001-A

FINANCIAL STATEMENTS

Antioch University

Years ended June 30, 2002 and 2001 with Report of Independent Auditors

DRAFT

Antioch University

Financial Statements

Years ended June 30, 2002 and 2001

Contents

DRAFT

Ernst & Young
Ernst & Young LLP
Fifth Third Center
Suite 1800
110 North Main Street
Dayton, OH 45402
Phone: (937) 223-2000
www.ey.com

THIS DRAFT IS FURNISHED SOLELY FOR THE PURPOSE OF INDICATING THE FORM OF REPORT THAT, IF REQUESTED, WE WOULD BE ABLE TO ISSUE IN FINAL FORM, SUBJECT TO THE RECEIPT OF A LETTER OF REPRESENTATIONS. THE COMPANY IS CURRENTLY NEGOTIATING WITH ITS LENDERS FOR WAIVER LETTERS OF COVENANT VIOLATIONS. THE DRAFT OPINION PRESENTED HEREIN CONTAINS AN UNQUALIFIED OPINION AS IF THE ABOVE WAIVER LETTERS HAVE BEEN OBTAINED.

Report of Independent Auditors

Board of Trustees
Antioch University

We have audited the accompanying statements of financial position of Antioch University (the University) as of June 30, 2002 and 2001 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University at June 30, 2002 and 2001 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

August 30, 2002

Antioch University

Statements of Financial Position

	June 30	
	2002	**2001**
Assets		
Cash and cash equivalents	**$ 2,344,446**	$ 1,713,885
Accounts receivable, less allowance for doubtful accounts ($417,726 in 2002 and $280,058 in 2001)	**7,106,514**	7,152,409
Grants receivable	**354,628**	122,052
Prepaid expenses	**942,449**	1,089,221
Loans to students, less allowance for uncollectible loans ($2,466,368 in 2002 and $2,486,246 in 2001)	**4,728,349**	4,660,982
Contributions receivable, less allowance for uncollectible items ($890,255 in 2002 and $905,174 in 2001)	**8,012,290**	8,146,568
Investments	**32,775,748**	24,291,249
Land, buildings, and equipment—net	**29,235,964**	30,171,627
Total assets	**$ 85,500,388**	$ 77,347,993
Liabilities		
Accounts payable	**$ 1,195,587**	$ 902,614
Accrued benefit liabilities	**3,600,782**	2,926,606
Other accrued liabilities	**1,986,335**	2,746,542
Deferred revenue	**7,534,047**	6,288,200
Notes and bonds payable	**16,105,596**	17,115,900
Annuities payable	**2,017,220**	2,032,493
Deposits held for others	**681,798**	779,660
Advances from government for student loans	**4,597,376**	4,578,820
Total liabilities	**37,718,741**	37,370,835
Net assets		
Unrestricted	**8,719,861**	11,658,027
Temporarily restricted	**10,793,370**	10,429,319
Permanently restricted	**28,268,416**	17,889,812
Total net assets	**47,781,647**	39,977,158
Total liabilities and net assets	**$ 85,500,388**	$ 77,347,993

See accompanying notes.

DRAFT

Antioch University

Statement of Activities

Year ended June 30, 2002

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support				
Tuition and fees	$ 47,762,732	$ -	$ -	$ 47,762,732
Less student aid	(4,253,169)	-	-	(4,253,169)
	43,509,563	-	-	43,509,563
Contributions	2,657,267	2,911,196	10,467,009	16,035,472
Contracts and other exchange transactions	3,788,103	582,559	-	4,370,662
Investment income on life income and annuity agreements	-	87,261	24,955	112,216
Investment income on endowments	101,758	546,421	-	648,179
Other investment income	184,932	-	-	184,932
Net realized losses on endowments	(649,478)	-	-	(649,478)
Net realized gains (losses) on other investments	87	(13,214)	(7,536)	(20,663)
Sales and service of auxiliary enterprises	3,672,379	-	-	3,672,379
Other income	1,044,519	1,633	-	1,046,152
Total revenues and gains	54,309,130	4,115,856	10,484,428	68,909,414
Net assets released from restrictions	3,542,499	(3,542,499)	-	-
Total revenues, gains, and other support	57,851,629	573,357	10,484,428	68,909,414
Expenses and losses				
Educational and general:				
Instruction	23,654,752	-	-	23,654,752
Public service	3,599,399	-	-	3,599,399
Academic support	4,055,756	-	-	4,055,756
Student services	6,500,859	-	-	6,500,859
Institutional support	14,226,105	-	-	14,226,105
Scholarships and fellowships	3,078,912	-	-	3,078,912
Total educational and general expenses	55,115,783	-	-	55,115,783
Auxiliary enterprises	4,342,031	-	-	4,342,031
Total expenses	59,457,814	-	-	59,457,814
Actuarial gain on annuity obligations	-	(106,707)	(11,549)	(118,256)
Payments to life income beneficiaries	-	193,604	48,490	242,094
Total expenses and losses	59,457,814	86,897	36,941	59,581,652
Revenues, gains, and other support less expenses and losses	(1,606,185)	486,460	10,447,487	9,327,762
Net unrealized losses on investments	(1,331,981)	(122,409)	(68,883)	(1,523,273)
(Decrease) increase in net assets	(2,938,166)	364,051	10,378,604	7,804,489
Net assets at beginning of year	11,658,027	10,429,319	17,889,812	39,977,158
Net assets at end of year	$ 8,719,861	$10,793,370	$ 28,268,416	$ 47,781,647

See accompanying notes.

Antioch University

Statement of Activities

Year ended June 30, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support				
Tuition and fees	$ 44,470,732	$ -	$ -	$ 44,470,732
Less student aid	(3,392,569)	-	-	(3,392,569)
	41,078,163	-	-	41,078,163
Contributions	2,895,961	2,877,867	229,906	6,003,734
Contracts and other exchange transactions	3,468,147	520,672	-	3,988,819
Investment income on life income and annuity agreements	-	139,057	52,294	191,351
Investment income on endowments	132,279	409,158	-	541,437
Other investment income	307,875	-	-	307,875
Net realized losses on endowments	(241,100)	-	-	(241,100)
Net realized gains (losses) on other investments	21,008	(9,355)	49,013	60,666
Sales and service of auxiliary enterprises	3,400,471	-	-	3,400,471
Other income	1,224,602	6,490	-	1,231,092
Total revenues and gains	52,287,406	3,943,889	331,213	56,562,508
Net assets released from restrictions	2,793,329	(2,793,329)	-	-
Total revenues, gains, and other support	55,080,735	1,150,560	331,213	56,562,508
Expenses and losses				
Educational and general:				
Instruction	22,618,821	-	-	22,618,821
Research	8,600	-	-	8,600
Public service	3,326,217	-	-	3,326,217
Academic support	4,193,282	-	-	4,193,282
Student services	6,273,366	-	-	6,273,366
Institutional support	13,525,387	-	-	13,525,387
Scholarships and fellowships	2,974,727	-	-	2,974,727
Total educational and general expenses	52,920,400	-	-	52,920,400
Auxiliary enterprises	4,369,307	-	-	4,369,307
Total expenses	57,289,707	-	-	57,289,707
Actuarial gain on annuity obligations	-	(34,558)	(7,484)	(42,042)
Payments to life income beneficiaries	-	198,662	48,856	247,518
Total expenses and losses	57,289,707	164,104	41,372	57,495,183
Revenues, gains, and other support less expenses and losses	(2,208,972)	986,456	289,841	(932,675)
Net unrealized gains (losses) on investments	620,736	(40,439)	(51,393)	528,904
Changes in designation of gifts received in prior year	-	(41,723)	41,723	-
(Decrease) increase in net assets	(1,588,236)	904,294	280,171	(403,771)
Net assets at beginning of year	13,246,263	9,525,025	17,609,641	40,380,929
Net assets at end of year	$ 11,658,027	$ 10,429,319	$ 17,889,812	$ 39,977,158

See accompanying notes.

DRAFT

Antioch University

Statements of Cash Flows

	Year ended June 30 2002	2001
Cash flows from operating activities		
Increase (decrease) in net assets	**$ 7,804,489**	$ (403,771)
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	**2,959,297**	2,918,033
Loss (gain) on sale of equipment	**35,630**	(8,160)
(Increase) in accounts and grants receivable	**(186,681)**	(502,192)
Decrease (increase) in contributions receivable	**134,278**	(1,036,185)
Decrease in prepaid expenses	**146,772**	86,790
Increase (decrease) in accounts payable, accrued benefit liabilities and other accrued liabilities	**206,942**	(833,870)
(Decrease) increase in annuities payable	**(15,273)**	72,912
Increase in deferred revenue	**1,245,847**	357,066
(Decrease) increase in deposits held for others	**(97,862)**	99,636
Net realized and unrealized losses (gains) on sales of investments	**2,193,414**	(348,470)
Contributions restricted for permanent investment	**(10,467,009)**	(229,906)
Net cash provided by operating activities	**3,959,844**	171,883
Cash flows from investing activities		
Proceeds from sales and maturities of investments	**41,699,135**	25,391,036
Purchases of investments	**(52,377,048)**	(23,604,290)
Purchases of land, building, and equipment	**(2,060,264)**	(2,371,949)
Proceeds from the sale of equipment	**1,000**	34,167
Disbursements of loans to students	**(1,126,115)**	(924,367)
Repayments of loans from students	**1,058,748**	984,137
Net cash used in investing activities	**(12,804,544)**	(491,266)
Cash flows from financing activities		
Contributions restricted for permanent investment	**10,467,009**	229,906
Proceeds from issuance of indebtedness	**13,757**	274,758
Repayments of principal of indebtedness	**(1,024,061)**	(911,779)
Increase in advances from government for student loans	**18,556**	21,730
Net cash used in financing activities	**9,475,261**	(385,385)
Net increase (decrease) in cash and cash equivalents	**630,561**	(704,768)
Cash and cash equivalents at beginning of year	**1,713,885**	2,418,653
Cash and cash equivalents at end of year	**$ 2,344,446**	$ 1,713,885

See accompanying notes.

Antioch University

Notes to Financial Statements

June 30, 2002

1. Summary of Significant Accounting Policies

Founded in 1852 as an undergraduate college in Yellow Springs, Ohio, Antioch College (the College) was recreated in the 1920s as one of America's most distinctive and innovative liberal arts colleges. During the last three decades, the College has evolved into a multi-campus university that is unified through shared educational and cultural values and consistent business practices. All degree programs strive to balance the academic and experiential by giving students opportunities to test theory against practice.

Approximately 5,000 students currently study at the five campuses of Antioch University (University): Antioch College at Yellow Springs, Ohio; the Antioch New England Graduate School at Keene, New Hampshire; Antioch Seattle at Seattle, Washington; Antioch Southern California with campuses at Los Angeles and Santa Barbara, California; and The McGregor School at Yellow Springs. Each campus has considerable academic and operating autonomy within a "federal system" that encourages cooperation and sharing to produce economies of scale. The University's administrative offices are in Yellow Springs, and it is here that the Chancellor and his staff provide University-wide planning, fiscal review and accountability for all operations, and advice to the Board of Trustees on University-wide policies.

Basis of Presentation

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

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

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

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

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

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Investments

Investments are recorded on a market value basis and gains and losses on such investments are recognized in the period during which they occur.

Net appreciation on endowment funds is reported as unrestricted net assets, unless such net appreciation has been permanently restricted by the donor or by law.

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost at the date of acquisition or fair value at date of donation in the case of gifts. Depreciation is provided on the straight-line basis over the estimated useful lives of the applicable assets.

1. Summary of Significant Accounting Policies (continued)

Annuities Payable

Annuities payable are recorded at fair value, which is estimated using discounted cash flow analyses based on the University's current investment income rate for instruments similar to those underlying the annuities. For unitrust agreements where the annual payment is contingent upon the fair value of the investments over the life of the agreement, a liability is recorded based on fair value of the investments at the end of the current year.

Advances from Government for Student 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, recorded as a liability in the accompanying financial statements.

Income Taxes

The University is a qualifying organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is, therefore, exempt from income taxes under IRC Section 501(a).

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.

Cash Equivalents

Cash equivalents consist primarily of commercial paper, money market accounts, and other interest-bearing instruments with maturities of less than three months.

Reclassifications

Certain reclassifications were made to the 2001 financial information to conform to the 2002 presentation.

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

Management of the University has made estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

2. Investments

Investments of the University at June 30, 2002 and 2001 are composed of the following:

	2002		2001	
	Market or Carrying Value	**Cost**	**Market or Carrying Value**	**Cost**
Certificates of deposit and money market funds	**$ 2,975,205**	**$ 2,975,205**	$ 2,268,347	$ 2,268,347
Equity securities	**22,197,839**	**19,918,034**	16,344,783	12,548,120
Debt securities	**7,554,204**	**7,607,106**	5,629,619	5,591,576
Rental properties and other investments	**48,500**	**48,500**	48,500	48,500
	$ 32,775,748	**$ 30,548,845**	$ 24,291,249	$ 20,456,543

The University holds common stock investments in certain companies that are not publicly traded. The investments are recorded at market value, which is determined by the management of the University and the investee company. The recorded value of these investments at June 30 is as follows:

	2002	**2001**
Unrestricted net assets	**$ 160,019**	$ 139,945
Permanently restricted net assets	**5,245,620**	4,730,515

3. Land, Building, and Equipment

The following is a summary of land, building, and equipment as of June 30:

	2002	2001
Building	**$ 21,094,090**	$ 20,981,090
Building improvements	**25,195,711**	24,039,200
Equipment	**11,572,207**	11,652,760
Furniture and fixtures	**2,168,355**	2,074,757
Land and land improvements	**711,981**	688,752
Library books	**1,541,493**	1,423,513
Vehicles	**153,684**	138,827
Construction in progress	**54,364**	99,125
	62,491,885	61,098,024
Accumulated depreciation	**(33,255,921)**	(30,926,397)
Net book value	**$ 29,235,964**	$ 30,171,627

4. Notes and Bonds Payable

Notes and bonds payable consist of the following:

	June 30	
	2002	**2001**
New Hampshire bonds bearing interest at 7.875%; secured by first mortgage on facility and first security interest in equipment, due in escalating annual principal installments through 2022	**$ 5,000,000**	$ 5,095,000
$2,400,000 adjustable rate mortgage loan bearing interest at 5.00% in 2002 and 8.96% in 2001; secured by University facilities, due in monthly principal installments of $11,607 through 2008	**858,939**	998,225
Seattle Series A Nontaxable Nonprofit Bonds bearing interest at 6.35%; secured by mortgage on Seattle facility, due in escalating annual principal installments beginning in 2007 through 2027	**6,400,000**	6,400,000
Seattle Series B Taxable Nonprofit Bonds bearing interest at 7.55% in 2002 and 7.4% in 2001, secured by mortgage on Seattle facility, due in escalating annual principal installments through 2005	**500,000**	640,000
1997 Series State of Ohio Higher Education Facility Revenue Bonds; due in semi-annual principal installments through March 2008; variable interest rate historically fluctuating from 4% to 6%	**985,000**	1,385,000
2000 Series C State of Ohio Higher Education Facility Revenue Bonds; principal due in annual principal installments beginning in September 2001 through September 2020; variable interest rate historically fluctuating from 4% to 6%	**2,195,000**	2,350,000
Other obligations, including capitalized leases	**166,657**	247,675
	$16,105,596	$17,115,900

4. Notes and Bonds Payable (continued)

The New Hampshire and Seattle bonds contain certain restrictive covenants that include, among other things, minimum requirements for annual debt service, liquidity and debt-to-equity ratios. At June 30, 2002 the University was in technical violation of certain of these covenants. The lenders have waived compliance with those covenants at June 30, 2002.

Interest paid to external sources amounted to $796,957 in 2002 and $1,393,932 in 2001. Interest expense amounted to $1,018,671 in 2002 ($1,156,360 in 2001). Additionally, the University has an unused line of credit of $1,000,000 at June 30, 2002.

Maturities of the notes and bonds for the years succeeding June 30, 2002 are:

2003	$ 873,528
2004	872,802
2005	773,183
2006	784,286
2007	759,286
Thereafter	12,042,511
	$ 16,105,596

5. Retirement Plans

The University has a defined contribution retirement plan for eligible faculty and nonfaculty personnel managed by Teachers Insurance and Annuity Association—College Retirement Equities Fund (TIAA-CREF). Contributions to this plan by the University were $2,649,073 in 2002 ($2,520,190 in 2001). Participants may also contribute at their option to TIAA-CREF through individual retirement annuity contracts.

The University also maintains separate, self-administered, noncontributory pension plans for certain individuals, who were faculty employees at June 30, 1970 or non-faculty personnel at June 30, 1973. Substantially all benefits previously earned under these plans are paid directly by the University and amounted to approximately $80,000 in 2002 ($83,000 in 2001). The unfunded, actuarially determined liability utilizing an average interest assumption of 7.5 percent for benefits earned under these plans was approximately $508,000 at June 30, 2002 and ($547,000 at June 30, 2001) and is included in accrued liabilities in the accompanying statements of financial position. The net periodic pension benefit cost included as income in the statement of activities amounted to $39,982 in 2002 ($18,619 in 2001).

6. Other Postretirement Benefit Plans

In addition to the University's defined contribution retirement plan, the University has three defined benefit postretirement plans covering most salaried employees. One plan provides medical benefits, another provides prescription drug benefits, and the third provides life insurance benefits. The postretirement health care and prescription drug plans are contributory, with retiree contributions adjusted annually, and contain other cost-sharing features such as deductibles and coinsurance. The accounting for the health care and prescription drug plans anticipates future cost-sharing changes to the written plan that are consistent with the University's expressed intent to increase the retiree contribution rate annually for the expected general inflation rate for that year. The University's policy is to pay the cost of retirees' postretirement health care and drug benefit claims as incurred and to pay the premiums to the life insurance plan for participants on an annual basis.

The following table shows the Plans' combined liability—reconciled with the amounts recognized in the accrued benefit liabilities in the University's statement of financial position as of June 30, 2002 and 2001:

	Medical and Prescription Drug Plans	Life Insurance Plan	Total
June 30, 2002			
Accumulated postretirement benefit obligation:			
Retirees	$ 452,059	$ 90,684	$ 542,743
Fully eligible active plan participants	235,531	63,230	298,760
Other active plan participants	355,841	54,955	410,796
Accumulated postretirement benefit obligation	1,043,431	208,869	1,252,300
Unrecognized prior service cost	155,399	31,107	186,506
Unrecognized net gain	273,206	54,689	327,895
Accrued postretirement benefit cost	$ 1,472,036	$ 294,665	$ 1,766,701

6. Other Postretirement Benefit Plans (continued)

	Medical and Prescription Drug Plans	Life Insurance Plan	Total
June 30, 2001			
Accumulated postretirement benefit obligation:			
Retirees	$ 439,265	$ 88,118	$ 527,383
Fully eligible active plan participants	228,865	61,440	290,305
Other active plan participants	345,770	53,400	399,170
Accumulated postretirement benefit obligation	1,013,900	202,958	1,216,858
Unrecognized prior service cost	151,001	30,227	181,228
Unrecognized net gain	265,474	53,141	318,615
Accrued postretirement benefit cost	$ 1,430,375	$ 286,326	$ 1,716,701

Net periodic postretirement benefit cost included the following components:

	2002	2001
Service cost of benefits earned	**$ 14,109**	$ 52,376
Interest cost on liability	**21,333**	79,196
Amortization of prior service costs	**5,278**	(30,204)
Amortization of losses (gains)	**9,280**	(17,507)
Net periodic postretirement benefit cost	**$ 50,000**	$ 83,861

Benefits paid under these plans in 2002 and 2001 were $275,895 and $333,587, respectively. The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care-cost trend rate) is 10 percent for 2002 and is assumed to decrease 1/2 percent per year to 5.0 percent for 2012 and remain at that level thereafter.

The weighted-average discount rate used in determining the accrued postretirement benefit cost was 7.5 percent at June 30, 2002 and 2001.

7. Lease Commitments

Certain of the University's education centers lease their facilities. These leases are non-cancelable operating agreements for varying periods through 2003, with renewal options for additional periods in some cases. Rental expense under these leases was approximately $1,246,000 in 2002 ($1,156,000 in 2001). The University generally pays real estate taxes, insurance, and specified maintenance costs.

Future minimum rentals on non-cancelable leases are as follows:

Year	Amount
2003	$ 1,338,950
2004	1,397,450
2005	1,279,183
2006	143,352
	$ 4,158,935

8. Contributions Receivable

Contributions receivable consist of the following:

	Temporarily Restricted	Permanently Restricted	Total
Unconditional promises expected to be collected in:			
Less than one year	$ 304,226	$ 2,500	$ 306,726
One to five years	5,083,513	453,315	5,536,828
More than five years	2,753,433	305,558	3,058,991
	$ 8,141,172	$ 761,373	8,902,545
Allowance for uncollectible contributions			890,255
Net contributions receivable			$ 8,012,290

The amounts are recorded after discounting to the present value of the future cash flows.

9. Nature and Amount of Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2002	2001
Instruction	$ 1,732,324	$ 1,427,209
Research	17,234	17,234
Public service	536,178	797,713
Academic support	2,193,272	2,199,947
Student services	38,725	33,517
Institutional support	6,255,648	5,754,775
Scholarships	480,723	355,408
Construction	(131,597)	13,938
Annuity payments	(329,137)	(170,422)
	$10,793,370	$10,429,319

10. Nature and Amount of Permanently Restricted Net Assets

Permanently restricted net assets are restricted to the following purposes at June 30:

	2002	2001
Instruction	$ 2,475,420	$ 2,457,771
Public service	746,210	743,927
Academic support	496,940	234,434
Student services	37,679	37,679
Institutional support	4,152,131	4,629,683
Plant	104,625	104,625
Scholarships	19,604,017	8,949,892
Loans	398,427	392,155
Annuity payments	252,967	339,646
	$28,268,416	$17,889,812

11. Net Assets Released From Restrictions

Donor-imposed restrictions expired on temporarily restricted net assets during the years ended June 30, as follows:

	2001	2000
Purpose restricted contributions for:		
Instruction	**$ 371,037**	$ 160,436
Research	**-**	8,600
Public service	**643,775**	593,761
Academic support	**564,294**	677,769
Student aid	**13,461**	17,025
Institutional support	**1,326,901**	739,832
Scholarship	**462,637**	538,125
Construction	**160,394**	57,781
Total net assets released from restriction	**$ 3,542,499**	$ 2,793,329

12. Fair Values of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, grants receivable, accrued benefit liabilities, other accrued liabilities, and deferred revenue approximate fair value because of the short maturity of these financial instruments. The carrying value, which is the fair value of investments, is based upon values provided by an external investment manager or quoted market values.

A reasonable estimate of the fair value of the loans to students under government loan programs and advances from federal government for student loans could not be made because the notes receivable are not salable and can only be assigned to the U.S. government or its designees.

The carrying amount of contributions receivable approximates fair value as these donations are recorded at the net present value of amount pledged. The carrying amount for annuities payable, which approximates fair value, is estimated using discounted cash flow analyses based on the University's current investment income rate for instruments similar to those underlying the annuities.

The fair value of notes and bonds payable is approximately $17,610,936.