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AQUINAS COLLEGE

FINANCIAL STATEMENTS

Year Ended June 30, 2009

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Grannis & Associates, P.C.
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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, 2009, 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, 2009, 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 12, 2009 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 12, 2009

AQUINAS COLLEGE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash	$ 823,260	$ 1,928,681	$ -	$ 2,751,941
Accounts receivable	264,267	-	-	264,267
Unconditional promises to give, net	-	3,073,402	-	3,073,402
Bookstore inventory	26,959	-	-	26,959
Prepaid expenses	27,130	-	-	27,130
Investments	3,703,202	511,355	2,821,718	7,036,275
Property and equipment, net	2,793,377	-	-	2,793,377
Total Assets	$ 7,638,195	$ 5,513,438	$ 2,821,718	$15,973,351

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Liabilities				
Accounts payable and accrued expenses	$ 163,668	$ -	$ -	$ 163,668
Deferred revenues	474,334	-	-	474,334
Total Liabilities	638,002	-	-	638,002
Net Assets	7,000,193	5,513,438	2,821,718	15,335,349
Total Liabilities and Net Assets	$ 7,638,195	$ 5,513,438	$ 2,821,718	$15,973,351

See Notes to Financial Statements

AQUINAS COLLEGE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Reclassifications				
Gross tuition and fees	$ 9,084,162	$ -	$ -	$ 9,084,162
Less: scholarship allowance	(1,936,038)	-	-	(1,936,038)
Net Tuition and Fees	7,148,124	-	-	7,148,124
Private gifts and grants	1,137,254	1,053,225	108,732	2,299,211
Government grants	861,607	-	-	861,607
Sales and services of auxiliary enterprises	542,574	-	-	542,574
Investment income (loss), net	(878,878)	(499,683)	-	(1,378,561)
Loss on disposal of fixed assets	(7,738)	-	-	(7,738)
Other revenue	57,557	-	-	57,557
Total Revenues and Gains	8,860,500	553,542	108,732	9,522,774
Net assets released from restrictions	775,527	(775,527)	-	-
Total Revenues, Gains and Reclassifications	9,636,027	(221,985)	108,732	9,522,774
Expenses				
Programs:				
Education and general				
Instruction	3,408,257	-	-	3,408,257
Academic support	1,018,392	-	-	1,018,392
Student services	781,044	-	-	781,044
Auxiliary enterprises	525,298	-	-	525,298
Institutional support	2,983,278	-	-	2,983,278
Operation and maintenance of physical plant	1,190,497	-	-	1,190,497
Total Expenses	9,906,766	-	-	9,906,766
Change in Net Assets	(270,739)	(221,985)	108,732	(383,992)
Net Assets, Beginning of Year	7,270,932	5,735,423	2,712,986	15,719,341
Net Assets, End of Year	$ 7,000,193	$ 5,513,438	$ 2,821,718	$15,335,349

See Notes to Financial Statements

AQUINAS COLLEGE

STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

Cash Flows from Operating Activities	
Decrease in net assets	$ (383,992)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	246,326
Loss on disposal of assets	7,738
Change in allowance for doubtful accounts	(276,201)
Change in pledge discount	(233,549)
Net unrealized losses on investments	1,622,251
Net realized losses on investments	8,951
Change in assets and liabilities:	
Increase in accounts receivable	(135,117)
Decrease in unconditional promises to give	1,392,035
Decrease in bookstore inventory	72,875
Increase in prepaid expenses	(15,928)
Increase in accounts payable and accrued expenses	11,040
Decrease in due to the Dominican Campus	(10,008)
Increase in deferred revenues	115,793
Contributions restricted for long-term purposes:	
Amortization of discount on unconditional promises to give	(371)
Net Cash Provided by Operating Activities	2,421,843
Cash Flows from Investing Activities	
Purchases of property and equipment	(669,403)
Proceeds on sales of investments	423,664
Purchases of investments	(72,796)
Net Cash Used By Investing Activities	(318,535)
Cash Flows from Financing Activities	
Payments on leases payable	(3,198)
Payments on note payable	(30,289)
Net Cash Used by Financing Activities	(33,487)
Net Increase in Cash	2,069,821
Cash at Beginning of Year	682,120
Cash at End of Year	$ 2,751,941
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Interest paid	$ 454

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 83 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.

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.

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

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 College chose to be self-insured for unemployment compensation purposes. Any unemployment claims filed will be required to be paid by the College.

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.

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 $246,326.

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.

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

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 $40,731.

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.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification

As described in Note T, the cumulative effect of a change in accounting principal resulted in a reclassification of endowment net assets totaling $229,310 as of July 1, 2008, from unrestricted net assets to temporarily restricted net assets on the Statement of Activities.

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 individual student's current ability to pay its obligation to the College.

Accounts receivable consists of the following at June 30, 2009:

Student accounts receivable	$	276,707
Other accounts receivable		59,811
Allowance for doubtful accounts - student accounts receivable		(72,251)
Net accounts receivable	$	264,267

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 3.25%.

Temporarily restricted promises to give expected to be collected in:		
Less than one year	$	2,442,241
One to five years		1,598,500
		4,040,741
Less allowance for uncollectible promises to give		(782,648)
Less discount on promises to give		(184,691)
Net unconditional promises to give	$	3,073,402

The College also has a conditional promise to give of three million 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 there from. 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, 2009 of the beneficial interest were as follows:

	Cost	Fair Value
The Community Foundation	$ 938,080	$ 735,755

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 2009 fiscal year, $46,104 was deposited into individual employee retirement accounts from unrestricted College resources.

NOTE F - CONTRIBUTED SERVICES

For the fiscal year ended June 30, 2009, the services contributed to the College by the religious members of the faculty and others had a net value of $653,779. 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. Some account balances at the financial institutions are insured by the Federal Deposit Insurance Corporation up to $250,000. Deposits at FDIC-insured institutions are now insured up to at least $250,000 per depositor through December 31, 2013. Other account balances have protection under the FDIC temporary Transaction Account Guarantee Program through June 30, 2010. This program provides depositors with unlimited coverage for noninterest-bearing transaction accounts at participating FDIC-insured institutions. At June 30, 2009, the College's uninsured cash balances total $1,187,420.

NOTE H - INVESTMENTS

Equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities. Investments in stocks and bonds, which are listed on national securities exchanges, quoted on NASDAQ or on the over-the-counter market are valued at the last reported sales price, or in the absence of a recorded sale, at the value between the most recent bid and asked prices. Investments without readily determinable fair values are carried at estimated fair value. Gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations.

The College adopted Statement of Financial Accounting Standards (SFAS) No. 157 as of July 1, 2008, which among other things requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. SFAS No. 157 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market prices observability used in measuring fair value.

This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level I - Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.

NOTE H - INVESTMENTS (continued)

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level II input could result in the Level II measurement becoming a Level III measurement.

Level III - Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following is the fair value measurement of investments measured on a recurring basis at June 30, 2009:

June 30, 2009	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level I)
Cash	$ 327,573	$ 327,573
Bond Funds	2,887,775	2,887,775
Mutual Funds	3,820,927	3,820,927
Total Assets	$ 7,036,275	$ 7,036,275

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, 2009:

	Fair Value
Unrestricted	$ 3,703,202
Temporarily Restricted	511,355
Permanently Restricted	2,821,718
	$ 7,036,275

Investments are composed of the following:	Cost	Fair Value
Cash	$ 327,573	$ 327,573
Mutual Funds and Fixed Income Investments	8,330,953	6,708,702
	$ 8,658,526	$ 7,036,275

Investment income (loss) is composed of the following:	
Unrealized losses on marketable securities	$ (1,622,251)
Realized losses on marketable securities	(8,951)
Dividends and interest income	252,641
	$ (1,378,561)

NOTE H - INVESTMENTS (continued)

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

NOTE I - OPERATING LEASE OBLIGATIONS

The College entered into four separate lease agreements for copier equipment on April 5, 2009 for the terms of 48, 60, 36, and 48 months . The leases currently call for monthly rental payments of $360.50, $2,181.50, $138.04, and $182.00 respectively with additional charges per copy. For the year ended June 30, 2009, the total copier expense was approximately $50,451.

Future minimum lease payments are as follows:

Years Ending June 30,	Amount
2010	34,324
2011	34,344
2012	34,068
2013	31,603
2014	21,815
	$ 156,154

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

The College agrees to pay IPD the lesser of the following: 50% of the total monthly rental cost, including common area and maintenance services, and other operating expense costs paid by IPD to the landlord or $19,000 per month through November 30, 2009, and $20,000 per month from December 1, 2009 through August 31, 2010. For the year ended June 30, 2009, the total rent including expenses was approximately $391,200.

Future minimum lease payments are as follows for the office space:	Amount
2010	$ 235,000
2011	40,000
	$ 275,000

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE J - OPERATING EXPENSES

Operating expenses, by natural classification, for the year ended June 30, 2009 were:

Salaries and Wages	$	5,593,650
Management Fee - Institute for Professional Development		923,770
Payroll Taxes and Benefits		750,751
Books		465,684
Rental Fees		391,405
Supplies		341,779
Depreciation		246,326
Other		244,910
Repairs and Maintenance		179,621
Utilities		154,485
Provision for Bad Debts		129,321
Contracted Services		94,583
Insurance		81,620
Other Fundraising Expenses		80,892
Refreshments		50,873
Advertising		40,731
Membership Dues and Subscriptions		40,539
Postage		39,324
Bank Service Charges and Credit Card Fees		29,743
Travel and Entertainment		26,305
Interest		454
Total Expenses	$	9,906,766

NOTE K - RESTRICTIONS ON NET ASSETS

Unrestricted net assets at June 30, 2009 consist of:

Operations	$	396,860
Plant Assets		2,793,377
Quasi (Board Designated):		
Rainy day fund		100,000
Scholarship Endowments		271,447
Sister Education Endowment		3,525,410
Underwater donor-restricted Scholarship Endowments		(63,078)
Underwater donor-restricted General Endowment		(23,823)
	$	7,000,193

NOTE K - RESTRICTIONS ON NET ASSETS (continued)

Temporarily restricted net assets at June 30, 2009 are available for the following purposes:

Available for Financial Aid	$ 22,684
Scholarship Endowments	508,823
General Endowment	22,325
Capital Campaign	
Nursing Building	4,218,639
General Campaign	606,799
Nursing Program	125,003
Other	9,165
	$ 5,513,438

Permanently restricted net assets consist of the following at June 30, 2009:

General Endowment	$ 1,212,338
Scholarship Endowments	1,609,380
	$ 2,821,718

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

Financial Aid	$ 104,204
Nursing Program	87,500
Property and equipment	15,114
Capital Campaign	
Nursing Building	401,391
Dorms	58
General Campaign Expenses	150,509
Other	16,751
	$ 775,527

NOTE L - PROPERTY AND EQUIPMENT

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

Buildings	$ 2,862,497
Buildings and Land Improvements	607,378
Construction in progress	774,177
Equipment and Furnishings	1,276,287
Library	743,110
	6,263,449
Less: Accumulated Depreciation	3,470,072
	$ 2,793,377

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, 2009 were as follows:

Pell Grants	$	701,996
Supplemental Education Opportunity Grants		80,284
Academic Competitiveness Grant		6,250
Scholarships - Dominican Sisters		756,109
- Other		391,399
	$	1,936,038

NOTE N - CONCENTRATION OF CONTRIBUTIONS

The College received approximately 13% 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 O - OTHER REVENUE

The College is the lessor of its athletic fields under an operating lease expiring May 31, 2010. For the year ended June 30, 2009, 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, 2009:

Athletic fields	$	117,058
Less: accumulated depreciation		(102,909)
	$	14,149

Minimum future rentals to be received on non-cancelable leases as of June 30, 2009, for the next year is:

Year Ending June 30, 2010	$	23,100

NOTE P - 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 College pays for all operating expenses for the offsite campus including a management fee of $923,770 for the year ended June 30, 2009.

The College entered into a transition and termination agreement on May 15, 2009, with an effective date of May 31, 2009. The agreement provides for an orderly transition of the offsite campus to the main campus. The original agreement will be followed until all students enrolled as of May 31, 2009 are no longer enrolled.

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

Federal financial aid by classification for the year ended June 30, 2009 is as follows:

	FSEOG	FWS	PELL	ACG	TOTAL
Government Funds Received	$ 80,284	$ 73,077	$ 701,996	$ 6,250	$ 861,607
Institutional Match	26,761	22,948	-	-	49,709
Administrative Cost Allowance	-	(4,233)	-	-	(4,233)
Student Financial Awards	$ 107,045	$ 91,792	$ 701,996	$ 6,250	$ 907,083

The College received 9.7% ($861,607 total aid divided by $8,860,500 total revenues and gains-unrestricted) of its total unrestricted revenues from federal financial aid programs.

NOTE R - RELATED PARTY

The Dominican Sisters of St. Cecilia Congregation are a Catholic pontifical congregation located in Nashville, Tennessee numbering approximately 252 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 $1,153,985 during the year ended June 30, 2009 for fund-raising, alumni development, plant maintenance, and business office services.

NOTE S - FUNDRAISING COSTS

Fundraising costs incurred by the College in 2009 totaled $516,606. 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 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 fundraising services to assist in planning, organizing and initializing a major fundraising campaign. The contract called for fees payable in monthly payments of $26,000 and ended October 31, 2008. The College's share of the professional fundraising services was $38,475 for the year ended June 30, 2009.

NOTE T - ENDOWMENT

The College's endowment consists of approximately 27 individual funds, including 24 donor-restricted funds and three(3) funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowments funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Tennessee, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The net accumulated appreciation of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence described in UPMIFA.

In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the College and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources available to the College
(7) The investment policies of the College

The College's endowments by net asset class at June 30,2009, in total and by type of endowment fund, showing donor-restricted endowment funds separately from board designated endowment funds are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted general endowment funds	$ (23,823)	$ 22,325	$ 1,212,338	$ 1,210,840
Donor-restricted scholarship endowment funds	(63,078)	508,823	1,609,380	2,055,125
Board designated general endowment funds	3,525,410	-	-	3,525,410
Board designated scholarship endowment funds	271,447	-	-	271,447
Total funds	$3,709,956	$ 531,148	$ 2,821,718	$ 7,062,822

NOTE T - ENDOWMENT (continued)

Changes in endowment assets for the year ended June 30, 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, June 30, 2008	$5,155,690	$ 897,941	$ 2,712,986	$ 8,766,617
Net asset reclassification required by FASB Staff Position 117-1	(229,310)	229,310	-	-
Endowment net assets after reclassification	4,926,380	1,127,251	2,712,986	8,766,617
Investment income (loss) (during year)	132,640	105,325	-	237,965
Net appreciation (depreciation) (realized and unrealized)	(1,029,285)	(605,007)	-	(1,634,292)
Contributions during the year	-	-	108,732	108,732
Appropriation of general endowment assets for expenditure	-	-	-	-
Appropriation of scholarship endowment assets for expenditure	(10,440)	(96,421)	-	(106,861)
Transfers to remove board-designated endowment funds	(309,339)	-	-	(309,339)
Endowment assets, June 30, 2009	$3,709,956	$ 531,148	$ 2,821,718	$ 7,062,822

Actual investment losses related to permanently restricted endowments were $523,484 for the year ended June 30, 2009, of which $436,982 was charged to prior year unspent earnings and $86,901 was charged to the unrestricted fund as there were insufficient unspent prior year earnings to offset all losses.

Permanently Restricted Net Assets	2009
(1) The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	$ 2,821,718
Total endowment funds classified as permanently restricted net assets	$ 2,821,718

Temporarily Restricted Net Assets	
(1) Term endowment funds	$ -
(2) The portion of perpetual endowment funds subject to a time restriction:	
Without purpose restrictions	22,325
With purpose restrictions	508,823
Total endowment funds classified as temporarily restricted net assets	$ 531,148

NOTE T - ENDOWMENT (continued)

Endowment and Other Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $86,502 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

Endowment - Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that at least meets the price and yield results of the S&P 500 index for Equity Funds and Barclays Capital Aggregate Bond index for Bond Funds while assuming a low level of investment risk. The College expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that normally places an emphasis on equity-based and income-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment Spending Policy - General Endowment

The College has a policy of appropriating for quarterly distribution a maximum of 1.5 percent of its general endowment fund's average fair value over the preceding 12 quarters. Accordingly, over the long term, the College expects the current spending policy to allow its general endowment to grow at least 2% annually. In establishing this policy, the College considered the long-term expected return on its general endowment. This is consistent with the College's objective to maintain the purchasing power of the general endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Under the College's spending policy on the general endowment and quasi-endowment, the Board approved $254,791 to be applied to the operating budget for fiscal year 2009. Since the College had an operating surplus for the year the Board took action to return the approved distribution of $254,791 back to the general endowment.

The College also has a policy of transferring from its board-designated endowment funds an amount equal to the operating loss, if any, of the previous fiscal year. In fiscal year 2009, the Board approved $309,339 to be transferred to unrestricted operating net assets.

NOTE T - ENDOWMENT (continued)

Endowment Spending Policy - Scholarship Endowment

The College recently adopted a policy of appropriating for distribution each year a maximum of 5 percent of the scholarship endowment fund's average fair value over the 3 preceding calendar year end fund values. In establishing this policy, the College considered the long-term expected return on its scholarship endowments. Accordingly, over the long term, the College expects the current spending policy to allow its scholarship endowment to grow at an average of 3 percent annually. This is consistent with the College's objective to maintain the purchasing power of the scholarship endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. This policy will be used to appropriate fiscal year 2010 scholarships.

The College appropriated $126,653 from the scholarship endowments for the fiscal year 2009, which was based on 5% of the scholarship fund balance as of December 31, 2007. The College only awarded $106,861 in scholarships for the fiscal year 2009 and is retaining the balance of $19,792 to be awarded in the fiscal year 2010.

NOTE U - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 12, 2009, which is the date the financial statements were available to be issued. No material subsequent events were identified for recognition or disclosure.

AQUINAS COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2009

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	$ 107,045
Federal Family Education Loan Program	84.032	6,653,004
Federal Work-Study Program	84.033	91,792
Federal Pell Grant Program	84.063	701,996
Federal Academic Competitiveness Grant	84.375	6,250
Total Expenditures of Federal Awards		$ 7,560,087

AQUINAS COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2009

FINANCIAL STATEMENT AUDIT

Prior year findings :

Reportable conditions 2008-01

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

Status: Procedures are currently being followed.

Reportable conditions 2008-02

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

Status: Procedures are currently being followed.

DEPARTMENT OF EDUCATION

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

Prior year findings :

Reportable conditions 2008-03

Condition: The institution awarded one selected student Academic Competiveness Grant that was not eligible.

Status: Procedures are currently being followed.

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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, 2009, and have issued our report thereon dated November 12, 2009. 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. 2009-01

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.

Grannis & Associates, P.C.

Murfreesboro, Tennessee

November 12, 2009

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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, 2009. 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 requirementsw

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, 2009. However, the results of our auditing procedures disclosed instances 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 items 2009-02 and 2009-03.

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.

Grannis & Associates, P.C.
Murfreesboro, Tennessee
November 12, 2009

AQUINAS COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2009

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Aquinas College.
2. One significant deficiency disclosed during the audit of the financial statements are reported in the report on internal control over financial reporting. The significant deficiency disclosed is 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

2009-01 Net Present Value of Pledges

Condition: Procedures not being followed to record pledges at net present value.

Criteria: Procedures should be followed to record pledges in accordance with Generally Accepted Accounting Principles.

Effect: The failure to record pledges at net present value resulted in an understatement in income.

Recommendation: Procedures should be followed to record pledges at net present value.

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

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

DEPARTMENT OF EDUCATION

2009-02 FISAP reconciliation

Condition: Procedures not being followed to reconcile FISAP to business office prior to filing.

Criteria: Procedures should be followed to reconcile the FISAP to the business office prior to filing.

Effect: The failure to reconcile resulted in an incorrect FISAP being filed and an amended FISAP was required to be filed.

Recommendation: Procedures should be followed to reconcile the FISAP to the business office prior to filing.

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

	Questioned Costs
2009-03 Pell Grant Program-CFDA No.84.063 - Overpayment	
Condition: The institution awarded one selected student Pell Grant that was not eligible.	
Criteria: Pell Grant must be awarded per guidelines.	
Effect: One student received a Pell Grant overpayment.	
Population and Sample Size: A sample of 28 grants totaling $50,001 was selected for audit from a population of 311 grants totaling $701,996. One grant with questioned cost totaling $384.00 was found in noncompliance.	$ 384.00
Cause: Procedures are in place to verify Pell Grant awards but apparently an error was made.	
Recommendation: Aquinas College should be sure to verify Pell Grant awards.	
Response: We concur with our auditor's findings and procedures are currently being followed.	
Total-Department of Education	$ 384.00