



LOYOLA COLLEGE IN MARYLAND
Financial Statements
May 31, 2008 and 2007
(With Independent Auditors' Report Thereon)



KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Independent Auditors' Report

The Board of Trustees
Loyola College in Maryland:

We have audited the accompanying statements of financial position of Loyola College in Maryland as of May 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our 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 audit 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 the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, 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 Loyola College in Maryland as of May 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 2, 2008, except for
note 11, which is as of
October 20, 2008

LOYOLA COLLEGE IN MARYLAND

Statements of Financial Position

May 31, 2008 and 2007

(Dollars in thousands)

Assets	2008	2007
Cash	\$ 2,124	611
Short-term investment	47,878	44,933
Student tuition receivables, net	706	142
Contributions receivable, net	7,146	7,672
Prepaid expenses and other assets	2,662	4,115
Investments, at fair value	178,297	174,122
Deposits with bond trustees	11,857	39,819
Student loans receivable, net	2,056	2,043
Land, buildings and equipment, net	282,404	246,841
Interest in perpetual trust	11,337	12,259
Total assets	\$ 546,467	532,557
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 16,616	23,095
Deferred tuition and refundable advances	7,207	7,593
Bonds payable	159,348	149,231
Other liabilities	3,481	2,833
Government grants refundable	2,827	2,811
Total liabilities	189,479	185,563
Net assets:		
Unrestricted:		
Net investment in equipment and facilities	153,606	145,891
Designated for endowment	133,725	131,860
Undesignated	7,644	8,067
Total unrestricted net assets	294,975	285,818
Temporarily restricted	10,061	10,132
Permanently restricted	51,952	51,044
Total net assets	356,988	346,994
Total liabilities and net assets	\$ 546,467	532,557

See accompanying notes to financial statements.

LOYOLA COLLEGE IN MARYLAND

Statement of Activities

Year ended May 31, 2008

(with comparative totals for 2007)

(Dollars in thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>	
				<u>2008</u>	<u>2007</u>
Revenues:					
Tuition and fees, (net of tuition discounts of \$35,604 in 2008 and \$32,301 in 2007)	\$ 103,608	—	—	103,608	95,405
Contributions	4,388	2,362	1,831	8,581	10,722
Government grants and contracts	10,622	—	—	10,622	7,537
Investment income	2,919	—	—	2,919	6,825
Net realized and unrealized gains (losses) on investments	5,020	—	(923)	4,097	16,951
Sales and services of auxiliary enterprises	28,731	—	—	28,731	26,398
Other sources	4,834	—	—	4,834	5,130
Net assets released from restrictions	2,433	(2,433)	—	—	—
Total revenues	162,555	(71)	908	163,392	168,968
Expenses:					
Instruction	57,788	—	—	57,788	55,796
Research	945	—	—	945	955
Public service	2,009	—	—	2,009	1,711
Academic support	7,182	—	—	7,182	6,231
Institutional support	36,039	—	—	36,039	34,199
Student services	23,764	—	—	23,764	22,147
Fundraising	923	—	—	923	887
Library	3,201	—	—	3,201	3,046
Auxiliary enterprises	21,547	—	—	21,547	21,460
Total expenses	153,398	—	—	153,398	146,432
Change in net assets	9,157	(71)	908	9,994	22,536
Net assets at beginning of year	285,818	10,132	51,044	346,994	324,458
Net assets at end of year	\$ 294,975	10,061	51,952	356,988	346,994

See accompanying notes to financial statements.

LOYOLA COLLEGE IN MARYLAND

Statement of Activities

Year ended May 31, 2007

(Dollars in thousands)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues:				
Tuition and fees, (net of tuition discounts of \$32,301 in 2007)	\$ 95,405	—	—	95,405
Contributions	6,233	2,716	1,773	10,722
Government grants and contracts	7,537	—	—	7,537
Investment income	6,825	—	—	6,825
Net realized and unrealized gains on investments	15,475	—	1,476	16,951
Sales and services of auxiliary enterprises	26,398	—	—	26,398
Other sources	5,130	—	—	5,130
Net assets released from restrictions	3,576	(3,576)	—	—
Total revenues	<u>166,579</u>	<u>(860)</u>	<u>3,249</u>	<u>168,968</u>
Expenses:				
Instruction	55,796	—	—	55,796
Research	955	—	—	955
Public service	1,711	—	—	1,711
Academic support	6,231	—	—	6,231
Institutional support	34,199	—	—	34,199
Student services	22,147	—	—	22,147
Fundraising	887	—	—	887
Library	3,046	—	—	3,046
Auxiliary enterprises	21,460	—	—	21,460
Total expenses	<u>146,432</u>	<u>—</u>	<u>—</u>	<u>146,432</u>
Change in net assets	20,147	(860)	3,249	22,536
Net assets at beginning of year	<u>265,671</u>	<u>10,992</u>	<u>47,795</u>	<u>324,458</u>
Net assets at end of year	<u>\$ 285,818</u>	<u>10,132</u>	<u>51,044</u>	<u>346,994</u>

See accompanying notes to financial statements.

LOYOLA COLLEGE IN MARYLAND

Statements of Cash Flows

Years ended May 31, 2008 and 2007

(Dollars in thousands)

	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ 9,994	22,536
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,501	7,075
Contributions and grants restricted for long-term investment	(4,581)	(1,773)
Net realized and unrealized gains on investments	(7,019)	(16,094)
Change in fair value of interest rate swap	1,980	619
Change in assets and liabilities:		
Student tuition receivables, net	(564)	41
Prepaid expenses and other assets	(424)	995
Contribution receivables, net	526	727
Interest in perpetual trust	923	(1,476)
Accounts payable and accrued liabilities	(3,002)	5,249
Deferred tuition and refundable advances	(386)	80
Government grants refundable and other liabilities	216	157
Net cash provided by operating activities	5,164	18,136
Cash flows from investing activities:		
Purchase of property and equipment	(46,514)	(33,494)
Proceeds from sale of property and equipment	20	—
Sales of investments	63,663	28,191
Purchase of investments	(60,819)	(26,454)
Purchases and sales of short-term investment, net	(2,945)	(11,424)
Change in deposits with bond trustees	27,962	19,122
Issuance of student loans	(343)	(692)
Payments on student loans	329	517
Repayment of notes receivable	—	3
Net cash used in investing activities	(18,647)	(24,231)
Cash flows from financing activities:		
Proceeds from contributions and grants restricted for long-term investment	4,581	1,773
Proceeds from notes payable and long-term debt	10,970	—
Payments for issuance costs	(103)	—
Payments on bonds and notes payable	(900)	(900)
Cash received from issuance of annuities	507	—
Payments under annuities	(59)	(51)
Net cash provided by financing activities	14,996	822
Net increase (decrease) in cash	1,513	(5,273)
Cash at beginning of year	611	5,884
Cash at end of year	\$ 2,124	611
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 7,032	7,681
Non-cash investing activities:		
Property and equipment additions included in accounts payable	\$ 3,020	6,497

See accompanying notes to financial statements.

LOYOLA COLLEGE IN MARYLAND

Notes to Financial Statements

May 31, 2008 and 2007

(1) Nature of Operations and Summary of Significant Accounting Policies

(a) *Nature of Operations*

Loyola College in Maryland (the College or Loyola) is a private, nonprofit higher education institution located in Baltimore, Maryland. The College provides education and training services to approximately 3,600 undergraduate and 2,500 graduate students. The students are from 36 states and 32 countries and 82% of undergraduate students live on campus during the academic year.

(b) *Basis of Presentation*

The financial statements of the College have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates. Certain amounts for 2007 have been reclassified to conform to the presentation for 2008.

The net assets of the College are classified into three groups based on the nature of the donor-imposed restriction, if any, as follows:

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

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the College and/or the passage of time. Temporarily restricted net assets generally result from contributions or investment return on restricted endowment funds.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the return earned on related investments for general or specific purposes. Permanently restricted net assets generally result from contributions.

Revenues are reported as increases in unrestricted net assets unless their use is limited due to donor-imposed restriction. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed into service.

Assets and liabilities are presented in the order of liquidity in the balance sheets except that investments may include short-term securities that are available for operations.

LOYOLA COLLEGE IN MARYLAND

Notes to Financial Statements

May 31, 2008 and 2007

(c) ***Short-Term Investment***

Short-term investment includes assets invested in the Short Term Fund (STF). The STF is a fund that holds fixed-income securities, short-term U.S. Treasury securities, and other short-term, highly liquid investments. The STF is expected to generate a return approximating the three-month U.S. Treasury bill rate. The College utilizes the STF to fund daily cash needs. The College reclassified its May 31, 2007 balance from cash and cash equivalents to conform with its presentation for 2008.

(d) ***Contributions***

Contributions, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets 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 the gift. Contributions to be received after one year are discounted using an appropriate risk-free rate for the expected period of collection. Amortization of the discount is recorded as additional contribution revenue. Allowance is made for estimated uncollectible contributions based on management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

(e) ***Investments***

Investments are stated at their fair values, which are generally determined based on quoted market prices. The fair values of certain alternative equity and fixed income investments held through limited partnerships and hedge funds are estimated based upon information provided by the fund managers or the general partners. These estimated fair values, which are evaluated for reasonableness by the College, may differ from the values that would have been used had a ready market existed and the differences could be significant.

Investment income is reported net of management fees of \$664,000 in 2008 and \$577,000 in 2007.

(f) ***Deposits with Bond Trustees***

Deposits with bond trustees consist of debt service funds and the unexpended proceeds of certain debt. These funds are invested primarily in short-term, highly liquid securities and will be used for construction costs or payment of debt service.

(g) ***Interest in Perpetual Trust***

Interest in perpetual trust represents resources neither in the possession nor under the control of the College, but held and administered by an outside fiscal agent, with the College deriving income from such funds. The fair value of the College's share of the assets is reflected in the balance sheets, and is generally based on quoted market values.

(h) ***Land, Buildings and Equipment***

Land, buildings and equipment are stated at cost, if purchased or at estimated fair value at date of gift, if donated. Generally, the costs of maintenance and repairs are charged to expense when incurred, while major acquisitions, additions, renewals, and betterments are capitalized. Depreciation of buildings and equipment is computed using the straight-line method over the estimated useful lives of the related assets.

LOYOLA COLLEGE IN MARYLAND

Notes to Financial Statements

May 31, 2008 and 2007

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

(i) Tuition and Fees

Tuition and fees are recorded as revenues during the year the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Student aid provided by the College for tuition and fees is reported as a reduction of such revenue. Student aid does not include payments made to students for services rendered to the College.

(j) Federal Student Financial Aid Programs

Funds provided by the United States Government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collection. Such funds are ultimately refundable to the government.

(k) Income Tax Status

The College is qualified as a not for profit organization under Section 501(c)(3) of the Internal Revenue Code, as amended. Accordingly, the College is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. No provision for income taxes was required for fiscal 2008 or 2007.

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement 109* (FIN 48). FIN 48 addresses the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides guidance on measurement, classification, interest and penalties, and financial statement disclosures. FIN 48 was effective for the College on July 1, 2007, and had no significant impact on the College's financial statements.

(l) Functional Expenses

Costs related to the operation and maintenance of physical plant, including depreciation of plant assets and interest on related debt, are allocated to program and supporting activities based upon periodic inventories of facilities.

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Notes to Financial Statements

May 31, 2008 and 2007

(m) 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, 2008 and 2007, a majority of the balances were in excess of the Federal Deposit Insurance Corporation insurance limit.

(n) Fair Values of Financial Instruments

Fair values of financial instruments, including debt (as interest rates are commensurate with prevailing market rates) approximate their carrying values in the financial statements.

(o) Derivative Financial Instruments

Derivative financial instruments (interest rate swaps) are measured at fair value and recognized in the balance sheets as assets or liabilities, with the change in fair value included in unrealized gains and losses in the statement of activities. The fair value of the derivatives is based upon values provided by third party financial institutions.

(p) Recently Issued Accounting Pronouncements

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. This statement does not require any new fair value measures. SFAS No. 157 will be effective for the College in fiscal year 2009. The College is currently evaluating the impact of SFAS No. 157 on its financial statements.

In August 2008, the FASB issued FASB Staff Position No.117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP No. 117-1). FSP No. 117-1 provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management Institutional Funds Act of 2006 (UPMIFA). The State of Maryland has not enacted a version of UPMIFA. The FSP also requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) for all organizations, including those that are not yet subject to an enacted version of UPMIFA. The endowment disclosure provisions of FSP No. 117-1 are effective for the College for fiscal 2009.

LOYOLA COLLEGE IN MARYLAND

Notes to Financial Statements

May 31, 2008 and 2007

(2) Contributions Receivable

Contributions receivable, net, are summarized as follows as of May 31, 2008 and 2007 (in thousands):

	2008	2007
Within one year	\$ 2,871	2,729
One to five years	4,061	5,275
More than five years	1,659	1,805
Subtotal	8,591	9,809
Discount (interest rates ranging from 3.2% to 5.6%)	(697)	(1,389)
Allowance for doubtful accounts	(748)	(748)
	\$ 7,146	7,672

As of May 31, 2008, the College had also been informed of bequest intentions and conditional promises to give aggregating \$15,801,000, which have not been recognized as assets or revenues. If received, these gifts will generally be restricted for specific purposes stipulated by the donors.

(3) Investments

Investments are summarized as follows as of May 31, 2008 and 2007 (in thousands):

	2008	2007
Cash and money funds	\$ 4,907	5,420
Fixed income securities	—	10,834
Bonds and notes	8,242	6,392
Common stocks and equity funds	75,127	74,409
Hedge funds	81,582	61,990
Alternative equity and fixed income investments	7,829	14,161
Other	610	916
	\$ 178,297	174,122

Investments are professionally managed by outside investment organizations subject to direction and oversight by a committee of the Board of Trustees. The Board of Trustees has established investment policies and guidelines which cover asset allocation and performance objectives and impose various restrictions and limitations on the managers. These restrictions and limitations are specific to each asset classification and cover concentrations of market risk (at both the individual issuer and industry group levels), credit quality of fixed-income and short-term investments, and various other matters.

LOYOLA COLLEGE IN MARYLAND

Notes to Financial Statements

May 31, 2008 and 2007

Investments are exposed to certain risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the value of investment securities could occur in the near term, and these changes could materially affect the amounts reported in the accompanying financial statements.

In fiscal 2007, the College recognized an unrealized loss of \$8,000,000 as a result of conforming its investment valuation policies for its collateralized debt obligations from cost to fair market value.

As of May 31, 2008 and 2007, assets of the endowment funds, including cash and cash equivalents and investments, were \$174,758,000 and \$170,426,000, respectively.

(4) Land, Buildings and Equipment

Land, buildings and equipment, net, as of May 31, 2008 and 2007 consist of the following (in thousands):

	<u>2008</u>	<u>2007</u>
Land and land improvements	\$ 12,258	12,159
Buildings	289,810	247,565
Equipment, furniture, fixtures and other	25,746	24,075
Investment in Loyola/Notre Dame Library	11,404	6,000
Construction in progress	33,357	39,995
	<u>372,575</u>	<u>329,794</u>
Accumulated depreciation	<u>(90,171)</u>	<u>(82,953)</u>
Land, buildings and equipment, net	<u>\$ 282,404</u>	<u>246,841</u>

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 campuses. The land and the building, including improvements, were contributed in equal shares by Loyola and Notre Dame 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 and use costs are based on each institution's proportionate share of adjusted semester hours. The College incurred approximately \$3,201,000 and \$3,046,000 in joint and use costs for the Library during the years ended May 31, 2008 and 2007, respectively.

In fiscal 2008, the College recognized a state grant of approximately \$2,750,000 for the renovation of the Library.

LOYOLA COLLEGE IN MARYLAND

Notes to Financial Statements

May 31, 2008 and 2007

(5) Bonds Payable and Other Debt Matters

Bonds payable as of May 31, 2008 and 2007 consist of the following (in thousands):

Maryland Health and Higher Education Facility Authority:

Revenue Bonds (MHHEFA):	<u>2008</u>	<u>2007</u>
Series 1996B Variable Rate Demand Bonds, payable through October 2013	\$ 7,000	7,900
Series 1999:		
5.25% term bonds due October 2029, principal beginning October, 2027	5,915	5,915
5.00% term bonds due October 2039, principal beginning October, 2030	<u>27,440</u>	<u>27,440</u>
	33,355	33,355
Series 2006A:		
4.750% term bond due October 2033, principal beginning October, 2027	10,400	10,400
5.000% term bond due October 2040, principal beginning October, 2034	18,050	18,050
5.125% term bond due October 2045, principal beginning October, 2041	<u>34,545</u>	<u>34,545</u>
	62,995	62,995
Series 2006B bonds, variable rate, due October 2026 (3.64% and 3.70% as of May 31, 2008 and 2007, respectively)	46,150	46,150
Series 2007 bonds, variable rate, due December 2023 (1.67% as of May 31, 2008), principal beginning December 1, 2007	<u>11,000</u>	<u>—</u>
	160,500	150,400
Less discounts and premium, net	<u>(1,152)</u>	<u>(1,169)</u>
	<u>\$ 159,348</u>	<u>149,231</u>

The College has the following outstanding borrowings under loan agreements with MHHEFA:

- Series 1996B Revenue Bonds, \$14,900,000, with an original discount of \$37,000, interest payable monthly.
- Series 1999 Revenue Bonds, \$33,355,000, with an original issue discount of \$2,053,000, interest payable annually.
- Series 2006A Revenue Bonds, \$62,995,000, with an original issue premium of \$655,728, interest payable semi-annually.

LOYOLA COLLEGE IN MARYLAND

Notes to Financial Statements

May 31, 2008 and 2007

- Series 2006B Revenue Bonds, \$46,150,000, with an original issue discount of \$161,525, interest payable semi-annually.
- Series 2007 Revenue Bonds, \$11,000,000, with an original discount of \$30,250, interest payable monthly.

The Series 1996B 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 1996B 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 Series 1999, 2006A, and 2006B outstanding bonds are subject to redemption prior to maturity, at the principal amount thereof plus accrued interest to the redemption date, from mandatory sinking fund installments of interest on October 1 annually.

The covenants of the Series 1996B, 1999, 2006A, 2006B and 2007 Revenue Bonds restrict the sale of assets and include other requirements as defined in the agreement. The College was in compliance with its covenants as of May 31, 2008.

Capitalized interest, net of interest income, totaled \$2,018,000 and \$897,000 for the years ended May 31, 2008 and 2007, respectively.

Interest Rate Swap Arrangement

The College has an interest rate swap agreement with a major financial institution to fix the interest rate on part of Series 2006 Revenue Bonds. The agreement effectively fixed the interest rate on a portion of the bond issue at 3.25% through October 1, 2026. The initial notional amount outstanding under the swap agreement is \$46,165,000 and amortizes through October 2026. The College receives a floating rate based on 67% of LIBOR and pays at 3.25%. Settlement occurs monthly, and payments made or received under the swap agreement are recognized as an increase or decrease in the related interest expense.

The fair value of the interest rate swap is the estimated amount the College would receive or pay to terminate the swap agreement as of May 31, taking into account current interest rates and the current credit worthiness of the swap counterparties. The fair value of the interest rate swap was a liability of \$506,000 and an asset of \$1,474,000 as of May 31, 2008 and 2007, respectively. The change in the fair value of the interest rate swap was a loss of \$1,980,000 in 2008 and a loss of \$619,000 in 2007 and is included in net realized and unrealized gains (losses) on investments in the statement of activities.

Subsequent Financing

On September 17, 2008, MHHEFA issued tax-exempt bond of \$46,370,000 (Series 2008 Revenue Bonds) on behalf of the College. Approximately \$46,150,000 of these proceeds were used to retire the Series 2006B Revenue Bonds outstanding as of May 31, 2008. The remaining proceeds will be used for debt issuance costs. The Series 2008 Revenue Bonds bear interest at variable rates determined by the remarketing agent, are due in installments through October 2026.

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Notes to Financial Statements

May 31, 2008 and 2007

Principal Repayment Schedule

Aggregate annual principal payments on the bonds, adjusted for subsequent financing described above, over the next five fiscal years and thereafter are as follows (in thousands):

2009	\$	2,265
2010		2,810
2011		3,005
2012		2,805
2013		3,005
2014 and thereafter		146,830
	\$	160,720

(6) Interest in Perpetual Trust

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, as amended, the College currently receives 21% of interest income earned on the fund into perpetuity. The College is to use the interest income distributed from the fund for scholarships for students in undergraduate studies. The fair value of the College's share of the assets is reflected in the balance sheets.

The College received distributions from the scholarship fund of approximately \$273,000 and \$260,000 in 2008 and 2007, respectively. The College recognized unrealized gains (losses) on interest in perpetual trust held by others of \$(923,000) and \$1,476,000 in 2008 and 2007, respectively.

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets as of May 31, 2008 and 2007 are available for the following purposes (in thousands):

	2008	2007
General operations (time restricted)	\$ 700	678
Buildings and equipment	3,222	3,066
Other, passage of time	6,139	6,388
Total	\$ 10,061	10,132

(8) Permanently Restricted Net Assets

Permanently restricted net assets as of May 31, 2008 and 2007 are restricted to investment in perpetuity, the income from which is expendable to support operations as follows (in thousands):

	2008	2007
Financial aid	\$ 31,862	32,474
Instruction and research	18,255	17,236
General operations	1,835	1,334
Total	\$ 51,952	51,044

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Notes to Financial Statements

May 31, 2008 and 2007

(9) 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, in 2008 and 2007 the College contributed to the plan an amount equal to 11% of the employee's base salary. Contributions under these plans are fully vested in the employee and retirement payments are limited to the amount of the annuities. The College's contributions were approximately \$5,317,000 and \$5,050,000 in 2008 and 2007, respectively.

(10) Commitments

Leases

The College leases classroom facilities and office space in Columbia, Maryland under a noncancelable operating lease agreement expiring in 2016. The College also leases clinical, classroom and office facilities in Baltimore, Maryland 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. Rent expense for the years ended May 31, 2008 and 2007 was approximately \$1,997,000 and \$1,862,000, respectively.

The aggregate annual minimum guaranteed rents to be paid to the expiration of the initial terms of these leases are as follows as of May 31, 2008 (in thousands):

Year ending May 31:	
2009	\$ 1,814
2010	1,867
2011	1,920
2012	1,975
2013	2,033
Thereafter	<u>5,602</u>
Total	<u>\$ 15,211</u>

Investments

As of May 31, 2008, commitments to fund investments in hedge funds or other limited partnerships aggregated \$5,552,000.

Letters of Credit

As of May 31, 2008, the College had letters of credit outstanding with a bank in the amount of \$11,120,000, as required by certain bond agreements.

Other

The College is subject to various claims, litigation, and other assessments in connection with its operations. Management of the College does not expect the ultimate resolution of these actions to have a material adverse effect on the College's financial position.

LOYOLA COLLEGE IN MARYLAND

Notes to Financial Statements

May 31, 2008 and 2007

(11) Other Subsequent Events

Short Term Fund

The College received notice on September 29, 2008 from the Trustee of the STF of its decision to initiate the termination of the STF, to establish procedures for an orderly liquidation and distribution of the fund's assets, and to resign their role as Trustee. As permitted, the College has already withdrawn \$18,100,000 through October 2, 2008. Further additional withdrawals are limited to \$16,897,000 through December 31, 2008. The College's position in the STF will not affect its financial obligations, for it believes it has ample resources to meet all near- and long-term obligations.

Line of Credit

In October 2008, the College executed a \$20,000,000 line of credit with a financial institution. The line of credit will be used, if necessary, for working capital purposes, and will remain open until there are 12 consecutive months of inactivity. Borrowings will be secured and availability under the line of credit is determined periodically based upon the amount of eligible securities, cash, and other investments of the College, as defined in the agreement.