

The logo for Woodbury University, featuring a large, stylized 'W' in a dark brown color. The text 'WOODBURY UNIVERSITY' is written in a white, serif font across the middle of the 'W'.

WOODBURY UNIVERSITY

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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INDEPENDENT AUDITOR'S REPORT

To the Trustees
Woodbury University

We have audited the accompanying statements of financial position of Woodbury University (a California non-profit corporation) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Woodbury University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Woodbury 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. 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 Woodbury University at June 30, 2010 and 2009, 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 of America.



Los Angeles, California
October 21, 2010

WOODBURY UNIVERSITY**STATEMENTS OF FINANCIAL POSITION**

JUNE 30,	2010	2009
ASSETS		
Cash and cash equivalents	\$ 1,867,095	\$ 1,819,087
Cash restricted for bond reserve	1,712,907	1,746,596
Cash restricted by the Board	-	1,000,000
Investments	13,203,712	11,578,586
Tuition receivable, net of allowance for doubtful accounts of \$782,202 in 2010 and \$436,784 in 2009	1,481,022	1,542,901
Student loans, net	1,885,468	1,824,234
Grant receivable	130,124	-
Pledges receivable	1,563,901	2,092,370
Other receivables	229,751	161,435
Prepays, deposits and other assets	2,653,748	2,563,226
Property and equipment, net	<u>46,716,397</u>	<u>47,877,724</u>
Total assets	<u>\$ 71,444,125</u>	<u>\$ 72,206,159</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 468,618	\$ 240,901
Accrued expenses and other liabilities	11,192,095	8,535,189
Tuition advances	968,780	1,146,289
Student funds payable and student deposits	623,438	745,683
Loans payable	1,419,149	1,722,693
Bonds payable	<u>25,285,000</u>	<u>25,765,000</u>
Total liabilities	<u>39,957,080</u>	<u>38,155,755</u>
Net Assets		
Unrestricted		
Undesignated	1,606,337	1,601,406
Investment in property and equipment	19,989,852	21,010,597
Board designated endowment	11,247,816	8,572,808
Pension-additional minimum provision	<u>(9,192,911)</u>	<u>(6,851,531)</u>
Total unrestricted	23,651,094	24,333,280
Temporarily restricted	3,990,480	5,906,581
Permanently restricted	<u>3,845,471</u>	<u>3,810,543</u>
Total net assets	<u>31,487,045</u>	<u>34,050,404</u>
Total liabilities and net assets	<u>\$ 71,444,125</u>	<u>\$ 72,206,159</u>

WOODBURY UNIVERSITY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, investment income and reclassifications:				
Revenues:				
Tuition and fees	\$ 37,572,919	\$ -	\$ -	\$ 37,572,919
Less: Institutional student aid	(7,937,532)	-	-	(7,937,532)
Funded scholarships	(518,458)	-	-	(518,458)
	29,116,929	-	-	29,116,929
Federal and state grants	-	646,285	-	646,285
Private gifts and grants	204,550	784,432	-	988,982
Auxiliary enterprises	2,042,171	-	-	2,042,171
Realized and unrealized gains on investments	854,025	10,846	-	864,871
Interest and dividends	251,778	22,879	34,071	308,728
Other	889,733	-	857	890,590
Total revenues and investment income	33,359,186	1,464,442	34,928	34,858,556
Reclassifications:				
Net assets released from restrictions	3,380,543	(3,380,543)	-	-
Total revenues, investment income and reclassifications	36,739,729	(1,916,101)	34,928	34,858,556
Expenses:				
Instruction	14,197,267	-	-	14,197,267
Academic support	724,208	-	-	724,208
Library	838,850	-	-	838,850
Registrar	305,331	-	-	305,331
Student services	2,097,586	-	-	2,097,586
Institutional support	2,800,541	-	-	2,800,541
Campus operations and maintenance	3,688,223	-	-	3,688,223
Admissions	1,030,613	-	-	1,030,613
University marketing	3,188,753	-	-	3,188,753
Data processing	976,266	-	-	976,266
Auxiliary enterprises	1,254,973	-	-	1,254,973
Depreciation and amortization	2,480,724	-	-	2,480,724
Other	1,497,200	-	-	1,497,200
Total expenses	35,080,535	-	-	35,080,535
Change in net assets before change in additional minimum pension liability	1,659,194	(1,916,101)	34,928	(221,979)
Change in additional minimum pension liability	(2,341,380)	-	-	(2,341,380)
Change in net assets	(682,186)	(1,916,101)	34,928	(2,563,359)
Net assets at beginning of year	24,333,280	5,906,581	3,810,543	34,050,404
Net assets at end of year	\$ 23,651,094	\$ 3,990,480	\$ 3,845,471	\$ 31,487,045

WOODBURY UNIVERSITY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, investment losses and reclassifications:				
Revenues:				
Tuition and fees	\$ 36,213,281	\$ -	\$ -	\$ 36,213,281
Less: Institutional student aid	(7,299,282)	-	-	(7,299,282)
Funded scholarships	(463,991)	-	-	(463,991)
	28,450,008	-	-	28,450,008
Federal and state grants	-	210,591	-	210,591
Private gifts and grants	201,623	1,876,260	230,268	2,308,151
Auxiliary enterprises	2,088,827	-	-	2,088,827
Realized and unrealized loss on investments	(2,293,814)	(31,787)	-	(2,325,601)
Interest and dividends	217,591	17,115	27,141	261,847
Other	636,157	-	857	637,014
Total revenues and investment income	29,300,392	2,072,179	258,266	31,630,837
Reclassifications:				
Net assets released from restrictions	1,854,377	(1,854,377)	-	-
Total revenues, investment income and reclassifications	31,154,769	217,802	258,266	31,630,837
Expenses:				
Instruction	12,772,964	-	-	12,772,964
Academic support	785,885	-	-	785,885
Library	951,011	-	-	951,011
Registrar	296,611	-	-	296,611
Student services	2,090,047	-	-	2,090,047
Institutional support	2,984,321	-	-	2,984,321
Campus operations and maintenance	3,590,248	-	-	3,590,248
Admissions	910,238	-	-	910,238
University marketing	2,994,842	-	-	2,994,842
Data processing	944,589	-	-	944,589
Auxiliary enterprises	1,312,485	-	-	1,312,485
Depreciation and amortization	2,065,174	-	-	2,065,174
Other	830,602	-	-	830,602
Total expenses	32,529,017	-	-	32,529,017
Change in net assets before change in additional minimum pension liability	(1,374,248)	217,802	258,266	(898,180)
Change in additional minimum pension liability	(3,922,540)	-	-	(3,922,540)
Change in net assets	(5,296,788)	217,802	258,266	(4,820,720)
Net assets at beginning of year	29,630,068	5,688,779	3,552,277	38,871,124
Net assets at end of year	\$ 24,333,280	\$ 5,906,581	\$ 3,810,543	\$ 34,050,404

WOODBURY UNIVERSITY**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30,	2010	2009
Cash flows from operating activities		
Change in net assets	\$ (2,563,359)	\$ (4,820,720)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,480,724	2,065,174
Realized and unrealized loss (gain) on investments	(864,871)	2,325,601
Contributions restricted for long-term investments	-	(237,268)
Change in additional minimum pension liability	2,341,380	3,922,540
Changes in operating assets and liabilities:		
Tuition receivable	61,879	(400,958)
Student loans	(61,234)	(111,308)
Grant receivable	(130,124)	-
Pledges and other receivables, net	460,153	296,111
Prepays, deposits and other assets	(90,520)	(125,304)
Accounts payable	227,717	(165,132)
Accrued expenses and other liabilities	315,526	384,595
Tuition advances	(177,509)	(141,524)
Student funds payable and student deposits	(122,247)	106,848
Net cash provided by operating activities	<u>1,877,515</u>	<u>3,098,655</u>
Cash flows from investing activities		
Purchases of investments	(6,384,748)	(5,054,704)
Sales of investments	5,624,493	4,523,860
Purchases of property and equipment	<u>(1,319,397)</u>	<u>(5,250,842)</u>
Net cash used in investing activities	<u>(2,079,652)</u>	<u>(5,781,686)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investments	-	237,268
Proceeds from loans payable	-	1,800,000
Payments of loans payable	(303,544)	(258,617)
Payments of bonds principal	<u>(480,000)</u>	<u>(465,000)</u>
Net cash provided by (used in) financing activities	<u>(783,544)</u>	<u>1,313,651</u>
Net decrease in cash and cash equivalents	(985,681)	(1,369,380)
Cash and cash equivalents at beginning of year	<u>4,565,683</u>	<u>5,935,063</u>
Cash and cash equivalents at end of year	<u>\$ 3,580,002</u>	<u>\$ 4,565,683</u>
Supplemental information:		
Interest paid	<u>\$ 1,348,231</u>	<u>\$ 1,366,174</u>

WOODBURY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization - Woodbury University (the University) offers undergraduate and graduate programs in various majors in the areas of arts and sciences, architecture and business. The University is located in Burbank, California.

Use of Estimates in the Preparation of Financial Statements - The University follows accounting principles generally accepted in the United States in the presentation of its financial statements. The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future, as more information becomes known which could impact the amounts reported and disclosed herein.

Concentrations of Credit Risk - Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash deposits at financial institutions, student receivables, and investments in marketable securities. At times, balances in the University's cash accounts exceed the Federal Deposit Insurance Corporation (FDIC) limit and balances in the student receivables and investments may exceed the Securities Investors Protection Corporation (SIPC) insurance limit. Concentration of credit risk with respect to receivables are limited due to the large number of students from which amounts are due, with no one account being significant.

A substantial portion of tuition is paid through the student's participation in federally funded financial aid programs. Transfers of funds from the financial aid programs to the University are made in accordance with U.S. Department of Education (DOE) requirements. The financial aid and assistance programs are subject to political and budgetary considerations. The University's administration of these programs is periodically reviewed by various regulatory agencies.

If the University were to lose its eligibility to participate in federal student financial aid programs, the students at the University would lose access to funds derived from those programs and would have to seek alternative sources of funds to pay their tuition and fees. Students obtain access to federal student financial aid through a DOE prescribed application and eligibility certification process. Student financial aid funds are generally made available to students at prescribed intervals throughout their predetermined expected length of study. Students typically apply the funds received from the federal financial aid programs to pay their tuition and fees.

Cash and Cash Equivalents - Woodbury considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents. The carrying amount reported in the statement of financial position for cash equivalents approximates fair value.

Investments - Investments in money market accounts, corporate obligations, U.S. Government obligations, common stock and convertible stock are carried at fair value, based on quoted market prices. Money market accounts in which management's intent is to re-invest in marketable securities are classified as investments within the Statement of Financial Position.

WOODBURY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued) - Investment revenues are reported net of related expenses, such as custodial fees and investment advisory fees, on the Statement of Activities. These fees amounted to approximately \$69,000 and \$57,000 for the years ended June 30, 2010 and 2009, respectively. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Tuition Receivable - Tuition receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to tuition receivable.

Perkins Loan Program - Student loans receivable represent loans made to students under the Perkins Loan Program. As amounts are repaid, the University re-lends funds available to other qualified students.

Pledges Receivable - Unconditional promises to give are recorded as receivables and gift revenues and require the University to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved and recorded in their respective net asset category. An allowance for uncollectible pledges receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

Property and Equipment - Property and equipment are recorded at cost, or fair value, at the date of donation, if donated. Depreciation and amortization on buildings and equipment are based upon the estimated useful lives of the assets, ranging between five years and thirty years, and are applied using the straight-line method. The University's capitalization policy is to capitalize purchases of property and equipment in excess of \$1,000 and which have a useful life greater than one year.

Net Asset Classification - Net asset amounts that have similar characteristics have been combined into three categories -- unrestricted, temporarily restricted and permanently restricted as follows:

WOODBURY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classification (Continued) - Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have been met or fulfilled. Temporarily restricted net assets contain donor-imposed restrictions that permit the University to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the University. Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the University to use or expend the income derived from the donated assets according to donor specifications.

Contributions that the donor requires to be used to acquire long-lived assets (e.g. building improvements, furniture, fixtures, and equipment) are reported as temporarily restricted. The University reflects the expiration of the donor-imposed restrictions when the long-lived assets have been acquired, at which time temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Revenue Recognition - The University records tuition income as earned. Tuition in arrears has been recorded as a receivable and tuition received in advance has been recorded as tuition advances. Government grants are recognized as related expenses are incurred or administrative fees are earned. Auxiliary services consist of room and board and meal plans. Such revenue is recognized when services are provided. Gifts from donors, including contributions receivable (unconditional promises to give), are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Gifts where donor restrictions are met within the same fiscal year as the gifts are received are included in unrestricted net assets. Gifts of assets other than cash are recorded at their estimated fair value. Contributions to be received in future periods are discounted at an appropriate discount rate. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Tax Status - The Internal Revenue Service has ruled that the University qualifies under Section 501(c)(3) of the Internal Revenue Code and is therefore not subject to income taxes for activities related to its exempt programs. Management is not aware of any event which would cause the University to be disqualified from its tax exempt status. The University had no unrecognized tax benefits at June 30, 2010 and 2009, respectively. The University files an exempt organization return in the U.S. federal jurisdiction and with the California Franchise Tax Board, and California Department of Revenue. The University is no longer subject to income tax examinations by taxing authorities for years before 2006 for its federal and 2005 for its state tax filings.

Reclassifications - Certain 2009 balances have been reclassified to better conform to the current year presentation

WOODBURY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS

Investments consist of the following as of June 30:

	2010	2009
	<u> </u>	<u> </u>
Money market accounts	\$ 965,658	\$ 1,084,827
Corporate obligations	3,815,048	3,145,157
U.S. government obligations	1,216,067	1,608,985
Common stock and convertible stock	<u>7,206,939</u>	<u>5,739,617</u>
	<u>\$ 13,203,712</u>	<u>\$ 11,578,586</u>

NOTE 3 - FAIR VALUE OF ASSETS AND LIABILITIES

The University records its investments in accordance with Accounting Standards Codification (“ASC”) Topic 820, Fair Value Measurements and Disclosures. ASC 820 defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs that may be used to measure fair value are established. All of the University’s instruments accounted for at fair value are considered to be Level 1 as of June 30, 2010 and 2009. Level 1 fair values are determined using quoted prices in active markets for identical assets or liabilities.

WOODBURY UNIVERSITY**NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - PLEDGES RECEIVABLE

The pledges receivable, net of estimated uncollectible amounts, are discounted to present value. Pledge receivables due to be collected at June 30 are:

	2010	2009
	<u>2010</u>	<u>2009</u>
Gross unconditional pledges receivable	\$ 1,732,795	\$ 2,276,447
Less: unamortized discount	<u>(168,894)</u>	<u>(184,077)</u>
	<u>\$ 1,563,901</u>	<u>\$ 2,092,370</u>
Amounts due in:		
Less than one year	\$ 360,077	\$ 825,113
One to five years	858,718	769,334
Greater than five years	514,000	682,000
Less: unamortized discount	<u>(168,894)</u>	<u>(184,077)</u>
	<u>\$ 1,563,901</u>	<u>\$ 2,092,370</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2010	2009
	<u>2010</u>	<u>2009</u>
Land	\$ 7,384,774	\$ 7,384,774
Land improvements	1,465,760	1,465,760
Buildings	35,326,769	35,326,769
Building improvements	13,702,764	13,382,830
Furniture & equipment	2,290,410	2,157,858
Library books & materials	865,231	796,535
Computers	2,829,175	2,544,441
Computer software	<u>594,337</u>	<u>548,081</u>
	64,459,220	63,607,048
Less: accumulated depreciation	<u>(18,339,243)</u>	<u>(15,867,599)</u>
	46,119,977	47,739,449
Construction in progress	<u>596,420</u>	<u>138,275</u>
Property and equipment, net	<u>\$ 46,716,397</u>	<u>\$ 47,877,724</u>

WOODBURY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LIFE ESTATE

The University was gifted an irrevocable life estate asset in May 2000. The donor transferred the ownership of the real estate to the University in May 2000, while retaining the right to use the property for the remainder of their life. The donor continues to be responsible for maintaining the property and paying all related expenses.

At the time of donation, the University recorded the asset at its fair value less a present value discount. The discount is amortized over the estimated remaining life of the donor, which was initially determined using published IRS actuary life expectancy tables. As of June 30, 2010 and 2009, the life estate was \$1,300,000 and \$1,235,000 respectively and is included in prepaids, deposits and other assets in the Statement of Financial Position.

NOTE 7 - LOANS PAYABLE

In September 2005, the University obtained an unsecured construction loan in the amount of \$400,000 from a bank to fund construction costs of a building. The loan bears interest at a fixed rate of 5.981% and is payable on demand. If no demand is made, monthly principal payments of \$6,667 and interest are due monthly until the final payment is due in September 2010. The outstanding balance on the loan was \$21,310 and \$101,310 as of June 30, 2010 and 2009, respectively.

In August 2008, the University obtained an unsecured tenant improvement loan in the amount of \$1.8 million from a bank to fund tenant improvements to the San Diego campus. The loan bears interest at a fixed interest rate of 6.09% and is payable on demand. If no demand is made, monthly principal and interest payments of \$26,404 are due monthly until the final payment due in August 2015. The outstanding balances on the loan were \$1,397,841 and \$1,621,383 as of June 30, 2010 and 2009, respectively.

Future principal payments are as follows for the years ending June 30:

2011	\$ 258,440
2012	252,022
2013	268,203
2014	285,240
2015	285,240
Thereafter	<u>70,004</u>
	<u>\$ 1,419,149</u>

WOODBURY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - BONDS PAYABLE

On January 11, 2006, the University issued \$19,995,000 of bonds through the California Educational Facilities Authority (CEFA) for construction of buildings. The bonds mature on January 1 each year in varying amounts with interest rates ranging from 4.00% to 5.07%. Principal maturity amounts are as follow:

\$4,085,000 Serial Bonds

Maturity Date (January 1)	Principal Amount	Interest Rate %
2011	\$ 380,000	4.00
2012	400,000	4.10
2013	415,000	4.25
2014	430,000	4.30
2015	450,000	4.40
2016	470,000	4.50
2017	490,000	4.60
2018	515,000	4.63
2019	535,000	4.75
	<u>\$ 4,085,000</u>	

\$14,540,000 Term Bonds

Maturity Date (January 1)	Principal Amount	Interest Rate %
2025	\$ 3,830,000	5.00
2030	4,165,000	5.00
2036	6,545,000	5.07
	<u>\$ 14,540,000</u>	

The bonds are secured by a deed of trust on the University's real estate. In addition, there are certain restrictions on the University with regard to entering into other long-term borrowings and there are certain loan covenants with which the University must remain in compliance.

In the Loan Agreement between California Educational Facilities Authority and the University, the covenants that the ratio of its Revenues at fiscal year-end to the total principal, interest or other payments with respect to its Long-Term Indebtedness in any one year shall be equal to or greater than 1.10 times. The University further covenants and agrees that if this computation indicates that the Debt Service Coverage Ratio for such fiscal year shall be less than the required amount, the University shall remedy such default. For the fiscal year ended June 30, 2010, the University was in compliance with Debt Service Coverage Ratio.

WOODBURY UNIVERSITY**NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - BONDS PAYABLE (Continued)

Mandatory Sinking fund payments at a redemption price of par plus accrued interest will occur on the following dates for the bonds maturing January 1, 2025:

<u>Mandatory Sinking Fund Payment Dates (January 1)</u>	<u>Mandatory Fund Payment</u>
2020	\$ 565,000
2021	590,000
2022	620,000
2023	650,000
2024	685,000
2025 (Maturity)	<u>720,000</u>
	<u><u>\$ 3,830,000</u></u>

Mandatory sinking fund payments at a redemption price of par plus accrued interest will occur on the following dates for the bonds maturing January 1, 2030:

<u>Mandatory Sinking Fund Payment Dates (January 1)</u>	<u>Mandatory Fund Payment</u>
2026	\$ 755,000
2027	790,000
2028	830,000
2029	875,000
2030 (Maturity)	<u>915,000</u>
	<u><u>\$ 4,165,000</u></u>

Redemption of bonds maturing January 1, 2036 on the following dates from the following mandatory sinking fund payments, at a redemption price of par plus accrued interest:

<u>Mandatory Sinking Fund Payment Dates (January 1)</u>	<u>Mandatory Fund Payment</u>
2031	\$ 960,000
2032	1,010,000
2033	1,060,000
2034	1,115,000
2035	1,170,000
2036 (Maturity)	<u>1,230,000</u>
	<u><u>\$ 6,545,000</u></u>

WOODBURY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - BONDS PAYABLE (Continued)

On February 27, 2007, the University issued \$7,000,000 of bonds through the California Educational Facilities Authority (CEFA). The bonds mature on February 1 each year in varying amounts with interest rates ranging from 4.13% to 5.00%. Principal maturity amounts are as follows:

\$985,000 Serial Bonds		
Maturity Date (February 1)	Principal Amount	Interest Rate %
2011	\$ 120,000	4.13
2012	125,000	5.00
2013	135,000	5.00
2014	140,000	5.00
2015	145,000	5.00
2016	155,000	5.00
2017	165,000	5.00
	<u>\$ 985,000</u>	

\$5,675,000 Serial Bonds		
Maturity Date (February 1)	Principal Amount	Interest Rate %
2026	\$ 1,895,000	5.00
2030	1,145,000	5.00
2037	2,635,000	5.00
	<u>\$ 5,675,000</u>	

The bonds are secured by a deed of trust on the University's real estate. In addition, there are certain restrictions on the University with regard to entering into other long-term borrowings and there are certain loan covenants with which the University must remain in compliance.

In the Loan Agreement between California Educational Facilities Authority and the University, the University, the University covenants that the ratio of its Revenues at fiscal year-end to the total shall be equal to or greater than 1.20 times. The University further covenants and agrees that if this computation indicates that the Debt Service Coverage Ratio for such fiscal year shall be less than the required amount, the University shall remedy such default. For the fiscal year ended June 30, 2010, the University was in compliance with the Debt Service Coverage Ratio.

WOODBURY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - BOND PAYABLE (Continued)

Mandatory sinking fund payments at a redemption price of par plus accrued interest will occur on the following dates for the bonds maturing February 1, 2026:

<u>Mandatory Sinking Fund Payment Dates (February 1)</u>	<u>Mandatory Fund Payment</u>
2018	\$ 170,000
2019	180,000
2020	190,000
2021	200,000
2022	210,000
2023	220,000
2024	230,000
2025	240,000
2026 (Maturity)	255,000
	<u>\$ 1,895,000</u>

Mandatory sinking fund payments at a redemption price of par plus accrued interest will occur on the following dates for the bonds maturing February 1, 2030:

<u>Mandatory Sinking Fund Payment Dates (February 1)</u>	<u>Mandatory Fund Payment</u>
2027	\$ 265,000
2028	280,000
2029	295,000
2030 (Maturity)	305,000
	<u>\$ 1,145,000</u>

WOODBURY UNIVERSITY**NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - BOND PAYABLE (Continued)

Mandatory sinking fund payments at a redemption price of par plus accrued interest will occur on the following dates for the bonds maturing February 1, 2037:

<u>Mandatory Sinking Fund Payment Dates (February 1)</u>	<u>Mandatory Fund Payment</u>
2031	\$ 325,000
2032	340,000
2033	355,000
2034	375,000
2035	395,000
2036	410,000
2037 (Maturity)	<u>435,000</u>
	<u><u>\$ 2,635,000</u></u>

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2010 and 2009, temporarily restricted net assets consist of the following:

	<u>2010</u>	<u>2009</u>
Endowed scholarships	\$ 43,424	\$ 33,354
Restricted scholarships	762,522	794,463
Title V Co-Op matching gift	505,373	492,431
Restricted private gifts:		
Kirkendall life estate	1,300,000	1,235,162
Building project	945,662	3,079,947
Gift annuities	109,456	104,581
Other	<u>324,043</u>	<u>166,643</u>
	<u><u>\$ 3,990,480</u></u>	<u><u>\$ 5,906,581</u></u>

WOODBURY UNIVERSITY**NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

For the years ended June 30, 2010 and 2009, net assets released from donor restrictions by satisfying conditions specified by the donors are as follows:

	2010	2009
College Work Study Disbursement	\$ 285,096	\$ 210,591
Scholarships and grants	233,362	253,400
Building project	2,148,526	1,035,075
Other	713,559	355,311
	<u>\$ 3,380,543</u>	<u>\$ 1,854,377</u>

NOTE 10 - ENDOWMENTS

At June 30, 2010 and 2009, permanently restricted net assets consist of the following:

	2010	2009
Endowment funds:		
Woodbury Estate	\$ 1,150,000	\$ 1,150,000
Hearst Foundation	200,000	200,000
Carl Eyerick	139,000	139,000
Fletcher Jones Foundation	210,000	210,000
Harvey Cova	82,700	82,700
Robert Laatsch	46,000	46,000
Richard King	25,000	25,000
Dora Kirby	33,240	33,240
Connie Gillaspie	25,000	25,000
Wanda McQuary	10,000	10,000
Evelyn Ducoff	237,268	237,268
Other	35,128	35,128
Total Endowment funds:	2,193,336	2,193,336
Perkins Loan funds	1,652,135	1,617,207
	<u>\$ 3,845,471</u>	<u>\$ 3,810,543</u>

WOODBURY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - ENDOWMENTS (Continued)

The Board of Trustees of the University has interpreted the California Prudent Management of Institutional Funds Act (CPMIFA) as 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 at (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 temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by CPMIF. In accordance with CPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the University and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the University
- g. The investment policies of the University

Endowment by Net Asset Class, in Total and by Fund as of June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 43,424	\$ 2,193,336	\$ 2,236,760
Board-designated endowment funds	11,247,816	-	-	11,247,816
Total endowment funds	<u>\$ 11,247,816</u>	<u>\$ 43,424</u>	<u>\$ 2,193,336</u>	<u>\$ 13,484,576</u>

WOODBURY UNIVERSITY**NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - ENDOWMENTS (Continued)**Changes Endowment Net Assets for the Fiscal Year Ended June 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 8,572,808	\$ 33,354	\$ 2,193,336	\$ 10,799,498
Investment return:				
Investment income	247,281	153,042	-	400,323
Realized and unrealized gains on investments	<u>790,232</u>	<u>-</u>	<u>-</u>	<u>790,232</u>
Total investment return	1,037,513	153,042	-	1,190,555
Contributions	1,637,495	-	-	1,637,495
Appropriation of endowment assets for expenditures	<u>-</u>	<u>(142,972)</u>	<u>-</u>	<u>(142,972)</u>
Endowment net assets, end of year	<u>\$ 11,247,816</u>	<u>\$ 43,424</u>	<u>\$ 2,193,336</u>	<u>\$ 13,484,576</u>

Endowment by Net Asset Class, in Total and by Fund as of June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 33,354	\$ 2,193,336	\$ 2,226,690
Board-designated endowment funds	<u>8,572,808</u>	<u>-</u>	<u>-</u>	<u>8,572,808</u>
Total endowment funds	<u>\$ 8,572,808</u>	<u>\$ 33,354</u>	<u>\$ 2,193,336</u>	<u>\$ 10,799,498</u>

WOODBURY UNIVERSITY**NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - ENDOWMENTS (Continued)**Changes Endowment Net Assets for the Fiscal Year Ended June 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 10,277,580	\$ 74,000	\$ 1,956,090	\$ 12,307,670
Investment return:				
Investment income	156,590	108,354	6,978	271,922
Realized and unrealized losses on investments	<u>(2,261,362)</u>	<u>-</u>	<u>-</u>	<u>(2,261,362)</u>
Total investment return	(2,104,772)	108,354	6,978	(1,989,440)
Contributions	400,000	-	230,268	630,268
Appropriation of endowment assets for expenditures	<u>-</u>	<u>(149,000)</u>	<u>-</u>	<u>(149,000)</u>
Endowment net assets, end of year	<u>\$ 8,572,808</u>	<u>\$ 33,354</u>	<u>\$ 2,193,336</u>	<u>\$ 10,799,498</u>

Return Objectives and Risk Parameters - The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the market value as of the donation date of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index or Barclays Capital Aggregate index while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives - 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 places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The University has a policy of appropriating for distribution each year, the realized fixed income investment earnings from its permanently restricted endowment. This is consistent with the University's objective to preserve the market value as of the donation date of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

WOODBURY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - RETIREMENT PLANS

Pension Plan - The Pension Plan for Employees of Woodbury University (the Plan) is administered by an insurance company and is available to all employees over 21 years of age provided they complete 1,000 hours of service. The Plan is a noncontributory defined benefit plan. The benefits are based on employees' compensation during all years of service. The University's funding policy is to make annual contributions as required by applicable regulations. Total pension expense was \$1,929,729 (including \$201,571 of actuarial fees and Pension Benefit Guaranty Corporation, "PBGC", premiums) and \$1,248,608 (including \$158,828 of actuarial fees and PBGC premiums) for the years ended June 30, 2010 and 2009, respectively. Total benefits paid from plan assets were \$658,596 and 607,639 for the years ended June 30, 2010 and 2009, respectively. Assets held by the Plan consist primarily of Contractual Fixed Dollar Funds, Money Market Funds, Indexed Bond Funds, Value Equity and Growth Equity Funds by the New York Life Insurance Company under Group Annuity Contract GA-11452.

Retirement plan expense includes net periodic expense for the Plan calculated using the Projected Unit Credit Method as follows at June 30:

	2010	2009
Service cost-benefit earned during the year	\$ 1,084,939	\$ 888,989
Interest cost on project benefit obligation	1,165,392	1,060,333
Return on plan assets	(870,072)	(953,465)
Net amortization and deferral	2,076	2,076
Net loss amortization	345,823	91,847
Net periodic pension expense	<u>\$ 1,728,158</u>	<u>\$ 1,089,780</u>
Project benefit obligation	\$ 23,063,906	\$ 18,282,788
Plan assets at fair value	<u>(13,405,560)</u>	<u>(11,402,380)</u>
Unfunded projected benefit obligation	9,658,346	6,880,408
Unrecognized net loss from past experience different from that assumed	(9,171,067)	(6,827,611)
Prior service cost	<u>(21,844)</u>	<u>(23,920)</u>
Accrued pension cost, included in accrued expenses and other liabilities	<u>\$ 465,435</u>	<u>\$ 28,877</u>
Additional minimum liability	<u>\$ 9,192,911</u>	<u>\$ 6,851,531</u>

WOODBURY UNIVERSITY**NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - RETIREMENT PLANS (Continued)

Assumptions used in the actuarial computations at June 30 were:

	<u>2010</u>	<u>2009</u>
Retirement	Age 65	Age 65
	IRC Section	IRC Section
	430(h)(3)(A)	430(h)(3)(A)
	Small Plan/	Small Plan/
Mortality	Static Table	Static Table
Discount rate	5.5%	6.5%
Rate of increase in compensation level	4.0%	4.5%
Expected long-term of return on assets	7.5%	7.5%

The future expected benefit payments under the defined benefit plan at June 30, 2010 are as follows:

2011	\$ 758,761
2012	878,140
2013	977,447
2014	1,068,244
2015	1,153,999
2016-2020	6,959,381

Employer contributions to the plan for the years ended June 30, 2010 and 2009 totaled \$1,291,600 and \$971,233, respectively.

The University's pension plan weighted average asset allocation by asset category for June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Equity securities	35%	60%
Debt securities	60%	35%
Other	5%	5%
	<u>100%</u>	<u>100%</u>

WOODBURY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - RETIREMENT PLANS (Continued)

Plan Assets - Investment Strategy - The University's overall strategic investment objectives for the Plan are to preserve capital for future benefit payments and to balance risk and return. In order to accomplish these objectives, the University oversees the Retirement Plan's investment objectives and policy design, decides proper plan asset class strategies and structures, monitors the performance of plan investment managers and investment funds and determines the proper investment allocation of pension plan contributions and withdrawals.

Plan Assets - Fair Value Measurements - The Plan had all its assets invested in mutual funds, with total balances of \$13,405,560 and \$11,402,380 as of June 30, 2010 and 2009, respectively. These instruments accounted for at fair value are considered to be Level 1. Level 1 fair values are determined using quoted prices in active markets for identical assets or liabilities.

403 (b) Retirement Plan - The University offers a 403b retirement plan to all full time employees. Under the 403b retirement plan, the University will match 100% of the employee's contribution to the plan up to a 1% limit of their annual salary. If the employee elects to contribute more than 1%, they may contribute to a 403b supplemental account.

NOTE 12 - LEASES

The University has entered into leases for office equipment and space rental. Rent expense under operating leases was \$723,495 and \$1,126,459 for the years ended June 30, 2010 and 2009, respectively. The future minimum lease payments under non-cancelable leases for years ended June 30 are as follow:

2011	\$ 430,750
2012	409,409
2013	399,281
2014	354,070
2015	306,745
Thereafter	<u>845,466</u>
Total future minimum lease payments	<u>\$ 2,745,721</u>

WOODBURY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

NOTE 13 - RELATED PARTIES

A member on the Board of Trustees also serves as a paid consultant to the University.

The wife of the University President is an employee of the University. The University President is also a member of the Board.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the Statement of Financial Position date but before financial statements are available to be issued. The University recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Financial Position, including the estimates inherent in the process of preparing the financial statements. The University's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the Statement of Financial Position but arose after the Statement of Financial Position date and before financial statements are available to be issued.

The University has evaluated subsequent events through October 21, 2010, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that need to be disclose.