

**Financial Statements**  
**Saint Joseph's College**  
**June 30, 2011 and 2010**



**Mayer Hoffman McCann P.C.**  
**Tofias New England Division**  
An Independent CPA Firm

# SAINT JOSEPH'S COLLEGE

## *Financial Statements*

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*Independent Auditors' Report*

Board of Trustees  
Saint Joseph's College  
Standish, Maine

We have audited the accompanying statement of financial position of Saint Joseph's College (the "College") as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of and for the year ended June 30, 2010 were audited by other auditors whose report dated December 20, 2010 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of Saint Joseph's College as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

*Mayer Hoffman McCann P.C.*

October 24, 2011  
Boston, Massachusetts

**SAINT JOSEPH'S COLLEGE**

*Statements of Financial Position*

	<i>June 30,</i>	
	<i>2011</i>	<i>2010</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,899,881	\$ 2,493,650
Accounts receivable from students, less allowances for doubtful accounts of \$650,000 and \$495,000, respectively	912,383	725,777
Loans receivable from students, less allowances for doubtful accounts of \$65,500 and \$59,000, respectively	2,126,926	2,143,967
Investments	13,646,534	10,677,224
Deposits with bond trustee	1,314,269	1,061,985
Land, buildings and equipment, net of accumulated depreciation and amortization	38,295,637	39,646,719
Other assets	1,370,819	1,221,888
<b>Total assets</b>	<b>\$ 60,566,449</b>	<b>\$ 57,971,210</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 2,980,719	\$ 3,252,804
Student deposits and deferred revenue	2,359,426	1,793,164
Other liabilities	516,813	633,390
Bonds payable	22,490,853	23,080,853
Advances from federal government for student loans	1,243,233	1,239,233
<b>Total liabilities</b>	<b>29,591,044</b>	<b>29,999,444</b>
<b>Net assets:</b>		
Unrestricted:		
Designated by the Board for quasi-endowment	6,739,532	4,989,549
Designated by the Board for college loan fund	553,805	518,901
Undesignated	16,630,490	16,378,067
Total unrestricted net assets	23,923,827	21,886,517
Temporarily restricted	3,304,214	2,412,484
Permanently restricted	3,747,364	3,672,765
<b>Total net assets</b>	<b>30,975,405</b>	<b>27,971,766</b>
<b>Total liabilities and net assets</b>	<b>\$ 60,566,449</b>	<b>\$ 57,971,210</b>

See accompanying notes to financial statements.

SAINT JOSEPH'S COLLEGE

Statement of Activities

Year Ended June 30, 2011  
(with comparative totals for 2010)

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenues:					
Tuition and fees, less financial aid of \$11,124,197 and \$10,669,343, respectively	\$ 16,290,222	\$ -	\$ -	\$ 16,290,222	\$ 16,064,149
On-line education program tuition and fees	6,632,841	-	-	6,632,841	5,685,730
Residence and dining	8,129,239	-	-	8,129,239	7,727,707
Contributions and grants	259,328	752,423	-	1,011,751	839,644
Investment return used in operations	53,542	156,555	-	210,097	195,646
Auxiliary enterprises	649,646	-	-	649,646	561,952
Other sources	258,854	324,307	-	583,161	592,664
Net assets released from restrictions	1,297,612	(1,297,612)	-	-	-
<b>Total operating revenues</b>	<b>33,571,284</b>	<b>(64,327)</b>	<b>-</b>	<b>33,506,957</b>	<b>31,667,492</b>
Operating expenses:					
Instructional	8,967,707	-	-	8,967,707	8,720,508
On-line education program	5,607,305	-	-	5,607,305	4,993,393
Academic support	1,680,233	-	-	1,680,233	1,613,976
Student services	7,219,739	-	-	7,219,739	6,827,218
Institutional support and other expenses	6,494,170	-	-	6,494,170	6,478,512
Auxiliary services	2,073,868	-	-	2,073,868	2,133,841
<b>Total operating expenses</b>	<b>32,043,022</b>	<b>-</b>	<b>-</b>	<b>32,043,022</b>	<b>30,767,448</b>
<b>Change in net assets from operating activities</b>	<b>1,528,262</b>	<b>(64,327)</b>	<b>-</b>	<b>1,463,935</b>	<b>900,044</b>
Nonoperating activities:					
Long-term investment return (net of amounts used in operations)	1,187,020	924,914	-	2,111,934	624,656
Contributions	7,695	270,211	74,599	352,505	37,183
Net assets released from restrictions for equipment	239,068	(239,068)	-	-	-
Loss on write-off of predevelopment costs for residence hall and other property	(924,735)	-	-	(924,735)	-
<b>Change in net assets from nonoperating activities</b>	<b>509,048</b>	<b>956,057</b>	<b>74,599</b>	<b>1,539,704</b>	<b>661,839</b>
<b>Change in net assets</b>	<b>2,037,310</b>	<b>891,730</b>	<b>74,599</b>	<b>3,003,639</b>	<b>1,561,883</b>
Net assets, beginning of year	21,886,517	2,412,484	3,672,765	27,971,766	26,409,883
<b>Net assets, end of year</b>	<b>\$ 23,923,827</b>	<b>\$ 3,304,214</b>	<b>\$ 3,747,364</b>	<b>\$ 30,975,405</b>	<b>\$ 27,971,766</b>

**SAINT JOSEPH'S COLLEGE**

*Statement of Activities*

*Year Ended June 30, 2010*

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Operating revenues:				
Tuition and fees, less financial aid of \$10,669,343	\$ 16,064,149	\$ -	\$ -	\$ 16,064,149
On-line education program tuition and fees	5,685,730	-	-	5,685,730
Residence and dining	7,727,707	-	-	7,727,707
Contributions and grants	196,426	643,218	-	839,644
Investment return used in operations	38,207	157,439	-	195,646
Auxiliary enterprises	561,952	-	-	561,952
Other sources	297,668	294,996	-	592,664
Net assets released from restrictions	1,035,602	(1,035,602)	-	-
	<u>31,607,441</u>	<u>60,051</u>	<u>-</u>	<u>31,667,492</u>
<b>Total operating revenues</b>				
Operating expenses:				
Instructional	8,720,508	-	-	8,720,508
On-line education program	4,993,393	-	-	4,993,393
Academic support	1,613,976	-	-	1,613,976
Student services	6,827,218	-	-	6,827,218
Institutional support and other expenses	6,478,512	-	-	6,478,512
Auxiliary services	2,133,841	-	-	2,133,841
	<u>30,767,448</u>	<u>-</u>	<u>-</u>	<u>30,767,448</u>
<b>Total operating expenses</b>				
<b>Change in net assets from operating activities</b>	<u>839,993</u>	<u>60,051</u>	<u>-</u>	<u>900,044</u>
Nonoperating activities:				
Long-term investment return (net of amounts used in operations)	381,684	242,972	-	624,656
Contributions	8,006	-	29,177	37,183
Effect of change in endowment policy	-	856,587	(856,587)	-
	<u>389,690</u>	<u>1,099,559</u>	<u>(827,410)</u>	<u>661,839</u>
<b>Change in net assets from nonoperating activities</b>				
<b>Change in net assets</b>	<u>1,229,683</u>	<u>1,159,610</u>	<u>(827,410)</u>	<u>1,561,883</u>
Net assets, beginning of year	20,656,834	1,252,874	4,500,175	26,409,883
<b>Net assets, end of year</b>	<u>\$ 21,886,517</u>	<u>\$ 2,412,484</u>	<u>\$ 3,672,765</u>	<u>\$ 27,971,766</u>

# SAINT JOSEPH'S COLLEGE

## *Statements of Cash Flows*

	<i>Years Ended June 30,</i>	
	<i>2011</i>	<i>2010</i>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 3,003,639	\$ 1,561,883
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,855,305	1,772,536
Loss on write-off of predevelopment costs for residence hall	924,735	-
Accretion of bond premiums	(21,768)	(10,138)
Allowance for doubtful accounts	162,165	286,250
Realized and unrealized gains on investments	(1,948,248)	(476,434)
Noncash contributions	(35,000)	-
Changes in assets and liabilities:		
Accounts receivable from students	(342,189)	(364,474)
Other assets	(127,163)	51,515
Accounts payable and accrued expenses	(272,085)	50,858
Student deposits and deferred revenue	566,262	213,281
Other liabilities	(116,577)	(12,284)
Advances from federal government for student loans	4,000	(36,708)
Contributions restricted for permanent endowments	(74,599)	(29,177)
	<u>574,838</u>	<u>1,445,225</u>
<b>Net cash provided by operating activities</b>	<b><u>3,578,477</u></b>	<b><u>3,007,108</u></b>
<b>Cash flows from investing activities:</b>		
Purchases of land, buildings and equipment	(1,393,958)	(1,006,561)
Proceeds from sales of investments	2,751,983	5,361,760
Purchases of investments	(3,773,045)	(5,594,547)
Collections on loans receivable from students	277,267	258,403
Loans advanced to students	(266,808)	(347,850)
	<u>(2,404,561)</u>	<u>(1,328,795)</u>
<b>Net cash used in investing activities</b>	<b><u>(2,404,561)</u></b>	<b><u>(1,328,795)</u></b>
<b>Cash flows from financing activities:</b>		
Payments on debt	(590,000)	(994,026)
Increase in deposits with bond trustee	(252,284)	250,445
Proceeds from contributions restricted for permanent endowments	74,599	29,177
	<u>(767,685)</u>	<u>(714,404)</u>
<b>Net cash used in financing activities</b>	<b><u>(767,685)</u></b>	<b><u>(714,404)</u></b>
<b>Change in cash and cash equivalents</b>	<b>406,231</b>	<b>963,909</b>
Cash and cash equivalents, beginning of year	<u>2,493,650</u>	<u>1,529,741</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 2,899,881</u></b>	<b><u>\$ 2,493,650</u></b>
Cash paid during the year for:		
Interest	\$ 979,374	\$ 1,232,360

See accompanying notes to financial statements.

# SAINT JOSEPH'S COLLEGE

## *Notes to Financial Statements*

### *Note 1 - Nature of Operations and Summary of Significant Accounting Policies*

The Trustees of St. Joseph's College d/b/a Saint Joseph's College (the "College") is a private, Catholic college founded in 1912 by the Sisters of Mercy. The Conference for Mercy Higher Education is the College's sole corporate member. The College is an accredited institution, is incorporated under the laws of the State of Maine and is empowered to grant co-educational collegiate honors and degrees at the undergraduate and graduate levels of study. Tuition and fees from campus and on-line education programs, and residence and dining fees, provide the primary sources of revenue for the College. Students are drawn primarily from New England for campus based programs while on-line programs are more geographically diverse across the United States. A major portion of the College's revenue is funded from various student financial aid programs sponsored by the United States Department of Education.

A summary of the significant accounting policies consistently applied in the financial statements is as follows:

#### *Basis of Presentation*

The accompanying financial statements are prepared on the accrual basis of accounting.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of externally-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 College. Generally, the donors of these assets permit the College to use all or part of the investment returns for general or specific purposes.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the College and/or the passage of time. Temporarily restricted net assets also include accumulated unspent gains on permanently restricted net assets that are subject to appropriation under the College's spending policies as approved by the trustees. Temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions in the period in which the donor-imposed condition is met or the stipulated time restrictions have passed.

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for the specific purpose by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions, in which case revenues are reported in temporarily or permanently restricted, depending on the nature of the restriction. Contributions, including unconditional promises to give, are recognized as revenues in the period verifiably committed. Contributions and earnings subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value.



# SAINT JOSEPH'S COLLEGE

## *Notes to Financial Statements*

### *Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)*

#### *Basis of Presentation (Continued)*

Contributions of cash and other assets to be used to acquire land, buildings and equipment are accounted for as temporarily restricted until such resources are used for the related purpose. Promises to give that are scheduled to be received after the consolidated statement of financial position date are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are shown 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 to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions is estimated based upon management's judgment and analysis of the creditworthiness of the donors, past collections experience and other relevant factors.

Assets and liabilities have been sequenced according to their nearness to conversion to cash or repayment.

#### *Operations*

The statement of activities reports the change in net assets from operating and nonoperating activities. Operations include substantially all items of income and expense including investment income used for operations under the Board of Trustee's spending policy. Investment income in excess of the amount used for operations is considered nonoperating. Nonoperating also includes gifts to the endowment and gifts restricted for capital expenditures.

#### *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand, cash in banks and short-term highly liquid investments, with maturities at purchase of less than three months. It also includes accounts that are specifically utilized and limited as to use for student financial aid. Cash and cash equivalents included in investments is considered part of investments given the expectation of near term reinvestment. Cash in banks may at times exceed federally insured limits. The College monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

#### *Accounts Receivable from Students*

Student accounts receivable are reported at the amount management expects to collect on balances outstanding at year end. Management estimates the allowance for doubtful accounts based on history of collections and knowledge acquired about specific items. Adjustments to the allowance are charged to bad debt expense. Uncollectible accounts are written off against the reserve when deemed uncollectible; recoveries are recorded when received. An account is considered uncollectible when all efforts to collect the account have been exhausted.

# SAINT JOSEPH'S COLLEGE

## *Notes to Financial Statements*

### *Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)*

#### ***Loans Receivable***

Loans receivable are funds loaned to students by the College under various Federal loan programs. These funds are made available from the U.S. Department of Education along with institutional matching funds which allow for eligible students to have access to resources in payment of various education costs.

Loan funds may be reloaned by the College after collection, but in the event that the College no longer participates in the program, advances are generally refundable to the Federal government. Loans receivable are carried at their net realizable value. Interest income is recorded as earned. Loans receivable are considered past due if any portion of the balance due is outstanding for more than 240 days. Interest and late fees on past due accounts are recorded when received. Loans that are in default and meet certain requirements are assigned to the Department of Education, which reduces the advances from Federal government for student loans.

Management estimates the allowance for credit losses based on historical losses, current economic conditions and the credit quality of the loans. Cash limited as to use for loan programs was \$1,243,233 and \$1,239,233 at June 30, 2011 and 2010, respectively.

#### ***Investments***

Investments are carried at fair value. Fair value is determined as per fair value policies summarized later in this section. Investments are pooled with returns being allocated based on the source of the funds.

Interest, dividends and net gains or losses on investments are reported as increases or decreases in permanently restricted net assets if the terms of the original gift require that they be applied to the principal of a permanent endowment fund; as increases or decreases in temporarily restricted net assets if the terms of the gift and/or relevant state law impose restrictions on the current use of the income or net gains and losses; and as increases or decreases in unrestricted net assets in all other cases.

#### ***Deposits with Bond Trustee***

In accordance with the terms of the bond payable agreement, funds are required to be set aside to pay for interest and current principal. Such amounts are held in escrow with a financial institution in a money market account and are carried at cost plus accrued interest.

#### ***Land, Buildings and Equipment***

Land, buildings and equipment are recorded at cost except for donated assets which are recorded at fair value at the date of the gift. Additions, renewals and betterments are capitalized, unless it is a relatively minor amount. Expenditures for repairs and maintenance are charged to expense as incurred. Buildings and equipment are depreciated using the straight-line method over their respective estimated useful lives.

#### ***Student Deposits and Deferred Revenue***

Student deposits and deferred revenue represent amounts billed or received in advance of providing services. Tuition, fees and residence and dining fees are reported as revenue when earned.

# SAINT JOSEPH'S COLLEGE

## *Notes to Financial Statements*

### *Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)*

#### *Fair Value Measurements*

The College reports certain assets and liabilities at fair value on a recurring and non recurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include the College's investment accounts. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the College to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the College's financial instruments, see Note 3.

#### *Income Taxes*

The College is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt for Federal and state income taxes on related income. Accordingly, no provision for income taxes is made in the financial statements.

# SAINT JOSEPH'S COLLEGE

## *Notes to Financial Statements*

### *Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)*

#### *Uncertain Tax Positions*

The College accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The College has identified its tax status as a tax exempt entity as its only significant tax position; however, the College has determined that such tax position does not result in an uncertainty requiring recognition. The College is not currently under examination by any taxing jurisdictions. The College’s Federal and state tax returns are generally open for examination for three years following the date filed.

#### *Use of Estimates*

The preparation of 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 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. Significant estimates include reserves for accounts receivable, loans receivable, useful lives of depreciable assets, fair value of investments and allocation of operating costs to programs as it relates to presentation in the financial statements.

#### *Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the program and supporting services benefited.

Expenses associated with the operation and maintenance of the College plant assets, including interest and depreciation expense, are allocated based on estimated usage or the proportional share of each functional expense category to total functional expense for all other functions.

The College includes fundraising expenses as part of institutional support and other expenses. The amounts included in expense were \$536,265 and \$515,419 for the years ended June 30, 2011 and 2010, respectively.

#### *Reclassifications*

Certain balances in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no impact on the statement of financial position, statement of activities or statement of cash flows.

#### *Subsequent Events*

The College has evaluated the impact of all subsequent events on the College through October 24, 2011, the date the financial statements were issued.

# SAINT JOSEPH'S COLLEGE

## *Notes to Financial Statements*

### *Note 2 - Loans Receivable*

Loans receivable from students consist of the following at June 30:

	<i>30-60 Days Past Due</i>	<i>60-90 Days Past Due</i>	<i>Greater than 90 Days Past Due</i>	<i>Total Past Due</i>	<i>Current</i>	<i>Total Financing Receivable</i>	<i>Recorded Investment &gt; 90 Days and Accruing</i>
<b>June 30, 2011</b>							
Perkins Loans	\$ -	\$ 926	\$ 203,683	\$ 204,609	\$ 1,445,908	\$ 1,650,517	\$ 3,816
Nursing Loans	-	94	15,771	15,865	526,068	541,933	730
Credit Reserve	-	-	-	-	-	(65,524)	-
Student loans receivable, net	<u>\$ -</u>	<u>\$ 1,020</u>	<u>\$ 219,454</u>	<u>\$ 220,474</u>	<u>\$ 1,971,976</u>	<u>\$ 2,126,926</u>	<u>\$ 4,546</u>
<b>June 30, 2010</b>							
Perkins Loans	\$ -	\$ 801	\$ 168,540	\$ 169,341	\$ 1,519,220	\$ 1,688,561	\$ 3,485
Nursing Loans	-	225	18,265	18,490	495,857	514,347	89
Credit Reserve	-	-	-	-	-	(58,941)	-
Student loans receivable, net	<u>\$ -</u>	<u>\$ 1,026</u>	<u>\$ 186,805</u>	<u>\$ 187,831</u>	<u>\$ 2,015,077</u>	<u>\$ 2,143,967</u>	<u>\$ 3,574</u>

Allowances for credit losses are as follows:

	<i>Perkins Loans</i>	<i>Nursing Loans</i>	<i>Total</i>
<b>June 30, 2011</b>			
Beginning balance	\$ 50,557	\$ 8,384	\$ 58,941
Charge-off's	-	-	-
Recoveries	-	-	-
Provision	<u>1,852</u>	<u>4,731</u>	<u>6,583</u>
<b>Ending balance</b>	<b><u>\$ 52,409</u></b>	<b><u>\$ 13,115</u></b>	<b><u>\$ 65,524</u></b>
<b>June 30, 2010</b>			
Beginning balance	\$ 45,600	\$ 6,085	\$ 51,685
Charge-off's	-	-	-
Recoveries	-	-	-
Provision	<u>4,957</u>	<u>2,299</u>	<u>7,256</u>
<b>Ending balance</b>	<b><u>\$ 50,557</u></b>	<b><u>\$ 8,384</u></b>	<b><u>\$ 58,941</u></b>

The allowances for the Perkins and Nursing loans were collectively evaluated for impairment.

# SAINT JOSEPH'S COLLEGE

## *Notes to Financial Statements*

### *Note 3 - Investments*

Investments consisted of the following at June 30:

	<i>2011</i>	<i>2010</i>
Cash equivalents	\$ 1,093,556	\$ 693,390
United States government and other agency obligations	783,025	918,589
Equity securities	8,376,509	6,232,651
Debt securities	3,200,778	2,801,809
Other	192,666	30,785
	<u>\$ 13,646,534</u>	<u>\$ 10,677,224</u>

Investment income consisted of the following:

	<i>2011</i>	<i>2010</i>
Interest and dividends	\$ 373,783	\$ 343,868
Realized gains (losses)	489,250	(41,792)
Unrealized gains	1,458,998	518,226
	<u>2,322,031</u>	<u>820,302</u>
Total investment income	2,322,031	820,302
Less investment return used for operations	210,097	195,646
	<u>2,111,934</u>	<u>624,656</u>
<b>Long-term investment return net of amounts used for operations</b>	<b>\$ 2,111,934</b>	<b>\$ 624,656</b>

Investment management fees were \$71,285 and \$65,120 for the years ended June 30, 2011 and 2010, respectively.

# SAINT JOSEPH'S COLLEGE

## *Notes to Financial Statements*

### *Note 3 - Investments (Continued)*

The following summarizes the College's investments as of June 30, 2011 and 2010 based on inputs used to value them:

	<i>2011</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Cash equivalents	\$ 1,093,556	\$ -	\$ -	\$ 1,093,556
United States government and other agency obligations	783,025	-	-	783,025
Equity securities:				
Foreign equities	189,619	-	-	189,619
Common stock	7,904,808	-	-	7,904,808
Investment companies	282,082	-	-	282,082
Debt securities:				
Corporate bonds	2,326,739	-	-	2,326,739
Municipal bonds	162,924	-	-	162,924
Fixed income funds	711,115	-	-	711,115
Other	192,666	-	-	192,666
	<b>\$ 13,646,534</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,646,534</b>

	<i>2010</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Cash equivalents	\$ 693,390	\$ -	\$ -	\$ 693,390
United States government and other debt agency obligations	918,589	-	-	918,589
Equity securities:				
Foreign equities	197,548	-	-	197,548
Common stock	5,813,542	-	-	5,813,542
Investment companies	221,561	-	-	221,561
Debt securities:				
Corporate bonds	2,218,741	-	-	2,218,741
Municipal bonds	155,654	-	-	155,654
Fixed income funds	427,414	-	-	427,414
Other	30,785	-	-	30,785
	<b>\$ 10,677,224</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,677,224</b>

# SAINT JOSEPH'S COLLEGE

## *Notes to Financial Statements*

### *Note 3 - Investments (Continued)*

Management has assessed that fair value approximates carrying value for cash and cash equivalents, accounts receivable, deposits with trustee, accounts payable and student deposits given the short-term nature of these instruments. Management has no practical or cost effective way of determining fair value for loans receivable and advances from the Federal government along with some smaller financial instruments. Accordingly, estimates of fair value have not been derived for these items. The fair value of bond payable is noted in the table below.

	<i>2011</i>		<i>2010</i>	
	<i>Carrying Value</i>	<i>Fair Value</i>	<i>Carrying Value</i>	<i>Fair Value</i>
Long-term debt	\$ 22,490,853	\$ 22,314,133	\$ 23,080,853	\$ not available

As a result of a decline in global equity markets after year end, the fair value of the College's investments has fallen significantly subsequent to June 30, 2011.

### *Note 4 - Land, Buildings and Equipment*

Land, buildings and equipment consisted of the following at June 30:

	<i>2011</i>	<i>2010</i>
Land and land improvements	\$ 3,422,548	\$ 3,395,185
Buildings	46,730,993	46,427,013
Construction in progress	137,705	848,865
Furniture and equipment	6,975,011	6,519,429
Library	1,009,521	1,009,521
	58,275,778	58,200,013
Less accumulated depreciation and amortization	19,980,141	18,553,294
	\$ <b>38,295,637</b>	\$ <b>39,646,719</b>

Depreciation and amortization expense related to land improvements, buildings and equipment amounted to \$1,855,305 and \$1,772,536 for the years ended June 30, 2011 and 2010, respectively.

### *Note 5 - Other Assets*

Other assets include contributions and private grants receivable, deposits, debt financing costs (net of accumulated amortization), assets of split-interest agreements and other items.



# SAINT JOSEPH'S COLLEGE

## *Notes to Financial Statements*

### *Note 6 - Bonds Payable and Lines of Credit*

The College has entered into agreements to participate in several bond offerings of the Maine Health and Higher Educational Facilities Authority ("MHHEFA"). As security for the bonds, the College grants MHHEFA a security interest in all gross receipts of the College, a security interest in its equipment, and a mortgage lien on the facility. The bonds are due in varying amounts through 2032 and bear fixed rates of interest of between 2 and 5.25%.

The bonds described previously are subject to restrictive covenants that restrict the College's ability to incur additional debt and to purchase assets that increase annual operating expenses during future periods by more than 20%.

Bonds payable consist of the following at June 30, 2011 and 2010:

	<i>2011</i>	<i>2010</i>
MHHEFA Revenue Bonds Series 2003A	\$ 4,950,640	\$ 5,095,640
MHHEFA Revenue Bonds Series 2003B	4,481,550	4,606,550
MHHEFA Revenue Bonds Series 2007A	8,725,913	9,045,913
MHHEFA Revenue Bonds Series 2010B	<u>4,332,750</u>	<u>4,332,750</u>
	<b><u>\$ 22,490,853</u></b>	<b><u>\$ 23,080,853</u></b>

The amount of aggregate annual principal payments of the bonds payable for each of the five years succeeding June 30, 2011 are as follows:

2012		\$ 800,000
2013		825,000
2014		850,000
2015		880,000
2016		915,000
Thereafter		<u>18,220,853</u>
<b>Total</b>		<b><u>\$ 22,490,853</u></b>

Interest expense and paid (including notes payable and other borrowings) were as follows for the years ended June 30:

	<i>2011</i>	<i>2010</i>
Amounts paid	\$ 979,374	\$ 1,232,360
Expense	1,034,455	1,129,211

# SAINT JOSEPH'S COLLEGE

## *Notes to Financial Statements*

### *Note 6 - Bonds Payable and Lines of Credit (Continued)*

The College also has a \$1,500,000 unsecured demand line of credit with a financial institution. The interest rate on any amounts borrowed under the line of credit is at the bank's prime rate plus 1.5% or the Libor rate plus 4% at the College's election. The College did not draw against the line of credit for the years ended June 30, 2011 and 2010. In addition, the College has provided credit cards to certain employees to facilitate payment of certain expenses. Such lines available under these cards were not considered significant.

### *Note 7 - Other Liabilities*

Included in other liabilities are notes payable in the amount of \$433,495 and \$516,442 at June 30, 2011 and 2010, respectively. Certain of these notes are collateralized by land, buildings and equipment. Most of the outstanding principal on these notes is due in 2014.

### *Note 8 - Employee Benefit Plan*

The College maintains a defined contribution plan under Section 403(b) of the Internal Revenue Code. The plan covers substantially all full-time employees with one of service with the College contributing 5% of each eligible employee's base regular earnings to the plan on a current basis. The College's expense for the years ended June 30, 2011 and 2010 was approximately \$531,000 and \$541,000, respectively.

### *Note 9 - Temporarily Restricted Net Assets*

Temporarily restricted net assets are available for the following:

	<i>2011</i>	<i>2010</i>
Contributions considered time, purpose and both time and purpose restricted	\$ 816,199	\$ 865,337
Accumulated unspent gains restricted to scholarships	<u>2,488,015</u>	<u>1,547,147</u>
	<u>\$ 3,304,214</u>	<u>\$ 2,412,484</u>

# SAINT JOSEPH'S COLLEGE

## *Notes to Financial Statements*

### *Note 9 - Temporarily Restricted Net Assets (Continued)*

Net assets were released from restrictions as follows:

	<i>2011</i>	<i>2010</i>
Operating:		
Scholarships and financial aid	\$ 310,146	\$ 2,247,144
Grants	755,585	398,973
Other	231,881	352,878
	1,297,612	2,998,995
Nonoperating:		
Equipment	239,068	-
	<b>\$ 1,536,680</b>	<b>\$ 2,998,995</b>

### *Note 10 - Net Assets and Endowment Matters*

Endowment and funds functioning as endowments were as follows:

					<i>2011</i>				
					<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	
Donor-restricted endowment funds	\$	-	\$	2,488,015	\$	3,747,364	\$	6,235,379	
Board-designated endowment funds		6,739,532		-		-		6,739,532	
		<b>6,739,532</b>		<b>2,488,015</b>		<b>3,747,364</b>		<b>12,974,911</b>	
					<i>2010</i>				
					<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	
Donor-restricted endowment funds	\$	-	\$	1,547,147	\$	3,672,765	\$	5,219,912	
Board-designated endowment funds		4,989,549		-		-		4,989,549	
		<b>4,989,549</b>		<b>1,547,147</b>		<b>3,672,765</b>		<b>10,209,461</b>	

# SAINT JOSEPH'S COLLEGE

## *Notes to Financial Statements*

### *Note 10 - Net Assets and Endowment Matters (Continued)*

Changes in endowment net assets are as follows:

	<i>2011</i>			
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Endowment net assets,				
beginning of year	\$ 4,989,549	\$ 1,547,147	\$ 3,672,765	\$ 10,209,461
Contributions	646,288	-	74,599	720,887
Investment income	419,653	389,839	-	809,492
Net appreciation	767,367	691,629	-	1,458,996
Amounts appropriated for expenditure	<u>(83,325)</u>	<u>(140,600)</u>	<u>-</u>	<u>(223,925)</u>
<b>Endowment net assets, end of year</b>	<b><u>\$ 6,739,532</u></b>	<b><u>\$ 2,488,015</u></b>	<b><u>\$ 3,747,364</u></b>	<b><u>\$ 12,974,911</u></b>
	<i>2010</i>			
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Endowment net assets,				
beginning of year	\$ 4,602,859	\$ 431,616	\$ 4,500,175	\$ 9,534,650
Contributions	8,006	400	29,177	37,583
Other sources	-	-	-	-
Investment income	128,175	135,694	-	263,869
Net appreciation (depreciation)	253,509	264,717	-	518,226
Amounts appropriated for expenditure	(3,000)	(141,867)	-	(144,867)
Effect of change in endowment policy	<u>-</u>	<u>856,587</u>	<u>(856,587)</u>	<u>-</u>
<b>Endowment net assets, end of year</b>	<b><u>\$ 4,989,549</u></b>	<b><u>\$ 1,547,147</u></b>	<b><u>\$ 3,672,765</u></b>	<b><u>\$ 10,209,461</u></b>

The temporarily restricted endowment net assets represent the investment income earned on the permanently restricted endowment funds that are available to be awarded as scholarships in future years.

### *Endowment*

The College's endowment consists of approximately 60 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

# SAINT JOSEPH'S COLLEGE

## *Notes to Financial Statements*

### *Note 10 - Net Assets and Endowment Matters (Continued)*

#### *Interpretation of Relevant Law and Spending Policy*

The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the original value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original gift value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the College and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the College
- (7) The investment policies of the College

Distributions from long-term investments are made using the total return method. Under the total return method, distributions consist of interest and dividends. The Board of Trustees had established a spending rate of four percent of a rolling three-year average fair value of the long-term investments. Investment income is appropriated up to this spending rate approved by the Board of Trustees. The College has adopted this spending policy in order to protect the inviolate nature of the original corpus of gifts as well as to preserve the purchasing power of these funds into the future.

#### *Funds with Deficiencies*

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2011 or 2010.

#### *Investment Return Objectives, Risk Parameters and Strategies*

The College has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which included equity and debt securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual

# SAINT JOSEPH'S COLLEGE

## *Notes to Financial Statements*

### *Note 10 - Net Assets and Endowment Matters (Continued)*

#### *Investment Return Objectives, Risk Parameters and Strategies (Continued)*

distribution of no greater than 4% of ordinary income, while growing the funds if possible. Therefore, the College expects its endowment assets, over time, to produce an average rate of return which exceeds the inflation rate plus the level of spending. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized), rather than current yield (interest and dividends). The College targets a diversified asset allocation that places an emphasis on equity investments to achieve its long-term return objectives within prudent risk parameters. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

#### *Spending Policy*

The spending policy calculates the amount of money annually distributed from the College's various endowed funds for scholarships. The current spending policy is to distribute ordinary income no greater than 4% of the average market value for the preceding three years. If the income is not used in one year it can be carried over and used in a subsequent year. In establishing this policy, the College considered the long-term expected return of its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. Accordingly, over the long term, the College expects its current spending policy to allow its endowment assets to grow to exceed the inflation rate annually. This is consistent with the College's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

### *Note 11 - Commitments and Contingencies*

The College is self insured for purposes of payment of unemployment costs. Management has not recorded any obligation at the end of the year for costs of such given its lack of claims.

The College, from time to time, is subject to legal proceedings and claims which arise in the normal course of its business. Management believes the outcome of any pending or known matters will not have a materially adverse effect on the College's financial position or results of operations.

All funds expended and awarded by the College in connection with government grant and loan programs are subject to review or audit by government agencies or their representatives. In the opinion of management, any liability resulting from a review or audit would not have a significant impact on the financial statements of the College.

The College has a contract with a food service provider. Under the terms of the agreement, the College pays an annual management fee. The management fee for the year ended June 30, 2011 totaled \$85,000. Under the terms of the agreement, the management fee is adjusted annually on July 1. The agreement expires in June 2013.