



**Financial Statements and Report of Independent
Certified Public Accountants**

Chaminade University of Honolulu

June 30, 2009 and 2008

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Report of Independent Certified Public Accountants

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The Board of Regents
Chaminade University of Honolulu

We have audited the accompanying balance sheets of Chaminade University of Honolulu (the University) as of June 30, 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chaminade University of Honolulu as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Grant Thornton LLP".

Honolulu, Hawaii
November 18, 2009

Chaminade University of Honolulu

BALANCE SHEETS

June 30,

ASSETS	2009	2008
Cash and cash equivalents (note A3)	\$ 623,378	\$ 548,081
Restricted cash equivalents (notes A3, A4 and G2)	954,867	947,044
Receivables (notes A8, A9 and G1):		
Student loans (less allowance for doubtful accounts of \$203,460 in 2009 and \$120,711 in 2008)	642,453	648,717
Student and other (less allowance for doubtful accounts of \$965,000 in 2009 and \$753,000 in 2008)	1,298,563	1,075,622
Pledges (note B)	8,884,775	7,521,772
Grants	636,663	389,481
Total receivables	11,462,454	9,635,592
Inventories (notes A5 and G1)	669,231	614,005
Short-term investments (notes A6 and C)	1,418,832	2,468,818
Other assets, at cost (notes A10 and G2)	738,273	851,429
Land, buildings, improvements, and equipment, net (notes A7, A12, D, F and G1)	39,947,230	35,795,582
Interest in net assets of Chaminade University Educational Foundation (notes I, M and N)	1,121,562	1,328,487
Long-term investments (notes A6 and C)	7,147,803	7,677,361
TOTAL ASSETS	\$ 64,083,630	\$ 59,866,399
LIABILITIES AND NET ASSETS		
Cash overdraft	\$ 168,524	\$ 551,489
Accounts payable and accrued expenses (notes O and P)	2,930,539	2,362,555
Accrued payroll	1,022,212	1,079,815
Deposits held in custody for others	687,903	499,183
Advance tuitions and other deferred revenues	1,666,583	1,686,640
Refundable U.S. government student loans	643,138	632,042
Capital lease obligation (note F)	153,089	185,876
Line of credit and long-term debt (notes A11 and G)	16,815,779	13,130,392
Total liabilities	24,087,767	20,127,992
Commitments and contingencies (notes E, Q and R)	-	-
Net assets		
Unrestricted		
Undesignated	21,668,897	20,609,528
Designated as "quasi-endowment"	88,462	101,907
Temporarily restricted (note I)	10,883,576	12,315,358
Permanently restricted (note J)	7,354,928	6,711,614
Total net assets	39,995,863	39,738,407
TOTAL LIABILITIES AND NET ASSETS	\$ 64,083,630	\$ 59,866,399

The accompanying notes are an integral part of these statements.

Chaminade University of Honolulu

STATEMENTS OF ACTIVITIES

Year ended June 30,

	2009			2008				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:								
Tuition and fees	\$26,940,090	\$ -	\$ -	\$26,940,090	\$ 26,420,844	\$ -	\$ -	\$26,420,844
Less tuition discounts and scholarships	(6,450,473)	-	-	(6,450,473)	(6,067,406)	-	-	(6,067,406)
Net tuition and fees	20,489,617	-	-	20,489,617	20,353,438	-	-	20,353,438
Private gifts and grants	1,431,100	6,012,169	620,126	8,063,395	1,820,767	10,367,309	238,525	12,426,601
Auxiliary enterprises	3,922,938	-	-	3,922,938	4,235,996	-	-	4,235,996
Federal grants and contracts	3,274,257	-	-	3,274,257	2,238,020	-	-	2,238,020
Net realized and unrealized losses on investments	(16,504)	(1,123,323)	-	(1,139,827)	(4,422)	(795,605)	-	(800,027)
Investment income	11,051	184,480	-	195,531	64,746	491,276	-	556,022
Change in interest in net assets of Chaminade University								
Educational Foundation (notes I and M)	-	(230,113)	23,188	(206,925)	-	(152,613)	-	(152,613)
Other	242,979	-	-	242,979	206,533	-	-	206,533
Net assets released from restrictions (note I):								
Satisfaction of program restrictions	1,619,719	(1,619,719)	-	-	1,406,741	(1,406,741)	-	-
Satisfaction of equipment acquisition restrictions	4,655,276	(4,655,276)	-	-	8,804,645	(8,804,645)	-	-
Total revenues, gains, and other support	35,630,433	(1,431,782)	643,314	34,841,965	39,126,464	(301,019)	238,525	39,063,970
Expenses:								
Program expenses:								
Instructional	11,645,599	-	-	11,645,599	11,140,206	-	-	11,140,206
Academic support	7,599,405	-	-	7,599,405	7,173,228	-	-	7,173,228
Institutional support	6,177,794	-	-	6,177,794	5,545,362	-	-	5,545,362
Student services	3,310,660	-	-	3,310,660	3,210,524	-	-	3,210,524
Program expenses	28,733,458	-	-	28,733,458	27,069,320	-	-	27,069,320
Fund-raising	1,025,689	-	-	1,025,689	1,010,631	-	-	1,010,631
Auxiliary expenses	4,825,362	-	-	4,825,362	4,910,638	-	-	4,910,638
Total expenses	34,584,509	-	-	34,584,509	32,990,589	-	-	32,990,589
CHANGE IN NET ASSETS	1,045,924	(1,431,782)	643,314	257,456	6,135,875	(301,019)	238,525	6,073,381
Net assets at beginning of year	20,711,435	12,315,358	6,711,614	39,738,407	14,575,560	12,616,377	6,473,089	33,665,026
Net assets at end of year	\$21,757,359	\$10,883,576	\$ 7,354,928	\$39,995,863	\$ 20,711,435	\$12,315,358	\$ 6,711,614	\$39,738,407

The accompanying notes are an integral part of these statements.

Chaminade University of Honolulu

STATEMENTS OF CASH FLOWS

Year ended June 30,

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ 257,456	\$ 6,073,381
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,591,480	2,506,167
Provision for doubtful accounts	262,725	339,530
Decrease in interest in net assets of Chaminade University Educational Foundation	206,925	152,613
Net realized and unrealized losses on investments	1,139,827	800,027
(Increase) decrease in assets:		
Student loans receivable	(71,460)	(89,381)
Student and other receivables	(407,942)	(292,671)
Pledges receivable	(1,363,003)	(3,368,187)
Grants receivable	(247,182)	113,433
Inventories	(55,226)	28,819
Other assets	113,156	14,723
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	567,984	123,788
Accrued payroll	(57,603)	(33,173)
Deposits held in custody for others	188,720	(579)
Advance tuitions and other deferred revenues	(20,057)	386,756
Refundable U.S. government student loans	11,096	9,521
Contributions restricted for long-term investment	(756,431)	(1,181,350)
Net cash provided by operating activities	2,360,465	5,583,417
Cash flows from investing activities:		
Purchase of investments	(12,210,675)	(11,960,589)
Proceeds from sale of investments	12,650,392	15,218,813
Purchases of land, building improvements, and equipment	(6,743,128)	(11,129,150)
Net cash used in investing activities	(6,303,411)	(7,870,926)
Cash flows from financing activities:		
(Increase) decrease in restricted cash equivalents	(7,823)	395,877
(Decrease) increase in cash overdrafts	(382,965)	195,593
Proceeds from notes payable	4,250,000	-
Payments on notes payable	(791,285)	(76,000)
Drawings on lines of credit	10,350,000	6,700,000
Repayments of lines of credit	(10,000,000)	(5,750,000)
Repayments of serial bonds	(123,328)	(118,043)
Payment on capital lease	(32,787)	(24,446)
Proceeds from contributions and investment income restricted for:		
Investment in endowment	620,126	238,525
Investment in plant	136,305	942,825
Net cash provided by financing activities	4,018,243	2,504,331
NET INCREASE IN CASH AND CASH EQUIVALENTS	75,297	216,822
Cash and cash equivalents at beginning of year	548,081	331,259
Cash and cash equivalents at end of year	\$ 623,378	\$ 548,081
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 609,394	\$ 558,653

The accompanying notes are an integral part of these statements.

Chaminade University of Honolulu
NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

Chaminade University of Honolulu (the University) is a private, coeducational Catholic university established in 1955 by the Society of Mary, Marianists. The mission of the University is to prepare its students for professional careers and personal growth in an educational environment in the liberal arts tradition enriched by Catholic and Marianist values. The University offers classes that lead to Associate, Bachelors, and Masters degrees.

The Marianist Center of Hawaii is an autonomous religious not-for-profit Hawaii corporation established and controlled by the Society of Mary, Marianists, a Roman Catholic Institute of Consecrated Life, which owns, holds, and manages the land and certain of the buildings of the University's Kalaepohaku (Honolulu) campus used for the promotion and maintenance of its charitable, educational, and religious purposes.

2. Financial Statement Presentation

Net assets and revenues, gains and other support, expenditures, and other deductions are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

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

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time. Contributions with donor-imposed restrictions are reported as restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the University. The donors of these assets permit the University to use all of the income earned on related investments for general or specific purposes.

3. Cash and Cash Equivalents

For purposes of the statements of cash flows, the University considers all highly liquid instruments with original maturities of three months or less to be cash equivalents. Deposits in excess of federally-insured limits amounted to \$705,000 and \$1,535,000 at June 30, 2009 and 2008, respectively.

Chaminade University of Honolulu
NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009 and 2008

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

4. Restricted Cash Equivalents

Restricted cash equivalents include amounts deposited in money market funds, which are restricted by legal or contractual requirements associated with the servicing of the University's tax-exempt special-purpose revenue bonds.

5. Inventories

Inventories include textbooks, supplies, and apparel and are valued at the lower of cost (first-in, first-out method) or market.

6. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the balance sheets with unrealized gains and losses included in the statements of activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Gains and losses on investments are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Donated investments and in-kind gifts are stated at fair value at the date of donation.

7. Land, Buildings, Improvements, and Equipment

Buildings, improvements, and equipment are capitalized at cost, if purchased, or at fair market value at the date of donation. Assets contributed for which the fair market value is not determinable at the date of donation are recorded as support and revenues when such values are determined.

Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings and building improvements	10 to 30 years
Furniture, fixtures, and equipment	3 to 5 years

The University reports gifts of buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Chaminade University of Honolulu

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009 and 2008

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

8. Contributions

Unconditional promises to give (pledges receivable) that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in private gifts and grants revenue in the statements of activities. The University provides an allowance for uncollectible pledges based upon its best estimate of the amount of probable credit losses.

The University reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

9. Student Receivables

Student accounts receivable are stated at amounts due from students, net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The University determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the University's previous loss history, the student's current ability to pay its obligation to the University, and the condition of the general economy and the industry as a whole. The University writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. As of June 30, 2009 and 2008, allowance for doubtful accounts of \$1,168,460 and \$873,711, respectively, was recorded. Bad debt expense amounted to \$262,725 and \$339,530 for the fiscal years ended June 30, 2009 and 2008, respectively.

10. Bond Issue Cost

Cost of issuing bonds are deferred and amortized to expense using straight-line method, which approximates the effective interest method, over the term of the debt.

11. Unamortized Debt Premium

Debt premium is amortized ratably over the term of the related debt using the effective interest method, and the unamortized balance is reflected as an offset against the related long-term liabilities in the statement of financial position.

Chaminade University of Honolulu

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009 and 2008

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

12. Impairment of Long-Lived Assets

Long-lived assets, such as buildings, improvements, and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheets.

13. Advertising Costs

Advertising costs are expensed as incurred and approximated \$317,080 and \$296,000 for the years ended June 30, 2009 and 2008, respectively.

14. Income Taxes

In evaluating a tax position for recognition, the University judgmentally evaluates whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of related appeals or litigation processes, based on the technical merits of the position. If the tax position meets the more-likely-than-not recognition threshold, the tax position is measured and recognized in the University's financial statements as the largest amount of tax benefit that, in management's judgment, is greater than 50% likely of being realized upon ultimate settlement.

15. Endowment

The University's endowment consists of approximately 50 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

For the years ended June 30, 2009 and 2008, the University was subject to the Uniform Management of Institutional Funds Act (UMIFA). UMIFA focuses on a historic dollar value threshold, an amount below which an organization could not spend from the fund.

Chaminade University of Honolulu

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009 and 2008

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

15. Endowments (continued)

Interpretation of Relevant Law

The University became subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on July 1, 2009 after the State of Hawaii passed Act 135 House Bill 618. The University has interpreted UPMIFA 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 University classifies as permanently restricted net assets (a) the original value of 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 remaining portion 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 organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (a) The duration and preservation of the fund
- (b) The purposes of the organization and the donor-restricted endowment fund
- (c) General economic conditions
- (d) The possible effect of inflation and deflation
- (e) The expected total return from income and the appreciation of investments
- (f) Other resources of the organization
- (g) The investment policies of the organization.

Return Objectives and Risk Parameters

The University 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 organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The Investment Sub-Committee of the Board of Regents' Finance Committee has the responsibility to periodically review the Investment Policy, to ensure that it is in accordance with the objectives of the University. The University's goal is to protect, over the long-term, the future purchasing power of the managed funds by earning a return of 5% in excess of the long-term inflation rate.

Strategies Employed for Achieving Objectives

The University's goal is to select an asset allocation which can reasonably be expected to earn the required rate of total return while assuming a risk no greater than that of a "standard" endowment portfolio when projected over a five-year period. The University 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 University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Chaminade University of Honolulu

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009 and 2008

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

15. Endowments (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University has a policy of appropriating for spending, 5% of the year end market value. The policy also accounts for an annual increase of 3.5% in the spending from the prior year (spending is frozen if less than 4% or more than 6% of the year end market value).

In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to maintain the future purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

16. Use of Estimates

The preparation of the financial statements requires management of the University to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains, and other support and expenditures during the period. Significant items subject to such estimates and assumptions include the carrying amounts of donated buildings, improvements and equipment, and valuation allowances for receivables. Actual results could differ from those estimates.

NOTE B – PLEDGES RECEIVABLE

Pledges receivable included the following contributions receivable at June 30, 2009 and 2008:

	2009	2008
Contributions to be received within 1 year	\$3,265,159	\$2,782,659
Contributions to be received in 1 to 5 years	4,571,430	4,265,000
Contributions to be received in more than 5 years	1,614,285	900,000
	9,450,874	7,947,659
Less discount to present value – rates range from 1.18% to 4.19%	(566,099)	(425,887)
	\$8,884,775	\$7,521,772

There was no allowance for uncollectible pledges receivable at June 30, 2009 and 2008.

Chaminade University of Honolulu
 NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009 and 2008

NOTE C – INVESTMENTS

As of June 30, 2009 and 2008, investments are classified as short-term and long-term as follows:

	2009	2008
Short-term investments:		
Unrestricted – undesignated and temporarily restricted	\$1,418,832	\$ 2,468,818
Long-term investments:		
Temporarily restricted	–	1,192,769
Permanently restricted	7,059,341	6,382,685
Designated as “quasi-endowment” by the Board of Regents for long-term investment	88,462	101,907
Total long-term investments	7,147,803	7,677,361
Total investments	\$8,566,635	\$10,146,179

The fair values of investments held by the University at June 30, 2009 and 2008 follows:

	2009	2008
U.S. bank deposits and money market funds	\$2,691,418	\$ 3,601,292
U.S. common stocks	3,557,660	4,645,126
Mutual funds	1,166,401	758,132
U.S. government obligations	883,345	840,794
Corporate bonds	267,811	300,835
	\$8,566,635	\$10,146,179

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements*, (FAS 157) requires a company to determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy in FAS 157 prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels, which are described in detail below.

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in market that are not active, or inputs derived principally from or can be corroborated by observable market data by correlation or other means.

Chaminade University of Honolulu

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009 and 2008

NOTE C – INVESTMENTS (continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following summarizes financial assets measured at fair value on a recurring basis as of June 30, 2009, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1	Level 2	Level 3	Total
U.S. bank deposits and money market funds	\$2,691,418	\$ –	\$ –	\$2,691,418
U.S. common stocks	3,557,660	–	–	3,557,660
Mutual funds	1,166,401	–	–	1,166,401
U.S. government obligations	–	883,345	–	883,345
Corporate bonds	233,776	34,035	–	267,811
	\$7,649,255	\$917,380	\$ –	\$8,566,635

Management fees amounted to \$53,316 and \$75,580 in 2009 and 2008, respectively.

NOTE D – LAND, BUILDINGS, IMPROVEMENTS, AND EQUIPMENT

A summary of land, buildings, improvements, and equipment at June 30, 2009 and 2008 follows:

	2009	2008
Land	\$ 1,308,600	\$ 1,308,600
Buildings and building improvements	45,183,110	42,009,457
Furniture, fixtures, and equipment	12,950,100	12,368,284
	59,441,810	55,686,341
Less accumulated depreciation	(23,653,273)	(21,061,793)
	35,788,537	34,624,548
Construction in progress	4,158,693	1,171,034
	\$ 39,947,230	\$ 35,795,582

Depreciation and amortization expense for 2009 and 2008 was \$2,591,480 and \$2,506,167, respectively.

Chaminade University of Honolulu

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009 and 2008

NOTE E – OPERATING LEASES

The University is committed under operating lease agreements for real property used for student housing. The leases provide that the University pay for real property tax assessments, insurance, general excise taxes, and certain maintenance and operating expenses applicable to the leased premises. One of the leases contains an option to purchase the real property at a price equal to the amount paid by the lessor for the demised premises, plus an annual increase of 3.5%. Rent expense for the years ended June 30, 2009 and 2008 amounted to approximately \$320,448 and \$343,302, respectively.

Future minimum lease payments under noncancelable operating leases as of June 30, 2009 are as follows:

Year ending June 30,	
2010	\$ 304,040
2011	312,795
2012	328,769
2013	347,476
2014	151,950
2015	<u>12,800</u>
	<u>\$1,457,830</u>

NOTE F – CAPITAL LEASE OBLIGATION

The University acquired office equipment under a capital lease, which expires in March 2012. For financial reporting purposes, minimum lease rentals relating to the equipment have been capitalized. The related assets and obligations have been recorded using the University's incremental borrowing rate at the inception of the lease. Amortization of the capitalized cost of the leased equipment was included in depreciation and amortization expense and amounted to \$43,400 and \$43,400 for the years ended June 30, 2009 and 2008, respectively.

The following is a schedule of leased property under the capital lease as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Office equipment	\$217,000	\$217,000
Less accumulated amortization	<u>101,267</u>	<u>57,867</u>
	<u>\$115,733</u>	<u>\$159,133</u>

Chaminade University of Honolulu
 NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009 and 2008

NOTE F – CAPITAL LEASE OBLIGATION (continued)

The following is a schedule by years of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2009:

Year ending June 30,	
2010	\$ 83,808
2011	83,808
2012	55,872
Total minimum lease payments	223,488
Amount representing interest	(70,399)
Present value of net minimum lease payments	\$153,089
Current portion	\$ 43,978
Noncurrent portion	109,111
	\$153,089

NOTE G – LINE OF CREDIT AND LONG-TERM DEBT

1. Notes Payable

Notes payable as of June 30, 2009 and 2008 consist of the following:

	2009	2008
Note payable to a bank under a line of credit agreement	\$3,350,000	\$3,000,000
Note payable to a bank, interest at prime plus 0.5% (4.875% at June 30, 2009), payable in monthly interest only payments, plus annual principal payments of \$714,285, due in July 2015, collateralized by the C.T.C. Ching Foundation gift and a letter assignment of payments of a pledge receivable.	3,535,715	-
Payable to Marianist Center of Hawaii in semiannual installments, including interest at 3.0%; principal due October 2014; unsecured	178,790	213,790
Payable to Marianist Center of Hawaii in semiannual installments, including interest at 3.0%; principal due October 2012; unsecured	68,000	92,000
Payable to Marianist Center of Hawaii in semiannual installments, including interest at 3.0%; principal due October 2008; unsecured	-	18,000
	\$7,132,505	\$3,323,790

Chaminade University of Honolulu
 NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009 and 2008

NOTE G – LINE OF CREDIT AND LONG-TERM DEBT (continued)

1. Notes Payable (continued)

Notes payable will mature as of June 30 as follows:

2010	\$4,129,285
2011	779,285
2012	772,285
2013	754,285
2014	<u>697,365</u>
	<u>\$7,132,505</u>

The University has a \$5,600,000 line of credit with a Hawaii bank. Interest on amounts drawn under this line accrues at the bank's prime rate. The line of credit expires in February 2010. Outstanding borrowings as of June 30, 2009 were \$3,350,000. Drawings on this line of credit were secured by accounts receivable, inventory and equipment.

2. Bonds Payable

Pursuant to the November 2002 election, the constitution of the State of Hawaii was amended to allow independent educational institutions the opportunity to issue tax-exempt State of Hawaii Special-Purpose Revenue Boards (SPRB) bonds for the purpose of capital improvements. Management's objective for the issuance of the bonds was for the purpose of supporting capital projects, refinancing existing debt, and for funding a future debt service reserve.

The issuance of SPRB, Series 2006 was completed in March 2006 for \$10,000,000 at a premium of \$140,846. The issuance consists of serial bonds with fixed interest rates ranging from 4.0% to 5.0% and maturing at various dates between January 1, 2007 and January 1, 2016, and term bonds with fixed interest rates ranging from 4.7% to 5.0% and maturing at various dates between January 1, 2017 and January 1, 2036. The bond issue was insured by a third-party insurer. These obligations are secured by all tuition and fees received by the University, certain property, and by restricted cash equivalents. These obligations also include certain restrictive covenants with which the University must comply.

Related unamortized debt issuance costs amounted to \$588,759 and \$610,976, which are included in other assets in the accompanying balance sheets at June 30, 2009 and 2008, respectively. The University's obligation under the bond issuance and unamortized bond premium amounted to \$9,683,274 and \$9,806,602 at June 30, 2009 and 2008, respectively, which is included in long-term debt in the accompanying balance sheets.

Chaminade University of Honolulu
 NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009 and 2008

NOTE G – LINE OF CREDIT AND LONG-TERM DEBT (continued)

2. Bonds Payable (continued)

Debt service requirements for the years following June 30, 2009 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 125,000	\$ 455,259	\$ 580,259
2011	135,000	450,259	585,259
2012	150,000	444,859	594,859
2013	175,000	438,859	613,859
2014	205,000	431,859	636,859
Thereafter	<u>8,795,000</u>	<u>5,628,307</u>	<u>14,423,307</u>
	<u>\$9,585,000</u>	<u>\$7,849,402</u>	<u>\$17,434,402</u>

Total interest expense amounted to approximately \$607,195 and \$460,819 for the years ended June 30, 2009 and 2008, respectively, net of amounts capitalized of approximately \$25,861 and \$116,000, respectively.

NOTE H – ENDOWMENTS

The following summarizes the University's endowment of net asset composition as of June 30, 2009.

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ –	\$812,082	\$6,247,259	\$7,059,341
Board-designated endowment funds	<u>88,462</u>	–	–	<u>88,462</u>
Total funds	<u>\$88,462</u>	<u>\$812,082</u>	<u>\$6,247,259</u>	<u>\$7,147,803</u>

The following summarizes the University's changes in endowment net assets for fiscal year ended June 30, 2009.

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$101,907	\$ 1,825,481	\$5,749,973	\$ 7,677,361
Investment return:				
Investment income	2,080	166,000	–	168,080
Net appreciation, realized and unrealized	<u>(14,280)</u>	<u>(1,180,644)</u>	–	<u>(1,194,924)</u>
Total investment return	(12,200)	(1,014,644)	–	(1,026,844)
Contributions	–	–	497,286	497,286
Other changes (if any)	<u>(1,245)</u>	<u>1,245</u>	–	–
Endowment net assets, end of year	<u>\$ 88,462</u>	<u>\$ 812,082</u>	<u>\$6,247,259</u>	<u>\$ 7,147,803</u>

Chaminade University of Honolulu
 NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009 and 2008

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2009 and 2008 are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Building improvements and equipment acquisitions	\$ 9,834,363	\$ 9,353,334
Time restriction – interest in net assets of Chaminade University Educational Foundation (note M)	769,445	999,558
Financial aid, scholarships, and awards	–	1,113,043
Other	<u>279,768</u>	<u>849,423</u>
	<u>\$10,883,576</u>	<u>\$12,315,358</u>

Net assets in the amount of \$6,274,995 and \$10,211,386 were released from donor restrictions during the years ended June 30, 2009 and 2008, respectively, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows:

	<u>2009</u>	<u>2008</u>
Building improvements and equipment acquisitions	\$4,655,276	\$ 8,804,645
Financial aid, scholarships, and awards	409,136	290,092
Other	<u>1,210,583</u>	<u>1,116,649</u>
	<u>\$6,274,995</u>	<u>\$10,211,386</u>

NOTE J – PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2009 and 2008, permanently restricted net assets consisted of the following:

	<u>2009</u>	<u>2008</u>
Financial aid, scholarships, and awards	\$7,002,811	\$6,382,685
Interest in net assets of Chaminade University Educational Foundation (note M)	<u>352,117</u>	<u>328,929</u>
	<u>\$7,354,928</u>	<u>\$6,711,614</u>

NOTE K – INCOME TAXES

The University has received a determination from taxing authorities that its stated purpose is tax exempt as described in Section 501(c)(3) of the Internal Revenue Code and that contributions to the University are deductible for tax purposes by the donor, subject to the normal limitations imposed by the aforementioned authorities.

Chaminade University of Honolulu

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009 and 2008

NOTE L – RETIREMENT PLAN

The University sponsors a contributory, defined contribution retirement plan for eligible career faculty and administrative employees. Plan contributions are based upon a percentage of each participant's total earnings and are funded on a current basis. Contributions to the plan, net of any forfeitures, were approximately \$510,000 and \$450,000 for the years ended June 30, 2009 and 2008, respectively.

NOTE M – CHAMINADE UNIVERSITY EDUCATIONAL FOUNDATION

The Chaminade University Educational Foundation (the Foundation), a charitable trust, was created exclusively to encourage, promote, and assist in the financing of the objectives and purpose of the University. Trustees are appointed by majority vote of the remaining trustees. The Foundation has received a determination from taxing authorities that its stated purpose is tax exempt as described in the Internal Revenue Code. The Foundation's board of trustees has sole discretion as to the timing and amounts of contributions of its net assets to the University.

NOTE N – TRANSACTIONS WITH AFFILIATED ENTITIES

1. Marianist Center of Hawaii

The land and certain buildings from which the University operates belong to the Marianist Center of Hawaii. In March 2006, the properties were leased to the University under a conditional lease agreement for a term of 50 years. The lease requires annual rent of \$1 and all taxes, assessments, and other charges applicable to the leased premises. The University has the option to extend the term of the lease for one additional 50-year period. For the years ended June 30, 2009 and 2008, the estimated fair value of the lease rent for the land and buildings has been determined by a real estate appraiser to be approximately \$1,282,000 and \$1,299,500, respectively, and is included in unrestricted private gifts and grants and in various expenditure classifications in the accompanying statements of activities.

2. Chaminade University Education Foundation

During the years ended June 30, 2009 and 2008, the University received temporarily restricted contributions from the Foundation of \$0 and \$24,750, respectively.

NOTE O – VOLUNTARY EARLY RETIREMENT PLAN

In September 1999, the University adopted a voluntary early retirement plan for its faculty personnel. Eligibility requirements include personnel with at least 15 years of full-time employment who have attained the age of 60 years on or before the stipulated retirement date. The benefits for eligible participants who chose to retire by May 15, 2000 were based on the most recent employment contract at the time of retirement and range from 100% to 120% of the nine-month contract base salary. The benefits for eligible participants who retire after May 15, 2000 are \$600 for each completed year of service over 15 years with an additional amount based on the participant's age at retirement date. The maximum payment under this plan is twice the faculty member's annual compensation during the year immediately preceding the termination of service. Applications for the plan must be received by November 5 of the same fiscal year of retirement date. In April 2008, the Board of Regents approved the decision to terminate the plan in 2010.

Chaminade University of Honolulu
 NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009 and 2008

NOTE O – VOLUNTARY EARLY RETIREMENT PLAN (continued)

The plan's funding status, as measured on July 1 of each fiscal period, follows:

	2009	2008
Projected benefit obligation at year end	\$373,245	\$306,296
Fair value of plan assets at end of year	–	–
Funded status	\$373,245	\$306,296
Employer contributions	\$ 15,596	\$ 8,365
Benefits paid	15,596	8,365
Net periodic postretirement benefit cost	5,141	18,187

Amounts recognized in the balance sheets consist of:

	2009	2008
Accrued benefit cost included in accounts payable and accrued expenses		
Current	\$ 96,709	\$ 6,928
Non-current	276,536	299,368
Total	\$373,245	\$306,296

The University expects to contribute and make benefit payments of \$96,709 for the year ending June 30, 2010.

The following represent expected future benefits for the periods shown:

2010	\$ 96,709
2011	276,536

The following assumptions were used:

Termination of plan: June 30, 2010

Weighted average assumptions used to determine benefit obligation and net periodic benefit cost:

	2009	2008
Rate of compensation increase	3.5%	3.5%
Discount rate:		
Net periodic pension cost	6.25%	6.5%
Benefit obligation	6.25%	6.25%

Chaminade University of Honolulu

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2009 and 2008

NOTE O – VOLUNTARY EARLY RETIREMENT PLAN (continued)

Withdrawal from service:	<u>Age</u>	<u>Percent terminating</u>
	20	17.9%
	25	17.2%
	30	16.2%
	35	14.9%
	40	13.1%
	45	10.8%
	50	7.9%

Retirement ranges:	<u>Age</u>	<u>Retirement percentage</u>
	60-61	10%
	62-64	20%
	65-69	60%
	70+	100%

NOTE P – SABBATICAL LEAVE

The University allows certain eligible faculty members to take sabbatical leaves. A faculty member electing a single sabbatical semester is compensated for that semester at 100% of their base salary. Compensation is 50% of the faculty member's salary for a full-year sabbatical leave. The faculty member continues to receive all employee benefits, salary increases and promotions while on sabbatical leave. The University reserves the right to limit the number of sabbaticals taken to two in a given year. The accrued projected benefit was \$52,040 and \$51,786 as of June 30, 2009 and 2008, respectively.

NOTE Q – COMMITMENTS

The University was committed under construction contracts of approximately \$2,587,000 and \$2,423,000 at June 30, 2009 and 2008, respectively.

NOTE R – LEGAL PROCEEDINGS

The University is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the University's financial position, results of operations, or liquidity.

NOTE S – ESTIMATED FAIR VALUE INFORMATION

1. Financial Assets

The carrying value of cash and cash equivalents, student and other receivable, pledge receivable and grant receivable are considered to approximate fair value. When possible, the fair value of investments is determined by reference to quoted market prices. When quoted market prices are not available, fair value

Chaminade University of Honolulu
NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE S – ESTIMATED FAIR VALUE INFORMATION (continued)

1. Financial Assets (continued)

is estimated by reference to market values for similar securities or by discounting cash flows at an appropriate risk rate taking into consideration the varying degrees of risk specific to each financial asset. Determination of the fair value of student loans receivable, which are primarily federally-sponsored student loans with United States Government mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, could not be made without incurring excessive costs.

2. Financial Liabilities

The carrying value of accounts payable, other liabilities, refundable U.S. government student loans and a note payable under a line of credit are considered to approximate fair value. The determination of fair values of the University's notes payable to Marianist Center of Hawaii is not practicable since the notes are payable to a related party. The fair value of the University's bonds payable is based on the municipal yield curves based on the bonds Standard and Poor's rating as of the valuation date. The estimated fair values of the bonds payable were \$7,724,938 and \$7,942,349 at June 30, 2009 and 2008, respectively.

NOTE T – SUBSEQUENT EVENTS

In May 2009, the Financial Accounting Standards Board issued Statement 165, *Subsequent Events*, to incorporate the accounting and disclosure requirements for subsequent events into U.S. generally accepted accounting principles. Statement 165 introduces new terminology, defines a date through which management must evaluate subsequent events, and lists the circumstances under which an entity must recognize and disclose events or transactions occurring after the balance sheet date. The University adopted Statement 165 as of June 30, 2009, which was the required effective date.

The University evaluated its June 30, 2009 financial statements for subsequent events through November 18, 2009, the date the financial statements were available to be issued. The University is not aware of any subsequent events which would require recognition or disclosure in the financial statements.



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