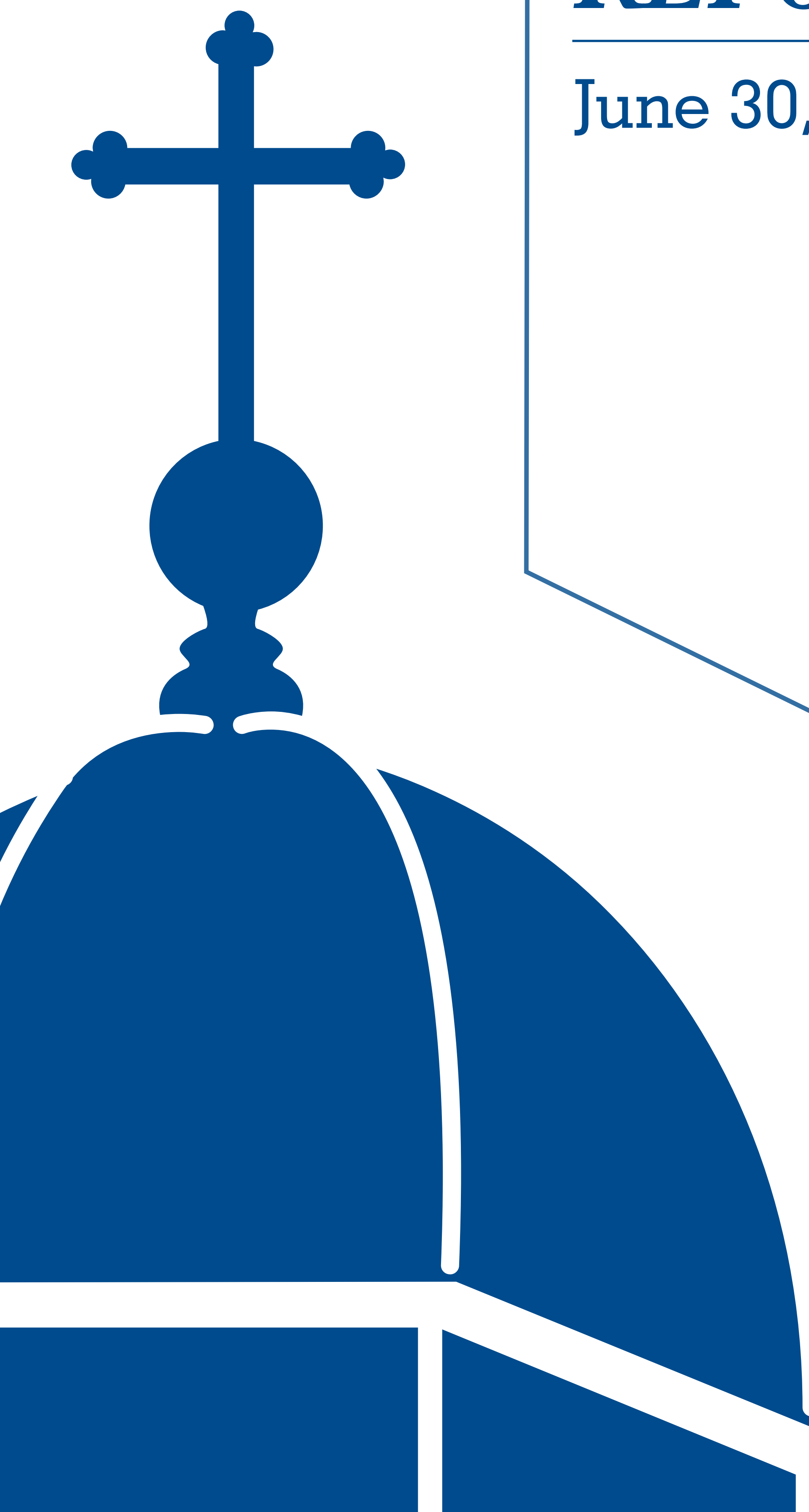
FINANCIAL REPORT

June 30, 2011



COMPARATIVE SUMMARY INFORMATION

	2006–07	2007–08	2008–09	2009–10	2010–11
Endowment—Cost	$325,366,000	$349,238,000	$385,513,000	$378,187,000	395,946,000
Endowment—Market	410,355,000	369,573,000	328,968,000	355,550,000	423,419,000
Physical Plant—Carrying Value (Excluding Depreciation)	596,763,000	619,345,000	665,178,000	702,055,000	729,303,000
Physical Plant—Insurable Value	833,067,000	845,059,000	881,682,000	955,622,000	962,663,000
Long Term Debt	317,843,000	284,497,000	303,032,000	301,689,000	304,046,000
Enrollment—Full-time—Undergraduate	6,925	6,845	7,136	6,900	7,156
Enrollment—Law School	449	425	484	503	530
Enrollment—Graduate School	2,580	2,536	2,705	2,999	2,935
Total Enrollment—Full and Part-time	10,502	10,395	10,920	10,909	11,199
Degrees Awarded—Undergraduate	1,779	1,773	1,933	1,848	1,820
Degrees Awarded—Graduate	996	889	987	978	1,124

FINANCIAL REPORT

June 30, 2011

University of Dayton

Statements of Financial Position

(In Thousands)

	June 30 2011	2010
Assets		
Cash and cash equivalents	**$ 32,729**	$ 33,345
Collateral held for securities lending agreement *(Note 2)*	**22,945**	19,595
Accounts receivable – less allowance of $2,343 in 2011 and $2,199 in 2010 *(Note 2)*	**33,565**	39,116
Pledges receivable – less allowance of $1,268 in 2011 and $1,214 in 2010 *(Note 3)*	**24,095**	23,054
Inventories	**2,770**	2,765
Prepaid expenses and other	**2,629**	2,610
Notes receivable – less allowance of $1,820 in 2011 and $1,755 in 2010	**20,223**	20,611
Investments *(Note 4)*	**601,880**	503,306
Land, buildings, and equipment *(Note 5)*	**457,186**	446,963
Total assets	**$ 1,198,022**	$ 1,091,365
Liabilities		
Accounts payable	**$ 11,600**	$ 12,832
Accrued payroll	**9,220**	10,818
Accrued compensated absences	**10,386**	10,774
Liability under securities lending agreement *(Note 2)*	**23,588**	20,303
Other liabilities	**26,629**	26,209
Deferred income and student deposits	**21,717**	23,460
Indebtedness *(Note 7)*	**304,046**	301,689
Accrued postretirement benefits *(Note 6)*	**63,632**	62,799
Advances from government for federal loans	**11,679**	11,746
Total liabilities	**482,497**	480,630
Net assets *(Note 8)*		
Unrestricted	**515,166**	423,930
Temporarily restricted	**66,655**	58,656
Permanently restricted	**133,704**	128,149
Total net assets	**715,525**	610,735
Total liabilities and net assets	**$ 1,198,022**	$ 1,091,365

See accompanying notes.

University of Dayton

Statement of Activities

Year Ended June 30, 2011
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support				
Student tuition and fees	$ 264,286	$ –	$ –	$ 264,286
Less student aid	(89,527)	–	–	(89,527)
	174,759	–	–	174,759
Private gifts, grants and other *(Note 11)*	31,921	2,007	5,550	39,478
Government grants and contracts	84,279	–	–	84,279
Investment return designated for current operations *(Note 4)*	25,602	–	–	25,602
Auxiliary enterprises	78,114	–	–	78,114
	394,675	2,007	5,550	402,232
Net assets released from restrictions	1,229	(1,229)	–	–
Total revenue, gains, and other support	395,904	778	5,550	402,232
Expenditures				
Instruction	122,802	–	–	122,802
Administrative and general	56,999	–	–	56,999
Libraries	10,920	–	–	10,920
Sponsored academic projects	12,598	–	–	12,598
Organized research	88,956	–	–	88,956
Auxiliary enterprises	77,975	–	–	77,975
Actuarial change on annuity liability	–	(220)	–	(220)
Total expenditures	370,250	(220)	–	370,030
Change in net assets from operations	25,654	998	5,550	32,202
Investment gain in excess of amounts designated for current operations *(Note 4)*	66,077	2,046	5	68,128
Change in net unrealized loss on interest rate swap agreements	2,842	–	–	2,842
Change in postretirement benefit obligation	1,618	–	–	1,618
Change in endowments operating on a loss	(4,955)	4,955	–	–
Change in net assets	91,236	7,999	5,555	104,790
Net assets at beginning of year	423,930	58,656	128,149	610,735
Net assets at end of year	$ 515,166	$ 66,655	$ 133,704	$ 715,525

See accompanying notes.

University of Dayton

Statement of Activities

Year Ended June 30, 2010
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support				
Student tuition and fees	$ 245,227	$ –	$ –	$ 245,227
Less student aid	(77,460)	–	–	(77,460)
	167,767	–	–	167,767
Private gifts, grants and other *(Note 11)*	39,228	1,097	3,580	43,905
Government grants and contracts	88,185	–	–	88,185
Investment return designated for current operations *(Note 4)*	24,104	–	–	24,104
Auxiliary enterprises	72,887	–	–	72,887
	392,171	1,097	3,580	396,848
Net assets released from restrictions	665	(665)	–	–
Total revenue, gains, and other support	392,836	432	3,580	396,848
Expenditures				
Instruction	121,691	–	–	121,691
Administrative and general	49,655	–	–	49,655
Libraries	10,260	–	–	10,260
Sponsored academic projects	13,187	–	–	13,187
Organized research	91,154	–	–	91,154
Auxiliary enterprises	75,737	–	–	75,737
Actuarial change on annuity liability	–	21	–	21
Total expenditures	361,684	21	–	361,705
Change in net assets from operations	31,152	411	3,580	35,143
Investment gain in excess of amounts designated for current operations *(Note 4)*	23,775	6,577	84	30,436
Change in net unrealized loss on interest rate swap agreements	(1,382)	–	–	(1,382)
Change in postretirement benefit obligation	(9,876)	–	–	(9,876)
Change in endowments operating on a loss	3,991	(3,991)	–	–
Change in net assets	47,660	2,997	3,664	54,321
Net assets at beginning of year	376,270	55,659	124,485	556,414
Net assets at end of year	$ 423,930	$ 58,656	$ 128,149	$ 610,735

See accompanying notes.

University of Dayton

Statements of Cash Flows
(In Thousands)

	Year Ended June 30	
	2011	**2010**
Operating activities		
Change in net assets	**$ 104,790**	$ 54,321
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	**21,118**	18,793
Gifts for restricted purposes	**(5,550)**	(3,580)
Net realized and unrealized gains on investments	**(81,165)**	(47,598)
Income restricted for long-term investment	**214**	258
Change in benefit obligations of OPEB plan	**833**	12,120
Change in net unrealized loss on interest rate swap agreements	**(2,842)**	1,382
Cash and cash equivalents (used in) provided by operating assets and liabilities:		
Decrease in receivables	**4,898**	3,830
(Increase) in inventories and prepaid expenses and other	**(24)**	(215)
Increase (decrease) in accounts payable, accrued liabilities, and other liabilities	**43**	(3,468)
(Decrease) in deferred income and student deposits	**(1,743)**	(3,070)
Net cash and cash equivalents provided by operating activities	**40,572**	32,773
Investing activities		
Income restricted for long-term investment	**(214)**	(258)
Proceeds from the sale of investments	**473,012**	1,032,068
Purchases of investments	**(490,486)**	(1,018,356)
Additions of land, buildings, and equipment – net of nominal disposals	**(32,072)**	(41,302)
Net cash and cash equivalents used in investing activities	**(49,760)**	(27,848)
Financing activities		
Increase in advances from government for federal loans	**(67)**	(351)
Gifts for restricted purposes	**5,550**	3,580
Increase in notes payable	**–**	14,400
Proceeds on bond issuance	**60,755**	–
Premium on bond issuance	**911**	–
Payments on indebtedness	**(58,577)**	(15,264)
Net cash and cash equivalents provided by financing activities	**8,572**	2,365
Net (decrease) increase in cash and cash equivalents	**(616)**	7,290
Cash and cash equivalents at beginning of the year	**33,345**	26,055
Cash and cash equivalents at end of the year	**$ 32,729**	$ 33,345

See accompanying notes.

University of Dayton

Notes to Financial Statements

June 30, 2011 and 2010

1. Organization

The University of Dayton (the University) is an independent, coeducational institution founded and sponsored by the Society of Mary (the Marianists), a Roman Catholic Institute of Consecrated Life. The University is located in Dayton, Ohio and is one of the nation's largest Catholic institutions of higher learning. Its students are primarily from Ohio and nine other midwestern and eastern states. Students also are recruited on a national basis and from foreign nations. The student population approximates 7,100 undergraduate and 3,000 graduate students. The University awards baccalaureate, masters, and selected doctoral degrees in programs within the College of Arts and Sciences and four professional schools: the School of Business Administration, the School of Education and Allied Professions, the School of Engineering, and the School of Law. Through its Research Institute, the University also directs over $91,000,000 of research contracts, the majority of which are government funded.

2. Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of the accompanying financial statements.

Basis of Presentation

Net assets are classified into three categories: unrestricted net assets, which have no donor-imposed restrictions, temporarily restricted net assets, which have donor-imposed restrictions that will expire in the future, and permanently restricted net assets, which have donor-imposed restrictions that do not expire.

The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and, at that time, the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net investment income on permanently restricted endowment accounts is included in temporarily restricted net assets unless the endowment requires it to be added to the endowment balance.

2. Accounting Policies (continued)

Contributions of land, buildings, and equipment, without donor stipulations concerning the use of such long-lived assets, are reported as revenue of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment without such donor stipulations are reported as revenue of the temporarily restricted net asset class. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors or by the change of restrictions specified by the donors. Contributions received with donor-imposed restrictions, where the restrictions are met in the same fiscal year, are reported as unrestricted net assets. In 2011, the University released $1,229,000 in restricted assets ($198,000 for instruction, $44,000 for administrative and general and $987,000 for auxiliary enterprises). In 2010, the University released $665,000 in restricted assets ($306,000 for instruction, $2,000 for administrative and general and $357,000 for auxiliary enterprises).

Measure of Operations

The change in unrestricted net assets from operations excludes certain activity related to unrestricted net assets. Amounts not included in the measure of operations consist of any investment return, which are in excess or deficient from the established investment spending policy, and changes in the interest rate swap, postemployment benefit obligation and endowments operating at a loss. The Board of Trustees designates a specified amount of the expected investment return as support of current operations; any remainder is to be reinvested to maintain earnings growth for support of future years' operations. Amounts designated for current operations include the established total return spending policy plus amounts designated for certain expenses, including interest on debt and postretirement benefits.

State law allows the Board of Trustees to appropriate a portion of the net appreciation on endowment accounts as is prudent considering the University's present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions. The endowment spending policy is based on a spending rate established by the University's Board of Trustees. This rate represents the expected long-term return on endowment investments less an allowance for inflation.

2. Accounting Policies (continued)

Related-Party Transactions

The University was founded by the Marianists, a Roman Catholic Institute of Consecrated Life. The Marianists are a separate entity from the University. Members of the Marianists serve on the faculty and staff of the University under employment agreements. The members of the Marianists are not participants in the University's retirement program; however, the University makes a payment to the Marianists for their related salaries along with an amount for benefits. The contribution was $1,413,000 in 2011 and $1,570,000 in 2010. It is the intent of the University and the Marianists that compensation to the Marianists for the services provided by their members is paid at a rate comparable to those of other employees in similar positions. The Marianists contribute funds to the University, which are recorded as gifts. These gifts were $309,000 and $355,000 in 2011 and 2010, respectively.

Liquidity

Assets and liabilities are listed in their estimated order of liquidity. For those accounts for which such liquidity is unclear, additional disclosures have been made in the accompanying notes to the University's financial statements.

Grants and Contracts

Grants and contracts consist primarily of contractual agreements with governmental and private entities for the conduct of research and other sponsored programs. These agreements represent exchange transactions between the University and the grantors and are, accordingly, included in unrestricted net assets. Revenue is recognized on grants and contracts as expenses are incurred, and any amounts received in advance are reflected as deferred income.

Cash and Cash Equivalents

Cash represents amounts held by financial institutions. Money market funds and certificates of deposit are included in cash equivalent investments if they are 90 days or less to maturity at date of deposit.

2. Accounting Policies (continued)

Securities Lending Program

The University participates in a pooled securities lending program, whereby securities owned by the University are loaned to the other institutions as part of a pool that is managed by a custodian bank. The University requires that collateral from the borrower in an amount equal to 102% in the case of securities of United States issuers, and 105% in the case of securities of non-United States issuers of the market value of the loaned securities be placed with a third party trustee. The University maintains effective control of the loaned marketable securities through its custodian during the term of the arrangement in that they may be recalled at any time. Under the terms of the arrangement, the borrower must return the same, or substantially the same, marketable securities that were borrowed.

The custodian invests the cash collateral received in government securities, overnight commercial paper and other short-term overnight investments on behalf of the University and other members of the securities lending pool. The market value of cash collateral held for loaned marketable securities is reported as collateral held for securities lending agreement on the accompanying statements of financial position. A liability is recorded for repayment of such collateral upon settlement of the securities lending arrangements.

At June 30, 2011, securities on loan totaled $23,200,000, for which a total amount of $23,588,000 of collateral had been posted by the borrower; the market value of the cash collateral held was $22,945,000. As a result of the changes in the fair value of the invested cash collateral at June 30, 2011, the University recorded a gain of approximately $65,000 which is included in investment gain in excess of amounts designated for current operations on the statement of activities. At June 30, 2010, securities on loan totaled $19,775,000 for which a total amount of $20,303,000 of collateral had been posted by borrowers; the market value of the cash collateral held was $19,595,000. As a result of the changes in the fair value of the invested cash collateral at June 30, 2010, the University recorded a gain of approximately $490,000. These amounts are treated as noncash items for purposes of the cash flow. The market value of noncash collateral at June 30, 2011 and 2010 was $197,000 and $8,000, respectively, and is not recorded in the balance sheets in accordance with ASC 860 *Transfers and Servicing.*

2. Accounting Policies (continued)

Accounts Receivable

Accounts receivable consist of the following as of June 30:

	2011	2010
Amounts due from students for tuition and other fees	**$ 5,885**	$ 6,500
Research contracts	**26,395**	30,864
Other	**3,628**	3,951
	35,908	41,315
Less: allowance for doubtful accounts	**(2,343)**	(2,199)
Total accounts receivable	**$ 33,565**	$ 39,116

The allowance for doubtful accounts is determined based on estimated expected collections on these accounts using prior history. Amounts are recorded at estimated net realizable value.

Notes Receivable

Notes receivable consist primarily of loans made to students under United States government loan programs. The loans are stated at net realizable value.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Investments

The fair value for marketable debt and equity securities is based on quoted market prices or the last reported sale price on the last business day of the fiscal year.

Investment partnerships, including investments in hedge funds, private equity funds, limited partnerships, and real estate partnerships without readily determinable fair values, are valued based upon judgments by the fund or partnership managers and respective valuation committees

2. Accounting Policies (continued)

that include original costs, restrictions affecting marketability, operating results, financial condition of the issuers and the price of the most recent financing transaction. In management's opinion, the stated values approximate fair value as determined by the respective managers. Due to the inherent uncertainty of valuation, the estimated values may differ significantly from values that would have been used had a readily available market value for the investments existed, and the differences could be material.

Land, Buildings, and Equipment

Depreciation of buildings, land improvements and equipment is recorded using the straight-line method over their respective estimated useful lives of 45 years, 20 years, and 3 to 15 years, respectively. The cost of repairs and maintenance is generally charged to expense in the year incurred.

Interest Rate Swap Agreements

The University uses interest rate swap agreements to manage interest rate risk associated with variable rate debt. Under these agreements, the University and its counterparty agree to exchange the difference between the fixed rate debt and variable rate interest amounts calculated by reference to specified notional principal amounts during the agreement period. The difference between the fixed and variable interest amounts under the swap agreements is recorded as interest expense. The change in fair value of the swap agreements is recorded as a change in net unrealized loss on interest rate swap agreements.

In August 2006, the University entered into an interest rate swap agreement with a notional amount of $25,995,000. This agreement effectively fixed the interest rate on the portion of the State of Ohio Higher Education Facility Commission $72,105,000, 2006 bonds whose interest rate was tied to the Consumer Price Index at rates ranging from 4.09% to 4.44% for the bonds maturing between December 1, 2015 through December 1, 2023. The fair value of this agreement as of June 30, 2011 and 2010 is recorded as a liability of $830,000, and $2,267,000, respectively and is included in other liabilities in the accompanying Statements of Financial Position.

2. Accounting Policies (continued)

Also in August 2006, the University entered into an interest rate swap agreement with a notional amount of $22,350,000. This agreement effectively fixed the interest rate on the portion of the State of Ohio Higher Education Facility Commission $54,100,000 converted 2003 bonds whose interest rate was tied to the Consumer Price Index at rates ranging from 4.09% to 4.44% for the bonds maturing between December 1, 2015 through December 1, 2023. The fair value of this agreement as of June 30, 2011 and 2010 is recorded as a liability of $713,000 and $1,795,000, respectively and is included in other liabilities in the accompanying Statements of Financial Position.

In April 2007, the University entered into an interest rate swap agreement with a notional amount of $28,000,000. This agreement effectively fixed the interest rate on the State of Ohio Higher Education Facility Commission $28,000,000, 2002 variable rate bonds at 3.99% through December 1, 2032. The fair value of this agreement as of June 30, 2011 and 2010 is recorded as a liability of $3,102,000 and $3,425,000, respectively, and are included in other liabilities in the accompanying Statements of Financial Position.

In fiscal 2008, the tax-exempt auction rate bond market was not able to adequately re-set the market prices of auction rate bonds. In order to avoid a significantly higher variable interest rates resulting from these failed auctions, the University called the 2002 tax-exempt variable rate bonds and temporarily refinanced this transaction with taxable bank debt. The University subsequently refunded the taxable bank debt as part of its 2009 bond issue. As part of its 2011 bond issue, the University used this swap to fix the rate of a portion of its 2011 bonds.

Advances From Government for Federal Loans

Funds provided by the United States government under the Federal Perkins Loan program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and, therefore, are recorded as a liability in the accompanying Statement of Financial Position.

2. Accounting Policies (continued)

Income Taxes

The University has been recognized by the Internal Revenue Service as an organization exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code. The University is a public charity by reason of being described in Internal Revenue Code Section 170(b)(1)(A)(ii). The University is exempt from federal income taxes except to the extent of income derived from unrelated business activities. Unrelated business income is not material to the financial statements.

The University completed an analysis of its tax position, in accordance with ASC 740 *Income Taxes*, and determined that no amounts were required to be recognized in the financial statements at June 30, 2011 or 2010.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. The actual results could differ from these estimates.

Fair Value Measurements

The University measures certain financial assets and liabilities at fair value. Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. The University's assessment of the significance of a particular input to fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The following three-tier fair value hierarchy prioritizes the inputs used in measuring fair value:

- Level 1 – Observable inputs such as quoted prices in active markets

- Level 2 – Inputs, other than quoted prices in active markets, that are observable either directly or indirectly

2. Accounting Policies (continued)

- Level 3 – Unobservable inputs for which there is little or no market data, which requires the University to develop assumptions

See Note 9 for further discussion of fair value measurements.

New Accounting Pronouncements

In July 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amended certain disclosures required under ASC 820. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each class of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2, and 3 of the fair value hierarchy and present information regarding the purchases, sales, issuances, and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is effective for year ends beginning after December 15, 2010, the guidance in ASU 2010-06 becomes effective for periods beginning after December 15, 2009. The adoption of this standard had no effect on the University's financial position, statement of activities, or cash flows.

In May 2011, the Financial Accounting Standards Board issued Standards Update (ASU) No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in the U.S. GAAP and IFRS*. ASU 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between the unobservable inputs. In addition, ASU 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. Management believes adoption of this pronouncement will not have a material impact on the financial statements.

2. Accounting Policies (continued)

Reclassifications

Certain reclassifications have been made to the 2010 financial statement presentation to conform to 2011 presentation. Such reclassifications had no effect on the previously stated excess of revenue over expenses.

3. Pledges Receivable

As of June 30, 2011 and 2010, the University had received unconditional promises from donors totaling \$25,363,000 discounted at 2.25% and \$24,268,000 discounted at 2.0%, on which management has set up an allowance for uncollectible promises of \$1,268,000 at June 30, 2011 (\$1,214,000 at June 30, 2010). Most unconditional promises are restricted by donors for scholarships and general operating support purposes and are due as follows (in thousands):

	June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Less than one year	**$ 5,319**	**$ 1,599**	**$ 3,075**	**$ 9,993**
One to five years	**6,198**	**2,668**	**2,791**	**11,657**
More than five years	**1,832**	**117**	**1,764**	**3,713**
	$ 13,349	**$ 4,384**	**$ 7,630**	**$ 25,363**

	June 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Less than one year	$ 4,941	$ 1,231	$ 4,049	$ 10,221
One to five years	6,528	1,498	2,399	10,425
More than five years	2,704	156	762	3,622
	$ 14,173	$ 2,885	$ 7,210	$ 24,268

The amounts are recorded at the estimated present value of future cash flows.

In conjunction with the University's fundraising campaigns, the University incurred fundraising expenses of \$8,907,000 and \$9,045,000 as of June 30, 2011 and 2010, respectively.

4. Investments

The cost of investments and carrying value (exclusive of accrued interest) is reflected in the following schedule (in thousands):

	June 30, 2011		**June 30, 2010**	
	Carrying Value	**Cost**	**Carrying Value**	**Cost**
Cash and cash equivalents	**$ 18,889**	**$ 19,466**	$ 21,837	$ 22,560
Equity securities:				
Large cap	**72,782**	**67,337**	37,777	40,140
Small cap	**47,869**	**35,911**	45,870	44,528
Other equity	**4,448**	**2,766**	1,075	1,618
Total equity securities	**125,099**	**106,014**	84,722	86,286
Equity mutual funds:				
Large cap	**18,069**	**15,207**	13,762	14,954
International core	**81,673**	**75,614**	46,999	55,486
Emerging markets	**44,540**	**43,233**	45,587	55,595
Other equity	**3,663**	**4,305**	6,469	5,996
Total equity mutual funds	**147,945**	**138,359**	112,817	132,031
U.S. government	**37,431**	**37,453**	40,725	41,746
Agency obligations	**3,628**	**3,356**	10,320	9,563
Mortgage-backed and asset-backed securities	**2,381**	**2,257**	2,549	2,351
Bonds – corporate/sovereign credits	**12,998**	**12,317**	17,181	16,465
Bonds – municipal	**804**	**610**	653	664
Bond mutual funds and pooled fixed income accounts	**55,213**	**53,081**	74,392	70,993
Real estate holdings and limited partnerships	**35,012**	**46,522**	24,867	39,314
Investments in private equity and hedge funds	**162,027**	**150,035**	112,901	114,757
Guaranteed investment contracts	**453**	**453**	342	342
Total	**$ 601,880**	**$ 569,923**	$ 503,306	$ 537,072

4. Investments (continued)

Of the June 30, 2011, total carrying value of $601,880,000 approximately $548,938,000 is invested in the University's Long-Term Investment Pool. Of the June 30, 2010, total carrying value of $503,306,000 approximately $452,939,000 was invested in the University's Long-Term Investment Pool. This pool invests the University's endowment funds as well as other long-term assets. Since the pool is invested on a long-term basis, a large percentage of the pool is invested in equities and private equity and hedge funds, which are subject to market fluctuations.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Some of the real estate, hedge funds and private equity funds have time restrictions on liquidation. These restrictions vary from six months to the stated term of the limited partnership, trust, or fund, which may be longer than one year. During this period, the University may not be able to readily sell or convert certain holdings in its Long-Term Investment Pool to cash. Funds that have restrictions on liquidity in excess of one year are approximately $62,579,000 and $84,247,000 as of June 30, 2011 and 2010, respectively, and on average range from two to seven years in duration.

At June 30, 2011, the University has committed capital (yet to be called) of approximately $17,976,000 and $44,579,000 to real estate and private equity funds, respectively.

The University incurred investment-related expenses, such as custodial fees and investment advisory fees, of $2,539,000 and $1,871,000 in 2011 and 2010, respectively.

As of September 30, 2011, the market value of the marketable equity and debt securities held in the University's long-term investment pool had declined approximately 13%. While the University did not obtain market values for the investment partnerships, including investments in hedge fund, private equity funds, limited partnerships and real estate partnerships, as of September 30, 2011, the University believes that the values in these investment partnerships has similarly decreased subsequent to June 30, 2011.

4. Investments (continued)

The following schedules summarize the investment return and its classification in the Statements of Activities (in thousands):

	Year Ended June 30, 2011			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Dividends and interest earnings	$ 7,519	$ 209	$ 5	$ 7,733
Net realized and unrealized gains	84,160	3,081	–	87,241
Gross return on investments	91,679	3,290	5	94,974
Investment return designated for annuity obligations	–	(1,244)	–	(1,244)
Total return on investments	91,679	2,046	5	93,730
Investment return designated for current operations	(25,602)	–	–	(25,602)
Investment gain in excess of amounts designated for current operations	$ 66,077	$ 2,046	$ 5	$ 68,128

4. Investments (continued)

	Year Ended June 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest earnings	$ 8,354	$ 217	$ 41	$ 8,612
Net realized and unrealized gains	39,525	7,540	43	47,108
Gross return on investments	47,879	7,757	84	55,720
Investment return designated for annuity obligations	–	(1,180)	–	(1,180)
Total return on investments	47,879	6,577	84	54,540
Investment return designated for current operations	(24,104)	–	–	(24,104)
Investment gain in excess of amounts designated for current operations	$ 23,775	$ 6,577	$ 84	$ 30,436

5. Land, Buildings, and Equipment

The following is a summary of land, buildings, and equipment at June 30 (in thousands):

	2011	**2010**
Buildings	**$ 459,980**	$ 454,489
Equipment	**123,352**	109,674
Land and land improvements	**74,091**	68,922
Library books	**58,068**	55,405
Renovations-in-progress	**13,812**	13,565
	729,303	702,055
Accumulated depreciation	**(272,117)**	(255,092)
	$ 457,186	$ 446,963

Depreciation expense was $21,848,000 and $19,272,000 in 2011 and 2010, respectively.

5. Land, Buildings, and Equipment (continued)

The University implemented a new enterprise resource planning software system during 2010 and 2011. As a result, during fiscal years 2010 and 2011, approximately $7,491,000 was capitalized and $5,993,000 of unamortized computer costs remains as of June 30, 2011 and is included in Equipment in the above summary. The University recorded approximately $1,498,000 of depreciation expense related to this implementation in 2011.

6. Retirement Plans

The University has a defined contribution plan. Retirement benefits are provided for the faculty and staff through Teachers Insurance and Annuity Association (TIAA), a national organization used to fund retirement benefits for educational institutions. The University purchases individual retirement annuities through TIAA to fund retirement benefits. The University's cost for these benefits was $9,196,000 in 2011 and $8,532,000 in 2010.

The University provides health care benefits for retired faculty and staff. Faculty and staff are eligible if they have worked 20 years and attained age 55, or 10 years and attained age 60 while in service with the University. The plan is contributory and contains other cost-sharing features such as deductibles and coinsurance. Contributions by plan participants were $1,099,000 in 2011 and $1,014,000 in 2010.

Postretirement benefit expense includes the following components as of June 30 (in thousands):

	2011	**2010**
Service cost of benefits earned	**$ 1,258**	$ 984
Interest cost on liability	**3,223**	3,336
Amortization of prior service cost	**(118)**	(118)
Net periodic postretirement benefit cost	**$ 4,363**	$ 4,202

6. Retirement Plans (continued)

The following table summarizes the balance sheet impact, as well as the benefit obligations, and funded status of the postretirement benefit plan with a measurement date as of June 30 (in thousands).

	2011	2010
Change in projected benefit obligations		
Benefit obligation at beginning of year	**$ 62,799**	$ 50,679
Service cost	**1,258**	984
Interest cost	**3,223**	3,336
Actuarial (gain) loss	**(1,736)**	9,758
Benefits paid	**(1,912)**	(1,958)
Benefit obligation at end of year	**63,632**	62,799
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	–	–
Employer contributions	**1,912**	1,958
Benefits paid	**(1,912)**	(1,958)
Fair value of plan assets at end of year	–	–
Net balance sheet liability	**$ 63,632**	$ 62,799

The following components were recognized in unrestricted net assets for the year ended June 30 (in thousands):

	2011	2010
Actuarial (loss) gain	**$ 1,736**	$ (9,758)
Prior service cost	**(118)**	(118)
	$ 1,618	$ (9,876)

Included in unrestricted net assets at June 30, 2011 are the following amounts that have not yet been recognized in the net periodic benefit cost: amortization of prior service cost of $472,142 and amortization of net loss of $3,264,000. The net gain and prior service cost expected to be recognized during the year ended June 30, 2012 are $0 and $118,035, respectively.

6. Retirement Plans (continued)

Included in unrestricted net assets at June 30, 2010 are the following amounts that have not yet been recognized in the net periodic benefit cost: amortization of prior service cost of $590,177 and amortization of net loss of $5,000,082.

The following weighted-average assumptions were made in determining the postretirement benefit obligation and the postretirement benefit cost as of June 30:

	2011	**2010**
Weighted-average discount rate used to determine the projected benefit obligation	**5.30%**	5.25%
Weighted-average discount rate assumption used to determine the net periodic benefit cost	**5.25%**	6.75%

The health care cost trend rate assumption has a significant effect on the amounts reported in the financial statements. The model is based on long-term projections of GDP per capita and National Health Expenditures per capita. These are based on the Centers for Medicare and Medicaid Services assumptions through 2017, and the actuaries' long term assumptions thereafter. The model does not specifically have an administrative cost trend. Rather, that is incorporated with the medical.

The following health care cost trend rates were assumed in the determination of the postretirement benefit obligation and net periodic benefit cost as of June 30:

	2011	**2010**
Initial year trend:		
Combined trend pre-Medicare	**7.80%**	8.00%
Combined trend post-Medicare	**7.70%**	7.80%
Combined ultimate trend for pre-1994 and grandfathered retirees:		
Pre-Medicare	**4.50%**	4.50%
Post-Medicare	**4.50%**	4.50%
Combined ultimate trend for non-grandfathered participants and post-1994 retirees:		
Pre-Medicare	**4.50%**	4.50%
Post-Medicare	**No Trend**	No Trend
Year that rates reach the ultimate trend rate	**2028**	2028

6. Retirement Plans (continued)

A one-percentage point change in the assumed health care cost trend rate would have the following effect on the postretirement benefit obligation as of June 30, 2011 and the net periodic benefit cost (in thousands):

	1.00% Increase	1.00% Decrease
Effect on postretirement benefit obligation	$ 6,203	$ (5,390)
Effect on net periodic benefit cost	473	(408)

The following benefit payments, which reflect expected future service and the affect of the Medicare subsidy, as appropriate, are expected to be paid (in thousands):

2012	$ 2,941
2013	3,400
2014	3,780
2015	4,058
2016	4,367
2017–2020	24,267

The University plans to make contributions to the plan of $2,941,000 in 2012.

7. Indebtedness

The University has financed certain buildings and facilities through mortgage bonds, which are structured as long-term leases with the State of Ohio Higher Education Facility Commission. Under the terms of these indentures, the buildings and facilities (historical cost totaling over $310 million) are pledged as security as well as the revenue from the respective facilities and the full faith and credit of the University. Upon the termination of the leases ownership of the respective facilities will be transferred to the University.

7. Indebtedness (continued)

Indebtedness at June 30 consists of the following (in thousands):

	2011	2010
$32,545,000 Revenue bonds of 2000, interest rates range from 5.00% to 5.50%. A portion of these bonds were called and paid on December 1, 2010.	**$ 850**	$ 29,710
$29,540,000 Revenue bonds of 2001, $17,945,000 of the 2011 bonds were used to pay off these bonds.	**–**	20,725
Premium on 2001 Revenue bonds	**–**	328
$55,850,000 Revenue bonds of 2003, converted in conjunction with the 2006 bond issue, to fixed rates of 4.0% increasing to 5.0% for those bonds due in 2033; each June 1 and December 1, the University is required to pay amounts totaling approximately $3,223,000 annually for principal and interest payments through 2033.	**48,975**	50,075
Premium on 2003 Revenue bonds	**407**	484
$49,700,000 Revenue bonds of 2004, interest rates on bonds due in 2006 of 4.00% steadily increasing to 5.00% for those bonds coming due in 2034; each June 1 and December 1, the University is required to pay amounts totaling approximately $4,235,000 annually for principal and interest payments due.	**36,935**	39,325
Premium on 2004 Revenue bonds	**664**	767

7. Indebtedness (continued)

	2011	2010
$72,105,000 Revenue bonds of 2006, rates on bonds due in 2006 of 4.0% increasing to 5.0% for bonds due in December 2036; each June 1 and December 1, the University is required to pay amounts totaling approximately $4,520,000 annually for principal and interest payments due.	**$ 70,030**	$ 71,185
Premium on 2006 Revenue bonds	**576**	617
$74,545,000 Revenue bonds of 2009, rates on bonds due in 2010 of 4.00% increasing to 5.00% for bonds due in December 2037; each June 1 and December 1, the University is required to pay amounts totaling approximately $5,075,000 annually for principal and interest payments due.	**71,840**	73,200
Discount on 2009 Revenue bonds	**(548)**	(460)
$60,755,000 Revenue bonds of 2011, rates on bonds due in 2012 of 2.0% increasing to 5.6% for bonds due in December 2041; each June 1 and December 1, the University is required to pay amounts totaling approximately $1,800,000 annually for principal and interest payments due. $17,945,000 of the proceeds were escrowed to refund portions of the 2001 bonds.	**60,755**	–
Premium on 2011 Revenue Bonds	**815**	–
$14,400,000 note payable to NCR Corporation dated December 2010 for purchase of land and a building adjacent to the western edge of the main campus. Annual principal payments of $2,057,143 are due through January 15, 2017 (variable interest rate between 1.40% and 4.40%).	**12,343**	14,400
Various other notes payable	**404**	1,333
	$ 304,046	$ 301,689

7. Indebtedness (continued)

The combined aggregate amount of maturities for indebtedness at the following periods is (in thousands):

	June 30
2012	$ 11,957
2013	12,248
2014	12,538
2015	12,833
2016	27,216
2017–thereafter	227,254
Total	$ 304,046

As of June 30, 2011, the University had met all of the required repair and replacement reserve and debt service requirements.

Interest expense was $14,823,000 for 2011 ($15,473,000 for 2010). Cash paid for interest expense was $15,338,000 for 2011 ($15,591,000 for 2010).

The University maintains revolving credit agreements with local banks totaling $30,000,000. The agreements which are $15,000,000 each are due to expire on December 1, 2011 and July 31, 2011. The University did not draw on these agreements during fiscal year 2011. There was no balance outstanding under either of these agreements at June 30, 2011 or 2010. As of June 30, 2011, the University has two major renovations in progress: the new Brown and Caldwell Student Apartments and the Virginia Kettering dining facility renovation. Total commitments related to these projects amounted to approximately $25,900,000. These construction projects are financed through the 2011 bond offering mentioned above and a possible future bond offering.

Additionally, during 2006, the University invested in two investment partnerships. As part of these investments, the University has guaranteed all or a portion of the loans between the third parties and the investment partnerships. The terms of the guarantees are both through June 30, 2013, with a maximum potential amount of approximately $8,600,000 and $9,695,000, respectively. The University has a two year lease agreement on beds in the latter partnership with a minimum payout of approximately $500,000 per year.

8. Nature and Amount of Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes (in thousands):

	June 30 2011	June 30 2010
Instruction	**$ 16,928**	$ 16,758
Administrative and general	**2,730**	2,873
Organized research	**56**	51
Libraries	**3,709**	3,130
Student aid	**39,479**	33,208
Auxiliary enterprises	**3,753**	2,636
	$ 66,655	$ 58,656

Permanently restricted net assets are restricted for the following purposes (in thousands):

	June 30 2011	June 30 2010
Instruction	**$ 50,534**	$ 49,669
Administrative and general	**10,076**	10,043
Organized research	**2,515**	2,522
Libraries	**4,235**	4,196
Student aid	**65,408**	61,533
Auxiliary enterprises	**936**	186
	$ 133,704	$ 128,149

9. Fair Value of Financial Instruments

The University records investments in cash and cash equivalents, equity securities, equity mutual funds, and agency accounts at their current fair values based on quoted market prices in active markets for identical assets, which is consistent with Level 1 in the hierarchy.

The University records its investments in government bonds, mortgage and asset-backed securities, and bonds (corporate/sovereign credits and municipal) at their current fair values based on quoted market prices in markets that are not active for all significant inputs, which is consistent with Level 2 in the hierarchy. Some mutual funds not actively traded in open markets are also included in this category. Following is the summary of the inputs and valuation techniques as of June 30, 2011 and 2010 used for valuing Level 2 investments:

Investments	Input	Valuation Technique
U.S. government bonds	Broker/Dealer	Market
Agency obligations	Broker/Dealer	Market
Mortgage-backed and asset-backed securities	Broker/Dealer	Market
Bonds-corporate/sovereign credits and municipal	Broker/Dealer	Market

The University also holds investments in various limited partnerships, hedge funds, real estate investment trusts, and other private instruments. These investments are treated as Level 3 in the hierarchy. The University records its investments in these investments at their reported NAV, which represents fair value as reported by the general partner or fund manager. Investments held in publicly traded securities are generally valued at quoted market prices. Investments without readily determinable quoted market prices in active markets are valued based on estimates by partnership managers and various valuation committees, and such valuation estimates consider cost data, restrictions affecting marketability, operating results, financial condition of the underlying portfolio company, and the price of most recent financing transactions. In management's opinion, the stated values approximate fair values determined by respective managers. Due to the inherent uncertainty of valuation, the estimated fair values may differ significantly from values that would have been used had a readily available market value for the investments existed and such differences could be material.

9. Fair Value of Financial Instruments (continued)

The following is a summary of the inputs used as of June 30 in valuing the University's assets and liabilities carried at value (in thousands):

	Fair Value Measurements at June 30, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Investments:				
Cash and cash equivalents	$ 8,059	$ 10,830	$ –	$ 18,889
Equity securities	125,099	–	–	125,099
Equity mutual funds	68,620	78,228	1,097	147,945
U.S. government	690	36,741	–	37,431
Agency obligations	–	3,628	–	3,628
Mortgage-backed and asset-backed securities	–	2,381	–	2,381
Bonds – corporate/sovereign credits	–	12,998	–	12,998
Bonds – municipal	–	804	–	804
Bond mutual funds and pooled fixed income accounts	55,213	–	–	55,213
Real estate holdings and limited partnerships	–	–	29,310	29,310
Investments in private equity and hedge funds	–	–	162,027	162,027
Guaranteed investment contracts	–	–	453	453
Collateral held for securities lending agreement	–	22,945	–	22,945
	$ 257,681	$ 168,555	$ 192,887	$ 619,123
Liabilities				
Other liabilities – interest rate swap liability	$ –	$ –	$ 4,645	$ 4,645
Total liabilities at fair value	$ –	$ –	$ 4,645	$ 4,645

9. Fair Value of Financial Instruments (continued)

	Fair Value Measurements at June 30, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Investments:				
Cash and cash equivalents	$ 11,635	$ 10,202	$ –	$ 21,837
Equity securities	84,722	–	–	84,722
Equity mutual funds	55,366	56,673	778	112,817
U.S. government	1,245	39,480	–	40,725
Agency obligations	–	10,320	–	10,320
Mortgage-backed and asset-backed securities	–	2,549	–	2,549
Bonds – corporate/sovereign credits	–	17,181	–	17,181
Bonds – municipal	–	653	–	653
Bond mutual funds and pooled fixed income accounts	74,392	–	–	74,392
Real estate holdings and limited partnerships	–	–	19,569	19,569
Investments in private equity and hedge funds	–	–	112,901	112,901
Guaranteed investment contracts	–	–	342	342
Collateral held for securities lending agreement	–	19,595	–	19,595
	$ 227,360	$ 156,653	$ 133,590	$ 517,603
Liabilities				
Other liabilities – interest rate swap liability	$ –	$ –	$ 7,487	$ 7,487
Total liabilities at fair value	$ –	$ –	$ 7,487	$ 7,487

There were no significant transfers in and out of Level 1, 2 or 3 during the period ending June 30, 2011.

9. Fair Value of Financial Instruments (continued)

Various real estate investments for future development are recorded at cost as of June 30, 2011 and June 30, 2010.

The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value (in thousands):

Balance as of June 30, 2009	$ 41,867
Transfers and reclassifications	–
Net purchases	89,475
Realized gain	1,589
Change in unrealized (depreciation)	659
Balance as of June 30, 2010	133,590
Transfers and reclassifications	
Net purchases	**43,047**
Realized gain	**2,587**
Change in unrealized appreciation	**13,663**
Balance as of June 30, 2011	**$ 192,887**

The following is a reconciliation of liabilities in which significant unobservable inputs (Level 3) were used in determining fair value (in thousands):

Balance as of June 30, 2009	$ 6,105
Transfers and reclassifications	–
Market value change	1,382
Balance as of June 30, 2010	7,487
Transfers and reclassifications	**–**
Market value change	**(2,842)**
Balance as of June 30, 2011	**$ 4,645**

The carrying amount of cash, accounts receivable, and deferred income and student deposits approximate fair value because of the short maturity of these financial instruments.

9. Fair Value of Financial Instruments (continued)

A reasonable estimate of the fair value of the notes receivable and advances from government for federal loans could not be made because the notes receivable are not saleable and can only be assigned to the U.S. government or its designees. It is not practicable to estimate the fair value of grants and contracts receivables, since they contain federally mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition.

The carrying amount of pledges receivable approximates fair value as these donations are recorded at the net present value of amount pledged.

The fair value of indebtedness, which consists primarily of bonds payable, is approximately $309,999,000 as of June 30, 2011 and was estimated using discounted cash flows.

10. Endowment Funds

The University’s endowment consists of permanently and temporarily restricted individual donor endowment funds and unrestricted board-designated or quasi endowment funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted or temporarily restricted in accordance with UPMIFA and donor stipulations. Absent donor stipulations, the Board may appropriate for expenditure, for the uses and purposes of the endowment fund, the net appreciation, realized and unrealized, in the fair value of the assets of the endowment established by UPMIFA.

10. Endowment Funds (continued)

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 or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with accounting standards, deficiencies of this nature are reported in unrestricted net assets. There was a deficiency of $3,886,000 and $12,421,000 recorded as of June 30, 2011 and 2010, respectively.

The long-term objective of the University's investment portfolio is to generate a return, which is sufficient to provide funding for programs supported by its endowment. To accomplish this objective, the University seeks to earn the greatest total return possible consistent with its general risk tolerance and a diversified asset allocation strategy. To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that includes equity-based investments to achieve its long-term objectives within prudent risk constraints.

The University has a policy of appropriating an inflationary increase for distribution over the previous year's distribution as long as the amount is above 4% and not in excess of 5.5% of the Endowment Funds previous June 30 fair value. In establishing this policy, the University considered the long-term expected return on its endowment.

The University has the following endowment-related activities:

	Changes in Endowment Net Assets			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets at June 30, 2009	$ 155,769	$ 48,766	$ 124,433	$ 328,968
Investment return (loss):				
Investment income	4,077	1,682	43	5,802
Net appreciation (realized and unrealized)	25,307	10,497	–	35,804
Contributions	551	–	3,621	4,172
Other (additions and deletions to endowment)	(2,762)	(3,991)	(167)	(6,920)
Appropriation of endowment assets for expenditure	(5,963)	(6,313)	–	(12,276)
Endowment net assets at June 30, 2010	$ 176,979	$ 50,641	$ 127,930	$ 355,550

10. Endowment Funds (continued)

	Changes in Endowment Net Assets			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2010	**$ 176,979**	**$ 50,641**	**$ 127,930**	**$ 355,550**
Investment return (loss):				
Investment income	**4,263**	**1,660**	**–**	**5,923**
Net appreciation (realized and unrealized)	**57,661**	**4,967**	**–**	**62,628**
Contributions	**531**	**–**	**5,555**	**6,086**
Other (additions and deletions to endowment)	**1,357**	**4,955**	**–**	**6,312**
Appropriation of endowment assets for expenditure	**(6,453)**	**(6,627)**	**–**	**(13,080)**
Endowment net assets at June 30, 2011	**$ 234,338**	**$ 55,596**	**$ 133,485**	**$ 423,419**

11. Private Gifts, Grants and Other

Private gifts, grants and other includes the following:

	Year Ended June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Gifts	**$ 7,229**	**$ 2,694**	**$ 4,515**	**$ 14,438**
Private research contracts	**8,249**	**–**	**–**	**8,249**
Sponsored projects	**10,612**	**–**	**–**	**10,612**
Miscellaneous income	**6,179**	**–**	**–**	**6,179**
Transfers between restrictions	**(348)**	**(687)**	**1,035**	**–**
	$ 31,921	**$ 2,007**	**$ 5,550**	**$ 39,478**

11. Private Gifts, Grants and Other (continued)

	Year Ended June 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Gifts	$ 9,249	$ 1,297	$ 3,010	$ 13,556
Private research contracts	8,568	–	–	8,568
Sponsored projects	15,988	–	–	15,988
Miscellaneous income	5,793	–	–	5,793
Transfers between restrictions	(370)	(200)	570	–
	$ 39,228	$ 1,097	$ 3,580	$ 43,905

12. Subsequent Events

On October 4, 2011, the University, through affiliated entities, entered into a lease agreement with a multinational corporation. Under the terms of this lease, an affiliate of the University is to construct an office and research facility on land it owns adjacent to the University campus and will lease this facility for fifteen years, plus renewal options. The cost of the project is estimated to be approximately $45 million. In order to finance the transaction, the University will provide certain equity, and also has entered into a term note agreement with a bank. The funds borrowed from the bank will be loaned to its affiliate as part of a new market tax credits financing transaction. The rent payments from the project will fund the expected financing and debt service costs during the term of the lease, which may or may not coincide with the term of the financing.

The University has evaluated and disclosed any subsequent events through October 13, 2011, which is the date the financial statements were issued and made available.

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Report of Independent Auditors

The Board of Trustees
University of Dayton

We have audited the accompanying statements of financial position of the University of Dayton (the University) as of June 30, 2011 and 2010, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the University's internal control over financial reporting. Our audits included 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, and 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 at June 30, 2011 and 2010, and the related changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

October 13, 2011

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