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AQUINAS COLLEGE

FINANCIAL STATEMENTS

Year Ended June 30, 2008

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Grannis & Associates, P.C.
Certified Public Accountants
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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, 2008, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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, 2008, 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.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 14, 2008 on our consideration of Aquinas College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Aquinas College taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Grannis & Associates, P.C.

Murfreesboro, Tennessee
November 14, 2008

AQUINAS COLLEGE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash	$ 13,859	$ 668,261	$ -	$ 682,120
Accounts receivable	188,343	-	-	188,343
Unconditional promises to give, net	58,277	3,836,617	1,229	3,896,123
Bookstore inventory	99,832	-	-	99,832
Prepaid expenses	11,202	-	-	11,202
Investments	5,295,345	1,011,243	2,711,757	9,018,345
Property and equipment, net	2,378,038	-	-	2,378,038
Total Assets	$ 8,044,896	$ 5,516,121	$ 2,712,986	$ 16,274,003

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Liabilities				
Accounts payable and accrued expenses	$ 152,626	$ -	$ -	$ 152,626
Due to The Dominican Campus	-	10,008	-	10,008
Deferred revenues	358,541	-	-	358,541
Note payable	30,289	-	-	30,289
Lease payable	3,198	-	-	3,198
Total Liabilities	544,654	10,008	-	554,662
Net Assets	7,500,242	5,506,113	2,712,986	15,719,341
Total Liabilities and Net Assets	$ 8,044,896	$ 5,516,121	$ 2,712,986	$ 16,274,003

See Notes to Financial Statements

AQUINAS COLLEGE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Reclassifications				
Gross tuition and fees	$ 7,906,987	$ -	$ -	$ 7,906,987
Less: scholarship allowance	(1,766,428)	-	-	(1,766,428)
Net Tuition and Fees	6,140,559	-	-	6,140,559
Private gifts and grants	1,046,967	5,059,056	45,107	6,151,130
Government grants	773,907	-	-	773,907
Sales and services of auxiliary enterprises	520,381	-	-	520,381
Investment income (loss), net	(262,098)	(87,079)	-	(349,177)
Loss on disposal of fixed assets	(1,473)	-	-	(1,473)
Other revenue	42,796	-	-	42,796
Total Revenues and Gains	8,261,039	4,971,977	45,107	13,278,123
Net assets released from restrictions	712,579	(712,579)	-	-
Total Revenues, Gains and Reclassifications	8,973,618	4,259,398	45,107	13,278,123
Expenses				
Programs:				
Education and general				
Instruction	3,345,228	-	-	3,345,228
Academic support	950,644	-	-	950,644
Student services	770,479	-	-	770,479
Auxiliary enterprises	524,853	-	-	524,853
Institutional support	3,002,392	-	-	3,002,392
Operation and maintenance of physical plant	1,253,865	-	-	1,253,865
Total Expenses	9,847,461	-	-	9,847,461
Change in Net Assets	(873,843)	4,259,398	45,107	3,430,662
Net Assets, Beginning of Year	8,374,085	1,246,715	2,667,879	12,288,679
Net Assets, End of Year	$ 7,500,242	$ 5,506,113	$ 2,712,986	$ 15,719,341

AQUINAS COLLEGE

STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

Cash Flows from Operating Activities	
Increase in net assets	$ 3,430,662
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	247,339
Loss on disposal of assets	1,473
Change in allowance for doubtful accounts	1,061,069
Change in pledge discount	397,905
Net unrealized losses on investments	695,244
Net realized gains on investments	(20,315)
Change in assets and liabilities:	
Increase in accounts receivable	(12,213)
Decrease in due from St. Cecilia Academy	125
Increase in unconditional promises to give	(5,101,968)
Increase in bookstore inventory	(26,485)
Increase in accounts payable and accrued expenses	38,712
Decrease in due to the Dominican Campus	(16,216)
Decrease in deferred revenues	(20,519)
Contributions restricted for long-term purposes:	
Amortization of discount on unconditional promises to give	(10,617)
Net Cash Provided by Operating Activities	664,196
Cash Flows from Investing Activities	
Purchases of property and equipment	(505,249)
Proceeds on sales of investments	2,359,004
Purchases of investments	(2,042,731)
Net Cash Used By Investing Activities	(188,976)
Cash Flows from Financing Activities	
Proceeds from contributions restricted for investment in endowment	60,200
Payments on leases payable	(7,838)
Payments on note payable	(59,736)
Net Cash Used by Financing Activities	(7,374)
Net Increase in Cash	467,846
Cash at Beginning of Year	214,274
Cash at End of Year	$ 682,120
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Interest paid	$ 5,277

See Notes to Financial Statements

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. It is 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.

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).

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

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.

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.

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

Equipment and Improvements

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 $247,339.

Furniture and equipment are capitalized when the purchase price is greater than $2,000 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 $2,000 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 statements 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 $67,829.

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.

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, 2008:	
Student accounts receivable	$ 196,709
Other accounts receivable	17,035
Allowance for doubtful accounts - student accounts receivable	(25,401)
Net accounts receivable	$ 188,343

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 5%.

Unrestricted promises to give expected to be collected in:	
Less than one year	$ 120,692
One to five years	3,167
	123,859
Less allowance for uncollectible promises to give	(62,492)
Less discount on promises to give	(3,090)
Net unconditional promises to give	$ 58,277

Temporarily restricted promises to give expected to be collected in:	
Less than one year	$ 2,119,667
One to five years	3,187,250
	5,306,917
Less allowance for uncollectible promises to give	(1,055,550)
Less discount on promises to give	(414,750)
Net unconditional promises to give	$ 3,836,617

NOTE C - UNCONDITIONAL PROMISES TO GIVE (continued)

Permanently restricted promises to give expected to be collected in:		
Less than one year	$	200
One to five years		1,800
		2,000
Less allowance for uncollectible promises to give		(400)
Less discount on promises to give		(371)
Net unconditional promises to give	$	1,229

The College also has a conditional promise to give three million dollars subject to the College developing a strategic alliance with a company for the development of nursing.

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, 2008 of the beneficial interest were as follows:

	Cost	Fair Value
The Community Foundation	$ 938,080	$ 985,240

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 2008 fiscal year, $63,096 was deposited into individual employee retirement accounts from unrestricted College resources.

NOTE F - CONTRIBUTED SERVICES

For the fiscal year ended June 30, 2008, the services contributed to the College by the religious members of the faculty and others had a net value of $631,532. 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, 2008, the College's uninsured cash balances total $377,370. Also, included in cash at year end was $500,000 in cash equivalents not covered by the Federal Deposit Insurance Corporation.

Subsequent to year end, Congress temporarily increased FDIC deposit insurance from $100,000 to $250,000 per depositor through December 31, 2009.

NOTE H - 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, 2008:

	Fair Value
Unrestricted	$ 5,295,345
Temporarily Restricted	1,011,243
Permanently Restricted	2,711,757
	$ 9,018,345

Investments are composed of the following:	Cost	Fair Value
Cash	$ 515,751	$ 515,739
Mutual Funds	9,197,850	8,502,606
	$ 9,713,601	$ 9,018,345

Investment income (loss) is composed of the following	
Unrealized losses on marketable securities	$ (695,244)
Realized gains on marketable securities	20,315
Dividends and interest income	325,752
	$ (349,177)

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

Subsequent to the balance sheet date, the fair value of the College's share of the unifund declined by $728,158.

NOTE I - 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. For the year ended June 30, 2008, the total copier expense was approximately $52,174.

Future minimum lease payments are as follows:

Years Ending June 30,	Amount
2009	$ 4,896
2010	4,896
2011	4,896
2012	3,672
	$ 18,360

Part of 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 office space through 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 office space increases annually until September 1, 2009. For the year ended June 30, 2008, the total rent including expenses was approximately $387,729.

Future minimum lease payments are as follows for the office space:

Years Ending June 30,	Amount
2009	$ 62,400
2010	10,400
	$ 72,800

NOTE J - OPERATING EXPENSES

Operating expenses, by natural classification, for the year ended June 30, 2008 were:

Salaries and Wages	$	5,363,120
Payroll Taxes and Benefits		739,126
Books		457,618
Supplies		382,786
Travel/Entertainment		24,821
Interest		5,277
Depreciation		247,339
Utilities		142,275
Contracted Services		201,174
Repairs and Maintenance		173,745
Management Fee - Institute for Professional Development		889,104
Advertising		67,829
Rental Fees		389,285
Insurance		74,958
Other		689,004
Total Expenses	$	9,847,461

NOTE K - RESTRICTIONS ON NET ASSETS

Unrestricted net assets at June 30, 2008 consist of:

Operations	$	-
Plant Assets		2,344,552
Quasi (Board Designated):		
Scholarships		328,100
Special Campaign - Sister Education		4,742,769
Endowment		84,821
	$	7,500,242

Temporarily restricted net assets at June 30, 2008 are available for the following purposes:

Available for Scholarships	$	916,409
Capital Campaign		4,538,074
Nursing Program		47,016
Other		4,614
	$	5,506,113

Permanently restricted net assets consist of the following at June 30, 2008:

General Endowment	$	1,212,963
Scholarship Endowment		1,500,023
	$	2,712,986

NOTE K - RESTRICTIONS ON NET ASSETS (continued)

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

Financial Aid	$	81,982
Nursing Program		75,833
Property and equipment		20,095
Capital Campaign		519,059
Other		15,610
	$	712,579

NOTE L - PROPERTY AND EQUIPMENT

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

Buildings	$	2,758,300
Buildings and Land Improvements		607,378
Construction in progress		341,438
Equipment and Furnishings		1,346,171
Library		742,329
		5,795,616
Less: Accumulated Depreciation		3,417,578
	$	2,378,038

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

NOTE M - SCHOLARSHIP ALLOWANCE

Scholarship allowances by classification, for the year ended June 30, 2008 were as follows:

Pell Grants	$	638,807
Supplemental Education Opportunity Grants		74,218
Academic Competitiveness Grant		7,275
Scholarships - Dominican Sisters		576,143
- Other		469,985
	$	1,766,428

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

Federal financial aid by classification for the year ended June 30, 2008 is as follows:

	FSEOG	FWS	PELL	ACG	TOTAL
Government Funds Received	$ 79,166	$ 48,660	$ 638,806	$ 7,275	$ 773,907
Institutional Match	24,739	15,206	-	-	39,945
Administrative Cost Allowance	(4,948)	(3,041)	-	-	(7,989)
Student Financial Awards	$ 98,957	$ 60,825	$ 638,806	$ 7,275	$ 805,863

The College received 9.4% ($773,907 total aid divided by $8,261,039 total revenues and gains-unrestricted) of its total unrestricted revenues from federal financial aid programs.

NOTE O - NOTE PAYABLE

At June 30, 2008 Aquinas College's prorata portion of a note payable to St. Cecilia Congregation was $30,289. The note bears interest at 5.1% and is payable in monthly installments of $3,562 including interest. Maturities by year are as follows:

June 30, 2009	$ 30,289

NOTE P - LEASE PAYABLE

At June 30, 2008 the lease payable to First American Leasing for equipment had a balance on the lease of $3,198. The lease has an effective interest rate of 7.181% and is payable in quarterly installments of $2,105.73 including interest. Maturities by year on capital leases:

June 30, 2009	$ 3,198

NOTE Q - CONCENTRATION OF CONTRIBUTIONS

The College received approximately 12.7% 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 December 31, 2008. For the year ended June 30, 2008, 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, 2008:

Athletic fields	$ 117,058
Less: accumulated depreciation	(100,822)
	$ 16,236

Minimum future rentals to be received on non-cancelable leases as of June 30, 2008, for the next year is:

Year Ending June 30, 2009	$ 12,600

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 $889,104 for the year ended June 30, 2008. In future years, the contract has certain provisions that reduces the amount of the management fee to IPD over the 10 year contract period.

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 $1,226,080 during the year ended June 30, 2008 for fund-raising, alumni development, plant maintenance, and business office services.

NOTE U - FUNDRAISING COSTS

Fundraising costs incurred by the College in 2008 totaled $543,637. 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 stategic planning process and facilities assessment. As a result of the stategic planning process the College has identified the need for funds for 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 fees payable in monthly payments of $26,000 ending October 31, 2008. The College's share of the professional fundraising services was $129,825 for the year ended June 30, 2008 and is included in total fundraising costs.

On the Statement of Financial Position is $10,008 that is payable to The Dominican Campus for capital campaign costs.

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the student financial aid activity of Aquinas College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - FEDERAL EXPENDITURES

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education:		
Federal Supplemental Educational Opportunity Grant Program	84.007	$ 98,957
Federal Family Education Loan Program	84.032	4,950,257
Federal Work-Study Program	84.033	60,825
Federal Pell Grant Program	84.063	638,619
Federal Academic Competitiveness Grant	84.375	7,275
Total Expenditures of Federal Awards		$ 5,755,933

AQUINAS COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2008

DEPARTMENT OF EDUCATION

FINDINGS - INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Prior year findings :

Reportable conditions 07-01

Condition: The institution did not calculate the correct amount of Federal Pell Grant for one selected student.

Status: Procedures are currently being followed.

Grannis & Associates, P.C.
Certified Public Accountants
515 West Burton Street
Murfreesboro, TN 37130
Phone 615/895-1040 Fax 615/849-8584

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Aquinas College
Nashville, Tennessee

We have audited the financial statements of Aquinas College (a Tennessee nonprofit corporation) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Aquinas College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Aquinas College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. 2008-01 and 2008-02

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Aquinas College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* .

Aquinas College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Aquinas College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Jannis & Associates, P.C.

Murfreesboro, Tennessee

November 14, 2008

Grannis & Associates, P.C.
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
Aquinas College
Nashville, Tennessee

Compliance

We have audited the compliance of Aquinas College (a Tennessee nonprofit corporation) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Aquinas College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Aquinas College's management. Our responsibility is to express an opinion on Aquinas College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Aquinas College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Aquinas College's compliance with those requirements.

In our opinion, Aquinas College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-03.

Internal Control Over Compliance

The management of Aquinas College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Aquinas College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Aquinas College's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Aquinas College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Aquinas College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Jgrannis & Associates, P.C.

Murfreesboro, Tennessee
November 14, 2008

AQUINAS COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Aquinas College.

2. Two significant deficiencies disclosed during the audit of the financial statements are reported in the report on internal control over financial reporting. The significant deficiencies disclosed are not considered a material weakness.

3. No instances of noncompliance material to the financial statements of Aquinas College, which would be required to be reported in accordance with *Government Auditing Standards,* were disclosed during the audit.

4. No significant deficiencies in internal control over major programs were disclosed by the audit.

5. The auditors' report on compliance for the major federal award programs for Aquinas College expresses an unqualified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with OMB Circular A-133 are reported in this Schedule.

7. The programs tested as major programs included: Federal Pell Grant Program (84.063), Federal Supplemental Educational Opportunity Grant Program (84.007), Federal Work-Study Program (84.033), Federal Family Education Loan Program (84.032), Federal Academic Competitiveness Grant (84.375)

8. The threshold used for distinguishing between Type A and B programs was $300,000.

9. Aquinas College qualified as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2008-01 Pledges

Condition: Procedures not being followed to reconcile pledge payments per the development office to the business office.

Criteria: Internal controls should be followed to reconcile between the two offices to timely find discrepancies between the coding of pledge receipts.

Effect: The failure to reconcile payments on pledges may be added to contribution income rather than as payments on pledges resulting in an overstatement in income.

Recommendation: Procedures should be followed to reconcile pledge payments per the development office to the business office.

Response: We concur with our auditor's findings and procedures are currently being followed.

2008-02 Release from restriction

Condition: Procedures not being followed to record release from restriction in unrestricted net assets relating to the capital campaign.

Criteria: Internal controls should be followed to record release from restriction in unrestricted net assets in accordance with generally accepted accounting principles.

Effect: The failure to record release from restriction in unrestricted net assets may result in misstated financial statements.

Recommendation: Procedures should be followed to record release from restriction in unrestricted net assets.

Response: We concur with our auditor's findings and procedures are currently being followed.

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

	Questioned Costs
DEPARTMENT OF EDUCATION	
2008-03 Academic Competiveness Grant Program-CFDA No.84.375 - Overpayment	
Condition: The institution awarded one selected student Academic Competiveness Grant that was not eligible.	
Criteria: Academic Competiveness Grant must be awarded per guidelines.	
Effect: One student received a Academic Competiveness Grant Overpayment.	
Population and Sample Size: A sample of 3 grants totaling $2,800 was selected for audit from a population of 8 grants totaling $7,275. One grant with questioned cost totaling $750.00 was found in noncompliance.	$ 750.00
Cause: Procedures are in place to verify Academic Competiveness Grant awards but apparently an error was made.	
Recommendation: Aquinas College should be sure to verify Academic Competiveness Grant awards.	
Response: We concur with our auditor's findings and procedures are currently being followed.	
Total-Department of Education	$ 750.00