

AQUINAS COLLEGE
FINANCIAL STATEMENTS
Year Ended June 30, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Aquinas College
Nashville, Tennessee

We have audited the accompanying statement of financial position of Aquinas College (a Tennessee nonprofit corporation) as of June 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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. 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 audit provides 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 Aquinas College as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Grannis & Associates, P.C.

Murfreesboro, Tennessee
October 4, 2007

AQUINAS COLLEGE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2007

ASSETS

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Cash	\$ 149,050	\$ 63,224	\$ 2,000	\$ 214,274
Accounts receivable	188,473	-	-	188,473
Due from St. Cecilia Academy	125	-	-	125
Unconditional promises to give, net	152,430	99,167	38,772	290,369
Bookstore inventory	73,347	-	-	73,347
Prepaid expenses	11,202	-	-	11,202
Investments	6,298,112	1,084,324	2,627,107	10,009,543
Property and equipment, net	<u>2,121,605</u>	<u>-</u>	<u>-</u>	<u>2,121,605</u>
Total Assets	<u>\$ 8,994,344</u>	<u>\$ 1,246,715</u>	<u>\$ 2,667,879</u>	<u>\$ 12,908,938</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 113,915	\$ -	\$ -	\$ 113,915
Due to the Dominican Campus	26,224	-	-	26,224
Deferred revenues	379,059	-	-	379,059
Note payable	90,025	-	-	90,025
Lease payable	<u>11,036</u>	<u>-</u>	<u>-</u>	<u>11,036</u>
Total Liabilities	<u>620,259</u>	<u>-</u>	<u>-</u>	<u>620,259</u>
Net Assets	<u>8,374,085</u>	<u>1,246,715</u>	<u>2,667,879</u>	<u>12,288,679</u>
Total Liabilities and Net Assets	<u>\$ 8,994,344</u>	<u>\$ 1,246,715</u>	<u>\$ 2,667,879</u>	<u>\$ 12,908,938</u>

See Notes to Financial Statements

AQUINAS COLLEGE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues, Gains, and Reclassifications</u>				
Gross tuition and fees	\$ 7,726,286	\$ -	\$ -	\$ 7,726,286
Less: scholarship allowance	<u>(1,717,497)</u>	<u>-</u>	<u>-</u>	<u>(1,717,497)</u>
Net Tuition and Fees	<u>6,008,789</u>	<u>-</u>	<u>-</u>	<u>6,008,789</u>
Private gifts and grants	879,298	157,325	5,133	1,041,756
Government grants	722,971	-	-	722,971
Sales and services of auxiliary enterprises	506,593	-	-	506,593
Investment income, net	1,009,418	297,235	-	1,306,653
Loss on disposal of fixed assets	(9,263)	-	-	(9,263)
Other revenue	<u>40,124</u>	<u>-</u>	<u>-</u>	<u>40,124</u>
Total Revenues and Gains	<u>9,157,930</u>	<u>454,560</u>	<u>5,133</u>	<u>9,617,623</u>
Net assets released from restrictions	<u>246,089</u>	<u>(246,089)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Reclassifications	<u>9,404,019</u>	<u>208,471</u>	<u>5,133</u>	<u>9,617,623</u>
<u>Expenses</u>				
Programs:				
Education and general				
Instruction	3,018,446	-	-	3,018,446
Academic support	949,049	-	-	949,049
Student services	768,116	-	-	768,116
Auxiliary enterprises	475,776	-	-	475,776
Institutional support	2,612,956	-	-	2,612,956
Operation and maintenance of physical plant	<u>1,228,875</u>	<u>-</u>	<u>-</u>	<u>1,228,875</u>
Total Expenses	<u>9,053,218</u>	<u>-</u>	<u>-</u>	<u>9,053,218</u>
Change in Net Assets	350,801	208,471	5,133	564,405
Net Assets, Beginning of Year	<u>8,023,284</u>	<u>1,038,244</u>	<u>2,662,746</u>	<u>11,724,274</u>
Net Assets, End of Year	<u>\$ 8,374,085</u>	<u>\$ 1,246,715</u>	<u>\$ 2,667,879</u>	<u>\$ 12,288,679</u>

See Notes to Financial Statements

AQUINAS COLLEGE

STATEMENT OF CASH FLOWS

Year Ended June 30, 2007

Cash Flows from Operating Activities

Increase in net assets	\$ 564,405
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	267,513
Loss on disposal of assets	9,263
Change in allowance for doubtful accounts	(1,760)
Change in pledge discount	(20,476)
Net unrealized gains on investments	(835,884)
Net realized gains on investments	(140,512)
Change in assets and liabilities:	
Increase in accounts receivable	(82,683)
Increase in due from St. Cecilia Academy	(125)
Decrease in unconditional promises to give	60,828
Increase in bookstore inventory	(1,123)
Increase in other assets	(36)
Decrease in accounts payable and accrued expenses	(34,333)
Increase in due to the Dominican Campus	26,224
Decrease in deferred revenues	(2,017)
Contributions restricted for long-term purposes:	
Unconditional promises to give	(8,312)
Amortization of discount on unconditional promises to give	3,179
Net Cash Used by Operating Activities	<u>(195,849)</u>

Cash Flows from Investing Activities

Purchases of property and equipment	(211,692)
Proceeds on sale of equipment	250
Proceeds on sales of investments	1,511,331
Purchases of investments	<u>(906,987)</u>
Net Cash Provided By Investing Activities	<u>392,902</u>

Cash Flows from Financing Activities

Proceeds from contributions restricted for investment in endowment	29,512
Payments on leases payable	(8,408)
Payments on note payable	<u>(56,739)</u>
Net Cash Used by Financing Activities	<u>(35,635)</u>
Net Increase in Cash	161,418
Cash at Beginning of Year	52,856
Cash at End of Year	<u>\$ 214,274</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest paid	\$ 10,314
Purchase of equipment on capital lease	<u>\$ 15,501</u>

See Notes to Financial Statements

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

Aquinas College (the "College") is a private Catholic institution of higher education. Chartered on June 24, 1970 in Tennessee as a nonprofit corporation, the College has been in continuous operations since that time. The College offers an academically challenging liberal arts and sciences curriculum, and is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools.

The College is part of the Dominican Campus and is located on 92 wooded acres in Nashville, Tennessee. Owned and administered by the Dominican Sisters of St. Cecilia Congregation. The Dominican Sisters have been educating children, youth and adults of Nashville for almost 150 years, leading students to a deeper knowledge of their faith, their heritage, and their responsibilities as members of society.

This summary of significant accounting policies of the College is presented to assist in understanding the College's financial statements. The financial statements and notes are representations of the College's management who is responsible for their integrity and objectivity.

Basis of Presentation

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America. These financial statements, presented on the accrual basis of accounting, have been prepared to focus on the College as a whole, and present balances and transactions classified according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and activities into three classes: permanently restricted, temporarily restricted or unrestricted.

Classification of Net Assets

The accompanying financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purpose by actions of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets are subject to donor-imposed stipulations that the funds be maintained permanently by the College. Generally, the donors of such assets permit the College to use all or part of the income earned on the assets. Such assets primarily include the College's permanent general and scholarship endowments.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as a reclassification between applicable classes of net assets (assets released from restriction).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less, except for investments purchased with endowment assets, which are classified as long-term investments.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the College.

Unemployment Compensation

The School is exempt from unemployment compensation.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Inventories

Inventories are stated at the lower of cost or market determined by the first-in, first-out method and represent current, usable textbooks available for application to ongoing operations.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The College qualifies as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the College qualifies for the charitable contribution deduction and has been classified by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

Property and Equipment

Buildings and equipment are stated at cost at the date of acquisition or estimated fair value at the date of donation less accumulated depreciation. Only major replacements and improvements are capitalized.

Equipment and improvements are recorded at cost or at estimated fair market value at date of gift donated. Buildings and improvements are depreciated over a range of 15 to 40 years and equipment is depreciated over a range of 5 to 10 years. Depreciation expense for the year was \$267,513.

Furniture and equipment are capitalized when the purchase price is greater than \$1,000 and have a useful life of more than 2 years. In addition, items that are part of a group purchase with a useful life greater than 2 years may also be capitalized even though individually the items may fall under the \$1,000 threshold.

Investments

Investments in marketable equity and debt securities are stated at published market quotations. Investments in certificates of deposit or money market accounts are stated at cost, which approximates fair value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with investments, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the statement of financial position.

Dividends and interest earned on investments are recorded on the accrual basis.

Revenue Recognition

Tuition revenue is recognized in the school year to which it is applicable. Tuition collected in advance is deferred on the balance sheet and reported under liabilities as deferred revenues.

Advertising

The College follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the year was \$57,729.

Auxiliary Enterprise

The College's auxiliary enterprise exists primarily to furnish goods and services to students. Managed as essentially a self-supporting activity, the College's auxiliary enterprise consists of the College bookstore. Auxiliary enterprise revenues and expenses are reported in the statement of activities in unrestricted net assets.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE B - ACCOUNTS RECEIVABLE

The majority of the College's accounts receivable are due from students of the College for tuition and fees. Credit is extended based on evaluation of a student's financial condition and collateral is not required. Student accounts receivables are stated at amounts due, net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The College determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the College's previous loss history, and the individuals student's current ability to pay its obligation to the College.

Accounts receivable consists of the following at June 30, 2007:

Student accounts receivable	\$ 196,326
Other accounts receivable	5,205
Allowance for doubtful accounts - student accounts receivable	<u>(13,058)</u>
Net accounts receivable	<u>\$ 188,473</u>

NOTE C - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises for which payment has not been received are included in the financial statements as pledges receivable and revenue in the appropriate net asset category. The College has discounted long-term pledges to their estimated net present value, using a discount rate of 8.25%.

Unrestricted promises to give expected to be collected in:

Less than one year	\$ 128,163
One to five years	<u>101,478</u>
	229,641
Less allowance for uncollectible promises to give	<u>(57,276)</u>
Less discount on promises to give	<u>(19,935)</u>
Net unconditional promises to give	<u>\$ 152,430</u>

Temporarily restricted promises to give expected to be collected in:

Less than one year	\$ 70,000
One to five years	<u>29,167</u>
	99,167
Less allowance for uncollectible promises to give	<u>-</u>
Net unconditional promises to give	<u>\$ 99,167</u>

Permanently restricted promises to give expected to be collected in:

Less than one year	\$ 15,200
One to five years	<u>47,000</u>
	62,200
Less allowance for uncollectible promises to give	<u>(12,440)</u>
Less discount on promises to give	<u>(10,988)</u>
Net unconditional promises to give	<u>\$ 38,772</u>

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE D - BENEFICIAL INTEREST IN PERPETUAL TRUST

The College is the beneficiary of a trust created by a donor, the assets of which are not in the possession of the College. The College has legally enforceable rights and claims to such assets, including the sole right to income therefrom. Net realized and unrealized gains (losses) related to the beneficial interest are reported as changes in temporarily restricted net assets based on donor restrictions. The historical cost and fair value at June 30, 2007 of the beneficial interest were as follows:

	<u>Cost</u>	<u>Fair Value</u>
The Community Foundation	<u>\$ 938,080</u>	<u>\$ 1,020,360</u>

NOTE E - RETIREMENT PLAN

Aquinas College's retirement plan is a defined-contribution annuity plan and is available to faculty, administrative, and clerical personnel. Eligibility is attained after one year of employment by the College. The College matches contributions up to 1% of annual salary the first year in the plan, up to 2% in the second year and 3% from the third year on. During the 2007 fiscal year, \$42,141 was deposited into individual employee retirement accounts from unrestricted College resources.

NOTE F - CONTRIBUTED SERVICES

For the fiscal year ended June 30, 2007, the services contributed to the College by the religious members of the faculty and others had a net value of \$518,807. The calculation of contributed services is based on comparable compensation obtained from surveys of area schools less actual cash stipends paid to the religious members of the College.

NOTE G - CONCENTRATION OF CREDIT RISK

The College maintains its operating cash balances in various financial institutions and brokerage accounts. The College shares a common operating account with other schools controlled by the St. Cecilia Congregation. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2007, the College's uninsured cash balances total \$272,976. The College has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE H - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment - at cost, less accumulated depreciation:

Buildings	\$ 2,727,685
Buildings and Land Improvements	596,838
Equipment and Furnishings	1,303,771
Library	<u>700,445</u>
	5,328,739
Less: Accumulated Depreciation	<u>3,207,134</u>
	<u>\$ 2,121,605</u>

Legal title in all land occupied by the College is vested in St. Cecilia Congregation.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE I - OPERATING EXPENSES

Operating expenses, by natural classification, for the year ended June 30, 2007 were:

Salaries and Wages	\$ 4,987,358
Payroll Taxes and Benefits	645,982
Books	415,170
Supplies	296,617
Travel/Entertainment	20,202
Interest	10,314
Depreciation	267,513
Utilities	151,505
Contracted Services	275,569
Repairs and Maintenance	185,939
Management Fee - Institute for Professional Development	810,558
Advertising	57,729
Rental Fees	312,645
Insurance	88,243
Other	527,874
Total Expenses	<u>\$ 9,053,218</u>

NOTE J - OPERATING LEASE OBLIGATIONS

The College entered into a 60-month lease agreement for copier equipment on April 5, 2007. The lease currently calls for monthly rental payments of \$408 with additional charges per copy. The prior copier lease expired on April 5, 2007. For the year ended June 30, 2007, the total copier lease expense was approximately \$44,693.

Future minimum lease payments are as follows:

Years Ending June 30,	<u>Amount</u>
2008	\$ 4,896
2009	4,896
2010	4,896
2011	4,896
2012	3,672
	<u>\$ 23,256</u>

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE J - OPERATING LEASE OBLIGATIONS (continued)

The College's agreement with the Institute for Professional Development (See Footnote S) for its off-campus learning centers calls for the IPD to provide classroom and certain other space including office space expiring on August 31, 2010.

The per night charge for each classroom is \$185 plus an additional 55% of operating expenses. The monthly charge of \$5,200 (plus an additional 17% of shared room expense) for the other space and office space increases annually until September 1, 2009. For the year ended June 30, 2007, the total rent including expenses was approximately \$295,884.

Future minimum lease payments are as follows for the office space:	<u>Amount</u>
2008	\$ 62,040
2009	64,300
2010	66,680
2011	11,180
	<u>\$ 204,200</u>

NOTE K - INVESTMENTS

Investments have been allocated to the net asset classification for presentation in the statements of financial position. Investments consist of the following as of June 30, 2007:

	<u>Fair Value</u>
Unrestricted	\$ 6,298,112
Temporarily Restricted	1,084,324
Permanently Restricted	2,627,107
	<u>\$ 10,009,543</u>

Investments are composed of the following:

	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 6,916	\$ 6,916
Money Market Funds	500,000	500,000
Mutual Funds	6,720,270	7,556,154
Bond Market Index Funds	1,946,473	1,946,473
	<u>\$ 9,173,659</u>	<u>\$ 10,009,543</u>

Investment income is composed of the following

Unrealized gains on marketable securities	\$ 835,884
Realized gains on marketable securities	140,512
Dividends and interest income	330,257
	<u>\$ 1,306,653</u>

The College shares common investment accounts with other schools controlled by the St. Cecilia Congregation pooled together into a unfund.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE L - RESTRICTIONS ON NET ASSETS

Unrestricted net assets at June 30, 2007 consist of:

Operations	\$ 290,289
Plant Assets	2,020,545
Quasi (Board Designated):	
Scholarships	347,482
Special Campaign - Sister Education	5,583,837
Endowment	131,932
	<u>\$ 8,374,085</u>

Temporarily restricted net assets at June 30, 2007 are available for the following purposes:

Available for Scholarships	\$ 1,094,320
Nursing Program	142,944
Other	9,451
	<u>\$ 1,246,715</u>

Permanently restricted net assets consist of the following at June 30, 2007:

General Endowment	\$ 1,195,305
Scholarship Endowment	1,472,574
	<u>\$ 2,667,879</u>

Net assets released from restrictions during the year were comprised of the following:

Financial Aid	\$ 86,976
Nursing Program	149,439
Property and equipment	2,613
Other	7,061
	<u>\$ 246,089</u>

NOTE M - SCHOLARSHIP ALLOWANCE

Scholarship allowances by classification, for the year ended June 30, 2007 were as follows:

Pell Grants	\$ 592,960
Supplemental Education Opportunity Grants	82,938
Scholarships - Dominican Sisters	651,790
- Other	389,809
	<u>\$ 1,717,497</u>

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE N - GOVERNMENT GRANTS AND OTHER PROGRAMS OF STUDENT
FINANCIAL ASSISTANCE

Federal financial aid by classification for the year ended June 30, 2007 is as follows:

	<u>FSEOG</u>	<u>FWS</u>	<u>PELL</u>	<u>ACG</u>
Government Funds Received	\$ 66,350	\$ 61,611	\$ 592,960	\$ 2,050
Institutional Match	20,734	19,253	-	-
Administrative Cost Allowance	(4,146)	(3,850)	-	-
Student Financial Awards	<u>\$ 82,938</u>	<u>\$ 77,014</u>	<u>\$ 592,960</u>	<u>\$ 2,050</u>
				<u>TOTAL</u>
Government Funds Received				\$ 722,971
Institutional Match				39,987
Administrative Cost Allowance				(7,996)
Student Financial Awards				<u>\$ 754,962</u>

The College received 7.9% (\$722,971 total aid divided by \$9,157,930 total revenues and gains-unrestricted) of its total unrestricted revenues from federal financial aid programs.

NOTE O - NOTE PAYABLE

At June 30, 2007 Aquinas College's prorata portion of a note payable to St. Cecilia Congregation was \$90,025. The note bears interest at 5.1% and is payable in monthly installments of \$3,562 including interest. Maturities by year are as follows:

<u>June 30,</u>	
2008	\$ 39,059
2009	41,098
2010	<u>9,868</u>
	<u>\$ 90,025</u>

NOTE P - LEASE PAYABLE

At June 30, 2007 the lease payable to First American for equipment had a balance on the lease of \$11,036. The lease has an effective interest rate of 7.181% and is payable in quarterly installments of \$2,106 including interest. Maturities by year on capital lease:

<u>June 30,</u>	
2008	\$ 7,838
2009	<u>3,198</u>
	<u>\$ 11,036</u>

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE Q - CONCENTRATION OF CONTRIBUTIONS

The College received approximately 9% of its unrestricted revenues and gains from private gifts and grants. A change in the amount of gifts and grants received would ultimately affect operating results.

NOTE R - OTHER REVENUE

The College is the lessor of its athletic fields under an operating leases expiring January 31, 2008. For the year ended June 30, 2007, the College received \$25,200 in lease revenue and is included in other income.

Following is a summary of property on or held for lease at June 30, 2007:

Athletic fields	\$ 117,058
Less: accumulated depreciation	<u>(96,522)</u>
	<u>\$ 20,536</u>

Minimum future rentals to be received on non-cancelable leases as of June 30, 2007, for the next year is:

Year Ending June 30, 2008	<u>\$ 14,700</u>
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NOTE S - COMMITMENTS

Institute for Professional Development

Effective September 1, 2000, the College entered into an agreement with the Institute for Professional Development (IPD) to open an offsite campus focusing on working, adult students. IPD receives 50% of tuition revenue (a management fee) in exchange for providing marketing expertise and administrative support.

The agreement shall remain in effect for a period of ten (10) academic years (September 1, 2001 through August 31, 2010), and shall automatically be renewed on August 31, 2010, for an additional five (5) academic year period; unless terminated based upon certain agreed upon terms.

The College pays for all operating expenses for the offsite campus including a management fee of \$810,558 for the year ended June 30, 2007. In future years, the contract has certain provisions that reduces the amount of the management fee to IPD over the 10 year contract period.

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE T - RELATED PARTY

The Dominican Sisters of St. Cecilia Congregation are a Catholic pontifical congregation located in Nashville, Tennessee numbering approximately 212 sisters, founded in 1860. The Congregation owns and administers various academic institutions across the United States providing students an education based in Christian principles and tradition. In addition, the Congregation owns and operates three convents located in Tennessee and Alabama. The St Cecilia Congregation owns and operates certain educational institutions and convents which it both controls and has an economic interest. These financial statements only include the activities of the College.

The St. Cecilia Congregation operates three schools (Overbrook School, St. Cecilia Academy and Aquinas College) located on the Dominican Campus. The Congregation has determined that certain administration functions should be shared by all three schools. Aquinas College paid \$1,217,170 during the year ended June 30, 2007 for fund-raising, alumni development, plant maintenance, and business office services.

NOTE U - FUND-RAISING COSTS

Fund-raising costs incurred by the College in 2007 totaled \$384,299. These costs relate primarily to planned giving, annual fund, development, and the capital campaign.

The Dominican Campus has collectively started a campaign to raise funds based on each of the three school's strategic planning process and facilities assessment. As a result of the strategic planning process the College has identified the following needs; a residence hall, a new nursing building, renovation of the existing building, and to increase the endowment.

The Dominican Campus has retained the services of a firm to provide professional fund-raising services to assist in planning, organizing and initializing a major fund-raising campaign. The contract calls for total fees of \$312,000 payable in monthly payments of \$26,000 beginning May 15, 2007 and ending April 15, 2008. The College's share of the professional fund-raising services was \$25,740 for the year ended June 30, 2007 and is included in total fund-raising costs.

On the Statement of Financial Position is \$26,224 that is payable to the Dominican Campus for capital campaign costs.

NOTE V - SUBSEQUENT EVENT

Subsequent to year end the College received cash contributions from a single donor totaling \$700,000 towards the construction of the new nursing building. The donor has pledged an additional \$2,300,000.