustee is a managing member of a partnership. The University's Investment Committee approved and continues to monitor these investments.

(Continued)

(Dollars in thousands)

(11) Contingencies

The University is engaged in legal cases that have arisen in the normal course of its operations. The University believes that the outcome of these cases will not have a material adverse effect on the financial position of the University.

(12) Change in Accounting Principle

In March 2005, the Financial Accounting Standards Board (FASB) issued FIN 47. This interpretation clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. The types of asset retirement obligations that are covered by FIN 47 are those for which an entity has a legal obligation to perform an assets retirement activity, however, the timing and (or) method of settling the obligation are conditional on a future event that may or may not be within the control of the entity. SFAS 143 requires the fair value of a liability for a legal obligation associated with an asset retirement be recorded in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized.

The University adopted FIN 47 effective July 1, 2005 and recorded a liability of $6,503 of which $6,362 was recorded as a cumulative effect of a change in accounting principle in the year ended June 30, 2006. Because SFAS 143 requires retrospective application to the inception of the liability, the initial asset retirement obligation was calculated using a discount rate of 6.0%.

The following table summarizes the impact as of July 1, 2005:

Increase in PPE, net	$	141
Increase in liability		6,503
Cumulative effect		6,362