

Cumberland University

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

Years Ended May 31, 2009 and 2008

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Independent Auditors' Report

The Board of Directors of
Cumberland University

We have audited the accompanying statements of financial position of Cumberland University as of May 31, 2009 and 2008 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the University's 2008 financial statements and, in our report dated September 26, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of Cumberland University as of May 31, 2009 and 2008, and 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.

Dempsey Vantrease & Follis, PLLC

Murfreesboro, Tennessee
September 3, 2009

STATEMENTS OF FINANCIAL POSITION

May 31,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Combined 2008
ASSETS					
Cash	\$ 3,793,578	\$ 876,368	\$ 62,708	\$ 4,732,654	\$ 3,417,454
Accounts receivable, less provision for uncollectible accounts of \$155,192 in 2009 and \$194,392 in 2008	1,805,916	-	-	1,805,916	1,599,763
Loans receivable	208,783	-	-	208,783	190,971
Pledges receivable	133,124	608,930	169,132	911,186	1,091,965
Inventories	304,855	-	-	304,855	375,845
Investments at market value	28,550	2,915,617	4,701,782	7,645,949	8,806,248
Assets held under split interest agreements	-	-	175,183	175,183	267,982
Deposits with trustees	59,781	-	-	59,781	67,203
Other assets	91,273	-	-	91,273	123,391
Property and equipment, net	14,124,490	-	-	14,124,490	14,263,075
Due from other funds	305,471	-	-	305,471	28,950
TOTAL ASSETS	\$20,855,821	\$4,400,915	\$5,108,805	\$30,365,541	\$30,232,847
LIABILITIES					
Accounts payable, deposits, and accrued expenses	\$ 1,128,274	\$ -	\$ -	\$ 1,128,274	\$ 1,043,536
Deferred revenues	1,932,223	-	-	1,932,223	1,771,750
Liabilities under split-interest agreements	-	-	184,532	184,532	203,531
Notes payable	45,784	-	-	45,784	61,208
Capital lease obligations	298,268	-	-	298,268	157,924
Bonds payable	2,638,052	-	-	2,638,052	2,873,052
Federal student loan funds	285,063	-	-	285,063	283,898
Due to other funds	12,728	292,641	102	305,471	28,950
TOTAL LIABILITIES	6,340,392	292,641	184,634	6,817,667	6,423,849
NET ASSETS					
Unrestricted - operating	3,373,043	-	-	3,373,043	2,955,525
Unrestricted - investment in plant	11,142,386	-	-	11,142,386	11,170,891
Temporarily restricted	-	4,108,274	-	4,108,274	4,985,854
Permanently restricted	-	-	4,924,171	4,924,171	4,696,728
TOTAL NET ASSETS	14,515,429	4,108,274	4,924,171	23,547,874	23,808,998
TOTAL LIABILITIES AND NET ASSETS	\$20,855,821	\$4,400,915	\$5,108,805	\$30,365,541	\$30,232,847

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES

Years Ended May 31,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Combined 2008
REVENUES, GAINS, AND RECLASSIFICATIONS					
Tuition and fees	\$21,408,068	\$ -	\$ -	\$21,408,068	\$19,411,512
Less scholarships and discounts	(9,913,043)	-	-	(9,913,043)	(7,549,250)
Net tuition and fees	11,495,025	-	-	11,495,025	11,862,262
Government grants	1,430,988	-	-	1,430,988	1,411,380
Private gifts and grants	553,560	597,243	292,849	1,443,652	2,427,783
Sales and services of auxiliary enterprises	3,207,400	-	-	3,207,400	3,164,871
Investment income	(510,994)	(602,532)	8,394	(1,105,132)	(150,909)
Other additions	402,205	-	-	402,205	401,384
TOTAL REVENUES AND GAINS	16,578,184	(5,289)	301,243	16,874,138	19,116,771
Net assets released from restrictions	872,291	(872,291)	-	-	-
TOTAL REVENUES, GAINS, AND RECLASSIFICATIONS	17,450,475	(877,580)	301,243	16,874,138	19,116,771
EXPENSES:					
Operating:					
Instruction	5,401,896	-	-	5,401,896	5,313,261
Academic support	492,882	-	-	492,882	499,475
Student services	3,927,012	-	-	3,927,012	3,645,324
Institutional support	3,297,710	-	-	3,297,710	3,105,016
Auxiliary enterprises	2,413,614	-	-	2,413,614	2,281,943
Government grants expended	1,430,988	-	-	1,430,988	1,239,318
Total operating	16,964,102	-	-	16,964,102	16,084,337
Non-operating:					
Interest expense	97,360	-	-	97,360	141,776
Loan costs	-	-	-	-	4,190
Total non-operating	97,360	-	-	97,360	145,966
Change in value of split interest agreements	-	-	73,800	73,800	8,782
TOTAL EXPENSES	17,061,462	-	73,800	17,135,262	16,239,085
CHANGE IN NET ASSETS	389,013	(877,580)	227,443	(261,124)	2,877,686
NET ASSETS, beginning of year	14,126,416	4,985,854	4,696,728	23,808,998	19,646,078
NET ASSETS, end of year	<u>\$14,515,429</u>	<u>\$4,108,274</u>	<u>\$4,924,171</u>	<u>\$23,547,874</u>	<u>\$22,523,764</u>

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years Ended May 31,

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (261,124)	\$ 1,460,423
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	927,740	883,549
Loss on Disposal of assets	-	890
Net (gains) losses on investments	1,448,046	838,816
Private gifts and grants restricted for long-term investment	(890,092)	(1,556,457)
Income restricted for long-term investment	(8,394)	(14,495)
Amortization of loan costs	-	-
Change in value of split-interest agreements	73,800	8,783
(Increase) decrease in:		
Inventories	70,990	(146,890)
Accounts receivable	(206,153)	(883,711)
Other assets	32,118	(26,217)
Increase (decrease) in:		
Accounts payable, deposits, and accrued expenses	84,738	(109,524)
Deferred revenues	160,473	808,921
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,432,142	1,264,088
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(585,773)	(604,617)
Purchase of investments	(1,383,502)	(1,755,359)
Proceeds from sale and maturity of investments	1,095,755	551,098
NET CASH USED IN INVESTING ACTIVITIES	(873,520)	(1,808,878)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in deposits with trustees	7,422	(793)
Payments on bonds payable	(235,000)	(220,000)
Payments on notes payable	(15,424)	(48,657)
Payments on capital lease obligations	(63,038)	(60,547)
Net change in advances from Federal Government for student loans	(16,647)	5,271
Proceeds from private gifts and grants restricted for long-term investment	1,070,871	1,033,492
Income restricted for long-term investment	8,394	14,495
NET CASH PROVIDED BY FINANCING ACTIVITIES	756,578	723,261
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,315,200	178,471
CASH AND CASH EQUIVALENTS, beginning of year	3,417,454	3,238,983
CASH AND CASH EQUIVALENTS, end of year	\$ 4,732,654	\$ 3,417,454
NON CASH INVESTING AND FINANCING ACTIVITIES		
Assets acquired through debt financing	\$ 203,382	\$ 67,293

See accompanying notes to financial statements.

Cumberland University
NOTES TO FINANCIAL STATEMENTS
May 31, 2009 and 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by Cumberland University are described below to enhance the usefulness of the financial statements to the reader.

Description of University

Cumberland University is a liberal arts university that enrolls approximately 850 full-time undergraduate, 170 part-time undergraduate, and 310 graduate students. The University is located in Lebanon, Tennessee.

Cumberland University was founded in 1842 and is a private, independent, coeducational, liberal arts institution with five undergraduate divisions, graduate degree programs, degree completion programs for working adults, and a non-credit continuing education program. The University is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools.

Accrual Basis

The financial statements of Cumberland University have been prepared on the accrual basis.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

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

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

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on the assets for general or specific purposes.

Contributions

The University accounts for contributions in accordance with the recommendations of the FASB in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions, including unconditional promises to give, are recognized as revenues in the period received.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

May 31, 2009 and 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (continued)

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 receivables is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity. Donor restricted contributions whose restrictions are met in the same reporting period as the contributions are recorded as increases in unrestricted net assets.

Numerous alumni provide significant hours of volunteer services to the University throughout the year. Volunteers also provide hours of services during fund-raising campaigns. The services do not meet the criteria for recognition as contribution under SFAS No. 116, and are not reflected in the accompanying financial statements.

Inventories

Inventories are stated at the lower of cost or market.

Investments

Investments in marketable securities are stated at fair market value. Real estate investments are stated primarily at current appraised value.

Endowment Investments

It is the University's policy to diversify its endowment investments to obtain the desired return objectives within its risk parameters.

The return objectives per the 2007 Investment Policy are as follows (all objectives are long-term):

- Preservation of capital
- Minimize risk and attain such growth in the principal that the purchasing power of the fund is maintained with respect to the prevailing rate of inflation
- Minimum annual total rate of return equal to the higher of the five year average of the 91-day treasury bill rate plus 3% or the 5 year average of the Consumer Price Index-All Urban Workers (CPI-U) plus 3%
- If possible, relative investment return over 3-5 years to exceed rate of return that would have been achieved by a statistically allocated and passively managed portfolio at the same risk in accordance with the asset allocation policy described below

The University is willing to forgo potential return in strong markets in return for protection against a severe decline during bear markets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

May 31, 2009 and 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Investments, continued

The investment allocation policy at May 31, 2009 is as follows:

<u>Type of Investment</u>	<u>Minimum %</u>	<u>Maximum %</u>	<u>Performance Benchmark</u>
Large Cap Equities	15%	40%	S&P 500
Small/Mid Cap Equities	5%	25%	Russell Midcap Index
International Equities	5%	25%	MCSI EAFE Index
Real Assets	2%	15%	Wilshire REIT Index
Fixed Income	25%	60%	Lehman Aggregate Bond Index
Cash	0%	10%	Salamon 3 Month Treasury Bill
Managed Futures	0%	5%	CPI + 3%

The long-term objective of the spending guidelines is to maintain the purchasing power of each endowment with the goal of providing a reasonable, predictable, stable and sustainable level of income each year to support operations. The board-approved rate is applied to a 3 year average market to determine each endowment's distributable earnings. The current rate is 4%. The distributable earnings on the funds are used to award scholarships to students meeting the requirements specified by the donor.

It is the University's understanding that the principal endowed by the donor remains permanently restricted. Certain endowments have a percentage of earnings added to corpus, and these earnings are also permanently restricted. Other earnings on endowments, including the unrealized gains or losses are considered temporarily restricted until appropriated for disbursement. At that time, net assets are released from temporarily restricted to unrestricted net assets.

Plant Assets and Depreciation

Physical plant and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. Depreciation on physical plant and equipment is provided on a straight-line basis over the estimated useful lives of the respective assets.

Income Tax Status

The University is recognized as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax.

Use of Estimates

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

Cumberland University

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

May 31, 2009 and 2008

NOTE B - CREDIT CONCENTRATION RISK

The University maintains interest-bearing cash accounts at several banks. At times, account balances may exceed federally insured limits. The University has not experienced any losses on these accounts, and management believes the University is not exposed to any significant risk on cash accounts.

The University offers degrees in a variety of disciplines. Its accounts receivable represents concentrations with students and third parties. Its loans to students are made through the Perkins Loan federal program. Students attending the University are typically from the Middle Tennessee area; however, there are many from out-of-state.

NOTE C - LOANS RECEIVABLE

Advances from the Federal government under the Perkins loan program are distributable to the Federal government upon liquidation of the fund and thus is reflected as an asset and a liability on the statement of financial position.

NOTE D - INVESTMENTS

Investments are recorded at fair value. The historical cost and fair value were as follows at May 31:

	2009		2008	
	Cost	Fair value	Cost	Fair value
Publicly traded stocks	\$ 1,307,619	\$ 637,296	\$ 1,307,619	\$ 1,062,147
Mutual funds	3,456,052	2,535,897	3,308,195	3,316,548
Fixed income securities:				
Corporate bonds	700,000	380,674	1,350,000	1,083,673
Government bonds	-	-	-	-
Certificates of deposit	2,512,005	2,564,103	2,137,995	2,138,075
Cash and money market funds	1,456,772	1,456,772	1,131,873	1,131,873
Real estate	49,700	49,700	49,700	49,700
Accrued interest receivable	21,507	21,507	24,232	24,232
	<u>\$ 9,503,654</u>	<u>\$ 7,645,949</u>	<u>\$ 9,309,614</u>	<u>\$ 8,806,248</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

May 31, 2009 and 2008

NOTE D – INVESTMENTS (CONTINUED)

Investment income results at May 31, were as follows:

	2009	2008
Interest, dividends, and capital gain distributions	342,045	\$ 687,907
Realized gains (losses)	(92,837)	1,456
Unrealized gains(losses)	(1,354,340)	(840,272)
	<u>\$ (1,105,132)</u>	<u>\$ (150,909)</u>

The endowment investments by net asset class as of May 31, 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor- Restricted Funds	\$ 28,550	\$ 2,915,617	\$ 4,701,782	\$ 7,645,949

The activity in the endowment investments for the year ended May 31, 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance June 1, 2008	\$ 725,178	\$ 3,669,795	\$ 4,411,275	\$ 8,806,248
Contributions	2,134	-	282,113	284,247
Interest, Dividends and Capital Gain Distributions	115,312	201,123	8,394	324,829
Realized Gains(Losses)	(20,020)	(72,817)	-	(92,837)
Unrealized Gains(Losses)	(623,503)	(730,837)	-	(1,354,340)
Scholarships Awarded	(170,551)	(151,646)	-	(322,197)
Balance May 31, 2009	<u>\$ 28,550</u>	<u>\$ 2,915,617</u>	<u>\$ 4,701,782</u>	<u>\$ 7,645,949</u>

NOTE E – PLEDGES RECEIVABLE

	2009	2008
Unconditional promises expected to be collected in:		
Less than one year	\$ 121,960	\$ 250,760
One to five years	953,348	1,003,848
Total unconditional promises	1,075,308	1,254,608
Less: amortized discount; no allowance considered necessary	(164,122)	(162,643)
Contributions receivable, net	<u>\$ 911,186</u>	<u>\$ 1,091,965</u>

Cumberland University

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

May 31, 2009 and 2008

NOTE F - SPLIT-INTEREST AGREEMENTS

The University is the charitable beneficiary under a split-interest trust agreement. The trust provides for income to certain beneficiaries during their lifetime. Agreements which provide for third-party trustees are recorded as contributions receivable and gift revenue (see Note E). The trust agreement has been discounted over estimated life expectancies of the beneficiaries of trust.

NOTE G - PROPERTY AND EQUIPMENT, NET

Property and equipment, net is summarized as follows at May 31:

	2009	2008
Land and improvements	1,006,498	1,006,498
Buildings and improvements	17,274,924	16,870,729
Equipment	5,629,960	5,497,497
Vans	202,929	202,929
Library books	1,074,397	1,049,423
Construction in process	375,629	148,106
	25,564,337	24,775,182
Less accumulated depreciation	11,439,847	10,512,107
	<u>\$ 14,124,490</u>	<u>\$ 14,263,075</u>

NOTE H - BONDS PAYABLE

Bonds payable to the United States Government at May 31, 2009, in the amounts of \$223,000 are due in annual payments plus interest at 3% on August 1 of each year through 2017. The bonds are secured by a mortgage on a 3.89 acre parcel containing two dormitories.

Pooled Loan Educational Program Revenue Bonds, Series A, at May 31, 2009, in the amounts of \$2,870,000 are due in semi-annual payments of principal plus interest (rate is determined by the Bond Indenture), each year on April 1 and October 1 through October 1, 2019. The bonds are secured by a letter of credit issued by Bank of America and a mortgage on the land and dormitories known as "The Commons".

Annual payments on the bonds are due as follows:

Year ending May 31,	Total Principal Payments
2010	\$ 245,000
2011	260,000
2012	275,000
2013	280,000
2014	290,000
2015-2019	<u>1,288,052</u>
	<u>2,638,052</u>

Cumberland University

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

May 31, 2009 and 2008

NOTE I - NOTES PAYABLE

Notes payable at May 31, consist of the following:

	<u>2009</u>	<u>2008</u>
Notes payable to GMAC at 7.7% interest payable payable in monthly installments of interest and principal of \$1,639 through December 2011. The loans are secured by certain vehicles	<u>\$ 45,784</u>	<u>\$ 61,208</u>

Aggregate maturities of notes payable as of each May 31 are as follows:

Year ending <u>May 31,</u>	
2010	\$ 16,655
2011	17,978
2012	<u>11,151</u>
	<u>\$ 45,784</u>

The SunTrust Bank note requires the University to comply with certain restrictive covenants. Those covenants include maintenance of certain debt service coverage ratios and covenant that total debt will not exceed total cash and endowment. At May 31, 2009 the University has complied with these covenants.

NOTE J - CAPITAL LEASE OBLIGATIONS

The University has capital leases for certain computer equipment and furniture and terms of three years and an effective interest rate of 5% per annum. These leases meet the criteria of capital leases and accordingly have been recorded as such.

Property and equipment include the following amounts for these capitalized leases:

Equipment cost	\$ 435,030
Less: Allowance for Depreciation	<u>103,064</u>
	<u>\$ 331,966</u>

Cumberland University

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

May 31, 2009 and 2008

NOTE J – CAPITAL LEASE OBLIGATIONS (CONTINUED)

Future minimum lease payments under this capital lease, including the present value of minimum lease payments are as follows at each May 31:

Year ending <u>May 31,</u>	
2010	\$ 122,601
2011	97,336
2012	56,646
2013	<u>51,926</u>
Total minimum lease payments	328,508
Less amount representing interest	<u>30,240</u>
Total obligations under capital lease	298,268
Less current installments of obligations under capital lease	<u>122,601</u>
Long-term obligation under capital lease	<u><u>\$ 175,667</u></u>

NOTE K – EMPLOYEE BENEFITS

Pension Plan

The University participates in a retirement plan for the benefit of its employees which is administered by the Teacher's Insurance Annuities Association and College Retirement Equities Fund. The plan is a defined contribution plan in which the University's participation is limited to contributing an amount equal to the employees' contribution, which amounted to \$178,811 and \$161,978 for the years ended May 31, 2009 and 2008, respectively.

Health Coverage

Effective May 1, 2006, the University selected Blue Cross/Blue Shield as their health insurance carrier for participating employees. Prior to this point, the University provided group health benefits coverage through its membership in the Tennessee Independent Colleges & Universities Association (TICUA) Benefit Consortium. The Consortium was a partially self-insured health benefit plan that consisted of sixteen private colleges and universities in Tennessee, and was exempt under Section 501(c) (9) of the Internal Revenue Code. Funding for the plan was based upon actuarial calculations using historical experience of claims paid and estimates of claims outstanding. The University has a liability recorded in the accompanying balance sheet in the amount of \$10,000 to cover any related costs or claims for benefits associated with the termination of its membership in the consortium.

Cumberland University

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

May 31, 2009 and 2008

NOTE L - OPERATING LEASES

The University has various non-cancelable operating lease agreements in effect for information systems communications and office equipment. These operating leases do not have a remaining term in excess of one year. Rent expense was approximately \$175,000 for May 31, 2009 and 2008, respectively.

The University also has use of 11,657 square feet of space at the McFarland Campus of the local hospital. The space is used for instruction in the nursing program. An in-kind contribution of \$174,855 has been recognized for this agreement. Rent expense on this agreement is included in the expense reported in the previous paragraph.

NOTE M - NET ASSETS

Net assets released from restrictions were comprised of the following:

	2009	2008
Operations and support	\$ 154,827	\$ 300,986
Capital expenditures	180,856	51,912
Scholarships	536,608	451,264
	<u>\$ 872,291</u>	<u>\$ 804,162</u>

Temporarily restricted net assets at May 31, are available for the following purposes:

	2009	2008
Available for scholarships	\$ 3,003,923	\$ 3,796,940
Available for capital improvements/operations	1,104,351	1,188,914
	<u>\$ 4,108,274</u>	<u>\$ 4,985,854</u>

Permanently restricted net assets at May 31, 2009 and 2008 consist of endowment funds totaling \$4,924,171 and \$4,696,728 respectively.

NOTE N - CONTINGENT LIABILITIES

Federally funded financial aid programs are subject to special audit. Such audits could result in claims against the resources of the University. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE O - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information is as follows for each of the years ended May 31,

	2009	2008
Cash paid for interest	<u>\$ 93,995</u>	<u>\$ 148,984</u>

Cumberland University

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

May 31, 2009 and 2008

NOTE P – DEVELOPMENT EXPENSES

The University incurred expenses amounting to \$659,090 and \$670,040 during 2009 and 2008, respectively related to development and fund-raising. Such amounts are included in institutional support expenses in the accompanying statements of activities.

NOTE Q – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the University's various programs and activities have been summarized on a functional basis in the statement of activities. According, certain costs have been allocated among the programs and supporting services benefited.