

Loyola College in Maryland

**Financial Statements and Report of Independent
Auditors**

As of May 31, 2005 and 2004

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Report of Independent Auditors

To the Board of Trustees
Loyola College in Maryland

In our opinion, the accompanying statements of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of Loyola College in Maryland (the College) at May 31, 2005 and 2004, and 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. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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.

PricewaterhouseCoopers LLP

September 9, 2005

Loyola College in Maryland
Statements of Financial Position
May 31, 2005 and 2004

<i>(In thousands of dollars)</i>	2005	2004
Assets		
Cash and cash equivalents	\$ 23,658	\$ 18,912
Student tuition receivable, net	138	141
Contributions receivable, net	7,137	4,216
Prepaid expenses and other assets	2,505	3,120
Investments, at market	146,912	135,961
Notes receivable	49	192
Student loans receivable, net	2,004	2,065
Land, buildings and equipment, net	212,000	215,854
Interests in perpetual trusts held by others	10,357	9,616
Total assets	\$ 404,760	\$ 390,077
Liabilities and net assets		
Accounts payable and accrued liabilities	\$ 9,519	\$ 9,637
Deferred tuition and other refundable advances	7,419	6,925
Annuities payable	413	436
Bonds payable	83,905	85,402
Government grants refundable	2,787	2,721
Total liabilities	104,043	105,121
Net assets		
Unrestricted		
Designated for equipment and facilities	133,221	128,653
Designated for endowment	105,194	100,335
Undesignated	7,755	7,499
Total unrestricted net assets	246,170	236,487
Temporarily restricted	9,136	5,479
Permanently restricted	45,411	42,990
Total net assets	300,717	284,956
Total liabilities and net assets	\$ 404,760	\$ 390,077

The accompanying notes are an integral part of these financial statements.

Loyola College in Maryland
Statement of Activities
Year Ended May 31, 2005

<i>(In thousands of dollars)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains				
Tuition and fees, (net of tuition discounts of \$25,287)	\$ 85,482	\$ -	\$ -	\$ 85,482
Contributions	3,334	5,151	1,680	10,165
Government grants and contracts	6,709	-	-	6,709
Investment income on endowment	3,552	-	-	3,552
Other investment income	626	-	-	626
Net unrealized gains (losses) on investments	(2,388)	-	741	(1,647)
Net realized gains on investments	10,980	-	-	10,980
Sales and services of auxiliary enterprises	23,768	-	-	23,768
Other sources	4,144	-	-	4,144
Total revenues and gains	<u>136,207</u>	<u>5,151</u>	<u>2,421</u>	<u>143,779</u>
Net assets released from restrictions	<u>1,494</u>	<u>(1,494)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and reclassifications	<u>137,701</u>	<u>3,657</u>	<u>2,421</u>	<u>143,779</u>
Expenses				
Education and general				
Instruction	50,329	-	-	50,329
Research	1,079	-	-	1,079
Public service	1,502	-	-	1,502
Academic support	5,217	-	-	5,217
Institutional support	29,126	-	-	29,126
Student services	19,074	-	-	19,074
Fundraising	673	-	-	673
Library	2,875	-	-	2,875
Total education and general expenses	<u>109,875</u>	<u>-</u>	<u>-</u>	<u>109,875</u>
Auxiliary enterprises	<u>18,143</u>	<u>-</u>	<u>-</u>	<u>18,143</u>
Total expenses	<u>128,018</u>	<u>-</u>	<u>-</u>	<u>128,018</u>
Total change in net assets	9,683	3,657	2,421	15,761
Net assets at beginning of year	236,487	5,479	42,990	284,956
Net assets at end of year	<u>\$ 246,170</u>	<u>\$ 9,136</u>	<u>\$ 45,411</u>	<u>\$ 300,717</u>

The accompanying notes are an integral part of these financial statements.

Loyola College in Maryland
Statement of Activities
Year Ended May 31, 2004

<i>(In thousands of dollars)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains				
Tuition and fees, (net of tuition discounts of \$22,803)	\$ 79,901	\$ -	\$ -	\$ 79,901
Contributions	3,283	1,915	7,117	12,315
Government grants and contracts	5,894	-	-	5,894
Investment income on endowment	2,526	-	-	2,526
Other investment income	309	-	-	309
Net unrealized gains on investments	13,731	-	599	14,330
Net realized gains on investments	3,556	-	-	3,556
Sales and services of auxiliary enterprises	22,683	-	-	22,683
Other sources	3,507	-	-	3,507
Total revenues and gains	<u>135,390</u>	<u>1,915</u>	<u>7,716</u>	<u>145,021</u>
Net assets released from restrictions	<u>1,067</u>	<u>(1,067)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and reclassifications	<u>136,457</u>	<u>848</u>	<u>7,716</u>	<u>145,021</u>
Expenses				
Education and general				
Instruction	46,476	-	-	46,476
Research	909	-	-	909
Public service	1,591	-	-	1,591
Academic support	5,001	-	-	5,001
Institutional support	26,646	-	-	26,646
Student services	18,205	-	-	18,205
Fundraising	786	-	-	786
Library	2,739	-	-	2,739
Total education and general expenses	<u>102,353</u>	<u>-</u>	<u>-</u>	<u>102,353</u>
Auxiliary enterprises	<u>17,945</u>	<u>-</u>	<u>-</u>	<u>17,945</u>
Total expenses	<u>120,298</u>	<u>-</u>	<u>-</u>	<u>120,298</u>
Total change in net assets	16,159	848	7,716	24,723
Net assets at beginning of year	<u>220,328</u>	<u>4,631</u>	<u>35,274</u>	<u>260,233</u>
Net assets at end of year	<u>\$ 236,487</u>	<u>\$ 5,479</u>	<u>\$ 42,990</u>	<u>\$ 284,956</u>

The accompanying notes are an integral part of these financial statements.

Loyola College in Maryland
Statements of Cash Flows
Years Ended May 31, 2005 and 2004

<i>(In thousands of dollars)</i>	2005	2004
Cash flows from operating activities		
Change in net assets	\$ 15,761	\$ 24,723
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	6,784	6,561
Amortization and bond discounts	119	119
Contributions restricted for long-term investment	(1,680)	(2,309)
Net realized and unrealized gains on investments	(8,592)	(17,287)
Change in actuarial liability	26	(13)
Decrease (increase) in cash-surrender value of investments	69	(48)
Decrease (increase) in student tuition receivable, net	3	(6)
Increase in contributions receivable, net	(2,921)	(513)
(Increase) decrease in prepaid expenses and other assets	615	(633)
Decrease in accounts payable and accrued liabilities	(118)	(3,026)
Increase in deferred tuition and other refundable advances	495	98
Increase in government grants refundable	66	75
Net cash from operating activities	<u>10,627</u>	<u>7,741</u>
Cash flows from investing activities		
Purchase of property and equipment	(2,930)	(4,005)
Sales of investments	33,210	7,267
Purchase of investments	(35,639)	(3,462)
Repayments on notes receivable	143	153
Payments on student loans	448	474
Issuance of student loans	(388)	(398)
Net cash (for) from investing activities	<u>(5,156)</u>	<u>29</u>
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	1,680	2,309
Payments on bonds payable	(1,615)	(1,621)
Payments under annuities	(49)	(50)
Interest in perpetual trust held by others	(741)	(5,407)
Net cash for financing activities	<u>(725)</u>	<u>(4,769)</u>
Net increase in cash and cash equivalents	4,746	3,001
Cash and cash equivalents at beginning of year	18,912	15,911
Cash and cash equivalents at end of year	<u>\$ 23,658</u>	<u>\$ 18,912</u>
Supplemental cash flow information		
Cash paid during the period for interest	<u>\$ 4,223</u>	<u>\$ 4,204</u>
Non-cash investing and financing activities		
Additional interest in perpetual trust held by others	<u>\$ -</u>	<u>\$ 4,806</u>

The accompanying notes are an integral part of these financial statements

1. Summary of Significant Accounting Policies

A. Basis of Financial Presentation

The accompanying financial statements of Loyola College in Maryland (the College) have been prepared on the accrual basis of accounting.

Certain amounts from the prior year have been reclassified to conform with the current year presentation.

B. Classification of Net Assets

The College's net assets have been grouped into the following three classes:

Unrestricted Net Assets - Unrestricted net assets generally result from revenues derived from providing services, receiving unrestricted contributions, unrealized and realized gains and losses, and receiving dividends and interest from investing in income-producing assets, less expenses incurred in providing services, raising contributions, and performing administrative functions.

Temporarily Restricted Net Assets - Temporarily restricted net assets generally result from contributions and other inflows of assets whose use by the College is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the College pursuant to those stipulations.

Permanently Restricted Net Assets - Permanently restricted net assets generally result from contributions and other inflows of assets whose use by the College is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the College.

C. Classification of Contributions

The College reports gifts of cash and other assets as restricted support and classified either as temporarily restricted or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions for which donors have stipulated restrictions but which are met within the same reporting period are reported as unrestricted support.

The College reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the College reports expirations of donor restrictions as unrestricted when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give with payments due in future periods are reported as temporarily restricted support. Amounts due are recorded at the net realizable discounted cash flow based on an average period of future payments.

D. Concentration of Credit Risk

Financial instruments, which potentially subject the College to concentrations of credit risk consist primarily of cash, cash equivalents, and investments. The College maintains cash and cash equivalents and short and long-term investments with high quality institutions and has established guidelines relative to diversification and maturities that maintain safety and liquidity. As of May 31, 2005 and 2004, a majority of the balances were in excess of the Federal Deposit Insurance Corporation insurance limit. The College has not incurred any losses due to the credit risk on these instruments.

E. Cash and Cash Equivalents

The College considers temporary cash investments with a maturity of three months or less as cash and cash equivalents. Cash equivalents are stated at cost, which approximates market value. Cash equivalents as of May 31, 2005 and 2004 include bank balances of \$22,792,000 and \$15,370,000, respectively, invested in short-term accounts at The Common Fund and Smith Barney as well as bank balances of \$1,293,000 and \$3,912,000, respectively, invested in a collateralized overnight repurchase agreement with a bank.

F. Investments

Investments are reported at fair market value. Fair value is based on quoted prices for securities traded on public exchanges. Fair values for certain alternative equity and fixed income investments held through limited partnerships or hedge funds are estimated by the respective external investment managers if market values are not readily ascertainable. These valuations necessarily involve assumptions and estimation methods which are reviewed by the College. These assumptions and estimation methods are uncertain, and therefore the estimates could differ materially from actual results.

The fair value of certain funds of collateralized debt obligations are not readily determinable, therefore the funds are recorded at their original cost.

Investment income on endowment is reported net of management fees and other investment income is reported gross. The change in unrealized appreciation or depreciation of investments is reflected in the statements of activities. Realized gains and losses on sales of investments are computed on a specific identification basis and are recorded on the trade date of the transaction.

Investments may include some cash and cash equivalents held by investment managers for a specific purpose.

G. Interests in Perpetual Trusts Held by Others

Interests in perpetual trusts held by others represent resources neither in the possession nor under the control of the College, but held and administered by outside fiscal agents, with the College deriving income from such funds. The fair value of the College's share of the assets is reflected in the statement of financial position.

H. Endowments

The State of Maryland has adopted the Uniform Management of Institutional Funds Act. As a result, under Maryland law, unless the gift instrument specifically indicates the intent of the donor that net appreciation shall not be expended, the governing board may appropriate for expenditure, for uses and purposes for which an endowment fund is established, so much of the net appreciation, realized and unrealized, in the assets as is prudent. As of May 31,

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2005 and 2004, the College's total endowments were \$140,045,000 and \$133,332,000, respectively. These totals consist of annuity agreements of \$781,000 and \$784,000; board designations of \$93,853,000 and \$89,558,000; and permanently restricted endowment funds of \$45,411,000 and \$42,990,000, as of May 31, 2005 and 2004, respectively.

In accordance with Financial Accounting Standard (FAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," deficiencies of \$2,044,000 and \$1,868,000 for donor-restricted endowment funds have been recorded in unrestricted net assets for the years ended May 31, 2005 and 2004, respectively. These deficiencies are the result of declines in market values.

I. Endowment Income

The College distributes a fixed rate of return of five percent on the three-year trailing average market value of the endowment except for endowment income restricted to scholarships, which may be distributed in full. The College has an investment objective of achieving a minimum current annual income return (dividends and interest) of 5% so that endowment income distributed will not exceed income earned. The excess of income earned over endowment income distributed remains in the unrestricted net assets designated for endowment. The College distributes realized and unrealized gains and losses from investment transactions among the endowment funds based on the ratio of each balance to the total of all balances.

J. Tuition Revenue

Tuition revenue consists of all tuition revenue earned, net of all student discounts, funded and unfunded.

K. Deferred Tuition and Other Refundable Advances

Deferred tuition and other refundable advances represents cash received primarily for tuition, student deposits and student charges related to programs applicable to the next fiscal year.

L. Depreciation

Depreciation of buildings and equipment is computed using the straight-line method over the estimated useful lives of the related assets. When assets are sold, retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized in that period.

The following estimated useful lives are used in calculating depreciation:

	<u>Estimated Useful Life</u>
Buildings	50 years
Equipment, furniture, fixtures, software and other	5-7 years

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Receivables are based on management's best estimate of the amounts expected to be collected. The amounts the College will ultimately realize could differ materially, in the near term, from the amounts assumed in arriving at the present value and allowance for doubtful accounts.

N. Line of Credit

During fiscal year 2001, the College obtained a revolving line of credit in the amount of \$5,000,000, bearing interest at the thirty day London Interbank Offered Rate plus fifty basis points, which terminates upon thirty-day notice of either party. As of May 31, 2005 and 2004, the College had no outstanding balance due on this line of credit and on April 1, 2005 made the decision to terminate the account.

2. Disclosures About Fair Value of Financial Instruments

The fair value of cash and short-term investments, funds held by others and variable rate demand bonds payable in the aggregate approximate their respective carrying amounts. The fair value of short-term investments and sinking funds are based on the quoted market price of the underlying securities. The estimated fair value of the College's debt is determined based on quoted market prices for publicly traded issues and on the discounted future cash payments to be made for other issues. The discount rates used approximate current market rates for loans or groups of loans with similar maturities and credit quality. The estimated fair value of the College's long-term debt, including current maturities, approximates carrying value.

The estimated fair value of investments is based on quoted market prices, except for certain investments, principally hedge funds, limited partnership and similar interests, for which quoted market prices are not available. The estimated fair value of these investments is based on valuations provided by the external investments managers as of May 31. The College believes the carrying amount of its financial instruments is a reasonable estimate of fair value. Because the hedge fund and limited partnership investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

The fair values of certain collateralized debt obligations are not readily determinable on the open market, therefore the bonds are recorded at their original cost. At the end of fiscal years 2005 and 2004, the total value of bonds whose respective carrying values are recorded at cost is \$10,060,000.

Investment income on endowments is recorded net of related investment expenses on the Statement of Activities. Related investment expenses were \$665,000 and \$725,000 for the fiscal years ended May 31, 2005 and 2004.

Determination of the fair value of student loan notes receivable, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms and

Loyola College in Maryland
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subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs.

A summary of investments held by the College is as follows (in thousands):

	As of		As of	
	May 31, 2005		May 31, 2004	
	Market	Cost	Market	Cost
Short-term investments	\$ 10,319	\$ 10,319	\$ 962	\$ 962
Fixed income investments	9,048	7,408	8,897	7,408
Bonds and notes	3,530	3,566	2,628	2,678
Common stocks	53,018	38,417	76,311	55,757
Hedge funds	48,471	41,500	32,457	28,500
Alternative investments	21,942	25,086	14,053	17,583
Other	584	584	653	653
	<u>\$ 146,912</u>	<u>\$ 126,880</u>	<u>\$ 135,961</u>	<u>\$ 113,541</u>

3. Student Loans Receivable

As of May 31, 2005 and 2004, Perkins Loans receivable are stated net of an allowance for doubtful loans of approximately \$161,000. Uncollectible Perkins Loans are not charged off until approved for write-off or accepted for assignment by the Department of Education (ED). The College did not assign any loans to ED in 2005 or 2004.

4. Land, Buildings and Equipment

Land, buildings and equipment, at cost, are as follows (in thousands):

	As of	
	May 31, 2005	May 31, 2004
Land	\$ 11,899	\$ 11,556
Buildings	242,899	242,855
Equipment, furniture, fixtures and other	20,421	20,611
Construction in process	8,252	7,447
Total	<u>283,471</u>	<u>282,469</u>
Less: Accumulated depreciation	<u>(71,471)</u>	<u>(66,615)</u>
Land, buildings and equipment, net	<u>\$ 212,000</u>	<u>\$ 215,854</u>

Loyola College in Maryland
Notes to Financial Statements
May 31, 2005 and 2004

5. Bonds Payable

Bonds payable are as follows (in thousands):

	As of	
	May 31, 2005	May 31, 2004
Maryland Health and Higher Education Facility Authority		
Revenue Bonds		
Series 1996A:		
5.5% term bonds due October 2016	\$ 7,620	\$ 7,620
5.375% term bonds due October 2026	29,680	29,680
3.7%-5.375% serial bonds payable through October 2011	6,660	7,475
	<u>43,960</u>	<u>44,775</u>
Series 1996 B Variable Rate Demand Bonds, payable through October 2013	9,700	10,500
Series 1999:		
5.25% term bonds due October 2029	5,915	5,915
5.00% term bonds due October 2039	27,440	27,440
	<u>33,355</u>	<u>33,355</u>
Less: Discount	(3,110)	(3,228)
Bonds Payable	<u>\$ 83,905</u>	<u>\$ 85,402</u>

Effective October 1, 1996, the College entered into a loan agreement with the Maryland Health and Higher Educational Facilities Authority (MHHEFA) to borrow \$49,810,000 from the proceeds of MHHEFA's Series 1996 Revenue Bonds. The original issue discount on the Series 1996 A Bonds was \$1,929,000. The primary purpose of the borrowing was to finance and refinance the costs of acquisition, construction, renovation and equipping of certain facilities and to refund the 1992 Variable Rate Demand Bonds outstanding.

Effective November 1, 1996, the College entered into another loan agreement with MHHEFA to borrow \$14,900,000 from the proceeds of MHHEFA's Series 1996 B Revenue Bonds. The original issue discount on the Series 1996 B Bonds was \$37,000. The Series 1996 B Bonds require monthly interest payments at variable rates determined by the remarketing agent, as set forth in the agreement. The College has the option to convert from a variable to a fixed rate of interest, and may change between fixed and variable rates over the term of the bonds, as defined and specified in the agreement. The Series 1996 B Bonds are subject to mandatory tender prior to any change in interest rate method, or at the option of the College. In addition, the College is required to make sinking fund payments on October 1 of each year. The primary purpose of the borrowing was to finance and refinance the costs of acquisition, construction, renovation and equipping of certain facilities.

Effective June 23, 1999, the College entered into a third loan agreement with MHHEFA to borrow \$33,355,000 from the proceeds of MHHEFA's Series 1999 Revenue Bonds. The original issue discount on the Series 1999 Bonds was \$2,053,000. The primary purpose of the borrowing was to finance and refinance the costs of acquisition, construction, renovation and equipping of certain facilities. In addition, the bonds are subject to redemption prior to maturity, at the principal amount

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thereof plus accrued interest to the redemption date, from mandatory sinking fund installments on October 1 annually.

The covenants of the 1996 A & B and 1999 Bonds restrict the sale of assets and include other requirements as defined in the agreement.

There was no capitalized interest for the years ended May 31, 2005 and 2004. Annual principal and interest payments on the bonds over the next five fiscal years and thereafter are as follows (in thousands):

	Principal net of discount	Discount	Interest*	Total
2006	\$ 1,606	\$ 119	\$ 4,428	\$ 6,153
2007	1,616	119	4,351	6,086
2008	1,621	119	4,273	6,013
2009	1,851	119	4,195	6,165
2010	1,876	119	4,106	6,101
2011 and thereafter	75,335	2,515	65,119	142,969
	<u>\$ 83,905</u>	<u>\$ 3,110</u>	<u>\$ 86,472</u>	<u>\$ 173,487</u>

* Includes estimated interest on the variable rate Series 1996 B Bonds, assuming an average annual rate of 4%.

6. Retirement Benefit Plans

The College participates in retirement annuity plans sponsored by the Teacher's Insurance and Annuity Association and the College Retirement Equity Fund and Fidelity Investments. Retirement benefits are provided for faculty, administrators and hourly employees, through direct payments to these plans. For eligible employees, the College contributed an amount equal to eleven percent of the employee's base salary to the plan in 2005 and 2004. Contributions under these plans are fully vested in the employee and retirement payments are limited to the amount of the annuities. Charges for the College's contributions were approximately \$4,436,000 and \$4,178,000 for the years ended May 31, 2005 and 2004, respectively.

7. Income Tax Status

Under the provisions of Section 501(c)(3) of the Internal Revenue Code, the College is exempt from federal and state taxes on income except for taxes on unrelated business income, if any. Since the College had no material unrelated business income during the years ended May 31, 2005 and 2004, no provision for income taxes has been made.

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8. Commitments

Leases:

The College leases classroom facilities and office space in Columbia, MD under a noncancelable operating lease agreement expiring in 2016. The College also leases clinical, classroom and office facilities in Baltimore City, MD under a noncancelable operating lease agreement expiring in 2013. The leases contain cost escalation clauses providing for increases in rentals due to increased tax or operating costs over defined base period amounts. Rental expense for the years ended May 31, 2005 and 2004 and was approximately \$1,437,000 and \$1,504,000, respectively.

The following is a schedule by years of future minimum rental payments (in thousands) required under operating leases that have an initial or remaining noncancelable lease term in excess of one year as of May 31, 2005:

Year Ending May 31,	
2006	\$ 1,366
2007	1,714
2008	1,764
2009	1,814
2010	1,867
Thereafter	11,530
Total	\$ 20,055

Other Commitments:

The College has committed to make capital contributions of \$5,000,000 to ABS Capital Partners II, L.P., \$5,000,000 to ABS Capital Partners III, L.P. and \$5,000,000 to ABS Capital Partners IV, L.P. as a limited partner. The College has a remaining commitment of \$765,000 to ABS Capital Partners II, L.P., \$1,121,000 to ABS Capital Partners III, L.P. and \$1,492,000 to ABS Capital Partners IV, L.P. at May 31, 2005.

A substantial number of the College's contracts and grants are with departments or agencies of the United States Government and are subject to audit by government auditors.

9. Temporarily Restricted Net Assets

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

	As of	
	May 31,	May 31,
	2005	2004
General operations	\$ 518	\$ 487
Buildings and equipment	2,717	2,170
Other, passage of time	5,901	2,822
Total	\$ 9,136	\$ 5,479

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10. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support (in thousands):

	As of	
	May 31, 2005	May 31, 2004
Financial aid	\$ 27,912	\$ 25,392
General operations	1,032	1,012
Instruction and research	16,467	16,586
Total	<u>\$ 45,411</u>	<u>\$ 42,990</u>

11. Net Assets Released from Restrictions

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes or by occurrence of other events as specified by donors or with the passage of time. During the years ended May 31, 2005 and 2004, \$1,494,000 and \$1,067,000, respectively, were released from restrictions due to the passage of time or fulfillment of donor restrictions.

12. Contributions Receivable, Conditional Promises to Give, and Intentions

As of May 31, 2005 and 2004, contributors to the College have unconditionally promised to give \$7,137,000 and \$4,216,000, respectively.

The promised contributions are due as follows (in thousands):

	As of	
	May 31, 2005	May 31, 2004
Within one year	\$ 3,101	\$ 2,283
One to five years	5,454	2,182
More than five years	554	456
Subtotal	<u>9,109</u>	<u>4,921</u>
Less: Present value component	(1,435)	(338)
Less: Allow for doubtful accounts	(537)	(367)
Total contributions receivable	<u>\$ 7,137</u>	<u>\$ 4,216</u>

In addition, contributors to the College have intentions to give approximately \$6,431,000 and \$7,819,000 as of May 31, 2005 and 2004, respectively. These intentions relate primarily to bequests which, at the contributor's discretion, may be changed and/or amended. As a result, these amounts are not included as promised contributions and have not been recognized as revenue.

13. Interests in Perpetual Trusts Held by Others

In June 1996, the College received a split interest agreement in the Marion I. & Henry J. Knott Scholarship Fund, Inc., an irrevocable perpetual trust held by Mercantile Safe Deposit and Trust Company. Under the terms of the agreement, the College received 10.5% of interest income earned on the fund until payments of one million dollars were made to the separate funds of each of the named Baltimore Archdiocese Hospitals, at which time the College was to receive 21% of interest income earned on the fund into perpetuity. During fiscal year 2004, the College became aware that this clause was met, and recognized approximately \$4,808,000 as permanently restricted contribution revenue for the additional assets received. The College is to use the interest income distributed from the fund for tuition scholarship funds for students in the freshman through senior years, specifically excluding graduate studies of any kind.

All assets of the perpetual trust are recorded by the College at fair market value. The College received interest income from the scholarship fund of approximately \$260,000 during fiscal years 2005 and 2004. The College recognized gains on interests in perpetual trusts held by others of \$741,000 and \$599,000 during fiscal years 2005 and 2004.

14. Loyola/Notre Dame Library

The Loyola/Notre Dame Library, Inc. (the Library), a separate legal corporation, was formed in February 1968 for the mutual benefit of the College and the College of Notre Dame of Maryland (Notre Dame). The Library building is situated on six acres of land between the two college campuses. The land and the building, including improvements, were contributed in equal shares by the two colleges and are the property of the Library. The Library has its own Board of Trustees, consisting of twelve members, three from the College, three from Notre Dame, and six other members. The College and Notre Dame are required to financially support the Library's annual operations through the payments of joint and use costs. Joint costs are equally shared by the two colleges, and use costs are based on each college's proportionate share of adjusted semester hours. The College incurred approximately \$2,875,000 and \$2,739,000 in joint and use costs for the Library during the years ended May 31, 2005 and 2004, respectively.