

OFFICIAL STATEMENT DATED AUGUST 6, 2015

REFUNDING ISSUE

Rating: Moody's A2

In the opinion of Bond Counsel, according to present State of Minnesota and federal laws, regulations and rulings, assuming compliance with certain covenants, the interest on the Bonds is not includable in gross income for federal income tax purposes or in net taxable income of individuals, estates and trusts for State of Minnesota income tax purposes, and is not an item of tax preference in determining federal or Minnesota alternative minimum tax applicable to individuals and corporations. Interest on the Bonds is subject to the State of Minnesota franchise tax applicable to corporations, including financial institutions, and is includable in the calculation of certain federal taxes imposed on corporations. The Bonds will not be designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code. (See "TAX EXEMPTION.")



\$13,815,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Eight-H
(Saint John's University)

(DTC Book Entry Only)

Dated Date: Date of Delivery

Interest Due: April 1 and October 1,
commencing April 1, 2016

The Bonds are to mature annually on October 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>60416H:</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>60416H:</u>
2016	\$1,825,000	2.00%	0.60%	L6 9	2022	\$ 1,835,000	5.00%	2.38%	M4 3
2017	\$1,875,000	4.00%	0.99%	L7 7	2023	\$ 415,000	5.00%	2.54%	M5 0
2018	\$1,500,000	5.00%	1.26%	L8 5	2024	\$ 440,000	5.00%	2.66%	M6 8
2019	\$1,580,000	5.00%	1.48%	L9 3	2025	\$ 460,000	5.00%	2.81%	M7 6
2020	\$1,660,000	5.00%	1.73%	M2 7	2026	\$ 485,000	5.00%	2.97%†	M8 4
2021	\$1,740,000	5.00%	2.05%	M3 5					

† Priced to the call date of October 1, 2025

The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Eight-H (Saint John's University) (the "Bonds") are subject to optional redemption prior to maturity on October 1, 2025 and on any date thereafter at par, as described herein. See "THE BONDS – Prior Redemption – Optional Redemption." The Bonds will also be subject to optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture. The Bonds will be subject to optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. See "THE BONDS – Prior Redemption" and "THE BONDS – Determination of Taxability."

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "THE BONDS – Book Entry Only System" herein). U.S. Bank National Association, Saint Paul, Minnesota will act as Trustee.

The Bonds are special obligations of the Minnesota Higher Education Facilities Authority (the "Authority") payable solely from Loan Repayments made by or on behalf of Saint John's University (the "University"), pursuant to a Loan Agreement between the Authority and the University, or out of other amounts pledged pursuant to the Indenture as described herein. The Loan Repayments will be a general obligation of the University.

THE BONDS SHALL NOT BE LEGAL OR MORAL OBLIGATIONS OF THE STATE OF MINNESOTA, NOR SHALL THEY CONSTITUTE A DEBT FOR WHICH THE FAITH AND CREDIT OF THE AUTHORITY OR THE STATE OF MINNESOTA, OR THE TAXING POWERS OF THE STATE, ARE PLEDGED. THE AUTHORITY HAS NO TAXING POWERS.

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriter named below subject to the opinion as to validity and tax exemption of the Bonds by Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the Corporation by Gray Plant Mooty Mooty & Bennett, P.A., Minneapolis, Minnesota; and for the Underwriter by Kutak Rock LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriter at DTC on or about August 31, 2015.

The Underwriter intends to engage in secondary market trading in the Bonds, subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase any of the Bonds at the request of any holder thereof. For information with respect to the Underwriter, see "UNDERWRITING" herein.

RBC Capital Markets

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the Authority from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the Authority, except for the omission of certain information referred to in the succeeding paragraph.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

No dealer, broker, sales representative or other person has been authorized by the Authority, the University, or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the University or the Underwriter. The information contained herein, except as it relates to the Authority, DTC, and the Trustee, has been obtained from the University and is not guaranteed as to accuracy or completeness. Information relating to the Authority, DTC and the Trustee has been obtained from such persons and is not guaranteed as to accuracy or completeness. Information regarding the tax-exempt status of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority, the information contained herein is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the University since the date hereof.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices hereto, they will be furnished on request.

The Bonds have not been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The registration or qualification of these securities in accordance with applicable provisions of securities laws of the jurisdictions in which the Bonds may be registered or qualified and the exemption from registration or qualification in other jurisdictions shall not be regarded as a recommendation thereof. Neither these jurisdictions nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Certain of the parties involved in this financing have agreed to indemnify certain other parties for any untrue statement of a material fact contained in this Official Statement or any omission to state a material fact necessary to be stated in this Official Statement in order to make the statements contained herein not misleading.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED “FORWARD-LOOKING STATEMENTS,” MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY WORDS SUCH AS “PLAN,” “EXPECT,” “ESTIMATE,” “BUDGET” OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE UNIVERSITY NOR ANY OTHER PARTY EXPECTS OR INTENDS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor’s CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers provided in this Official Statement are included for convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds. None of the Authority, the Underwriter, or the University takes any responsibility for the accuracy of such CUSIP numbers.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Mark Misukanis, Chair	Assistant Professor, Metro State University, Resident of Mendota Heights, Minnesota
Gary D. Benson, Vice Chair	Director of Project Planning & Development, Kraus-Anderson Construction Company, Resident of New Brighton, Minnesota
Nancy Sampair, Secretary	Retired Banker, Resident of Saint Paul, Minnesota
Kathryn Balstad Brewer, Vice Chair	Retired Banker and Educator, Resident of New Brighton, Minnesota
Paul Cerkvenik (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota
Tim Geraghty (Ex Officio)	Chief Financial Officer, Minnesota Office of Higher Education, Saint Paul, Minnesota
Mary F. Ives	Real Estate Business Owner, Resident of Grand Rapids, Minnesota
Michael D. Ranum	Chief Financial Officer, BWBR Architects, Inc., Resident of Circle Pines, Minnesota
David D. Rowland	Executive Vice President, The Travelers Companies, Inc., Resident of Edina, Minnesota
Raymond VinZant, Jr., Chair	Founder, Midway Vo-Tech, Saint Paul, Resident of Wyoming, Minnesota

Marianne T. Remedios, Executive Director

Bond Counsel
Fryberger, Buchanan, Smith & Frederick, P.A.

Municipal Advisor
Springsted Incorporated

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OFFICIAL STATEMENT

\$13,815,000

**MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES EIGHT-H
(Saint John's University)**

(DTC BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and the Saint John's University, an institution of higher education located in Collegeville, Minnesota (the "Institution" or the "University") in connection with the issuance of the Authority's \$13,815,000 Revenue Bonds, Series Eight-H (Saint John's University) (the "Bonds" or the "Issue").

The Bonds are being issued pursuant to the provisions of Sections 136A.25 through and including 136A.42, Minnesota Statutes, as amended, by the provisions of which the Authority was created and authorized to issue its obligations to assist institutions of higher education within the State of Minnesota (the "State") to refinance certain projects.

The Bonds are also being issued pursuant to the Trust Indenture (the "Indenture") dated as of August 1, 2015 between the Authority and U.S. Bank National Association, Saint Paul, Minnesota, as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement between the University and the Authority relating to the Bonds, the University will covenant as a general obligation of the University to make Loan Repayments in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The proceeds of the Bonds will be loaned to the University by the Authority and will be used to:

1. Refund on a current refunding basis the outstanding principal of and interest on the Authority's Revenue Bonds, Series Six-G (St. John's University) (the "Refunded Bonds"), and
2. Pay issuance costs.

The Bonds are secured by a pledge of the Loan Repayments, which are a general obligation of the University. Under the Loan Agreement, the University will agree to provide the funds necessary to make timely payment of the Loan Repayments. See "SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS" herein.

The Bonds shall not be legal or moral obligations of the State of Minnesota, nor shall they constitute a debt for which the faith and credit of the Authority or the State of Minnesota, or the taxing powers of the State, are pledged. The Authority has no taxing powers.

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms

and conditions. All statements herein are qualified in their entirety by reference to such documents. See Appendices IV and V for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

RISK FACTORS

No person should purchase Bonds without carefully reviewing the following information which sets forth some, but not all, of the factors which may affect the Owners' receipt of payments of the principal of, premium, if any, and interest on the Bonds.

Risk of Insufficient Collateral

The Bonds are secured by (a) a pledge by the Authority to the Trustee of amounts payable by the University under the Loan Agreement, and (b) amounts in accounts and funds which will be held by the Trustee and applied to the payment of principal, premium, if any, and interest on the Bonds. The Bonds are not secured by a mortgage on or security interest in any real property or personal property. There is no reserve fund for payment of the Bonds. If an Event of Default occurs, there can be no assurance that such sources will be sufficient to pay the principal of, premium, if any, or interest on the Bonds when due.

Obligation of the University

No entity or person other than the University is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Indenture, the Bonds or the other obligations of the University under such documents. Accordingly, for payment of principal of and interest on the Bonds, holders of the Bonds must look solely to the Loan Repayments to be made by the University under the Loan Agreement and other funds, if any, the Trustee holds under the Indenture.

Adequacy of Revenues

Payment of principal and interest on the Bonds is intended to be made from the University's Loan Repayments. The University's ability to make Loan Repayments will be dependent on its ability to receive sufficient unrestricted revenues in excess of expenditures. Such revenues and expenditures are subject to many conditions and factors, some of which may be beyond the control of the University and may change in the future to an extent that cannot be presently determined.

Competition

Competition among institutions of higher education is intense nationally and within the upper Midwest region from which the University draws the majority of its students. Universities and colleges compete principally based on location, tuition rates, degree offerings, and academic reputation. To the extent that competitors have or achieve an advantage with respect to any of these factors, the University could be adversely affected. In addition, competitive pressures could result in tuition reductions or the inability to raise tuition, or increases in financial aid in the form of discounted tuition, which could adversely affect the change in the University's unrestricted net assets.

Changes in demographics, such as a decrease in the overall number of high school graduates or a decrease in the number of high school graduates who elect to go to college, could adversely affect the University's efforts to attract students.

Reliance on Tuition and Fees

The adequacy of the University's unrestricted net assets available for the payment of debt service on the Bonds will largely depend on the amount of future tuition revenue the University receives. Such revenue in turn will depend primarily on the University's ability to charge sufficient rates for tuition and to maintain enrollment levels. Future enrollment levels will depend on the number of students applying to the University and accepting offers of admission. A number of factors, including, without limitation, levels of tuition rates and other fees, competition from other colleges and universities, a change in the number of college age students and changing general economic conditions will influence the number of applicants to the University.

Financial Aid and Loans

Approximately 96% of the University's students currently receive some federal, state or University financial aid covering some portion of tuition and fees or living expenses. No assurance can be given that federal, state or University financial aid will continue to be funded at current levels or that the University will continue to fund student aid at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the University's revenues. State financial shortfalls may result in reductions to state aid funding for colleges, including the University. See Appendix I, "THE UNIVERSITY – Financial Aid" herein.

No assurance can be given that student loans will continue to be available to students and their parents at current levels. Reductions in availability of such loans may cause a decline in enrollment, which may in turn have an adverse effect on the University's revenues.

Damage, Destruction or Other Liability

Although the University will be required to obtain certain insurance as set forth in the Loan Agreement, there can be no assurance that the University will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss will not exceed the coverage of such insurance policies.

Nature of Pro Forma Debt Service Coverage

Certain historical operating revenue for the University and computed pro forma debt service coverage is provided in Appendix I under the caption "Maximum Annual Debt Service and Pro Forma Coverage Statement." The pro forma coverage is merely a mathematical computation as reflected in the applicable table, and constitutes no assurance as to the future sufficiency of University revenues to satisfy University operations and Bond and other debt service requirements.

Bankruptcy

The ability of the Trustee to exercise rights under the Loan Agreement and the Indenture may be limited by bankruptcy, insolvency, reorganization or other similar laws or equitable principles related to or affecting the enforcement of creditors' rights.

Derivative Products

The University may enter into interest rate swaps or other similar arrangements in the future. Under certain market conditions, termination of an interest rate swap agreement prior to its expiration may

require the University to pay a termination fee to the counterparty to the agreement and such payment could be material to the University.

Endowment Portfolio Risk

Market conditions that negatively affect the University's investments may adversely affect debt service coverage and endowment spending. The University's Board of Trustees has approved an investment policy which gives specific guidance about portfolio investments. The University's investment policy defines a diversified investment portfolio utilizing external money managers. The operating budget of the University includes an annual contribution from endowment funds for Fiscal Year 2015 of 4.7% and for Fiscal Year 2016 of 4.5% of the endowment's prior three-year moving average. See also Appendix I, "THE UNIVERSITY – Endowment Funds."

Other Possible Risk Factors

The occurrence of any of the following events, or other unanticipated events, could adversely affect the operations of the University:

1. Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, without being able to obtain corresponding increases in revenues.
2. Adoption of federal, state or local legislation or regulations having an adverse effect on the future operating or financial performance of the University.
3. International events, including any acts of war and terrorism, which may have adverse effects on enrollment and investments.
4. Market conditions that negatively affect the University's investments and therefore may adversely affect debt coverage and endowment spending.
5. Cybersecurity risks related to breaches of the University's information technology systems or computer viruses and the inadvertent disclosure of confidential student and other information.

See also "Tax Exemption" herein.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"), the University will enter into an undertaking (the "Undertaking") with the Trustee for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the University annually, and to provide notices of the occurrence of any of the events enumerated in the Rule not later than ten business days after the occurrence of the event to the Municipal Securities Rulemaking Board (the "MSRB"). The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of listed events is set forth in the Continuing Disclosure Agreement to be executed by the University at the time the Bonds are delivered, a copy of which is available from the University or the Trustee. Appendix III, "Information to be Provided as Continuing Disclosure," contains a summary of the financial information and operating data to be provided annually.

Furthermore, the University has reserved its right to discontinue providing information required by the Continuing Disclosure Agreement or the Rule if a final determination is made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the terms of the Continuing Disclosure Agreement if a court of competent jurisdiction or the University determines that such modification is required by the Rule.

The University has never failed to comply in any material respect with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the University to comply with the Undertaking will not constitute an event of default on the Bonds (although holders may have other remedies at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure, or the information supplied by the University pursuant to the Undertaking, may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

General

The Bonds will be dated as of the date of delivery, which is expected to be August 31, 2015. The Bonds will mature annually each October 1, commencing October 1, 2016, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of \$5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each April 1 and October 1, commencing April 1, 2016.

Book Entry Only System

The Depository Trust Company

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

For further detail on DTC, see Appendix VI, “The Depository Trust Company.”

Prior Redemption

Optional Redemption

At the University's direction, on October 1, 2025 and on any day thereafter the Authority may elect to redeem Bonds maturing on October 1, 2026. Redemption may be in whole or in part. All optional redemptions shall be at a price of par plus accrued interest.

Extraordinary Optional Redemption

The Bonds will also be subject to optional redemption at par in integral multiples of \$5,000, as a whole or in part, plus accrued interest in certain cases of damage to or destruction or condemnation of Project Facilities and upon a Determination of Taxability as provided in the Loan Agreement (see “THE BONDS – Determination of Taxability” herein and “SUMMARY OF DOCUMENTS – The Loan Agreement” in Appendix V).

Partial Redemption

If fewer than all Bonds of a maturity are called for redemption, the Trustee will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. See Appendix VI, "THE DEPOSITORY TRUST COMPANY."

In the case of Bonds of denominations greater than \$5,000, if fewer than the full principal amount of such Bonds then outstanding is to be called for redemption, then for all purposes in connection with redemption, each \$5,000 of principal amount shall be treated as though it were a separate Bond of the denomination of \$5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such \$5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and available for the redemption of said \$5,000 unit or units on the date fixed for redemption and, in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such \$5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than 20 days, and if more than 60 days, then again not less than 20 nor more than 60 days, before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Determination of Taxability

If a Determination of Taxability is made that the interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic interest rate from the Date of Taxability effective until the date on which the principal of the Bonds is paid. **If a Determination of Taxability should occur, any monetary damages or loss resulting from or incident thereto shall be limited to the increased interest rate on the Bonds.** See "TAX EXEMPTION" herein and Appendix IV, "DEFINITION OF CERTAIN TERMS."

The University has the option to prepay the Loan on the next date for which due notice of redemption can be given, in full or in part and on any date thereafter following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability and without a premium).

USE OF PROCEEDS

The Plan of Finance

Bond proceeds will be used to:

1. Refund on a current refunding basis the outstanding principal of and interest on the Refunded Bonds, and
2. Pay issuance costs.

The Refunding

The Refunded Bonds are outstanding in the amount of \$20,385,000. The Refunded Bonds have a final maturity date of October 1, 2026 and are callable in full or in part on any date beginning October 1, 2015 at a price of par plus interest accrued to the redemption date. The Refunded Bonds will be fully defeased from Bond proceeds, a portion of the funds on deposit under the Series Six-G Indenture, and the University's contribution of the October 1, 2015 principal and interest payment due on the Refunded Bonds. The Refunded Bonds will be paid, prepaid, and redeemed on October 1, 2015 (the "Redemption Date") at a price of par plus interest to the Redemption Date.

On the Issue Date, a portion of the Bond proceeds will be deposited in the Refunding Account created under the Indenture and immediately transferred to Wells Fargo Bank, National Association as the trustee for the Refunded Bonds (the "Series Six-G Bonds Trustee") for deposit into the Series Six-G Redemption Account pursuant to the Series Six-G Bonds Trust Indenture. On the Issue Date, the University will also deposit with the Series Six-G Bonds Trustee from its own funds an amount equal to principal maturing and the interest due on the Refunded Bonds on the Redemption Date for deposit into the Series Six-G Bonds Bond Account. The sum of the amounts then on deposit in the Series Six-G Bonds Redemption Account, the Series Six-G Bonds Reserve Account, and the Series Six-G Bonds Bond Account will be sufficient to pay principal and interest due on the Refunded Bonds on the Redemption Date and to prepay and redeem the outstanding Refunded Bonds maturing on and after October 1, 2016 on the Redemption Date.

The Refunded Bonds to be paid, prepaid and refunded, identified by CUSIP, are as follows:

Maturity Date		CUSIP:	Maturity Date		CUSIP:
<u>October 1:</u>	<u>Principal</u>	<u>60416H</u>	<u>October 1:</u>	<u>Principal</u>	<u>60416H</u>
2015	\$ 500,000	FM 1	2022	\$1,000,000	FX 7
2015	\$1,525,000	FU 3	2022†	\$9,295,000	FN 9
2016	\$2,130,000	FV 1	2026†	\$3,720,000	FP 4
2017	\$2,215,000	FW 9			

†Term Bonds

SOURCES AND USES OF FUNDS

Sources

Par amount of the Bonds	\$ 13,815,000.00
Net reoffering premium	1,728,959.10
University Contribution	2,501,368.75
Prior Debt Service Reserve Account	<u>3,013,017.34</u>
Total Sources:	<u>\$ 21,058,345.19</u>

Uses

Deposit for Refunding	\$ 20,861,368.75
Deposit to Bond and Interest Sinking Fund Account	4,739.56
Costs of issuance, including Underwriter Discount	<u>192,236.88</u>
Total Uses:	<u>\$ 21,058,345.19</u>

In the event Bond issuance costs, including Underwriter's discount, exceed 2% of the Bond proceeds, defined as par plus original issue premium, such excess shall be paid by the University from sources other than Bond proceeds.

SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS

General

The Bonds will be special obligations of the Authority payable solely from Loan Repayments made by the University as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture. **There is no reserve fund established for the Bonds.**

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the University, and other funds the Trustee holds under the Indenture. The University will agree pursuant to the terms of the Loan Agreement and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds. The University agrees to make such payments out of its operating funds or any other moneys legally available.

The University covenants and agrees to charge tuition fees, other fees, rentals and charges which, together with the general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payments required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the University as they become due.

The Bonds shall not be legal or moral obligations of the State of Minnesota nor shall they constitute a debt for which the faith and credit of the Authority or the State of Minnesota, or the taxing powers of the State, are pledged. The Authority has no taxing powers.

Negative Pledge

As further security for the payments required to be made under the Loan Agreement, the University will covenant that except for Permitted Encumbrances, and as otherwise permitted by the Loan Agreement, the University will not mortgage, grant a lien upon, pledge, grant a security interest in, make an assignment of its interest in or permit the creation of any encumbrance on the Negative Pledge Property, which includes the Stadium, the Field House, the Gymnasium, and the Science Center described in the Loan Agreement.

Financial Covenants

The University will also covenant in the Loan Agreement that so long as the Bonds shall remain outstanding:

- a. On June 30, 2016 and at the end of each Fiscal Year thereafter, the Revenue/Expenditure Test must be met in at least two of the preceding three complete Fiscal Years.
- b. On June 30, 2016 and at the end of each Fiscal Year thereafter, the Funded Debt Ratio will be no less than 50%. Within 120 days after the end of each Fiscal Year, the University shall furnish to the Trustee a certificate of an Authorized Institution Representative showing the calculation of the Funded Debt Ratio as of the end of the Fiscal Year. If at the end of any Fiscal Year, the Funded Debt Ratio is below 50% the University shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) additional Unrestricted Liquid Funds at least equal to the amount necessary to restore the Funded Debt Ratio to 50% as promptly as possible, but in any event no later than 180 days after the close of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the University for a term of more than two years or with a repurchase option shall not be included in computation of amounts eligible to cure the deficiency.

- c. The University shall incur no Funded Debt (except for a refunding or refinancing of Funded Debt which does not increase the Maximum Annual Debt Service and further excepting indebtedness for capital projects for which the University has secured funds on hand or written and signed pledges of gifts in an amount equal to 80% of the estimated cost of such project), unless the Net Income Available for Debt Service for the most recent complete Fiscal Year for which audited financial statements are available was at least 120% of Maximum Annual Debt Service of (A) then Outstanding Funded Debt, and (B) Funded Debt thereafter proposed to be incurred. The University may take into account as part of Net Income Available for Debt Service estimated net revenues from funded projects, estimated net tuition increases, and estimated net savings from financed equipment or facilities, as more fully provided in the Loan Agreement. See Appendix V, “SUMMARY OF DOCUMENTS – Loan Agreement – Financial Covenants” herein.

For purpose of these covenants, the following terms shall have the following meanings:

“Adjusted Increase (Decrease) in Unrestricted Net Assets” means the Increase (Decrease) in Unrestricted Net Assets from Operating Activities, as reported in the Statement of Activities section of the audited financial statements of the University, adjusted to: (a) exclude depreciation and amortization expense; and (b) exclude net assets released from restriction representing acquisition of land, buildings and equipment. Included in Adjusted Increase (Decrease) in Unrestricted Net Assets is the amount equal to the investment income allocated for operations (draw) pursuant to the Endowment Spending Policy. Excluded from Adjusted Increase (Decrease) in Unrestricted Net Assets are non-cash changes in the value of financial products, including interest rate swap agreements.

“Endowment Spending Policy” means an amount determined by applying the percentage then in effect as determined from time to time by the Board of Trustees as part of the University’s endowment spending policy, to a principal amount which is the sum of unrestricted, temporarily and permanently restricted cash investments.

“Funded Debt” means (i) indebtedness for borrowed money having a maturity date of more than one year from the date of incurrence or assumption thereof and which, under generally accepted accounting principles, is shown on the balance sheet as a liability, including such obligations and indebtedness having a maturity date of one year or less if the maturity date may be extended beyond one year at the option of the University, and (ii) capital leases including lease rental obligations having a term of more than one year from the date of incurrence or assumption thereof by the University which, under generally accepted accounting principles, are shown on the balance sheet as a liability.

“Funded Debt Ratio” means for any particular period, the ratio (expressed as a percentage) determined by dividing Unrestricted Liquid Funds by the total outstanding principal balance of Funded Debt.

“Maximum Annual Debt Service”, as used in paragraph (c) above, means the largest total amount of principal and interest on Funded Debt payable by the University in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding and subject to adjustments in accordance with Section 6.14 of the Loan Agreement.

“Net Income Available for Debt Service” means the Adjusted Increase (Decrease) in Unrestricted Net Assets plus interest payments on Funded Debt.

“Revenue/Expenditure Test” means the Adjusted Increase in Unrestricted Net Assets shall not be less than zero.

“Unrestricted Liquid Funds” means the Total Unrestricted Net Assets of the University adjusted to exclude Net Investment in Property, Plant and Equipment, as reported in the Balance Sheet section of the audited financial statements of the University. Excluded from Unrestricted Liquid Funds are non-cash changes in the value of financial products, including interest rate swap agreements.

For purposes of (a), (b) and (c) above, all capitalized terms used but not otherwise defined in the Loan Agreement shall have the meanings provided for audits of colleges and universities, as applied by the University's auditors in the report of the University's financial statements for the Fiscal Year ended June 30, 2014.

In the event generally accepted accounting principles or financial statement presentation change, the University may request that the financial compliance or reporting requirements of the Loan Agreement be modified. The request shall be accompanied by a proposed amendment to the Loan Agreement and by a certificate of an Independent certified public accountant to the effect that: (i) changes in generally accepted accounting principles or financial statement presentation standards relevant to the University's financial covenants or reporting requirements have occurred; (ii) the proposed financial covenant or reporting requirement modifications are reasonably required to allow the University to comply with the financial compliance and reporting requirements of the Loan Agreement following such changes; and (iii) the proposed modifications will not materially prejudice the Holders of the Bonds. The Authority and the University, subject to the Trustee's consent, shall then enter into the proposed amendment to the Loan Agreement, as authorized by the Indenture, and the amendment will be deemed to be part of the Loan Agreement.

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Refunding Account, a Bond and Interest Sinking Fund Account, a Costs of Issuance Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Refunding Account, except that certain amounts will be deposited in the Costs of Issuance Account and accrued interest, if any, and the rounding amount will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the University as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account and the Redemption Account as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds.

Refunding Account

On the Issue Date, there shall be deposited into the Refunding Account Bond proceeds in an amount specified in the Indenture, which amount shall not be invested but shall immediately be transferred to the Series Six-G Bonds Trustee for deposit in the Series Six-G Bonds Redemption Account, as more fully described in "USE OF PROCEEDS – The Refunding."

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest and any rounding amount, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the University. Deposits into the Bond and Interest Sinking Fund Account shall be made at least five (5) Business Days prior to each Interest Payment Date in an amount sufficient, together with other amounts on deposit in such account, to pay interest and principal, if any, coming due on such Interest Payment Date.

The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal

of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Costs of Issuance Account

There shall be deposited into the Costs of Issuance Account the amount specified in the Indenture to be applied to the costs, fees and expenses incurred in connection with the issuance of the Bonds. The Trustee shall disburse funds from this account upon presentation to Trustee of an invoice approved by the Authorized Institution Representative or the Authorized Authority Representative. If funds remain in the Costs of Issuance Account after a period of six months the funds shall be transferred to the Bond and Interest Sinking Fund Account.

Redemption Account

There shall be deposited into the Redemption Account all other amounts required to be deposited therein pursuant to any provision of the Loan Agreement or the Indenture.

Amounts on deposit to the credit of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account; and second, to redeem or prepay outstanding Bonds at the request or direction of the University and for the purchase of outstanding Bonds on the market at prices not exceeding the redemption price on the next available date for redemption. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the University or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Authorized Investments

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Costs of Issuance Account and the Redemption Account shall be invested by the Trustee as directed by the Authorized Institution Representative only in investments as authorized by Minnesota law from time to time, subject to the additional restrictions in Section 5.04 of the Indenture, which sets forth specific parameters as to type, credit quality, and maturity of investments. See Appendix V – “Summary of Documents – The Indenture – Authorized Investments.”

Moneys deposited in the Refunding Account will not be invested, but will be transferred to the Series Six-G Bonds Trustee for deposit into the Series Six-G Redemption Account. See “USE OF PROCEEDS” herein.

FUTURE FINANCINGS

The University regularly improves, expands and changes its physical plant and incurs long-term financing as needed for these purposes. The University anticipates financing a project to renovate and make improvements to Alcuin Library and construct an adjunct to Alcuin Library, to be known as the Learning Commons (the “Project”). The cost of the Project is estimated to be \$22,000,000 and the University anticipates issuing approximately \$20,000,000 of tax exempt bonds before the end of calendar year 2015 to finance the Project. Following this financing, the University does not anticipate financing additional projects with debt within the next two years. The University also monitors its existing debt for refunding opportunities. Refunding existing debt and replacing it with new debt may alter the University’s overall debt service payments.

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Sections 136A.25 through 136A.42, Minnesota Statutes), for the purpose of assisting institutions of higher education within the State in the construction and financing of projects. The Authority consists of eight members appointed by the Governor with the advice and consent of the Senate. A representative of the Minnesota Office of Higher Education and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

Marianne T. Remedios has been the Executive Director of the Authority since 2000.

Elaine J. Yungerberg has been Assistant Executive Director of the Authority since 1993.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed \$1.3 billion. The Authority has had 206 issues (including refunded and retired issues) totaling over \$2.2 billion, of which approximately \$871 million is outstanding as of July 1, 2015. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance, but only in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college for housing purposes. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

The scope of projects for which the Authority may issue bonds is broad, including buildings or facilities for use as student housing, academic buildings, parking facilities, day-care centers, and other structures or facilities required or useful for the instruction of students, or conducting of research, in the operation of an institution of higher education.

While the Authority retains broad powers to oversee planning and construction, it is current policy to permit the institution almost complete discretion with respect to these matters.

The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority and to refinance other debt for capital improvements.

The operations of the Authority are financed solely from fees paid by the participating institutions; it has no taxing power.

Bond issuance costs, including fees of bond counsel, the municipal advisor and trustee, are paid by the participating institution.

MUNICIPAL ADVISOR

The Authority has retained Springsted Incorporated, Public Sector Advisors, of Saint Paul, Minnesota, as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Municipal Advisor has relied upon University officials and other sources who have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the Authority to compile, review, examine or audit any information in the Official Statement in accordance

with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

UNDERWRITING

The Bonds are being purchased by RBC Capital Markets, LLC (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a purchase price of \$15,492,152.85 (representing the aggregate principal amount of the Bonds less an underwriter's discount of \$51,806.25 plus original issue premium of \$1,728,959.10).

The Underwriter intends to offer the Bonds to the public initially at the offering prices which result in the yields set forth on the front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices.

The University has agreed in the Bond Purchase Agreement to indemnify the Underwriter and the Authority against certain civil liabilities, including certain potential liabilities under federal securities laws.

RBC Capital Markets, LLC has provided the following information for inclusion in this Official Statement: The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Authority and/or the University. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority and/or the University. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

RATING

As noted on the cover page hereof, Moody's Investors Service has assigned a long-term rating of “A2” to the Bonds. This rating reflects only the view of such rating agency. Further information concerning such rating is available from Moody's.

Generally, a rating agency bases its ratings on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the University are not aware of any pending or overtly threatened in writing litigation which would affect the validity of or the tax-exempt nature of the interest on the Bonds, the authority of either party to enter into the Bond-related documents or the ability of either party to perform as described

herein, or materially affect the ability of the University to pay the principal of or interest on the Bonds as the same become due.

LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by Fryberger, Buchanan, Smith & Frederick, P.A., of Duluth, Minnesota as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the University by Gray Plant Mooty Mooty & Bennett, P.A., Minneapolis, Minnesota; and for the Underwriter by Kutak Rock LLP, Minneapolis, Minnesota.

TAX EXEMPTION

Federal Tax Considerations

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) provisions relating to the ownership and operation of the facilities financed or refinanced by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the University, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. If a Determination of Taxability occurs, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds are subject to optional redemption without premium, and the Bonds shall bear additional interest at a rate of two percent (2%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. (See "SUMMARY OF DOCUMENTS – The Loan Agreement – Determination of Taxability" in Appendix V). A change of law as in effect on the date of issuance of the Bonds or a determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Bond Counsel, under present laws and rulings, interest on the Bonds is not includable in gross income for federal income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations.

The Code imposes a branch profits tax equal to 30% of the "dividend equivalent amount" which is measured by "earnings and profits" effectively connected to the United States, net of certain adjustments. Included in the earnings and profits of a United States branch of a foreign corporation is income that would be effectively connected with a United States trade or business if such income were taxable, such as the interest on the Bonds.

In addition, interest on the Bonds is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of a property, casualty or other

insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to 15% of the interest on the Bonds that is received or accrued during the taxable year. In addition, passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than 25% of its gross receipts are passive investment income.

The Code further provides that interest on the Bonds is includable in the calculation of modified adjusted gross income in determining whether Social Security or railroad retirement payments are to be included in taxable income of individuals.

Minnesota Tax Considerations

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Bond Counsel, under present laws and rulings, interest on the Bonds is not includable in the taxable income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is not treated as a preference item in determining the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of such interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued.

Changes in Federal and State Tax Law

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

From time to time there are Presidential proposals, proposals from various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Original Issue Premium

The Bonds are being sold to the public at an amount in excess of their stated redemption price at maturity. Such excess of the purchase price of a Bond over its stated redemption price at maturity constitutes premium on such Bond. A purchaser of a Bond must amortize any premium over such Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

Bondholders should consult their tax advisors with respect to collateral consequences arising from the receipt of interest on the Bonds, including without limitation the calculations of alternative minimum tax or foreign branch profits tax liability, or the inclusion of social security or other retirement payments in taxable income.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income, for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

THE UNIVERSITY

Saint John's University (the "University"), located in Collegeville, Minnesota, was founded in 1857 by the Order of St. Benedict ("OSB"), a Benedictine Monastery in Collegeville, Minnesota. It is one of the oldest institutions of higher learning in the Midwest.

Prior to July 1, 2012, the University was an operating division of the OSB. On July 1, 2012, St. John's University began operations as a new separate civil corporation. On that date OSB relinquished control of the University to the University Board and gifted all assets and liabilities previously held by the University operating division to the new University civil corporation. The University has a land lease agreement with OSB for all of the land that the University's campus encompasses. The land lease is for a term of 50 years with a five year renewal option subject to negotiation every five years. In addition, the University leases several OSB buildings used for University operations. The University and OSB share certain administrative and facility costs, which are allocated between the two entities. For more detail, see Appendix VII, "Financial Statements and Independent Auditor's Report for the Fiscal Years Ended June 30, 2014 and 2013," Note 1.

The University offers four-year undergraduate degrees in the College of Arts and Sciences and graduate degrees in the School of Theology. Enrollment in the College of Arts and Sciences is limited to men; however, the School of Theology admits both men and women.

Although the University continues to enroll only undergraduate men, it also educates undergraduate women through its cooperation with the College of St. Benedict, a four-year undergraduate college for women, which is four miles from the University. The University does not own or control the College of St. Benedict, but the two schools cooperate in virtually all aspects of college life. They share a common academic calendar, maintain a single registrar's and admissions office and operate a combined library system and joint academic and administrative computing services. Requirements for most major programs are the same for students from both colleges. Students may generally attend classes on either campus.

The University is accredited by the North Central Association of Colleges and Secondary Schools as well as by appropriate professional organizations. The University is also registered with the Minnesota Office of Higher Education in accordance with Minnesota Statutes.

The University admits qualified students without regard to race, color, age, religion or veteran status in accordance with the requirements of federal and State law.

Saint John's University Board of Trustees

The Saint John's University Board of Trustees currently consists of 33 members. The Board may have up to 35 lay members, six monastic members, one faculty Trustee, one student Trustee and one Trustee elected by the alumni association. A term on the Board of Trustees consists of three years. Trustees may be re-elected for up to three terms. After nine years of service, a Trustee must roll off the Board for at least one year before he or she can be re-nominated to serve a new term.

Members of the University's Board of Trustees direct and control the University in their oversight of institutional affairs in accord with the Statutes and Bylaws of the University and as implemented through periodic statements of mission and purpose and institutional plans. The following are the current members of the Board:

Board Member	Occupation and/or Location
Steve Armstrong '73	Chief Financial Officer, Patterson Companies, Inc., Mendota Heights, Minnesota

Board Member	Occupation and/or Location
Dennis Beach, OSB '78	Assistant Professor of Philosophy, CSB/SJU, Collegeville, Minnesota
Terence Check	Chair, Communication Department, Professor of Communication, CSB/SJU, Collegeville, Minnesota
Tony Christianson '74	Chairman and Managing Partner, Cherry Tree Companies, Minnetonka, Minnesota
Brian Crevoiserat '81	Senior Vice President and National Sales Executive, Wells Fargo Bank, Lakeville, Minnesota
Marilou Denbo Eldred	President, Catholic Community Foundation of the Archdiocese of Saint Paul & Minneapolis, Saint Paul, Minnesota
Patrick Ellingsworth '70	Chair of Tax Committee, Business and Industry Advisory Committee, Reno, Nevada
Stuart Harvey '83	CEO and President, Ceridian Corporation, Minneapolis, Minnesota
Michael Hemesath '81	President, Saint John's University, Collegeville, Minnesota
Eric Hollas, OSB '75	Deputy to the President for Advancement, Saint John's University, Collegeville, Minnesota
Ann Huntrods	Attorney, Briggs & Morgan, Professional Association, Minneapolis, Minnesota
Jim Jarocki '80	President, Stolat Partners, Duluth, Minnesota
Bill Kling '64	President Emeritus, American Public Media Group, Minneapolis, Minnesota
Paul Krump '82	President of Commercial & Specialty Lines, Chubb & Son, Warren, New Jersey
Peggy Ladner	Director, The Nature Conservancy, Saint Paul, Minnesota
James Lande	Partner, Genoa Partners, Minneapolis, Minnesota
Benedict Leuthner, OSB '82	Corporate Treasurer, Order of Saint Benedict, Collegeville, Minnesota
Dan McKeown '85	President & CEO, Specialty Manufacturing Company, Stillwater, Minnesota
Joe Mucha '66, Chair	Retired Vice President, General Mills, Golden Valley, Minnesota
Cary Musech '80	Managing Principal, Tonka Bay Equity Partners, Minnetonka, Minnesota
Luke Newgaard '15	Student Trustee, Saint John's University, Collegeville, Minnesota
Tom Nicol '91	Managing Partner, Excelsior Benefits, LLC, Excelsior, Minnesota
Rich Ostlund '79	Principal, Anthony Ostlund Baer & Louwagie, Eden Prairie, Minnesota
Jose Peris	Senior Vice President, The Private Client Reserve of U.S. Bank, Minneapolis, Minnesota
Robin Pierzina, OSB '75	Corporate Secretary, Order of Saint Benedict, Faculty Resident, Saint John's University, Collegeville, Minnesota

Board Member	Occupation and/or Location
David Rehr '81	Senior Advisor, Leading Authorities, Inc., Washington, DC
Anthony Ruff, OSB '86	Associate Professor/Founding Director, National Catholic Youth Choir, Saint John's University, Collegeville, Minnesota
Mike Scherer '67	Retired Vice President and Chief Operating Officer, Scherer Bros. Lumber Co., Wayzata, Minnesota
Thomas Schnettler '79	President and Chief Operating Officer, Piper Jaffray, Minneapolis, Minnesota
Bill Schubert '62	Chairman, Kitchell Corporation, Phoenix, Arizona
Jim Sexton '81	President, Sexton Benefit Resources, Inc., Tempe, Arizona
Prince Wallace '68	Chief Executive Officer, Independent Packing Services Incorporated, Maple Grove, Minnesota
Dan Whalen '70	President, Whalen Family Foundation, Oakland, California

Administration

The President and the Vice President for Finance and Administration are as follows:

President. Michael Hemesath became the University's 13th president on July 1, 2012. A 1981 alumnus, Dr. Hemesath is the first layperson appointed to a full presidential term at the University. Dr. Hemesath graduated summa cum laude with a degree in economics and received his master's and doctoral degrees in economics from Harvard University. After graduate school, he was on the faculty for two years at Tufts University in Medford, Massachusetts, and worked as a consultant for Health Economics Research in Needham, Massachusetts. He returned to the Midwest and was an economics professor at Carleton College from 1989-2012 and served as Carleton faculty president from 2009-12.

In addition to teaching micro and macroeconomics, Dr. Hemesath taught courses on international economics, the economics of multinational enterprises, the British Industrial Revolution, Soviet and post-Soviet economics and health economics. He also taught in the master's degree program at Kiev-Mohyla Academy in the Ukraine. He has done research in health economics, student attitudes toward markets and education in transition economies. Dr. Hemesath was a Mondale Policy Fellow at the Hubert Humphrey Institute at the University of Minnesota during the 1992-93 academic year and was president of the Minnesota Economics Association in 1995-96.

Vice President for Finance and Administration. Richard Adamson became the Vice President for Finance and Administration in January of 2007. In this position, he is responsible to the President of the University, and serves as his chief advisor on all matters pertaining to the financial and business affairs of the University.

Mr. Adamson was the Controller at Augsburg College, Minneapolis from 1989-99, and was Augsburg's vice president for finance and administration and chief financial officer from 1999 until coming to the University in 2007. Prior to his Augsburg tenure, he was a senior public accountant at Adrian Helgeson and Company in Minneapolis.

Mr. Adamson earned a bachelor's degree in accounting in 1983 from the University of St. Thomas, Saint Paul, Minnesota, where he graduated cum laude. He is a certified public accountant.

University Facilities

The University has a land lease agreement with OSB for all of the land that the University's campus sits on. In addition, the University leases several OSB buildings needed for University operations. See

Appendix VII, “Financial Statements and Independent Auditor’s Report for the Fiscal Years Ended June 30, 2014 and 2013,” Note 1.

There are currently twelve academic buildings and 34 student residence facilities on the University campus. Eight of the academic buildings are on the National Register of Historic Places. The oldest building, the Quadrangle, was originally built in 1868. The Abbey and the University Church, the Alcuin Library, the Peter Engel Science Center and several residence halls were designed by Marcel Breuer, internationally known Bauhaus architect.

The Flynttown student Apartments, a \$4.5 million, 31,500 square foot facility, opened in August 2009. The building houses 58 students and contains 15 apartments, including two three-bedroom ADA units. Also completed in August 2009 was the McKeown Center, an approximately 12,000 square foot community center which serves the upperclassmen housed on campus. The building includes laundry facilities, study rooms, a community kitchen, and recreational space. The McKeown Center, which was constructed at a cost of \$2.6 million, is the campus’ first LEED certified building.

In 2013 and 2014, the campus’ outdoor athletic fields were upgraded. A natural turf soccer field and dugouts were constructed in 2013 at a cost of approximately \$560,000. A new baseball field that includes a synthetic infield and outfield was also constructed that same year at a cost of approximately \$2.2 million. Additional baseball complex enhancements include dugouts, batting cages, and a 500 seat grandstand, which were completed in 2014 at a cost of \$1.1 million. Construction currently underway in the athletic complex includes a Plaza area containing concessions stand with seating areas, restroom facilities and lighting for the baseball field at a cost of approximately \$900,000.

Academic Information

The University confers the Bachelor of Arts degree to undergraduates completing all departmental and University requirements. The School of Theology currently offers the Master of Arts degree in theology, pastoral ministry, liturgical studies and liturgical music and the Master of Divinity degree.

The University follows the early semester academic calendar of two semesters each consisting of 72 class days and 4 days of final examinations. A normal course load is considered four, 4-credit classes per semester.

The libraries at the University and the College of St. Benedict serve the combined student body with a joint staff and coordinated programs and services. Joint holdings of the two libraries are over 607,000 volumes, 2,114 active paper periodical subscriptions and over 10,500 electronic periodical titles, 278,035 government documents and 118,293 microforms. The online catalog, PALS, of the joint libraries allows students to search the collections of both facilities, as well as 125 other libraries in Minnesota and many libraries in both North and South Dakota. In addition, through the MnLINK Gateway patrons have access to the University of Minnesota, its coordinate campuses, and most public library systems in the state.

Student Enrollment

The University's total historic enrollment for undergraduate and graduate students for the past five years is as follows:

<u>Fiscal Year</u>	<u>Head Count</u>	<u>FTE</u>
2010/11	2,036	1,980
2011/12	2,016	1,954
2012/13	1,983	1,925
2013/14	1,987	1,933
2014/15	1,895	1,845

Of the 450 persons enrolled in the 2015 freshman class, 336 or 75% are Minnesota residents.

The University estimates as of July 1, 2015 that enrollment for the 2015/16 fiscal year will be a headcount of 1,867 and FTE of 1,812.

Freshman Applications, Acceptances and Enrollments

	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
Applications	1,387	1,444	1,367	1,478	1,280
Acceptances	1,217	1,225	1,193	1,314	1,157
Percent Accepted	88%	85%	87%	89%	90%
Enrolled	503	494	449	497	450
Percent Enrolled to Accepted	41%	40%	38%	38%	39%
Mean ACT Score	26	26	25	26	25
Mean SAT Verbal/ Math Scores*	552/598	548/565	530/555	538/551	545/547

* All scores recentered.

As of June 19, 2015, the University has received 1,332 freshman applications for the fall 2015 term, compared to 1,280 received by the same date in 2014. Approximately 89% of the 2015 applicants have been accepted for enrollment, of which 459 have deposited to date. The University Fiscal Year 2016 budget is based on a freshman class of 460.

Student Retention

The University reports the following student retention percentages, based on tracking incoming freshmen through to graduation.

Fall Semester	New Freshmen	Percent of Students Returning				Percent of Graduates	
		<u>2nd Year</u>	<u>3rd Year</u>	<u>4th Year</u>	<u>5th Year</u>	<u>4 Years</u>	<u>By 5th Year</u>
2009	461	92.4	84.6	83.3	8.0	68	76
2010	503	89.3	85.5	83.3	3.8	74	
2011	494	88.7	81.0	76.9			
2012	449	85.5	81.3				
2013	497	87.7					
2014	450						

Tuition and Fees

The University meets the costs of its educational programs primarily through tuition and fees. The following table lists the tuition, room and board fees for the past five years, charged to a full-time, incoming freshman.

	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>
Tuition	\$33,022	\$34,838	\$36,500	\$38,024	\$39,530
Room*	4,200	4,348	4,500	4,640	4,802
Board	4,144	4,290	4,483	4,640	4,802
Activity Fee	342	398	406	418	428
Technology Fee	<u>242</u>	<u>250</u>	<u>256</u>	<u>262</u>	<u>268</u>
Total	\$41,950	\$44,124	\$46,145	\$47,984	\$49,830

* Amounts represented above are average room charges; actual amounts may be more or less depending on the residence.

Special fees may be charged for specific courses such as science labs, arts fees or music lessons.

Comprehensive Charges for 2015-2016 at Minnesota's Private Colleges

College / University	Tuition and Fees	Room and Board	Comprehensive Charges*
Carleton College	\$49,263	\$12,783	\$62,046
Macalester College	\$48,887	\$10,874	\$59,761
St. Olaf College	\$42,940	\$ 9,790	\$52,730
College of Saint Benedict	\$40,846	\$10,229	\$51,075
Gustavus Adolphus College	\$41,812	\$ 9,176	\$50,988
Saint John's University	\$40,226	\$ 9,604	\$49,830
Hamline University	\$38,376	\$ 9,736	\$48,112
University of St. Thomas	\$38,105	\$ 9,420	\$47,525
St. Catherine University**	\$37,842	\$ 8,750	\$46,592
Augsburg College**	\$35,465	\$ 9,380	\$44,845
Bethel University**	\$34,140	\$ 9,770	\$43,910
Concordia College (Moorhead)	\$35,464	\$ 7,600	\$43,064
The College of St. Scholastica**	\$33,994	\$ 8,932	\$42,926
Minneapolis College of Art and Design	\$35,326	\$ 7,240	\$42,566
Saint Mary's University of Minnesota**	\$31,335	\$ 8,315	\$39,650
Bethany Lutheran College	\$25,300	\$ 7,770	\$33,070
Concordia University, St. Paul**	<u>\$20,750</u>	<u>\$ 8,300</u>	<u>\$28,870</u>
Average	\$37,063	\$ 9,275	\$46,327

* These are standard charges for first-time, full time, full-year undergraduate students, including fees assessed on all undergraduates. Some charges may vary depending on room, board and program choices.

** Six colleges have non-traditional programs for which a separate tuition applies.

Source: Minnesota Private College Council

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Financial Aid

Approximately 96% of the student body annually receives some form of financial aid. The following table is a five-year summary of financial assistance received from both University and non-University sources.

	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15*</u>
Loans:					
Federal	\$ 9,308,558	\$ 9,329,568	\$ 9,356,387	\$ 9,386,220	\$ 8,866,254
Private	4,202,229	4,488,742	4,769,706	5,178,629	5,208,108
Total Loans	<u>13,510,787</u>	<u>13,818,310</u>	<u>14,126,093</u>	<u>14,564,849</u>	<u>14,074,362</u>
Student Employment (All Sources)	2,943,292	3,142,412	3,208,658	3,162,293	3,167,927
Gift Aid:					
Federal/State	3,445,301	3,626,816	3,540,841	3,735,321	3,662,035
University	26,360,805	28,433,718	30,622,454	32,832,945	34,569,670
Private	39,212	32,459	46,907	66,185	248,339
Total Gift Aid	<u>29,845,318</u>	<u>32,092,993</u>	<u>34,210,202</u>	<u>36,634,451</u>	<u>38,480,044</u>
Total:	\$46,299,397	\$49,053,715	\$51,544,953	\$54,361,593	\$55,722,333

* 2014/15 numbers are not final

Faculty

The student-faculty ratio is approximately 12 to 1. There are no religious or denominational prerequisites or any participatory religious requirements for faculty membership. The University subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

For the 2014/15 Fiscal Year, the University has 140 full-time and 25 part-time faculty.

62% of the full-time faculty are tenured.

Pension Plan

The University has defined contribution pension plans covering substantially all of its fulltime lay employees. The University contributes 9% of the covered employee's salary and the employee contributes 2%. Total pension contributions by the University for the years ended June 30, 2015 and 2014 was \$2,006,266 and \$1,990,291, respectively.

University Investments

The University has adopted investment guidelines that describe the investment program and provide a framework for the ongoing management of assets and facilitation of an annual review of investment program guidelines. Within these guidelines investment goals and objectives are identified; asset allocation strategy recorded; and approved classes of types of investments where assets can be invested identified. These guidelines also record risk tolerance, include social investment guidelines, and spending and rebalancing policies.

University funds as of May 31, 2015 were invested approximately 60.0% in equity securities, 13.0% in short-term investments, 10.0% in debt securities, and 17.0% in other investments.

Capital Campaign

The University's Capital Campaign, "Forward Ever Forward," is scheduled for completion on June 30, 2017. The campaign goal is \$140 million and as of June 30, 2015 the University has received \$119 million in gifts and pledges.

Endowment Funds

The following table lists the fund balances for the University endowment and other available funds for the Fiscal Years ended June 30, 2010 through 2014.

Fiscal Year Ended June 30	Permanently Restricted Net Assets	Temporarily Restricted Net Assets	Unrestricted Net Assets	Totals
2010	\$47,091,556	\$18,379,882	\$56,122,029	\$121,593,467
2011	\$58,220,685	\$27,219,013	\$58,674,748	\$144,114,446
2012	\$55,221,847	\$25,036,826	\$61,251,666	\$141,510,339
2013	\$63,891,895	\$32,084,119	\$56,188,282	\$152,164,296
2014	\$67,035,776	\$43,201,792	\$58,678,189	\$168,915,757

The total endowment fund balance as of May 31, 2015 (unaudited) equals approximately \$171,000,000.

Financial Statements

Appendix VII sets forth the financial statements of the University for the fiscal years ended June 30, 2014 and 2013, audited by CliftonLarsonAllen LLP, Minneapolis, Minnesota and prepared in accordance with generally accepted accounting principles (GAAP). The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

Statement of Activities (Unrestricted Portion Only) for Fiscal Years 2010 through 2014

The following table sets forth the statement of activities (unrestricted portion only) prepared in accordance with GAAP for the fiscal years 2010 through 2014 from the University's audited financial statements. For more complete financial information of the University for the Fiscal Years ended June 30, 2014 and 2013, see Appendix VII of this Official Statement.

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ST. JOHN'S UNIVERSITY
STATEMENT OF UNRESTRICTED ACTIVITIES
YEARS ENDED JUNE 30,

	2010	2011	2012	2013	2014
OPERATING ACTIVITIES					
OPERATING REVENUES					
Tuition and fees	\$ 57,441,628	\$ 61,378,099	\$ 64,183,219	\$ 67,277,795	\$ 70,346,093
Less: scholarships and grants	(25,096,154)	(27,355,920)	(29,580,676)	(31,772,180)	(33,978,176)
Net tuition and fees	32,345,474	34,022,179	34,602,543	35,505,615	36,367,917
Government grants					
Federal grants	784,084	709,542	717,697	733,829	721,890
State grants	191,804	160,372	154,330	158,487	154,512
Individual earnings					
Private gifts and grants	4,518,063	5,956,285	4,048,569	4,317,573	5,022,565
Other investment income	357,329	456,711	439,939	420,834	380,987
Investment income allocated for operations (draw)	6,375,121	7,930,708	6,543,859	6,820,016	7,159,274
Other sources	1,875,823	1,878,451	1,586,237	1,541,878	1,704,123
Sales and services of auxiliary enterprises					
Residence halls	6,310,649	6,897,846	7,448,294	7,456,170	7,836,732
Food services	7,035,177	7,179,563	7,320,269	8,503,812	8,856,651
Other Auxiliaries	4,583,943	4,677,641	4,955,498	6,135,277	3,989,615
	64,377,467	69,869,298	67,817,235	71,593,491	72,194,266
Net assets released from restrictions	3,749,444	3,820,056	3,672,939	4,297,891	3,669,090
	68,126,911	73,689,354	71,490,174	75,891,382	75,863,356
Total Operating Revenues, Gains and Other Support	68,126,911	73,689,354	71,490,174	75,891,382	75,863,356
OPERATING EXPENSES					
Program expenses	22,790,206	23,730,282	24,126,602	24,370,847	25,399,467
Instruction	8,190,315	8,214,442	8,045,630	7,944,830	8,485,845
Academic support	8,529,355	8,577,082	8,954,708	9,334,270	9,516,410
Student services					
Auxiliary enterprises	4,690,289	4,306,032	4,079,469	4,285,663	4,554,247
Residence Halls	5,638,095	5,609,075	5,592,377	6,863,609	7,199,884
Food services	4,858,004	6,166,340	5,063,509	5,009,383	4,685,502
Other Auxiliaries					
Support expenses	11,732,935	11,775,030	12,810,279	12,991,623	12,465,390
Institutional support					
Other	805,415	1,194,309	1,529,545	1,809,556	2,169,992
Sponsored programs	67,234,614	69,572,592	70,202,119	72,609,781	74,476,737
Total Operating Expenses	67,234,614	69,572,592	70,202,119	72,609,781	74,476,737
	892,297	4,116,762	1,288,055	3,281,601	1,386,619
Increase (Decrease) in Net Assets from Operating Activities	892,297	4,116,762	1,288,055	3,281,601	1,386,619
NONOPERATING ACTIVITIES					
Long-term investment activities					
Endowment income	7,020,648	11,381,100	704,193	7,644,863	11,153,625
Less: investment return allocated for operations	(3,374,028)	(4,671,959)	(3,299,607)	(3,268,318)	(3,316,796)
	3,646,620	6,709,141	(2,595,414)	4,376,545	7,836,829
Private gifts and grants	25,192	35,448	209,512	638,954	4,016
Other investment income	71,980	62,717	81,560	63,219	60,717
Contributions					
Change in contributions	2,560,333	(1,269,609)	88,707	128,456	(9,821)
Annuity and unitrust net gifts	18,080	341	15,142	22,585	2,078
Adjustment of actuarial liability	(431,738)	(358,929)	(462,787)	(520,493)	253,735
Net gain from insurance proceeds				8,048,313	647,449
Donor reclassification of net assets	525	(3,906)	(29,827)	(80)	61,622
Net assets released from restrictions	2,244,372	(1,533,938)	(97,693)	8,380,954	1,019,796
	3,236,404	3,060,306	905,124	2,432,490	1,594,471
	5,480,776	1,526,368	807,431	10,813,444	2,614,267
Increase (Decrease) in Net Assets from Nonoperating Activities	9,127,396	8,235,509	(1,787,983)	15,189,989	10,451,096
Increase (Decrease) in Net Assets Before Effect of extraordinary expense	10,019,693	12,352,271	(499,928)	18,471,590	11,837,715
Extraordinary expense			(2,962,110)		
Increase (Decrease) in Net Assets	10,019,693	12,352,271	(3,462,038)	18,471,590	11,837,715
Net Assets - Beginning of Year	123,621,893	133,641,586	145,993,857	142,531,819	161,003,409
NET ASSETS - END OF YEAR	\$ 133,641,586	\$ 145,993,857	\$ 142,531,819	\$ 161,003,409	\$ 172,841,124

Source: audited financial statements of the University

Long-Term Debt of the University

The University's long-term debt outstanding as of July 15, 2015 is as follows:

- 1) \$39,300,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-G, dated August 1, 2005, interest rates range from 3.00% to 5.00%, final maturity is October 1, 2026; \$20,385,000 is outstanding. The full faith and credit of the University and a reserve fund secure the bonds. The Series Six-G Bonds will be redeemed with Bond proceeds.
- 2) \$11,375,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-U, dated June 1, 2008, interest rates range from 4.00% to 4.75%, final maturity is October 1, 2033; \$9,635,000 is outstanding. The full faith and credit of the University and a reserve fund secure the bonds.

The University's outstanding debt totals \$30,020,000. The University's total long-term debt will be \$23,450,000 after reduction by the amount of the Refunded Bonds and increase by the principal amount of the Bonds.

Maximum Annual Debt Service and Pro Forma Coverage Statement

The following table sets forth the University's maximum annual debt service and compares that amount to Fiscal Year 2014 amounts available for debt service. Debt service is based on actual debt service on the Bonds and debt service on the University's currently outstanding long-term debt (excluding the Refunded Bonds). Coverage represents the amount of University revenue that was available for debt service for the year ended June 30, 2014, as further detailed in footnote (b) of the table, divided by maximum annual debt service.

The following table is intended merely to show the relationship of the University's Fiscal Year 2014 revenues available for the payment of debt service to a pro forma statement of the University's combined annual debt service after giving effect to the issuance of the Bonds and refunding of the Refunded Bonds. The table is not intended and should not be considered a projection of the University's future revenues, expenses, debt service or debt service coverage. There is no assurance that the University's future revenues, expenses, debt service and debt service coverage or the respective relationships thereof will correspond to the revenues, expenses and debt service or the respective relationships thereof shown by or reflected in the following table.

Maximum Annual Debt Service and Pro Forma Coverage Statement		
Maximum Annual Debt Service ^(a)	Fiscal Year 2014 Amount Available for Debt Service ^(b)	Coverage
\$3,630,743	\$7,989,135	2.20

- (a) Maximum annual debt service is based on actual debt service on the Bonds and the University's outstanding debt.

The University's outstanding debt is adjusted to exclude the Series Six-G Bonds to be refunded with Bond proceeds.

- (b) Fiscal Year 2014 net amounts available for debt service:

Change in unrestricted net assets from operating activities	\$ 1,386,619
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Plus:	
Depreciation and amortization	4,860,436
Interest expense on funded debt	<u>1,742,080</u>
Fiscal Year 2014 net income available for debt service	<u>\$ 7,989,135</u>

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PROPOSED FORM OF LEGAL OPINION



302 W SUPERIOR STREET, SUITE 700
DULUTH, MINNESOTA 55802

PHONE (218) 722-0861
FAX (218) 725-6800

\$13,815,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES EIGHT-H
(SAINT JOHN'S UNIVERSITY)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered (initially book-entry) Revenue Bonds, Series Eight-H (Saint John's University), in the aggregate principal amount of \$13,815,000 (the "Bonds"), dated August 31, 2015. The Bonds mature on October 1 in the years 2016 through 2026, and bear interest at the interest rates per annum specified in the Indenture (defined below) for each maturity subject to an increase in such interest rates in the event of a Determination of Taxability. The Bonds are subject to optional and extraordinary redemption prior to maturity as provided in the Indenture.

The Bonds are issued for the purpose of funding a loan from the Authority to the Saint John's University (the "University"), a Minnesota nonprofit corporation, located in Collegeville, Minnesota, in order to refund the Authority's Revenue Bonds, Series Six-G (St. John's University), as further described in the Loan Agreement. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the University and the Trust Indenture (the "Indenture") between the Authority and U.S. Bank National Association, in St. Paul, Minnesota, as Trustee (the "Trustee") each dated as of August 1, 2015, one or more opinions of Gray, Plant, Mooty, Mooty & Bennett, P.A. and Quinlivan & Hughes, P.A., as counsels to the University, the form of the Bonds prepared for execution and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the University without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Gray, Plant, Mooty, Mooty & Bennett, P.A. as to the Loan Agreement having been duly authorized and executed and being binding upon the University, as to the corporate organization, tax-exempt status, good standing and powers of the University, and we have relied on the opinion of Quinlivan & Hughes, P.A. as to title to the Project Site (as defined in the Loan Agreement and Indenture), all without examining the records of the University or original title records or abstracts of title.

Except as set forth in our opinion to RBC Capital Markets, LLC dated the date hereof, we have not been engaged or undertaken to verify the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto (except to the extent, if any, stated in the Official Statement).

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Authority is an agency of the State of Minnesota with authority under Sections 136A.25 to 136A.42, Minnesota Statutes, to issue the Bonds, to loan the proceeds thereof to the University and to execute and deliver the Loan Agreement and the Indenture to secure the Bonds.
2. The Loan Agreement and the Indenture are valid and binding instruments of the parties thereto, enforceable in accordance with their terms.
3. The Bonds are valid and binding limited obligations of the Authority, payable from and secured by the assignment of the loan repayments payable by the University under the Loan Agreement to the Trustee, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of funds and rights to payment held by the Trustee, as assignee, under the Loan Agreement.
4. Assuming compliance with certain covenants in the Loan Agreement and Indenture, under existing laws, regulations, rulings and decisions as presently construed, the interest on the Bonds is not includable in gross income for purposes of federal income taxation or in taxable income of individuals, estates and trusts for purposes of Minnesota income taxation. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") or Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds, however, is includable in "adjusted current earnings" for purposes of the computation of "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the branch profits tax imposed on foreign corporations, losses incurred by property and casualty insurance companies, Subchapter C earnings of S corporations, net investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

The rights of the holders of the Bonds and the enforceability of the Bonds, the Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and receivership proceedings and other similar laws affecting creditors' rights heretofore or hereafter

enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in accordance with principles of equity.

Dated: August 31, 2015

Respectfully submitted,

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INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE

Annual Reporting

The Annual Report Date will be the date that is 270 days after each fiscal year end, commencing with the fiscal year ending June 30, 2015. The Annual Report will contain:

1. Audited financial statements for the most recent complete fiscal year.
2. The following financial and operating data contained in Appendix I to the Final Official Statement:

Information as of the end of the most recent complete academic or fiscal year, as appropriate, of the matters covered by the Sections entitled:

- Student Enrollment
- Freshman Applications, Acceptances and Enrollments
- Student Retention
- Tuition and Fees
- Financial Aid
- Faculty
- Pension Plans
- University Investments
- Capital Campaign
- Endowment Funds
- Long-Term Debt of the University
- Maximum Annual Debt Service and Pro Forma Coverage Statement.

Material Events to be Disclosed

The events enumerated in Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, which are to be disclosed, are as follows:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the University;
- (xiii) consummation of a merger, consolidation, or acquisition involving the University or sale of all or substantially all of the assets of the University, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material

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DEFINITIONS OF CERTAIN TERMS

Following are definitions of certain words and terms as used in the Indenture and Loan Agreement related to the Bonds. Definitions of some of the words and terms below may also appear elsewhere in this Official Statement.

Account or Accounts: One or more of the Accounts created under Article IV or V of the Indenture.

Act: Sections 136A.25 through and including 136A.42, Minnesota Statutes, as amended.

Arbitrage Regulations: All regulations and proposed regulations from time to time issued and in effect under Section 148 of the Internal Revenue Code (and former Section 103(c) of the Internal Revenue Code of 1954), including without limitation Treasury Regulations Sections 1.148-1 to 1.150-1.

Authority: The Minnesota Higher Education Facilities Authority.

Authorized Authority Representative: The person at the time designated to act on behalf of the Authority by written certificate furnished to the University and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Secretary or Executive Director or any officer authorized to act on behalf of the foregoing officers. Such certificate may designate an alternate or alternates and in that case, specimen signatures for the alternates shall be provided as well.

Authorized Denominations: \$5,000 and any integral multiples thereof.

Authorized Institution Representative: (a) The Vice President for Finance and Administration and Treasurer and (b) the Controller of the University or any other person at the time designated to act on behalf of the University by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the University by the Chair, any Vice Chair or the Secretary of its Board of Trustees or the President or the Vice President for Finance and Administration and Treasurer of the University. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the Accounts created under Articles IV and V of the Indenture and described in Section 5.04 of the Indenture.

Beneficial Owner: With respect to any authorized denomination of a Bond in Book-Entry Form, each person who beneficially owns such Bond in such authorized denomination and on whose behalf, directly or indirectly, such authorized denomination of Bond is held by the Depository pursuant to the Book-Entry System.

Board of Trustees: The Board of Trustees of the University, and including any Executive Committee or other committee authorized to act for such board.

Bond and Interest Sinking Fund Account: The Bond and Interest Sinking Fund Account established pursuant to the Indenture.

Bond Closing: The original issuance, sale and delivery of the Bonds.

Bond Purchase Agreement: The Bond Purchase Agreement among the Authority, the Underwriter and the University relating to the Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on July 15, 2015, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: With respect to the Bonds, (a) the period from the Issue Date to the close of business on October 1, 2015, and (b) each succeeding 12-month period ending at the close of business on October 1 of each year in which the outstanding Bonds, if paid at their stated maturity dates, will be outstanding.

Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Eight-H (Saint John's University).

Book-Entry Form: All Bonds, if such Bonds are all held (i) in the name of the Depository (or its nominee) with each Stated Maturity evidenced by a single Bond certificate or (ii) with the approval of the University, Authority and Trustee, in any similar manner for which Beneficial Owners do not receive Bond certificates evidencing their beneficial ownership in any of the Bonds.

Book-Entry System: A system of recordkeeping, securities clearance and funds transfer and settlement maintained for securities by the Depository and its Participants (or Indirect Participants).

Building Equipment: Those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the University and located on the Project Site acquired from funds other than the proceeds of the Prior Bonds.

Business Day: Any day other than a Saturday, a Sunday, a legal holiday in the State of Minnesota or any other day that the Depository or banks in Minnesota are not open for business.

Certificate: A certification in writing required or permitted by the provisions of the Loan Agreement or the Indenture to be signed and delivered to the Trustee or other proper person or persons. If and to the extent required by the provisions of Section 1.02 of the Indenture, each Certificate shall include the statements provided for in said Section 1.02.

Continuing Disclosure Agreement: The Continuing Disclosure Agreement between the Trustee and the University, dated as of August 1, 2015.

Corporation or University: Saint John's University, a Minnesota nonprofit corporation, as owner and operator of the Institution, its successors and assigns.

Costs of Issuance Account: the account established under the Indenture into which the Authority and Trustee shall deposit certain moneys for payment of costs of issuance of the Bonds.

Date of Taxability: The date as of which the interest on the Bonds shall be so determined to be includable in the gross income of the Owners thereof; provided, that no Bond shall bear additional interest for any period for which the statute of limitations shall be a bar to the assertion or collection of a deficiency of federal income taxes from the Owner of such Bond.

Default: A default on the part of the University in performance of any covenant or condition of this Loan Agreement which, with notice or passage of time or both, would or has become an Event of Default.

Depository: DTC or any other person who shall be a Holder of all Bonds directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, University and Trustee to act as the Depository; provided any Depository shall be registered or qualified as a "clearing agency" within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

Determination of Taxability: A Notice of Deficiency issued by the Internal Revenue Service or a final decision of a court of competent jurisdiction to the effect that the interest payable on the Bonds is includable in gross income for purposes of federal income taxation by reason of the application of the

provisions of Section 103 of the Internal Revenue Code, related sections and regulations thereunder, in effect on the date of issuance of the Bonds, as more fully provided in the Loan Agreement. A determination that interest on the Bonds is includable in the computation of any alternative minimum tax is not a Determination of Taxability.

DTC: The Depository Trust Company in New York, New York, its successors or assigns.

EMMA: The Electronic Municipal Market Access System maintained by the Municipal Securities Rulemaking Board or such successor municipal finance electronic filing system.

Event of Default: An Event of Default described in the Indenture or Loan Agreement and summarized in this Official Statement in the sections entitled “SUMMARY OF DOCUMENTS – THE INDENTURE – Events of Default” and “SUMMARY OF DOCUMENTS – THE LOAN AGREEMENT – Events of Default.”

Financial Journal: The Bond Buyer, Finance & Commerce, The Wall Street Journal, or any other newspaper or journal devoted to financial news published in the English language in Minneapolis or Saint Paul, Minnesota, or in the City of New York, New York.

Fiscal Year: The University’s fiscal year, and shall initially mean the 12-month period commencing on July 1 in each year.

Holder, Bondholder or Owner: The person in whose name a Bond shall be registered, except if any Bond is in Book-Entry Form, with respect to any consent or approval of a Holder of Bonds, the terms shall mean the Beneficial Owner.

Indenture: The Trust Indenture between the Authority and U.S. Bank National Association, as Trustee, to be dated as of August 1, 2015, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Independent: When used with reference to an attorney, engineer, architect, certified public accountant, consultant, insurance consultant or other professional person, means a person who (i) is in fact independent, (ii) does not have any material financial interest in the University or the Institution or the transaction to which such Certificate or opinion relates (other than the payment to be received for professional services rendered), and (iii) is not connected with the Authority or the University or Institution as an officer, employee or member of the Authority, the University or Institution or Board of Trustees of the University.

Independent Counsel: An Independent attorney duly admitted to practice law before the highest court of any state.

Independent Management Consultant: An Independent certified public accountant, Independent financial consultant or Independent management consultant having a favorable reputation for skill and experience in studying and reporting on operations of private nonprofit institutions of higher education satisfactory to the Authority.

Institution: Saint John’s University, a Minnesota institution of higher education with its main campus located in Collegeville, Minnesota, owned and operated by the University. The Institution is also referred to as the “University” elsewhere in this Official Statement.

Interest Payment Date: April 1 and October 1 of each year, commencing April 1, 2016, and any other date on which the principal of or interest on the Bonds shall be due and payable.

Interest Rate: With respect to the Bonds, the interest rate per annum specified in Section 2.01 of the Indenture, in the column entitled “Interest Rate” for the Bonds of the respective year of maturity.

Internal Revenue Code: The Internal Revenue Code of 1986 and amendments thereto.

Issue Date: The date on which the Bonds are delivered to the original purchaser thereof upon original issuance.

Leases: The Ground Lease Agreement and Space Lease Agreement (Quadrangle Building), both by and between the Order of St. Benedict, as landlord, and the Corporation, as tenant, effective as of July 1, 2012.

Loan Agreement: The Loan Agreement between the Authority and the University, to be dated as of August 1, 2015, as from time to time amended or supplemented.

Loan Repayments: Payments required to be made by the University to the Trustee pursuant to the Loan Agreement.

Negative Pledge Property: The Stadium, Field House, Gymnasium and the Science Center generally described under the “Series Four-L Project” in Section 1.01 of the Loan Agreement and legally described in Section 2 of Exhibit A to the Loan Agreement.

Net Proceeds: When used with respect to proceeds of insurance or a condemnation award, moneys received or receivable by the University as owner or lessee and the Trustee as secured party pursuant to the Indenture, less the cost of recovery (including attorneys’ fees) of such moneys from the insuring company or the condemning authority, plus investment earnings thereon.

Opinion of Counsel: A written opinion of counsel (who need not be Independent Counsel unless so specified) appointed by the University or Authority and acceptable to the Trustee.

Order of St. Benedict: The Order of St. Benedict, a Minnesota nonprofit corporation, the former owner and operator of the Institution.

Outstanding: When used as of any particular time with reference to Bonds, without regard to capitalization of such term, means (subject to the provisions of Section 9.03 of the Indenture pertaining to Bonds held by the Authority and the University) all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds for the payment or redemption of which funds or securities described in Section 10.02 of the Indenture (direct obligations of or obligations fully guaranteed by the United States of America or securities issued by agencies described in Minnesota Statutes, Section 475, Subd. 8(a), or cash), in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to Article III of the Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.07 of the Indenture pertaining to replacement of Bonds.

Permitted Encumbrances: As of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an Independent engineer certifies will not interfere with or impair the use of or operations being conducted in the Project Facilities, (iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project Facilities (including, with respect to Project Equipment, purchase money security interests and equipment leases), and as do not in the aggregate, in the opinion of independent counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the University, (iv) those additional encumbrances set forth in Exhibit C to the Loan Agreement, and (v) liens granted by the University to secure Funded Debt allowed under Section 6.14 of the Loan Agreement.

Prior Bonds: The Series Six-G Bonds, the Series Five-I Bonds, the Series Four-L Bonds, the Series Three-H Bonds and the Series Two-W Bonds.

Prior Bonds Project: The Series Two-W Project, the Series Three-H Project, the Series Four-L Project and the Series Five-I Project.

Project: The refunding, on a current refunding basis, of the outstanding Series Six-G Bonds and includes the payment of the principal and interest due on the Series Six-G Bonds on October 1, 2015, and the prepayment and redemption of the Series Six-G Bonds maturing on and after October 1, 2016, on October 1, 2015, the Redemption Date, and paying a portion of the issuance costs of the Bonds.

Project Buildings: The buildings constructed or improved with the proceeds of the Series Two-W Bonds, the Series Three-H Bonds (each of which were refinanced with proceeds of the Series Four-L Bonds), the Series Four-L Bonds and the Series Five-I Bonds; such buildings are described in the Series Two-W Project, the Series Three-H Project, the Series Four-L Project and the Series Five-I Project.

Project Equipment: All fixtures, equipment and other personal property of a capital nature acquired with proceeds of the Prior Bonds, including investment earnings and generally described in the Series Six-G Bond Documents and Exhibit B to the Loan Agreement.

Project Facilities: The Project Site, the Project Buildings and the Project Equipment as the same may at any time exist.

Project Site: Those portions of the land or buildings located on the lands described as “Property” on Exhibit A to the Loan Agreement, which are more particularly diagrammed in the Leases and on which any Project Buildings are located.

Redeem or redemption: Includes “prepay” or “prepayment” as the case may be, without regard to capitalization of such terms.

Redemption Account: The Redemption Account created under the Indenture for deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to create and maintain the required balance in the Bond and Interest Sinking Fund Account; and (ii) to redeem or prepay outstanding Bonds to the extent permitted or required and to purchase outstanding Bonds for redemption and cancellation. Moneys in the Redemption Account may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the University or the Authority fails to provide for payment of any rebate.

Redemption Date: October 1, 2015.

Reference Rate: The interest rate per annum announced from time to time by U.S. Bank National Association, as its prime or reference rate, regardless of whether that interest rate is actually charged to any customer of said bank.

Refunded Bonds: The Series Six-G Bonds maturing, or subject to mandatory redemption, on October 1, 2015 through 2026, inclusive, and outstanding in the principal amount of \$20,385,000 as of the date hereof.

Refunding Account: The account established under the Indenture for the deposit of certain Bond proceeds to be used to refund the Refunded Bonds.

Reorganization Documents: The Leases, and a Debt Assignment and Assumption Agreement, a Bill of Sale, an Assignment and Assumption Agreement, a Compensation Agreement, an Insurance Agreement, and a Dispute Resolution, Indemnification and Joint Defense Agreement, each of which are between the Order of St. Benedict and Saint John’s University and effective as of July 1, 2012.

Responsible Officer: Of any Trustee means and includes the chairman of the board of directors, the president, every vice president, every assistant vice president, every corporate trust officer, and every

officer and assistant officer of such Trustee, other than those specifically above mentioned, to whom any corporate trust matter is referred because of such person's knowledge of, and familiarity with, a particular subject.

Series Five-I Bonds: The Authority's Revenue Bonds, Series Five-I (St. John's University), dated February 1, 2001, which were issued in the original principal amount of \$14,270,000 to finance the Series Five-I Project.

Series Five-I Project: (i) Construction of St. Maur and St. Placid Houses, (ii) renovation of the first floor of Main Quadrangle, (iii) completion of the third and fourth floors of Sexton Commons, (iv) reroofing the Great Hall, and (v) the renovation of the lower level of St. Mary's Hall.

Series Four-L Bonds: The Authority's Revenue Bonds, Series Four-L (St. John's University), dated July 1, 1997, which were issued in the original principal amount of \$29,850,000 to finance the refunding of the Series Two-W Bonds and the Series Three-H Bonds and to finance the Series Four-L Project.

Series Four-L Project: (1) Renovation of the existing stadium, including new track (the "Stadium"), (2) construction and furnishing and equipping of three duplexes, (3) construction, furnishing and equipping of a fieldhouse, including new track and tennis courts (the "Fieldhouse"), (4) renovation of existing gymnasium, including new fitness center, additional locker rooms and new training room (the "Gymnasium"), (5) construction, furnishing and equipping of a biological sciences building, (6) renovation of Benet Hall, (7) roofing of the Housekeeping Building, Warner Palaestra Gymnasium, Thomas Hall, Greg House, Bernard Hall, Boniface Hall and Patrick Hall, (8) partial renovation of Luke Hall and Wimmer Hall, (9) renovation of existing science center (the "Science Center"), and (10) various improvements relating to replacement surface parking and utilities.

Series Six-G Bond Documents: The Series Six-G Loan Agreement and the Series Six-G Indenture.

Series Six-G Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-G (St. John's University), dated August 1, 2005, issued in the original principal amount of \$39,300,000, the proceeds of which were loaned by the Authority to the Order of St. Benedict to provide financing for the advance refunding of the Series Four-L Bonds and the Series Five-I Bonds.

Series Six-G Bonds Bond Account: The Series Six-G (St. John's University) Bond and Interest Sinking Fund Account created under the Series Six-G Indenture.

Series Six-G Bonds Trustee: Wells Fargo Bank, National Association.

Series Six-G Indenture: The Trust Indenture between the Authority and the Series Six-G Bonds Trustee, dated as of August 1, 2005.

Series Six-G Loan Agreement: The Loan Agreement between the Authority and the Order of St. Benedict dated as of August 1, 2005.

Series Six-G Redemption Account: The Series Six-G (St. John's University) Redemption Account created under the Series Six-G Indenture.

Series Six-G Reserve Account: The Series Six-G (St. John's University) Reserve Account created under the Series Six-G Indenture.

Series Three-H Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-H (St. John's University), dated June 1, 1992, the proceeds of which were loaned to the Order of St. Benedict to finance the Series Three-H Project.

Series Three-H Project: The financing of a student residence facility and a campus center.

Series Two-W Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Two-W (St. John's University), dated January 1, 1990, the proceeds of which were loaned to the Order of St. Benedict to finance the Series Two-W Project.

Series Two-W Project: The financing of an art building.

Stated Maturity: When used with respect to any Bond or any installment of interest thereon, the date specified in such Bond and in the Indenture as the fixed date on which principal of such Bond or such installment of interest is due and payable.

Trust Estate: The interest of the Authority in the Loan Agreement assigned under Granting Clause I of the Indenture; the revenues, moneys, investments, contract rights, general intangibles and instruments and proceeds and products and accessions thereof as set forth in Granting Clause II of the Indenture; and additional property held by the Trustee pursuant to Granting Clause III of the Indenture.

Trustee: The trustee at the time serving as such under the Indenture, and initially the Trustee will be U.S. Bank National Association, Saint Paul, Minnesota.

Underwriter: RBC Capital Markets, LLC, as original purchaser of the Bonds.

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SUMMARY OF DOCUMENTS**THE LOAN AGREEMENT**

The following is a summary of certain provisions of the Loan Agreement. This summary does not purport to be complete and reference is made to the full text of the Loan Agreement for a complete recital of its terms. Certain words and terms used in this summary are defined in “DEFINITIONS OF CERTAIN TERMS,” Appendix IV, contained herein.

Payment, Prepayment and Redemption of Series Six-G Bonds

The University represents that it will cause the principal of and interest due on the Series Six-G Bonds to be paid on October 1, 2015, and will prepay and redeem the Series Six-G Bonds maturing on and after October 1, 2016, on October 1, 2015, the Redemption Date.

Loan Repayments

Under the Loan Agreement, the University agrees to make Loan Repayments in amounts and at times sufficient to provide for payment in full of all principal of and interest and premium, if any, on the Bonds when due. To provide for such payments the University covenants to pay for the account of the Authority the following amounts:

- (a) at least five Business Days prior to each April 1 and October 1, commencing April 1, 2016, the University shall deposit into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on such interest payment date, and, at least five Business Days prior to each October 1, commencing on October 1, 2016, a sum equal to the amount payable as principal of the Bonds on such principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.01, 5.03 or 5.04 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and
- (b) on or prior to a date established for the optional redemption and prepayment of the Bonds, the University shall deposit into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Bonds called for redemption from the Redemption Account; and
- (c) the University shall deposit forthwith into the Bond and Interest Sinking Fund Account or Redemption Account, as appropriate, the amount of any deficiency in the event that the funds on deposit in the Bond and Interest Sinking Fund Account or Redemption Account on any Bond principal or interest payment date are for any reason insufficient to pay principal of, premium, if any, and interest on the Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and
- (d) [reserved]
- (e) the University shall deposit into any fund or account designated by the Trustee such amount as may be determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.05 of the Indenture (relating to arbitrage rebate).

Each payment under this Section shall be made directly to the Trustee at its designated corporate trust office for the account of the Authority for deposit as provided in the Indenture. The University shall furnish to the Authority, if the Authority so requests, advice of the transmittal of such payments at the time of transmittal of payment.

There is reserved to the University the right to prepay all or part of the Loan and to redeem Bonds prior to their maturity in certain events as described under "THE BONDS."

As additional payments, the University agrees to pay the annual fee of the Authority, fees and expenses of the Trustee, rebate of certain excess investment earnings to the United States, and certain other expenses.

Use of Project Facilities

The University agrees to use the Project Facilities as educational facilities, in compliance with law and ordinance requirements, and not as facilities for sectarian instruction or religious worship, nor primarily in connection with any part of a program of a school or department of divinity for any religious denomination. The University agrees not to use or permit use of the Project Facilities in such manner or to such an extent as would result in loss of the tax-exemption of interest on the Bonds under the Internal Revenue Code or loss of its status as an exempt organization under Section 501(c)(3) of the Code.

Maintenance of Project Facilities

The University agrees that, so long as there are Bonds outstanding, and subject to certain exceptions, the University will keep the Project Facilities in good repair and good operating condition at its own cost. The University will make such repairs, modifications and replacements as are necessary so that the Project Facilities will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation, and may make such repairs, modifications and replacements as in the University's judgment are desirable, subject to the same conditions. The University may sell, transfer, lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities (i) so long as the tax-exempt status of the Bonds will not be affected thereby, (ii) no such transaction or agreement shall be inconsistent with the Loan Agreement, the Indenture, or the Act, (iii) the University shall remain fully obligated under the Loan Agreement as if such agreement had not been made, and (iv) in the case of any lease to or occupancy by persons who are not students, employees or faculty, an opinion of Bond Counsel is provided to the Trustee to the effect that tax exemption of the interest on the Bonds is not adversely affected. The University may demolish any Project Facilities which in the University's judgment are worn out, obsolete or require replacement, are no longer used, or the University, by resolution of the Board of Trustees, has determined in its judgment are no longer useful.

Operating Expenses and Liens; Negative Pledge

The University will pay all utility charges and other charges arising from the operations of the Project Facilities which, if unpaid, would become a lien on the Project Facilities; provided that the University may in good faith contest such utility and other charges and any mechanics' or other liens filed or established against the Project Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Authority or Trustee shall notify the University that, in the opinion of Independent Counsel, by nonpayment of any such items the Project Facilities or any part thereof or revenue therefrom will be subject to loss or forfeiture, in which event the University shall promptly pay and cause to be satisfied and discharged all such unpaid items.

The University covenants that except for Permitted Encumbrances, and except as otherwise permitted by the Loan Agreement, the University will not mortgage, grant a lien upon, pledge, grant a security interest

in, make an assignment of its interest in or permit the creation of any encumbrance on the Negative Pledge Property.

Taxes and Other Governmental Charges

The University will pay, as the same respectively come due, all taxes, special assessments, license fees and governmental charges of any kind that may at any time be lawfully assessed or levied against, or with respect to the operations of the University, or the Project Facilities or any improvements, equipment or related property installed or brought by the University therein or thereon, or the Bonds, the Loan Agreement, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein.

The University may, at its expense, in good faith contest any such taxes, assessments, license fees and other governmental charges and, in the event of any such contest, may permit the taxes, assessments, license fees or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the University that, in the opinion of Independent Counsel, by nonpayment of any such items the Project Facilities or any part thereof, or the revenue therefrom will be subject to loss or forfeiture, in which event such items shall be paid promptly.

Insurance

The University is required to maintain, or cause to be maintained, insurance as follows:

- (a) Insurance against loss and/or damage to the Project Buildings and the Project Equipment under a policy or policies covering such risks as are ordinarily insured against by similar institutions, including (without limiting the generality of the foregoing) fire and extended coverage in an amount not less than the lesser of (i) the full insurable replacement value of the Project Buildings and the Project Equipment; or (ii) the principal amount of the Outstanding Bonds or (if greater) 80% of the full insurable replacement value of the Project Buildings and Project Equipment, with a deductible amount of not more than \$500,000.
- (b) Comprehensive general public liability insurance, including blanket contractual liability and personal injury liability and automobile insurance, in the minimum amount for each occurrence of \$5,000,000 and aggregate for each year of \$5,000,000, with a deductible amount of not more than \$500,000 per occurrence, and against liability for property damage in the minimum amount for each occurrence of \$500,000.
- (c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the University,

Upon the written request of the University, the Trustee shall permit modifications to such insurance requirements and deductible amounts, including permission for the University to be self-insured in whole or in part for any comprehensive general public liability, if consistent with recommendations of an Independent insurance consultant.

Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the University and the Trustee at least 30 days before the cancellation or modification of the policy limits below the insurance requirements set forth above becomes effective. The University shall annually provide the Trustee with a certificate of insurance compliance on or before September 1 of each year.

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than \$1,000,000, the University will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds \$1,000,000, the University shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

The Bonds may be redeemed in whole if (i) all or part of the Project Facilities are damaged or destroyed to such extent that they cannot be reasonably restored within six months or (ii) normal use and operation of such Project Facilities are interrupted for a six month period or (iii) the cost of restoration exceeds the available Net Proceeds by an amount described in the Loan Agreement. The Bonds may be redeemed in part if (i) all or a portion of the Project Facilities have been damaged or destroyed, (ii) the University determines that the Project Facilities or portion thereof, as the case may be, is not needed in its operations and (iii) the University has elected not to restore such Project Facilities or portion thereof, as the case may be. (Also see “THE BONDS – Prior Redemption – Extraordinary Redemption”)

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any part of the Project Facilities shall be taken in any proceeding involving the exercise of the right of eminent domain, the University shall either redeem the Bonds in whole or in part or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

If the Bonds are to be redeemed in whole or in part, such redemption shall be as described in the second paragraph under the caption “Damage or Destruction” above.

Removal of Project Equipment and Building Equipment

The University may remove or release Project Equipment and Building Equipment from the Project Facilities if no Default exists and upon the following conditions:

- (a) the University may substitute equipment and related property for any Project Equipment and Building Equipment, provided that such substitution shall not materially impair the character or revenue producing significance or value of the Project Facilities;
- (b) the University may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the University pays a sum equal to the then value of such Project Equipment as determined by an Independent engineer selected by the University, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Bonds; provided that if the depreciated book value of the equipment so released was less than \$100,000, such release and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent engineer upon such showing by the University as may be satisfactory to the Trustee; and
- (c) the University may remove any Building Equipment without substitution therefor provided that such removal will not materially impair the character or revenue producing significance or value of the Project Facilities.

In connection with (a) and (b) above, if the depreciated book value of the Project Equipment or in connection with (c) above, the depreciated value of Building Equipment to be substituted, removed or

released equals or exceeds \$100,000 the University will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the substitution, removal or release of such equipment will not materially impair the character or revenue producing significance or value of the Project Facilities.

Indemnification

The University agrees to hold the Authority, its members and employees, harmless against any claim, cause of action, suit or liability for any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project Facilities and the use thereof, including that caused by any negligence of the Authority or anyone acting in its behalf, provided that the indemnity shall be effective only to the extent of any loss that may be sustained by the Authority in excess of the net proceeds received by the Authority from any insurance carried with respect to the loss sustained.

The University agrees to indemnify and hold harmless the Authority against any and all losses, claims, damages or liability to which the Authority may become subject under law, and to reimburse the Authority for any out-of-pocket legal and other expenses (including reasonable counsel fees) incurred by the Authority in connection with investigating any such losses, claims, damages, or liabilities or in connection with defending any actions, insofar as the same relate to information furnished to the Authority by the University in connection with the sale of the Bonds.

University to Maintain its Existence and Accreditation

The University agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and maintain the Institution as an institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies and that it will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee institution, as the case may be, is other than the University, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the University in the Loan Agreement, and be either a state university or college or a nonprofit corporation operating or authorized to operate an Institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit Institution under the Act, and complies and will comply with the provisions of the Loan Agreement against unlawful discrimination and requiring that the institution be nonsectarian; and (b) the University shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

\$150,000,000 Limitation on Outstanding Non-Hospital Bonds

The University has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt nonhospital bonds issued on behalf of or for the benefit of the University and all organizations under common management or control with the University (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed \$150,000,000, excluding nonhospital bonds issued on or after August 5, 1997 to finance capital expenditures incurred after August 5, 1997.

Under the Loan Agreement, in no event will the University affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect of any such transaction would be to adversely affect the tax exempt status of the Bonds, such as by exceeding limitations on the outstanding aggregate

principal amounts of all tax-exempt bonds issued by or on behalf of the University or such other resulting entity, and all organizations under common management or control with the University or such resulting entity, within the meaning of Section 145 of the Internal Revenue Code.

Federal Income Tax Status

The University represents that it presently is and agrees that it shall take all appropriate measures to assure that it remains an organization described in Section 501(c)(3) of the Internal Revenue Code, exempt from income taxes under Section 501(a) of such Code.

Institution to be Nonsectarian

Except for the School of Theology, which is separate from the general under graduate programs of the Institution, the University agrees that the Institution will continue to be nonsectarian; will not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed; and will not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect. All courses of study at the Institution, including any religion or theology courses, will be taught according to the academic requirements of the subject matter and professional standards.

Determination of Taxability

In the event a Determination of Taxability is made at any time that interest on the Bonds is includable in gross income of the recipient for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption, as a whole or in part on the next date for which due notice can be given and any date thereafter at a redemption price equal to par plus accrued interest plus additional interest from the Date of Taxability.

Other Covenants

The University further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate as prohibited by Minnesota Statutes, Section 363A.13; to provide and file such financing statements and other instruments of further assurance as the Authority or Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority, the Department of Education and the Minnesota Office of Higher Education, subject to the right of contest. The University agrees to indemnify the Authority from losses arising from certain representations made by the University regarding the absence of hazardous waste on the Project Facilities.

The Authority further agrees to comply with the applicable rebate requirements imposed under Section 148 of the Internal Revenue Code with respect (but only with respect) to amounts paid by the University to the Authority as the Authority's annual fee under the Loan Agreement.

Events of Default

Following are Events of Default under Section 7.01 of the Loan Agreement:

- (a) If the University shall fail to make any Loan Repayment when due and either (i) on a Bond principal or interest payment date or redemption date the available moneys on deposit in the Bond and Interest Sinking Fund Account and the Redemption Account are insufficient to pay when due principal, premium, if any, and interest on the Bonds, or (ii) such failure shall continue for five Business Days after notice from the Trustee or the Authority to the University that such payment has not been made; or
- (b) If the University shall fail to comply with the provisions of Section 6.09(f) of the Loan Agreement (relating to arbitrage calculation and rebate requirements); or
- (c) [Reserved]
- (d) If the University shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under the Loan Agreement for a period of 30 days after written notice, specifying such default and requesting that it be remedied is given to the University by the Authority or the Trustee; provided that failure to comply with Section 6.14(b) of the Loan Agreement (regarding the University's funded debt ratio) shall not become an Event of Default unless the University fails to restore the deficiency thereunder within 180 days of the close of the Fiscal Year in which the deficiency was reported; or
- (e) If the University files a petition in voluntary bankruptcy, or for the composition of its affairs or for its corporate reorganization under any state or Federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the property of the University; or
- (f) If a court of competent jurisdiction shall enter an order, judgment or decree against the University in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the University or of the whole or any substantial part of the property of the University, and such order, judgment or decree shall not be vacated or set aside or stayed within 90 days from the date of the entry thereof; or
- (g) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the University or of the whole or any substantial part of its property, and such custody or control shall not be terminated within 90 days from the date of assumption of such custody or control.

The term "force majeure" as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the University. The provisions of paragraph (d) above, are subject to the further limitation that if the default can be remedied but not within a period of 30 days after notice and if the University has taken all action reasonably possible to remedy such default within such 30-day period, the default shall not become an Event of Default for so long as the University shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The University agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the University from carrying out its agreements.

Remedies on Default

Whenever any Event of Default shall have happened, and be subsisting, the Loan Agreement provides that any one or more of the following steps may be taken:

- (a) The Trustee may declare all or any amount of Loan Repayments thereafter to become due and payable for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.
- (b) The Trustee (or the Authority with respect to certain sections of the Loan Agreement) may take whatever action at law or in equity which may appear necessary or desirable to collect the payments then due and thereafter to become due.
- (c) The Trustee may take whatever action in law or equity which appears necessary or desirable to enforce the security provided by or enforce any provision of the Loan Agreement or the Indenture.

Any amounts collected by the Trustee pursuant to the actions set forth above shall be applied first to advances, fees and expenses, and then to payment of interest, principal and premium, if any, on the Bonds as provided in Section 7.04 of the Indenture, and any excess to the University.

Amendments

Except as otherwise provided in the Loan Agreement or in the Indenture, subsequent to issuance of the Bonds and so long as any Bonds are outstanding, the Loan Agreement may not be amended without the prior written consent of the Trustee.

THE INDENTURE

The following constitutes a summary of certain provisions of the Trust Indenture (the “Indenture”). This summary does not purport to be complete and reference is made to the full text of the Indenture for a complete recital of its terms. Certain words and terms used in this summary are defined in “DEFINITION OF CERTAIN TERMS,” Appendix IV, contained herein.

Granting Clauses

Pursuant to the Indenture, the Authority grants to the Trustee, as security for the Holders of the Bonds, the following:

- (a) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and other sums due under the Loan Agreement, except the rights of the Authority relating to fees and expenses, indemnity and advances;
- (b) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be created and maintained under the Indenture; provided, however, the funds deposited in the Refunding Account shall be held for the exclusive benefit of the holders of the Refunded Bonds, and (ii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and
- (c) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the University or by anyone on behalf of them or with their written consent, to the Trustee.

Accounts

Bond proceeds, revenues and other funds derived under the Loan Agreement or Indenture shall be deposited into accounts held by the Trustee as described in “ACCOUNTS,” contained in the body of this Official Statement.

Authorized Investments

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Redemption Account and the Costs of Issuance Account shall be invested by the Trustee as directed by the Authorized Institution Representative only in investments as authorized by law from time to time, subject to the additional restrictions generally described as follows: governmental bonds, notes, bills and other securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organization created by an act of Congress; any security which is a general obligation of any state or local government with taxing powers which is rated “A” or better by a national bond rating service; any security which is a revenue obligation of any state or local government which is rated “AA” or better by a national bond rating service; mutual funds or unit trusts which invest solely in the investments described in Section 5.04 of the Indenture, such as obligations of the United States government, its agencies, states and state political subdivisions or in certain repurchase agreements; constant dollar value money market funds that invest solely in the types of obligations or repurchase agreements in which the foregoing mutual funds may invest and which are rated in the highest rating category by a national credit rating agency; time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States banks; certain guaranteed investment contracts issued by certain banks or insurance companies rated at least in the highest two

rating categories of a nationally recognized rating agency; certain guaranteed investment contracts, with a term of 18 months or less, issued by certain banks or insurance companies with a short-term unsecured debt rating in the highest category by a nationally recognized rating agency; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

Trustee's Right to Payment

The Trustee shall have a first lien, with right of payment prior to payment on account of interest on or principal of the Bonds for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and exercise and performance of the powers and duties of the Trustee under the Indenture, and the cost and expenses incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee).

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; not to extend the maturity of any of the Bonds or the time of payment of any claims for interest; to take such action or cause and permit the Trustee to take such action as may be necessary or advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; to keep proper books, accounts and records; and not to issue or permit to be issued any Bonds under the Indenture in any manner other than in accordance with the provisions of the Indenture and not to suffer or permit any default to occur under the Indenture. Under the Act, and it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds for performing any of the conditions, covenants or requirements of the Indenture or from any funds other than Loan Repayments or money in the Accounts.

Events of Default

The following are Events of Default under the Indenture:

- (a) If payment of the principal of any of the Bonds, when the same shall become due and payable (whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise), shall not be made; or
- (b) If payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue) shall not be made; or
- (c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of 60 days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the University (giving the University the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or

- (d) If any “event of default” on the part of the University, as that term is defined in the Loan Agreement, shall occur and be continuing.

Remedies

If an Event of Default shall exist, the Trustee may, and upon written request of the Holders of a majority in aggregate principal amount of Bonds outstanding shall, by notice in writing delivered to the Authority, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable subject, however, to the right of the Holders of a majority in aggregate principal amount of Bonds then outstanding, by written notice to the Authority and to the Trustee, to annul such declaration and destroy its effect at any time if all covenants with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest upon all Bonds outstanding and the reasonable expenses and charges of the Trustee, its agents and attorneys, and all other indebtedness secured by the Indenture (except the principal of any Bonds which have not then attained their stated maturity and interest accrued on such Bonds since the last Interest Payment Date) shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto.

In the case of the breach of any of the covenants or conditions of the Loan Agreement or the Indenture, the Trustee, anything therein contained to the contrary notwithstanding and without any request from any Bondholder (subject, however to its rights to indemnity and notice provided in the Indenture), shall be obligated to take such action or actions as are necessary for the enforcement of its rights and the rights of the Bondholders and the rights of the Authority under the Loan Agreement.

Upon the happening and continuance of an Event of Default, the Trustee may, and shall upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds, proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce the Loan Agreement and any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders, as aforesaid, unless such Bondholders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the Reference Rate, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment on account of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or with willful misconduct. The Trustee is not required to institute suit or take other steps to enforce its rights and powers under the Indenture unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the University to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum combined capital, surplus and undivided profits of \$10,000,000 in event of merger, resignation or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the University, provided that the Authority may, but is not required to remove the Trustee with or without the request of the University if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become

an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

Concerning the Bondholders

No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for any remedy under the Loan Agreement unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such default shall have become an Event of Default and the Holders of a majority in aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided in the Indenture; and no one or more Bondholders shall have the right to affect, disturb, or prejudice the lien of the Indenture by his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided and for the equal benefit of the Holders of all Bonds outstanding.

The Trustee, upon the written request of the Holders of a majority in principal amount of the Bonds at the time outstanding, shall waive any default under the Indenture and its consequences, except a default in the payment of the principal of the Bonds at the date of maturity specified therein; provided, however, that a default in the payment of interest on the Bonds shall not be waived unless, prior to such waiver, all arrears of interest, and all expenses of the Trustee shall have been paid or shall have been provided for by deposit with the Trustee of a sum sufficient to pay the same. In case of any such waiver, the Authority, the Trustee and the Holders of the Bonds shall be restored to their former positions and rights respectively. No waiver of any default or Event of Default, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Provision is made for meetings of Bondholders, proof of ownership of Bonds and execution of consents and other instruments by Bondholders.

Defeasance

If the Authority and the University shall:

- (a) pay or cause to be paid the principal of, and premium, if any, and interest on the Bonds at the time and in the manner stipulated therein and in the Indenture, or
- (b) provide for the payment of principal and premium, if any, of the outstanding Bonds and interest thereon by depositing with the Trustee at or at any time before maturity an amount of (i) government obligations described in Section 5.04(a) of the Indenture, in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient in the opinion of a verification agent, upon which the Trustee may conclusively rely, and/or (ii) cash, to pay the entire amount due or to become due thereon for principal and premium, if any, and interest to maturity of all said Bonds outstanding, or
- (c) deliver to the Trustee (1) proof satisfactory to the Trustee that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived as provided in Article III hereof, or that arrangements satisfactory to the Trustee have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the University for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all of such outstanding Bonds, and in any such case, deposit with the Trustee before the date on which such Bonds are to be redeemed, as

provided in said Article III, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, of (i) government obligations described in Section 5.04(a) of the Indenture, in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient in the opinion of a verification agent, upon which the Trustee may conclusively rely, and/or (ii) cash, to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any Interest Payment Dates, or

- (d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided,

and shall also pay or provide for the payment of the unpaid fees and expenses of the Trustee (and its counsel) and the rebate of all amounts due or to become due to the United States under Section 148 of the Internal Revenue Code, then at the request of the Authority or the University all the Trust Estate shall revert to the Authority and the University as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of such Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent (and, in the case of defeasance under paragraph (b) above, as to effect on tax exempt status), and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of the Bonds), which shall then be held thereunder.

When the Authority or the University shall have deposited at any time with the Trustee in trust for the purpose, in the manner provided above, or left with it if previously so deposited, cash or government obligations described in Section 5.04(a) of the Indenture, sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due date of such interest or to the date fixed for redemption, for the use and benefit of the Holders thereof, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be outstanding hereunder; and it shall be the duty of the Trustee to hold the funds so deposited for the benefit of the Holders of such Bonds, as the case may be, and from and after such redemption date or maturity, interest on such Bonds so called for redemption shall cease to accrue

Supplemental Indentures

The Authority and the Trustee may enter into such supplemental indentures as shall by them be deemed necessary or desirable for any one or more of the following purposes, among others:

- (a) to correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee additional property for the benefit and security of the Holders and owners of all Bonds under the Indenture;
- (b) to add to the covenants and agreements of the Authority or to surrender any right or power reserved to or conferred upon the Authority or any successor;
- (c) to evidence the succession of any other department, agency, body or corporation to the Authority;
- (d) to cure any ambiguity or to correct or supplement any defective or inconsistent provision contained in the Indenture or in any supplemental indentures or to make such other provisions in regard to matters or questions arising under the Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which could have been contained in the Indenture or any supplemental indenture and which shall not impair the security of the same; and

- (e) to modify the Indenture as authorized by the Bondholders pursuant to Section 11.04 of the Indenture.

In addition and subject to the provisions set forth below, the Holders of not less than 51% in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all Bonds outstanding (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or to amendments to the Loan Agreement.

Amendments to the Loan Agreement

The Authority and the Trustee shall, without the consent of or notice to any of the Bondholders, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement as may be required (a) by the provisions of the Loan Agreement or Indenture, or (b) for the purpose of curing any ambiguity or formal defect or omission, or (c) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement or (d) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee shall consent to or execute any amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than 51% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the Loan Repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

Registration

The Bonds shall be fully registered as to principal and interest at the designated corporate trust office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. If the Bonds are no longer in book entry form, Bonds may be exchanged for a new Bond or Bonds of the same series, aggregate principal amount, maturity and basic interest rate of any authorized denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee, subject to applicable procedures while in book entry form.

THE DEPOSITORY TRUST COMPANY

The Depository Trust Company (“DTC”) is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If fewer than all of the Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual

procedures, DTC mails an Omnibus Proxy to the Authority or the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal, interest, and redemption premium, if any, on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Bond Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar, Authority, or the Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

The Authority, at the University's direction, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book entry system has been obtained from DTC, which is solely responsible for such information. The Authority, the University and the Underwriter take no responsibility for the accuracy thereof.

**ST. JOHN'S UNIVERSITY
COLLEGEVILLE, MINNESOTA
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013**

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INDEPENDENT AUDITORS' REPORT

Michael Hemesath, President
St. John's University
Collegeville, Minnesota

We have audited the accompanying financial statements of St. John's University (the University), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Michael Hemesath, President
St. John's University

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. John's University as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Cloud, Minnesota
October 17, 2014

SAINT JOHN'S UNIVERSITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2013)

ASSETS	2014	2013
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,362,109	\$ 4,842,268
Certificates of Deposit	980,000	1,425,000
Accounts Receivable:		
Student Receivables, Net of Allowance for Doubtful Accounts of \$509,600 in 2014 and \$617,500 in 2013	687,377	833,406
Contributions Receivable, Net of Allowance for Doubtful Accounts of \$244,000 in 2014 and \$132,000 in 2013	4,635,670	2,509,158
Other	2,266,318	10,107,443
Interest Receivable	22,513	22,824
Inventories	7,792,441	8,368,494
Assets Held for Sale	570,000	-
Prepaid Expenses	865,890	932,175
Total Current Assets	24,182,318	29,040,768
 LONG-TERM RECEIVABLES AND OTHER NON-CURRENT ASSETS		
Certificates of Deposit	735,000	980,000
Student Loans Receivable, Net of Allowance for Doubtful Accounts of \$-0- in 2014 and 2013	2,466,959	2,489,006
Contributions Receivable, Net of Allowance for Doubtful Accounts of \$350,000 in 2014 and \$449,000 in 2013	6,649,292	8,530,748
Unitrusts Receivable	1,038,191	1,234,662
Deferred Debt Acquisition Costs, Net of Accumulated Amortization of \$65,800 in 2014 and \$32,900 in 2013	488,658	521,560
Collateral Held Under Securities Lending Agreement	-	917,632
Other Long-Term Receivables	838,690	1,101,035
Total Long-Term Receivables and Other Non-Current Assets	12,216,790	15,774,643
 LONG-TERM INVESTMENTS (Note 5)		
Investments	191,158,627	164,737,207
Assets Held in Charitable Remainder Unitrusts	7,393,273	6,936,957
Total Long-Term Investments	198,551,900	171,674,164
 PROPERTY, PLANT AND EQUIPMENT		
Land and Improvements	7,255,025	4,343,201
Buildings	91,660,070	88,788,502
Furniture and Equipment	10,291,073	8,956,655
Library and Rare Books	12,169,560	11,864,796
HMML Microfilm and Library Books	6,350,079	6,210,242
Construction in Progress	3,346,531	4,849,756
Total	131,072,338	125,013,152
Less: Accumulated Depreciation	9,452,634	4,740,261
Total Property, Plant and Equipment	121,619,704	120,272,891
Total Assets	\$ 356,570,712	\$ 336,762,466

See accompanying Notes to Financial Statements.

LIABILITIES AND NET ASSETS	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 2,203,132	\$ 2,328,811
Accrued Payroll and Benefits	4,061,718	4,072,829
Other Liabilities	561,610	490,334
Deferred Revenue	1,507,786	1,767,487
Funds Held for Others	282,104	280,749
Current Portion of Annuities and Unitrusts Payable	823,190	1,092,980
Current Portion of Notes, Bonds and Mortgages Payable (Note 7)	2,316,618	2,407,157
Total Current Liabilities	<u>11,756,158</u>	<u>12,440,347</u>
LONG-TERM LIABILITIES		
Deferred Revenue	587,575	509,050
Government Grants Repayable - Federal Perkins Loan Program	2,466,959	2,489,006
Notes, Bonds and Mortgages Payable, Net of Current Portion (Note 7)	30,709,728	36,646,862
Annuities and Unitrusts Payable, Net of Current Portion	5,688,783	6,175,941
Collateral Payable Under Securities Lending Agreement	-	1,077,982
Other Long-Term Liabilities	978,069	908,757
Total Long-Term Liabilities	<u>40,431,114</u>	<u>47,807,598</u>
Total Liabilities	52,187,272	60,247,945
NET ASSETS		
Unrestricted:		
Available for Operations	738,188	442,060
Reserves and Program Funds	20,043,375	19,583,053
Endowment:		
Unrestricted Portion	(130,667)	(236,218)
Board Designated	40,637,252	36,547,599
Debt Stabilization	18,171,604	19,876,901
Investment in Property, Plant and Equipment	88,265,316	80,961,590
Annuities, Life Insurance and Deposits	3,429,189	2,131,736
Contributions Receivable	1,686,867	1,696,688
Total Unrestricted Net Assets	<u>172,841,124</u>	<u>161,003,409</u>
Temporarily Restricted:		
Unitrusts	1,828,701	1,588,313
Life Insurance	150,774	144,651
Endowment	43,201,792	32,084,119
Unexpended Gifts:		
Plant	2,859,148	436,027
Program	4,466,414	5,424,154
Contributions Receivable	6,616,253	5,728,344
Total Temporarily Restricted Net Assets	<u>59,123,082</u>	<u>45,405,608</u>
Permanently Restricted:		
Unitrusts	1,995,794	2,287,598
Life Insurance	405,824	311,138
Endowment	67,035,776	63,891,895
Contributions Receivable	2,981,840	3,614,873
Total Permanently Restricted Net Assets	<u>72,419,234</u>	<u>70,105,504</u>
Total Net Assets	<u>304,383,440</u>	<u>276,514,521</u>
Total Liabilities and Net Assets	<u>\$ 356,570,712</u>	<u>\$ 336,762,466</u>

See accompanying Notes to Financial Statements.

SAINT JOHN'S UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2013)

	2014			2013	
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
OPERATING ACTIVITIES					
OPERATING REVENUES					
Tuition and fees	\$ 70,346,093	\$ -	\$ -	\$ 70,346,093	\$ 67,277,795
Less: Funded Scholarships and Grants - Restricted Funds	(3,123,166)	-	-	(3,123,166)	(2,927,838)
Less: Funded Scholarships and Grants - Unrestricted Funds	(944,593)	-	-	(944,593)	(876,945)
Less: Unfunded Scholarships and Grants	(29,910,417)	-	-	(29,910,417)	(27,967,397)
Net Tuition and Fees	36,367,917	-	-	36,367,917	35,505,615
Government Grants:					
Federal Grants	721,890	226,201	-	948,091	839,562
State Grants	154,512	58,688	-	213,200	193,126
Private Gifts and Grants	5,022,565	1,462,772	-	6,485,337	7,772,098
Other Investment Income	380,987	117	-	381,104	421,615
Investment Return Allocated for Operations (Draw)	7,159,274	287,735	-	7,447,009	7,178,908
Other Sources	1,704,123	-	-	1,704,123	1,541,878
Sales and Services of Auxiliary Enterprises:					
Residence Halls	7,836,732	-	-	7,836,732	7,456,170
Food Services	8,856,651	-	-	8,856,651	8,503,812
Other Auxiliaries	3,989,615	-	-	3,989,615	6,135,277
	72,194,266	2,035,513	-	74,229,779	75,548,061
Net Assets Released from Restrictions (Note 8)	3,669,090	(3,669,090)	-	-	-
Total Operating Revenues, Gains and Other Support	75,863,356	(1,633,577)	-	74,229,779	75,548,061
OPERATING EXPENSES					
Program Expenses:					
Instruction	25,399,467	-	-	25,399,467	24,370,847
Academic Support	8,485,845	-	-	8,485,845	7,944,830
Student Services	9,516,410	-	-	9,516,410	9,334,270
Auxiliary Enterprises:					
Residence Halls	4,554,247	-	-	4,554,247	4,285,663
Food Services	7,199,884	-	-	7,199,884	6,863,609
Other Auxiliaries	4,685,502	-	-	4,685,502	5,009,383
Support Expenses:					
Institutional Support	12,465,390	-	-	12,465,390	12,991,623
Other:					
Sponsored Programs	2,169,992	-	-	2,169,992	1,809,556
Total Operating Expenses	74,476,737	-	-	74,476,737	72,609,781
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	1,386,619	(1,633,577)	-	(246,958)	2,938,280
NONOPERATING ACTIVITIES					
Long-Term Investment Activities					
Endowment Income	11,153,625	15,655,040	-	26,808,665	18,810,509
Less: Investment Return Allocated for Operations (Draw)	(3,316,796)	(4,130,213)	-	(7,447,009)	(7,178,908)
	7,836,829	11,524,827	-	19,361,656	11,631,601
Private Gifts and Grants	4,016	2,798,756	4,424,846	7,227,618	5,403,871
Other Investment Income	60,717	6,120	94,684	161,521	105,714
Change in Contributions	(9,821)	887,909	(633,033)	245,055	(1,838,322)
Annuity and Unitrust Net Gifts	2,078	-	110,290	112,368	22,585
Adjustment of Actuarial Liability	253,735	238,638	(132,163)	360,210	(361,679)
Net Gain from Insurance Proceeds	647,449	-	-	647,449	8,048,313
Donor Reclassification of Net Assets	61,622	1,489,272	(1,550,894)	-	-
	1,019,796	5,420,695	2,313,730	8,754,221	11,380,482
Net Assets Released from Restrictions (Note 8)	1,594,471	(1,594,471)	-	-	-
	2,614,267	3,826,224	2,313,730	8,754,221	11,380,482
INCREASE (DECREASE) IN NET ASSETS FROM NONOPERATING ACTIVITIES	10,451,096	15,351,051	2,313,730	28,115,877	23,012,083
INCREASE (DECREASE) IN NET ASSETS	11,837,715	13,717,474	2,313,730	27,868,919	25,950,363
Net Assets - Beginning of Year	161,003,409	45,405,608	70,105,504	276,514,521	250,564,158
NET ASSETS - END OF YEAR	<u>\$ 172,841,124</u>	<u>\$ 59,123,082</u>	<u>\$ 72,419,234</u>	<u>\$ 304,383,440</u>	<u>\$ 276,514,521</u>

See accompanying Notes to Financial Statements.

**SAINT JOHN'S UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	2013			TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	
OPERATING ACTIVITIES				
OPERATING REVENUES				
Tuition and Fees	\$ 67,277,795	\$ -	\$ -	\$ 67,277,795
Less: Funded Scholarships and Grants - Restricted Funds	(2,927,838)	-	-	(2,927,838)
Less: Funded Scholarships and Grants - Unrestricted Funds	(876,945)	-	-	(876,945)
Less: Unfunded Scholarships and Grants	<u>(27,967,397)</u>	-	-	<u>(27,967,397)</u>
Net Tuition and Fees	35,505,615	-	-	35,505,615
Government Grants:				
Federal Grants	733,829	105,733	-	839,562
State Grants	158,487	34,639	-	193,126
Private Gifts and Grants	4,317,573	3,454,525	-	7,772,098
Other Investment Income	420,834	781	-	421,615
Investment Return Allocated for Operations (Draw)	6,820,016	358,892	-	7,178,908
Other Sources	1,541,878	-	-	1,541,878
Sales and Services of Auxiliary Enterprises:				
Residence Halls	7,456,170	-	-	7,456,170
Food Services	8,503,812	-	-	8,503,812
Other Auxiliaries	<u>6,135,277</u>	-	-	<u>6,135,277</u>
	71,593,491	3,954,570	-	75,548,061
Net Assets Released from Restrictions (Note 8)	<u>4,297,891</u>	<u>(4,297,891)</u>	-	-
Total Operating Revenues, Gains and Other Support	75,891,382	(343,321)	-	75,548,061
OPERATING EXPENSES				
Program Expenses:				
Instruction	24,370,847	-	-	24,370,847
Academic Support	7,944,830	-	-	7,944,830
Student Services	9,334,270	-	-	9,334,270
Auxiliary Enterprises:				
Residence Halls	4,285,663	-	-	4,285,663
Food Services	6,863,609	-	-	6,863,609
Other Auxiliaries	5,009,383	-	-	5,009,383
Support Expenses:				
Institutional Support	12,991,623	-	-	12,991,623
Other:				
Sponsored Programs	<u>1,809,556</u>	-	-	<u>1,809,556</u>
Total Operating Expenses	<u>72,609,781</u>	-	-	<u>72,609,781</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	3,281,601	(343,321)	-	2,938,280
NONOPERATING ACTIVITIES				
Long-Term Investment Activities				
Endowment Income	7,644,863	11,165,646	-	18,810,509
Less: Investment Return Allocated for Operations (Draw)	<u>(3,268,318)</u>	<u>(3,910,590)</u>	-	<u>(7,178,908)</u>
	4,376,545	7,255,056	-	11,631,601
Private Gifts and Grants	638,954	2,180,477	2,584,440	5,403,871
Other Investment Income	63,219	5,594	36,901	105,714
Change in Contributions	128,456	(870,953)	(1,095,825)	(1,838,322)
Annuity and Unitrust Net Gifts	22,585	-	-	22,585
Adjustment of Actuarial Liability	(520,493)	51,390	107,424	(361,679)
Net Gain from Insurance Proceeds	8,048,313	-	-	8,048,313
Donor Reclassification of Net Assets	<u>(80)</u>	<u>80,080</u>	<u>(80,000)</u>	-
	8,380,954	1,446,588	1,552,940	11,380,482
Net Assets Released from Restrictions (Note 8)	<u>2,432,490</u>	<u>(2,432,490)</u>	-	-
	<u>10,813,444</u>	<u>(985,902)</u>	<u>1,552,940</u>	<u>11,380,482</u>
INCREASE IN NET ASSETS FROM NONOPERATING ACTIVITIES	15,189,989	6,269,154	1,552,940	23,012,083
INCREASE IN NET ASSETS	18,471,590	5,925,833	1,552,940	25,950,363
Net Assets - Beginning of Year	<u>142,531,819</u>	<u>39,479,775</u>	<u>68,552,564</u>	<u>250,564,158</u>
NET ASSETS - END OF YEAR	<u>\$ 161,003,409</u>	<u>\$ 45,405,608</u>	<u>\$ 70,105,504</u>	<u>\$ 276,514,521</u>

See accompanying Notes to Financial Statements.

SAINT JOHN'S UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 27,868,919	\$ 276,514,521
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	4,860,436	4,716,544
Adjustment of Actuarial Liability	(360,210)	361,679
Change in Annuity and Unitrust Liability	419,284	759,622
Realized Gains on investments	(10,411,252)	(10,018,172)
Unrealized Gains on Investments	(12,378,482)	(6,078,687)
Contributions and Income Restricted for Long-Term Investment	(6,715,655)	(3,705,996)
Change in Total Contributions Receivable	(245,056)	1,838,321
Assets Acquired from Donations	(420,000)	-
Transfer of Beginning Net Assets from Order of Saint Benedict	-	(250,564,158)
Change in Current Assets:		
Student Receivables	168,076	28,364
Other Receivables	8,103,781	(6,905,651)
Inventories	576,053	(694,074)
Prepaid Expenses	66,285	(182,400)
Change in Current Liabilities:		
Accounts Payable	(530,121)	(274,287)
Accrued Payroll Liabilities	(11,111)	7,324
Other Liabilities	(169,762)	(262,094)
Deferred Revenue	(181,176)	(3,022,477)
Funds Held for Others	1,355	23,692
Net Cash Provided by Operating Activities	10,641,364	2,542,071
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Certificates of Deposit	(735,000)	(1,670,000)
Proceeds from Maturities of Certificates of Deposit	1,425,000	1,425,000
Purchase of Property, Plant and Equipment	(5,826,523)	(7,302,364)
Proceeds from Sales of Property, Plant and Equipment	-	12,129
Proceeds from Sales and Maturities of Investments	102,006,654	79,387,752
Purchases of Investments	(106,094,656)	(75,838,523)
Net Cash Used by Investing Activities	(9,224,525)	(3,986,006)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Included in Transfer of Assets from Order of Saint Benedict	-	5,704,958
Contributions and Income Restricted for Long-Term Investment	6,715,655	3,705,996
Payment of Principal on Long-Term Debt	(5,971,055)	(2,238,855)
Change in Government Grants Repayable - Federal Perkins Loan Program	(22,047)	(23,738)
Annuity and Unitrust Payments	(619,551)	(862,158)
Net Cash Provided by Financing Activities	103,002	6,286,203
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,519,841	4,842,268
Cash and Cash Equivalents - Beginning of Year	4,842,268	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,362,109	\$ 4,842,268

See accompanying Notes to Financial Statements.

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

St. John's University (University) is a Roman Catholic University located in Collegeville, Minnesota. Two schools make up St. John's University: the College of Arts and Sciences and the graduate School of Theology. The College, an all-male institution, operates in coordination with the College of St. Benedict, an all-female college; sharing academic programs, facilities and staff. The coeducational School of Theology educates and provides student development programs for priesthood candidates, candidates for other ministries, and persons interested in theological studies. The Hill Museum and Manuscript Library and Artist in Residence are part of the University programming.

Prior to July 1, 2012, the University was an operating division of the Order of St. Benedict (OSB), which is a Benedictine Monastery in Collegeville, Minnesota. Starting on July 1, 2012, St. John's University began operations as a new separate civil corporation. OSB relinquished control to the University Board, and gifted all assets and liabilities previously held by the University operating division, to the new University civil corporation as of July 1, 2012. The beginning net assets of \$250,564,158, reflect the net transfer.

The University has a land lease agreement with OSB for all of the land that the campus sits on. In addition, the University leases several OSB buildings needed for University operations. The University and OSB share certain administrative and facility cost, which are allocated between the two entities. The University's statement of financial position includes a receivable from OSB for the years ended June 30, 2014 and 2013 in the amount of \$40,621 and \$310,844, respectively.

In various footnotes, references may be made, or data provided, for time periods before July 1, 2012. This information is from when the University was an operating division of OSB, but is being provided to aid the readers of the footnotes.

Measure of Operations

In its statements of activities, the University includes in its definition of operations, all revenues and expenses that are an integral part of its programs and supporting activities. Non-operating activity consists primarily of investment income, including net realized and unrealized gains and losses earned in excess of the University's aggregate authorized spending amount, change in value of split-interest agreements, and contributions to unrestricted, temporarily and permanently restricted net assets.

Basis of Presentation

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Unrestricted – Those resources over which the board of trustees has discretionary control. The Board-designated amounts represent those amounts which the Board has set aside for a particular purpose.

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the University or passage of time.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the University. The donors of these resources permit the University to use all or part of the income earned, including capital appreciation, or related investment income for unrestricted or temporarily restricted purposes.

Accrual Basis

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

Estimates and Assumptions

Management uses estimates and assumptions in preparing the financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from those estimates that were used.

Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, notes receivable, unitrust receivable, accounts payable and accrued liabilities approximate fair value because of the short maturity of these financial instruments. The carrying values of investments and assets held in charitable remainder unitrusts are based upon values provided by an external investment manager or quoted market values. In the limited cases where such values are not available, historical cost is used as an estimate of market value.

A reasonable estimate of the fair value of the receivables from students under government loan programs and advances from the federal government for student loans could not be made because the notes receivable are not salable and can only be assigned to the U.S. government or its designees.

A reasonable estimate of the fair value of the contributions and other receivables could not be made because the contribution and other receivables are not salable.

The long-term debt is valued based on the borrowing rates currently available to the University for long-term borrowing with similar terms and average maturities. The fair value of long-term debt was determined using the present value of the future cash flows of debt service payments using Level 2 inputs. The discount rate used was based on the current rate on similar debt issues.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual results.

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

The estimated fair values of the University's long term financial instruments are as follows:

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Student Loans Receivable	\$ 2,466,959	\$ 2,466,959	\$ 2,489,006	\$ 2,489,006
Contributions Receivable	6,649,292	6,649,292	8,530,748	8,530,748
Long-Term Investments	198,551,900	198,551,900	171,674,164	171,674,164
Unitrusts Receivable	1,038,191	1,038,191	1,234,662	1,234,662
Collateral Held Under				
Securities Lending Agreement	-	-	917,632	917,632
Other Long-Term Receivables	838,690	838,690	1,101,035	1,101,035
Government Grants				
Repayable	(2,466,959)	(2,466,959)	(2,489,006)	(2,489,006)
Notes, Bonds and				
Mortgages Payable	(30,709,728)	(28,725,716)	(36,646,862)	(38,067,581)
Annuities and Unitrusts				
Payable	(5,688,783)	(5,688,783)	(6,175,941)	(6,175,941)
Collateral Payable Under				
Securities Lending Agreement	-	-	(1,077,982)	(1,077,982)
Other Long-Term Liabilities	(987,069)	(987,069)	(908,757)	(908,757)

The fair value was estimated at cost for all instruments except for the Notes, Bonds and Mortgages Payable. The fair values for investments and other financial instruments recorded at fair value on a recurring basis are included in Note 2.

Cash and Cash Equivalents

Cash and cash equivalents includes all cash and highly liquid investments with a maturity of three months or less. The University deposits its temporary cash investments in Common Fund and Sit US Government Securities Fund. At times, cash investments at financial institutions may be in excess of the FDIC insurance limit.

As a part of a requirement to post a letter of credit with the US Department of Education (see Note 7 - Debt), the University set aside \$1,104,503 in a savings account as of April 2014 with Wells Fargo, to act as collateral for the letter of credit. The letter of credit expires April 2015.

Certificates of Deposit

St. John's University has purchased Certificates of Deposit to enhance the returns on its operating cash. All the Certificates are within the FDIC insurance limits. The maturities range from July 2, 2014 to January 4, 2016 and the interest rates range from .45% to 1.05%.

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student and Other Receivables

Receivables are stated at net realizable value and are unsecured. The University provides an allowance for bad debts using the allowance method, which is based on management's judgment considering historical information. Accounts past due more than 90 days, are individually analyzed for collectability. Accounts continue to accrue finance charges until the account is paid in full. When all collection efforts have been exhausted, the accounts are written off against the related allowance. At June 30, 2014 and 2013, an allowance of \$509,600 and \$617,500, respectively, has been recorded.

Contributions Receivable

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Assets Held for Sale

Included in Assets Held for Sale is land which was gifted to the University from a donor at the appraised value. During July 2014, the land was sold in excess of the appraised value.

Inventories

Inventories are valued at the lower of cost or market on a first-in, first-out basis. Inventories consist primarily of books and other educational materials held for resale through the University Bookstore, and costs associated with the Heritage Editions of the St. John's Bible.

Investments

Debt and equity investments are carried at fair market value. Land is carried at the fair market value, based upon an independent appraisal, at the date of the contribution. Private equity investments are investments in limited partnership interests and are carried at fair market value, based upon appraisals done within the individual partnerships.

Property, Plant and Equipment

Property, plant and equipment are stated at actual cost. If donated, property, plant and equipment are recorded at fair value on the date received. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted.

The University capitalizes property, plant and equipment additions in excess of \$5,000. Normal repair and maintenance expenses are charged to operations as incurred.

The University removes, from its accounting records, the cost and accumulated depreciation for fully depreciated assets that are no longer in use.

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (Continued)

The University depreciates its assets on the straight-line basis over estimated useful lives as follows:

Land Improvements	10-50 years
Buildings and Improvements	7-50 years
Furniture and Equipment	3-40 years
Library Books	20 years

Depreciation expense for the years ended June 30, 2014 and 2013 was \$4,884,151 and \$4,740,261, respectively.

Construction in Progress

Construction in progress for the years ended June 30, 2014 and 2013 are the costs incurred to date on various construction projects not completed at June 30. Interest capitalized was \$-0- for the years ended June 30, 2014 and 2013. The estimated cost to complete the various projects in progress was \$1,536,664 and \$1,082,252 as of June 30, 2014 and 2013, respectively.

Revenue Recognition

Deferred revenue results primarily from registration and tuition revenue, and Heritage Edition Bible sales. Accordingly, registration and tuition fees received for the next academic year are deferred until the instruction commences. Sales of the Bible Heritage Editions are deferred until the editions are completed and delivered to the buyers.

Endowment Programs

Permanently restricted endowment funds are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity. For the years ended June 30, 2014 and 2013, up to 4.9 and 5.0 percentage points, respectively, of a three-year moving average of beginning market values is expended annually by the University (except for the School of Theology, which expended up to 6.50% for the years ended June 30, 2014 and 2013), with the excess being reinvested into the unrestricted and temporarily restricted net assets. Unrestricted, board designated endowment funds represent invested gifts and net operating revenue which the Board has designated as endowment funds. Any portion of board designated endowment funds may be expended by subsequent Board action. The total funds drawn for operations for the years ended June 30, 2014 and 2013 was \$7,447,009 and \$7,178,908, respectively.

Funds Held for Others

The University holds funds transferred to them from other organizations for investment management purposes. The funds are to be distributed back to these organizations as they request them. The University has recognized the funds as a liability in the accompanying statement of financial position.

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Annuities and Unitrusts

The University has received contributions under various annuity contracts and charitable remainder unitrust agreements, which generally provide for payments to the annuitant or grantor for life. Assets received under these agreements are recorded at their fair value. Contribution income is recognized for the difference between the asset and related liability. Liabilities related to future payments under these agreements have been recorded at their present value using life expectancy tables and the US Treasury rate ranging from 1.2% to 6.0% to arrive at a calculated discount rate. Additionally, the charitable remainder unitrust agreements use an earnings rate of 2.0% to 8.2%. Liabilities related to annuities and split-interest agreements are recalculated annually, with the amortization of discounts and adjustments for changes in life expectancies recognized as actuarial liability adjustments on the statement of activities.

For the year ended June 30, 2014, adjustments to reflect the amortization of discounts and changes in life expectancies resulted in an increase of \$360,210 in net assets. Total contribution income recognized under annuity and charitable remainder unitrust agreements for the year ended June 30, 2014 was \$112,368.

For the year ended June 30, 2013, adjustments to reflect the amortization of discounts and changes in life expectancies resulted in a decrease of \$361,679 in net assets. Total contribution income recognized under annuity and charitable remainder unitrust agreements for the year ended June 30, 2013 was \$22,585.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned as an exchange transaction. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as government grants repayable. Expenditures under government grants and contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the University will record such disallowance at the time the determination is made.

Advertising Costs

Advertising costs are expensed as incurred except for the Fine Arts Programming season brochures. Costs for the next fiscal year's programming brochures are incurred before June 30 annually. Since these expenses relate to revenue that will be received in the future fiscal year, at June 30, 2014 and 2013, \$9,329 and \$9,280, respectively, of advertising was reported as an asset on the prepaid expense line. Total advertising expense incurred during 2014 and 2013 totaled \$218,187 and \$197,109, respectively.

Development Expenses

Development expenses incurred by the University are charged to institutional support. For the years ended June 30, 2014 and 2013, the University had development expenses of \$3,687,080 and \$3,831,153, respectively.

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension Plan

The University has defined contribution pension plans covering substantially all of its full-time lay employees. The University contributes 9% of the covered employee's salary and the employee contributes 2%. Total pension contributions by the University for the years ended June 30, 2014 and 2013 was \$1,990,291 and \$1,979,542, respectively.

Tax Exempt Status

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income tax. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The University is subject to unrelated business income tax with respect to partnership investment income, advertising revenue, events revenue, and Bookstore website sales.

The University has adopted Accounting for Uncertainty in Income Taxes. This standard clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this standard had no impact on the University's financial statements.

The University's 2013 and 2012 tax years remain open for examination by federal and state taxing authorities.

Subsequent Events

In preparing these financial statements, the St. John's University has evaluated events and transactions for potential recognition or disclosure through October 17, 2014, the date the financial statements were available to be issued.

NOTE 2 FAIR VALUE MEASUREMENTS

The University categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the University has the ability to access.

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the University may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The University has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

The following table presents financial instruments that are measured at fair value on a recurring basis by the fair value hierarchy as of June 30, 2014:

	Total	Level 1	Level 2	Level 3
ASSETS				
Cash and Cash Equivalents	\$ 2,641,726	\$ 2,641,726	\$ -	\$ -
Unitrusts Receivable	1,038,191	-	-	1,038,191
Long-Term Investments:				
Equity Securities	81,279,273	81,279,273	-	-
Bonds and Government Obligations	39,363,666	24,342,843	13,672,437	1,348,386
International Equity	32,877,230	32,877,230	-	-
Alternative Investments:				
Private Equity	8,091,277	-	-	8,091,277
Venture Capital and Buyouts	8,173,851	-	-	8,173,851
Real Estate	12,930,074	-	-	12,930,074
Endowment Held by Others	2,253,290	-	-	2,253,290
Securities Held Outside	12,755,469	-	-	12,755,469
Beneficial Interests in Trusts	827,770	-	-	827,770
Subtotal - Long-Term Investments	<u>198,551,900</u>	<u>138,499,346</u>	<u>13,672,437</u>	<u>46,380,117</u>
Total	<u>\$ 202,231,817</u>	<u>\$ 141,141,072</u>	<u>\$ 13,672,437</u>	<u>\$ 47,418,308</u>

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents financial instruments that are measured at fair value on a recurring basis by the fair value hierarchy as of June 30, 2013:

	Total	Level 1	Level 2	Level 3
ASSETS				
Cash and Cash Equivalents	\$ 3,906,705	\$ 3,906,705	\$ -	\$ -
Unitrusts Receivable	1,234,662	-	-	1,234,662
Collateral Held Under Securities Lending Agreement	917,632	-	-	917,632
Long-Term Investments:				
Equity Securities	72,835,333	72,835,333	-	-
Bonds and Government Obligations	28,404,926	9,379,825	16,395,723	2,629,378
International Equity	24,506,555	24,506,555	-	-
Alternative Investments:				
Private Equity	7,514,172	-	-	7,514,172
Venture Capital and Buyouts	6,777,227	-	-	6,777,227
Real Estate	16,676,210	-	-	16,676,210
Endowment Held by Others	2,010,564	-	-	2,010,564
Securities Held Outside	12,174,720	-	-	12,174,720
Beneficial Interests in Trusts	774,457	-	-	774,457
Subtotal - Long-Term Investments	<u>171,674,164</u>	<u>106,721,713</u>	<u>16,395,723</u>	<u>48,556,728</u>
Total	<u>\$ 177,733,163</u>	<u>\$ 110,628,418</u>	<u>\$ 16,395,723</u>	<u>\$ 50,709,022</u>
LIABILITIES				
Collateral Payable Under Securities Lending Agreement	<u>\$ 1,077,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,077,982</u>

The following methods and assumptions were used to estimate the fair value for each class of financial instruments measured at fair value:

Cash and Cash Equivalents – The fair value of short-term investments, consisting primarily of money market funds, is classified as Level 1 as these funds are traded on a regular basis.

Unitrusts Receivable – The University as remainder beneficiary in several irrevocable split interest agreements held or controlled by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). The fair values are measured at the present value of the future distributions the University expects to receive over the term of the agreements.

Collateral Held Under Securities Lending Agreement – Investments in the collateral pool consist of a variety of debt instruments including asset-backed securities, corporate bonds, bank repos, and cash and cash equivalents. The investment is classified as a Level 3 investment because there are no markets for some of these investments and the pricing is based on inputs that are unobservable. This program was terminated as of June 30, 2014.

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

Equity Securities – Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

Bonds and Government Obligations – Investments in fixed-income securities are comprised of U.S. Treasury notes, mortgage-backed securities, municipal bonds, and corporate bonds and notes. U.S. Treasury notes are classified as Level 1 if they trade with sufficient frequency and volume to enable the University to obtain pricing information on an ongoing basis. The remaining fixed-income securities are classified as Level 2 or Level 3 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets. These valuations comprise the estimation of the net asset value per share of the fund. See redemption restrictions as further described in Note 2.

International Equity – Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

Alternative Investments – Investments in private equity funds, venture capital and buyouts, real estate funds, and funds of funds for which there is no readily determinable fair value are classified as Level 3 as the valuation is based on significant unobservable inputs. In cases where the investee has provided its investors with a net asset value per share that has been calculated in accordance with the AICPA Audit and Accounting Guide, *Investment Companies*, the University has estimated its fair value by using the net asset value provided by the investee as of the last statement date, adjusted for cash receipts, cash disbursements, and significant known valuation changes in market values of publicly held securities contained in the portfolio through June 30, 2014 and 2013. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated in the next 15 to 20 years. See redemption restrictions as further described in Note 2.

Endowments Held by Others – These are endowment funds that are held by another entity and are invested in its investment pool. The fund holds a wide variety of investments and is classified as Level 3 as the valuation of a significant portion of the assets includes alternative investments which are based on significant unobservable inputs.

Securities Held Outside – The University's beneficial interest in annuities and trusts are administered by a third party and classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows).

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

Beneficial Interest in Trusts – The University's beneficial interest in perpetual trusts administered by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). Since the University has an irrevocable right to receive the income earned from the trusts' assets, the fair value of the University's beneficial interest is estimated to approximate the fair value of the trusts' assets.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2014:

Asset Category	Balance 6/30/2013	Total Investment Return	Purchases Sales	Net Transfers In/Out of Level 3	Balance 6/30/2014
Unitrusts Receivable	\$ 1,234,662	\$ (196,471)	\$ -	\$ -	\$ 1,038,191
Collateral Held Under Securities Lending Agreement	917,632	-	(917,632)	-	-
Long-Term Investments:					
Bond and Government Funds	2,629,378	250,234	(1,531,226)	-	1,348,386
Alternative Investments:					
Private Equity	7,514,172	863,308	(286,203)	-	8,091,277
Venture capital and Buyouts	6,777,227	1,010,440	386,184	-	8,173,851
Real Estate	16,676,210	(690,322)	(3,055,814)	-	12,930,074
Endowment Held by Others	2,010,564	242,726	-	-	2,253,290
Securities Held Outside	12,174,720	1,360,026	(797,079)	17,802	12,755,469
Beneficial Interest in Trusts	774,457	91,036	(37,723)	-	827,770
	<u>\$ 50,709,022</u>	<u>\$ 2,930,977</u>	<u>\$ (6,239,493)</u>	<u>\$ 17,802</u>	<u>\$ 47,418,308</u>

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2013:

<u>Asset Category</u>	<u>Transfer From Order of St. Benedict 7/1/2012</u>	<u>Total Investment Return</u>	<u>Purchases Sales</u>	<u>Transfers In/Out of Level 3</u>	<u>Balance 6/30/2013</u>
Unitrusts Receivable	\$ 1,299,801	\$ 50,187	\$ (115,326)	\$ -	\$ 1,234,662
Collateral Held Under Securities Lending Agreement	844,909	-	72,723	-	917,632
Long-Term Investments:					
Bond and Government Funds	2,274,766	293,861	60,751	-	2,629,378
Alternative Investments:					
Private Equity	7,142,918	373,253	(1,999)	-	7,514,172
Venture capital and Buyouts	7,399,633	41,650	(664,056)	-	6,777,227
Real Estate	17,414,405	558,122	(1,296,317)	-	16,676,210
Endowment Held by Others	1,894,755	201,763	(85,954)	-	2,010,564
Securities Held Outside	11,741,365	1,277,126	(843,771)	-	12,174,720
Beneficial Interest in Trusts	739,407	72,576	(37,526)	-	774,457
	<u>\$ 50,751,959</u>	<u>\$ 2,868,538</u>	<u>\$ (2,911,475)</u>	<u>\$ -</u>	<u>\$ 50,709,022</u>

The University values certain investment holdings at fair value using their net asset value and has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date.

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2014:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Bonds and Government Obligations - Level 2	\$ 13,672,437	\$ -	Weekly-Monthly	7-30 Days
Bonds and Government Obligations - Level 3	1,348,386	488,500	Not Eligible	N/A
Alternative Investments:				
Private Equity	8,091,277	5,521,888	Not Eligible	N/A
Venture Capital and Buyouts	8,173,851	2,488,523	Not Eligible	N/A
Real Estate	12,930,074	666,325	Not Eligible	N/A

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2013:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Bonds and Government Obligations - Level 2	\$ 16,395,723	\$ -	Daily - Weekly	1 - 7 Days
Bonds and Government Obligations - Level 3	2,629,378	488,500	Not Eligible	N/A
International Equity	-	-	Bimonthly - Monthly	15 - 30 Days
Alternative Investments:				
Private Equity	7,514,172	6,536,798	Not Eligible	N/A
Venture Capital and Buyouts	6,777,227	3,361,690	Not Eligible	N/A
Real Estate	16,676,210	470,149	Not Eligible	N/A

NOTE 3 CREDIT QUALITY OF STUDENT LOANS RECEIVABLE

The University issues uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs. At June 30, 2014 and 2013, student loans represented 0.69% and 0.74% of total assets, respectively.

At June 30, 2014 and 2013, student loans consisted of the following:

	2014	2013
Federal Government Programs	\$ 2,466,959	\$ 2,489,006

The University participates in the Federal Perkins Loan Program. As a revolving loan program, the availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of \$2,466,959 and \$2,489,006 at June 30, 2014 and 2013, respectively, are ultimately refundable to the government and are classified as liabilities in the statement of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At June 30, 2014 and 2013, the following amounts were past due under the Perkins Loan Program:

	2014	2013
1-3 Months Past Due	\$ 2,963	\$ 2,910
4-6 Months Past Due	1,715	1,750
7-12 Months Past Due	17,899	7,355
13-24 Months Past Due	10,583	13,329
25+ Months Past Due	20,495	20,799
Total	<u>\$ 53,655</u>	<u>\$ 46,143</u>

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 3 CREDIT QUALITY OF STUDENT LOANS RECEIVABLE (CONTINUED)

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Amounts due under the Perkins Loan Program are guaranteed by the government and, therefore, no reserves are placed on any past due balances under the program.

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of unconditional promises to give from various individuals and organizations. The present value was imputed at 1% for the year ended June 30, 2014 and 2013, which approximates the University's current incremental borrowing rate. The long-term contributions receivable are receivable within 2 to 10 years. The amount to be received in 2 to 5 years is \$5,904,743. The amount to be received in 5 to 10 years is \$1,364,892.

	2014	2013
Unconditional Promises to Give	\$ 12,149,287	\$ 12,004,365
Unamortized Discount	(270,380)	(383,411)
Allowance for Doubtful Pledges	(593,945)	(581,048)
Total	<u>\$ 11,284,962</u>	<u>\$ 11,039,906</u>
Net Contributions Receivable:		
Current	\$ 4,635,670	\$ 2,509,158
Long-Term	6,649,292	8,530,748
Total	<u>\$ 11,284,962</u>	<u>\$ 11,039,906</u>

NOTE 5 LONG-TERM INVESTMENTS

Investments are composed of the following at June 30, 2014 and 2013:

	2014		
	Cost	Market	% of Total
Short-Term Investments	\$ 304,265	\$ 304,265	0.2 %
Debt Securities	45,019,168	47,275,504	23.8
Equity Securities	93,239,586	129,273,038	65.1
Other	24,885,645	21,699,093	10.9
Total	<u>\$ 163,448,664</u>	<u>\$ 198,551,900</u>	<u>100.0 %</u>

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 5 LONG-TERM INVESTMENTS (CONTINUED)

	2013		
	Cost	Market	% of Total
Short-Term Investments	\$ 256,568	\$ 256,568	0.1 %
Debt Securities	34,798,239	36,240,916	21.1
Equity Securities	85,477,275	109,660,417	63.9
Other	27,139,907	25,516,263	14.9
Total	<u>\$ 147,671,989</u>	<u>\$ 171,674,164</u>	<u>100.0 %</u>

Total investment management fees included in investment return for the years ended June 30, 2014 and 2013 were \$1,007,853 and \$1,007,883, respectively.

Total return from investments other than debt securities and equity securities with readily determinable fair values was \$1,440,340 and \$1,235,705 for the years ended June 30, 2014 and 2013, respectively.

The University invests in a variety of partnerships that include: real estate, private equity and international private equity, venture capital, and mezzanine funds. At June 30, 2014, the University had capital commitments outstanding in the amount of \$9,165,236. These capital commitments will be funded by liquidating other investments.

One of the University's long-term investment strategies was to participate in a securities lending program. At June 30, 2014 and 2013, the University had securities out on loan in the amount of \$-0- and \$1,049,711, respectively. Other information related to the securities lending program is as follows:

	2014	2013
Collateral Held Under Securities Lending Agreement (Asset)	\$ -	\$ 917,632
Collateral Payable Under Securities Lending Agreement (Liability)	-	1,077,982
Unrealized Loss	<u>\$ -</u>	<u>\$ (160,350)</u>

The University invests in a variety of investment vehicles. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for use.

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 6 ENDOWMENT

The University's endowment consists of over 700 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 an endowment. 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.

Interpretation of Relevant Law

The Board of Trustees of the University has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment. The remaining portion of donor-restricted endowment funds, if any that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University.

In accordance with UPMIFA, the University 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 University 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 of the University
- (7) The investment policies of the University

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 6 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

Endowment net asset composition by type of fund as of June 30, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2014				
Donor-Restricted Endowment Funds	\$ (130,667)	\$ 43,201,792	\$ 67,035,776	\$ 110,106,901
Board-Designated Endowment Funds	<u>58,808,856</u>	<u>-</u>	<u>-</u>	<u>58,808,856</u>
Total Funds	<u>\$ 58,678,189</u>	<u>\$ 43,201,792</u>	<u>\$ 67,035,776</u>	<u>\$ 168,915,757</u>

Changes in endowment net assets for the fiscal year ended June 30, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, July 1, 2013	\$ 56,188,282	\$ 32,084,119	\$ 63,891,895	\$ 152,164,296
Investment Return:				
Investment Income	1,223,575	2,261,493	-	3,485,068
Net Realized and Unrealized Gains	<u>7,244,073</u>	<u>13,388,977</u>	<u>-</u>	<u>20,633,050</u>
Total Investment Return	<u>8,467,648</u>	<u>15,650,470</u>	<u>-</u>	<u>24,118,118</u>
Contributions	328,206	-	4,424,848	4,753,054
Appropriations of Endowment Assets for Expenditure	(6,411,498)	(4,130,220)	-	(10,541,718)
Other Changes:				
Other Additions (Subtractions)	-	(297,026)	(1,280,967)	(1,577,993)
Investment Gains Transferred to Unrestricted	<u>105,551</u>	<u>(105,551)</u>	<u>-</u>	<u>-</u>
Endowment Net Assets, June 30, 2014	<u>\$ 58,678,189</u>	<u>\$ 43,201,792</u>	<u>\$ 67,035,776</u>	<u>\$ 168,915,757</u>

Endowment net asset composition by type of fund as of June 30, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2013				
Donor-Restricted Endowment Funds	\$ (236,218)	\$ 32,084,119	\$ 63,891,895	\$ 95,739,796
Board-Designated Endowment Funds	<u>56,424,500</u>	<u>-</u>	<u>-</u>	<u>56,424,500</u>
Total Funds	<u>\$ 56,188,282</u>	<u>\$ 32,084,119</u>	<u>\$ 63,891,895</u>	<u>\$ 152,164,296</u>

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 6 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

Changes in endowment net assets for the fiscal year ended June 30, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, July 1, 2012	\$ 55,221,847	\$ 25,036,826	\$ 61,251,666	\$ 141,510,339
Investment Return:				
Investment Income	774,464	1,329,453	-	2,103,917
Net Realized and Unrealized Gains	5,728,167	9,833,040	-	15,561,207
Total Investment Return	<u>6,502,631</u>	<u>11,162,493</u>	-	<u>17,665,124</u>
Contributions	188,962	-	2,584,440	2,773,402
Appropriations of Endowment Assets for Expenditure	(5,928,197)	(3,910,591)	-	(9,838,788)
Other Changes:				
Other Additions (Subtractions)	-	(1,570)	55,789	54,219
Investment Gains Transferred to Unrestricted	<u>203,039</u>	<u>(203,039)</u>	-	-
Endowment Net Assets, June 30, 2013	<u>\$ 56,188,282</u>	<u>\$ 32,084,119</u>	<u>\$ 63,891,895</u>	<u>\$ 152,164,296</u>

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 University to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets was \$130,667 and \$236,218 as of June 30, 2014 and 2013, respectively.

Investment Objectives and Strategies

The University has adopted an investment policy to provide guidelines for investing endowment assets. Under this policy, as approved by the Finance Committee of the Board of Trustees, the endowment assets are invested in a manner that is intended to maintain the purchasing power of the current assets and all future contributions, maximize return within reasonable and prudent levels of risk, and maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy. To achieve these objectives, the University follows an asset diversification plan, sets performance benchmarks for investments managers, and has established various asset quality and limitations thresholds. The University expects its endowment funds, over time, to provide an average rate of return of 4.5% to 5.0% above the rate of inflation (inflation is defined as the consumer price index). Actual returns in any given year may vary from this amount.

**SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 6 ENDOWMENT (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives 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 to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The University has a policy of appropriating for distribution each year 4.9% of a three-year moving average of beginning endowment market values for the fiscal year ended June 30, 2014 (except for the School of Theology, which expended up to 6.5%). 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 grow at or above the annual rate of inflation. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 7 DEBT

The University had the following debt obligations at June 30:

	2014	2013
<u>Notes Payable</u>		
Unsecured note payable related to a term endowment.	\$ 30,076	\$ 28,329
<u>Bonds Payable</u>		
Department of Education (DOE), payable on behalf of the Order of St. Benedict as the original borrower. These bonds were assigned to the University as part of the corporate restructure. Auxiliary Facilities construction and refunding bond, Series B, secured by mortgage on Bernard, Patrick and Boniface Hall, payable over a 50-year period, in annual installments ranging from \$20,000 to \$80,000 with interest at 3.0% until final maturity on November 1, 2016. These bonds were paid in full during fiscal year 2014.	-	310,000

**SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 7 DEBT (CONTINUED)

<u>Bonds Payable (Continued)</u>	<u>2014</u>	<u>2014</u>
<p>Bond/6G; Secured by Science Center, Athletic Complex, renovation of first floor Quadrangle, Dormitories, etc.; payable to the Minnesota Higher Education Facilities Authority, in twenty-one annual installments ranging from \$300,000 to \$2,215,000 commencing October 1, 2005 and the final payment due October 1, 2026. The principal amount of each installment is subject to a specific interest rate ranging from 3.00% to 5.00%. A current installment of \$1,940,000 is due October 1, 2014.</p>	22,325,000	26,660,000
<p>Bond Premium/6G; Deferred bond premiums on the 6G issuance are being amortized on a straight-line basis over the term of the bonds of 22 years beginning in fiscal year 2006 and ending in fiscal year 2027.</p>	772,730	832,170
<p>Bond/6U; Secured by housing and community center construction projects, also dining and Seton renovations, payable to the Minnesota Higher Education Facilities Authority over 25 years in semi-annual installments ranging from \$170,000 to \$763,000 commencing October 1, 2009 and the final payment is due October 1, 2033. The principal amount of each installment is subject to a specific interest rate ranging from 4.00% to 4.75%. A current installment of \$320,000 is due October 1, 2014.</p>	9,955,000	10,260,000
<p>Bond Discount/6U; Deferred bond discounts on the 6U issuance are being amortized on a straight-line basis over the term of the bonds of 26 years beginning in fiscal year 2009 and ending in fiscal year 2034.</p>	(56,460)	(59,283)
Total Bonds Payable	32,996,270	38,002,887
 <u>Mortgages Payable</u>		
<p>Department of Education (DOE), payable on behalf of the Order of St. Benedict as the original borrower. This mortgage was assigned to the University as part of the corporate restructure. Mortgage payable secured by the Seton Apartments. The mortgage was due in semi-annual installments payable over 38 years of \$29,847 including principal and interest at 3% commencing in 1985 and continuing through August 2022. However, the mortgage was paid in full during fiscal year 2014.</p>	-	490,267

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 7 DEBT (CONTINUED)

	2014	2013
<u>Mortgages Payable (Continued)</u>		
Department of Education (DOE), payable on behalf of the Order of St. Benedict as the original borrower. This mortgage was assigned to the University as part of the corporate restructure. General obligation note secured by Simons Hall, payable over a 30-year period at an interest rate of 5½% with semi-annual installments of \$49,277 including principal and interest continuing through November 2019. However, the mortgage was paid in full during fiscal year 2014.	-	532,536
Total Mortgages Payable	-	1,022,803
Total Notes, Bonds, and Mortgages Payable	33,026,346	39,054,019
Less: Current Portion	2,316,618	2,407,157
Total Long-Term	\$ 30,709,728	\$ 36,646,862

Maturity requirements of debt principal in each of the next five years are as follows:

Year	Principal Amount	Amortization Amount	Total Amount
2015	\$ 2,260,000	\$ 56,618	\$ 2,316,618
2016	2,360,000	56,618	2,416,618
2017	2,475,000	56,618	2,531,618
2018	2,575,000	56,618	2,631,618
2019	2,235,000	56,618	2,291,618
Later Years	20,405,076	433,180	20,838,256
Total	\$ 32,310,076	\$ 716,270	\$ 33,026,346

The University is subject to various covenants under the bond, loan and mortgage agreements. These covenants require the University to maintain certain reserves, among other items. Reserves of \$4,116,799 and \$4,965,508 for the years ended June 30, 2014 and 2013, respectively, are included in investments. Total interest expense for the years ended June 30, 2014 and 2013 was \$1,673,508 and \$1,803,094, respectively.

Deferred bond premium amortization was \$59,441 for the years ended June 30, 2014 and 2013.

Deferred bond discounts amortization was \$2,823 for the years ended June 30, 2014 and 2013.

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 7 DEBT (CONTINUED)

Deferred debt acquisition costs are being amortized on a straight-line basis over the term of the bonds of 22 to 25 years. The University had acquisition cost amortization expense of \$32,903 for the years ended June 30, 2014 and 2013.

As a result of a hail storm in May 2012, several debt financed buildings received damage to their roofs (see Footnote 17). During fiscal year 2014, the insurance claim was finalized but University management determined that some of these roofs did not require immediate replacement. As such, the University was then required to use these proceeds to retire a portion of the bonds relating to the damaged roofs financed by the bond issue, but not repaired. Thus, an additional \$2,480,000 of the 6G bond issue was retired during the current fiscal year above the scheduled payment amounts.

On May 1, 2014, the University decided to make final payment on its Series B bond issue with the US Department of Education in the amount of \$235,000.

On April 25, 2014, the University decided to make final payment on two mortgages with the US Department of Education in the amounts of \$497,904 and \$444,944.

Letter of Credit

As a result of the University operating as a new corporation starting in fiscal year 2013, the U.S. Department of Education (DOE) required the University to apply to participate in its federal funding programs. One of the requirements of this application is that the University needed to provide surety in the form of an irrevocable letter of credit (LOC). For the years ended June 30, 2014 and 2013, the LOC needed to be posted for an amount equal to 10% and 25%, respectively, of the Title IV program funds that the University received during the last respective complete fiscal year. As a result, for the years ended June 30, 2014 and 2013, the University posted a LOC in favor of the DOE in the amount of \$1,104,503 and \$3,028,692, respectively. The current LOC covers the period of April 10, 2014 thru April 14, 2015. Nothing is outstanding on the LOC.

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 8 NET ASSETS RELEASED FROM RESTRICTIONS

The source of net assets released from temporary donor restrictions during the years ended June 30, 2014 and 2013 by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors were as follows:

	<u>2014</u>	<u>2013</u>
Gifts and Earnings Released from Temporarily Restricted Net Assets - Program	\$ 3,669,090	\$ 4,297,891
Gifts and Earnings Released from Temporarily Restricted Net Assets - Capital	1,488,919	2,229,450
Endowment Released from Temporarily Restricted Net Assets	<u>105,552</u>	<u>203,040</u>
Total Released	<u>\$ 5,263,561</u>	<u>\$ 6,730,381</u>
Net Assets Released from Restrictions:		
Operating	\$ 3,669,090	\$ 4,297,891
Nonoperating	<u>1,594,471</u>	<u>2,432,490</u>
Total	<u>\$ 5,263,561</u>	<u>\$ 6,730,381</u>

NOTE 9 CONTINGENCIES

The University adopted a self-insurance plan for its employees' health insurance. The University is responsible for a maximum of \$150,000 per year for each employee. Amounts in excess of the \$150,000 cap and those amounts in excess of 125% of the expected annual claims are insured.

The University is subject to certain claims arising out of the ordinary course of business. Although it is not possible to predict the outcome of these claims, management believes they will not have a material effect on the financial condition of the University.

The University has conditional promises to give from various individuals and organizations. The promises consist of private equity stock. Upon a public offering of the stock, the University will receive the promised shares in the company. A reasonable estimate of the fair value of the conditional promises to give could not be made because the private equity stocks are not readily salable.

During the year ended June 30, 2010 the University was named the residual beneficiary of an estate. The estate included a contingent liability as a result of the benefactor signing a personal guarantee on behalf of his former company for rent payments on a leased property. Due to this contingent liability, the estate will not be finalized until 2015.

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 9 CONTINGENCIES (CONTINUED)

For calendar year 2014, the University had received a conditional grant from the Katherine B. Andersen Fund of The Saint Paul Foundation for use in the Hill Museum and Manuscript Library. The grant was for \$10,000, but is conditional on the University matching this grant in contributions for the Hill Museum and Manuscript Library. As of June 30, 2014, \$6,384 has been raised in matching fund contributions.

NOTE 10 COORDINATE EFFORT

The University entered into an agreement with the College of St. Benedict (an all-women's college located five miles away) to provide a coordinate effort between the two institutions for certain administrative, employment and student services. The coordinate effort was arranged to provide economic efficiencies when possible. The agreement provides for such services to be reimbursed between the two institutions. At June 30, 2014, there was a receivable from the College for \$650,885. At June 30, 2013, there was a payable to the College for \$406,581.

NOTE 11 DONOR RECLASSIFICATION OF NET ASSETS

During the years ended June 30, 2014 and 2013, the University made reclassifications to the net assets to accommodate donor restrictions properly.

NOTE 12 FUNCTIONAL ALLOCATION OF EXPENSES

Expenses with the exception of depreciation and plant expenses are specifically allocated to the various programs and supporting services. Depreciation and plant expenses are allocated based on the ratio of functional category expenses to total expenses.

Total program expenses of \$61,766,543, management and general expenses of \$9,023,114 and total fundraising expenses of \$3,687,080 were incurred for the year ended June 30, 2014.

Total program expenses of \$59,377,165, management and general expenses of \$9,401,463 and total fundraising expenses of \$3,831,153 were incurred for the year ended June 30, 2013.

NOTE 13 RELATED PARTY

For the years ended June 30, 2014 and 2013, pledges totaling \$1,468,878 and \$1,519,848, respectively, from the Board of Trustees and Boards of Overseers are included in the statement of financial position as contributions receivable.

**SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 14 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>2014</u>	<u>2013</u>
Interest Paid	\$ 1,742,080	\$ 1,829,506
Noncash:		
Retirement of Fully Depreciated Assets	171,817	-
Property, Plant and Equipment Included in Accounts Payable	657,419	252,977

NOTE 15 ST. JOHN'S BIBLE

In 1998, the University embarked on a project to create and produce a handwritten and illuminated Bible, which was based on the new Revised Standard Version. This Bible is made up of seven volumes, and was completed in June 2011.

Three hundred and ninety museum-quality reproduction sets have been made. Of these sets, which are referred to as Heritage Editions, three hundred and sixty of them will be sold to generate revenue for the University. A major objective of the Saint John's Bible is to increase national and international awareness of Saint John's University and to promote its position among expanded constituencies and recruitment markets. Through June 30, 2014, eighty-three sets have been sold or gifted. This compares to seventy-nine sets as of June 30, 2013.

As of June 30, 2014, the University statement of financial position includes accounts receivable of \$799,565, inventory of \$7,177,615, accounts payable and accrued expenses of \$215,166, and deferred revenue of \$977,325, related to the Heritage Edition program.

As of June 30, 2013, the University statement of financial position includes accounts receivable of \$875,258, inventory of \$7,229,349, accounts payable and accrued expenses of \$350,347, and deferred revenue of \$1,269,944, related to the Heritage Edition program.

NOTE 16 ENVIRONMENTAL REMEDIATION

The University owns several buildings on campus that contain asbestos in various forms. At this time, the University has no plans to renovate or demolish the buildings over their estimated remaining useful lives. Management has estimated the cost of any potential obligation to remove asbestos. The University used a future value rate assumption of 3.00% and brought that estimate back to present value using risk-free rates of return of 5.15% to 5.31% in making this determination. The potential environmental remediation liability at June 30, 2014 and 2013 is \$846,776 and \$807,171, respectively.

**SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 17 SUBSTANTIAL EVENT

As a result of a hail storm on May 28, 2012, the roofs on the University's buildings received substantial damage. The roofs were fully insured, with the exception of a \$25,000 deductible that was allocated between the University and the Order of St. Benedict.

At June 30, 2013, the estimated value of the damage, net of the deductible was \$8,262,451. This amount was recorded as an accounts receivable on the statement of financial position. At the time, the University and the insurance company had agreed to settlement amounts on all the roofs except for two. During the year ended June 30, 2014, the claim was fully settled and payment was received in the amount of \$8,918,824.

NOTE 18 REQUIRED ANNUAL REPORT INFORMATION FOR BONDS

The following information, which is required annual reporting, is in this footnote for easy reference. This information has not been subjected to any auditing procedures.

- a. This information is provided as of the end of the most recent complete academic or fiscal year, as appropriate.
- b. Data provided for fiscal years prior to 2012-13, are from when the University was an operating division of the Order of St. Benedict.

University Housing

The chart below shows historical occupancy levels at the University housing system.

St. John's University Undergraduate Student Housing Recap

Fiscal Year	Spaces Available	Total Housed On Campus*	Occupancy Rate	Total Fr. - Sr. Student Body*	Percent Housed On Campus
2009-10	1,483	1,410	95%	1,915	74%
2010-11	1,548	1,522	98%	1,906	80%
2011-12	1,546	1,555	100%	1,865	83%
2012-13	1,540	1,467	95%	1,833	80%
2013-14	1,546	1,514	98%	1,848	82%

*Fall enrollment figures

**SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 18 REQUIRED ANNUAL REPORT INFORMATION FOR BONDS (CONTINUED)

Student Enrollment and Geographic Distribution of Entering Freshmen

The University's total historic enrollment for undergraduate and graduate students for the past five years and the estimated enrollment for fiscal year 2014/2015 are as follows:

<u>Fiscal Year</u>	<u>Head Count</u>	<u>FTE</u>
Actual:		
2009/10	2020	1956
2010/11	2036	1980
2011/12	2016	1954
2012/13	1983	1925
2013/14	1978	1933
Estimated:		
2014/15	1895	1845

Freshman Applications, Acceptances and Enrollments

	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Applications	1,269	1,387	1,444	1,367	1,478
Acceptances	1,134	1,217	1,225	1,193	1,314
Percent Accepted	89%	88%	85%	87%	89%
Enrolled	461	503	494	449	497
Percent Enrolled to Accepted	41%	41%	40%	38%	38%
Mean ACT Score	26	26	26	25	26
Mean SAT Verbal/ Math Scores*	567/601	552/598	548/465	530/555	538/551

**All scores re-centered.*

Of the 497 persons enrolled in the 2013/2014 freshman class, 368 or 74% Minnesota residents.

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 18 REQUIRED ANNUAL REPORT INFORMATION FOR BONDS (CONTINUED)

Student Retention

The University reports the following student retention percentages, based on tracking incoming freshmen through to graduation.

Fall Semester	New Freshmen	Percent of Students Returning				Percent of Graduates	
		2nd Year	3rd Year	4th Year	5th Year	4 Years	By 5th Year
2008	461	89.8	85.5	82.9	5.6	72	79
2009	461	92.4	84.6	83.3	8.0	68	76
2010	503	89.3	85.5	83.3			
2011	494	88.7	81.0				
2012	449	85.5					
2013	497						

Tuition and Fees

The University meets the costs of its educational programs primarily through tuition and fees. The following table lists the tuition, room and board fees for the past five years, charged to a full-time, incoming freshman.

	2009/10	2010/11	2011/12	2012/13	2013/14
Tuition	\$ 29,388	\$ 31,006	\$ 33,022	\$ 34,838	\$ 36,500
Room*	3,884	4,040	4,200	4,348	4,500
Board	3,830	4,004	4,144	4,290	4,483
Activity Fee	328	334	342	398	406
Orientation Fee	-	-	-	-	-
Technology Fee	220	236	242	250	256
Total	\$ 37,650	\$ 39,620	\$ 41,950	\$ 44,124	\$ 46,145

* Amounts represented above are average room charges; actual amounts may be more or less depending on the residence.

Special fees may be charged for specific courses such as science labs, arts fees or music lessons.

SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 18 REQUIRED ANNUAL REPORT INFORMATION FOR BONDS (CONTINUED)

Faculty

The student-faculty ratio is approximately 12-to-1. There are no religious or denominational prerequisites or any participatory religious requirements for faculty membership. The University subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

For the 2013/2014 fiscal year, the University has 143 full-time and 24 part-time faculty. The number and average salary by rank for full-time faculty during the 2013/2014 fiscal year were:

<u>Rank</u>	<u>Head Count *</u> <u>Number</u>	<u>Average *</u> <u>Salary</u>
Professor	40	\$ 88,435
Associate Professor	49	72,282
Assistant Professor	36	61,850
Instructor/Lecturer	18	57,776

* Head count and average salary calculated per IPEDS survey criteria.

The percentage of full-time tenured faculty is 62%.

Financial Aid

Approximately 97% of the student body annually receives some form of financial aid. The following table is a five-year summary of financial assistance received from both University and non-University sources.

	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Loans:					
Federal	\$ 8,635,481	\$ 9,308,558	\$ 9,329,568	\$ 9,356,387	\$ 9,386,220
Private	3,843,993	4,202,229	4,488,742	4,769,706	5,178,629
Total Loans	<u>12,479,474</u>	<u>13,510,787</u>	<u>13,818,310</u>	<u>14,126,093</u>	<u>14,564,849</u>
Student Employment (All Sources)	3,014,539	2,943,292	3,142,412	3,208,658	3,162,293
Gift Aid:					
Federal/State	3,795,618	3,445,301	3,626,816	3,540,841	3,735,321
University	24,155,502	26,360,805	28,433,718	30,622,454	32,832,945
Private	65,688	39,212	32,459	46,907	66,185
Total Gift Aid	<u>28,016,808</u>	<u>29,845,318</u>	<u>32,092,993</u>	<u>34,210,202</u>	<u>36,634,451</u>
Total	<u>\$ 43,510,821</u>	<u>\$ 46,299,397</u>	<u>\$ 49,053,715</u>	<u>\$ 51,544,953</u>	<u>\$ 54,361,593</u>

**SAINT JOHN'S UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 18 REQUIRED ANNUAL REPORT INFORMATION FOR BONDS (CONTINUED)

Other Information

- a. St. John's University gifts, bequests, and grant support for fiscal year 2014 is \$15,231,669.

Based on fiscal 2014 Audited Financial Statements of St. John's University:

	2014
Increase in Unrestricted Net Assets from Operations	\$ 1,386,619
Plus: Depreciation	4,884,151
Less: Amortization	(23,715)
Adjusted Increase in Unrestricted Net Assets	6,247,055
Plus: Interest Payments on Funded Debt	1,742,080
Net Income Available for Debt Service	\$ 7,989,135

- b. Information on Capital Campaign

For fiscal year ended June 30, 2014, the University had raised \$2,460,770 for facilities, \$5,111,504 for endowment (scholarship and program endowment), and \$7,898,265 for unrestricted and restricted annual gifts, for a total of \$15,470,539 through cash, pledges, and planned gifts.



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**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

Michael Hemesath, President
St. John's University
Collegeville, Minnesota

Our report on our audits of the basic financial statements of Saint John's University for 2014 appears on pages 2 and 3. Those audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 40 through 55 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Cloud, Minnesota
October 17, 2014

SAINT JOHN'S UNIVERSITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

COLLEGE OF ARTS AND SCIENCES

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,319,829	\$ 2,154,868
Certificates of Deposit	980,000	1,225,000
Accounts Receivable:		
Student Receivables, Net of Allowance for Doubtful Accounts of \$496,800 in 2014 and \$603,200 in 2013	579,574	759,659
Contributions Receivable, Net of Allowance for Doubtful Accounts of \$197,600 in 2014 and \$90,400 in 2013	3,754,419	1,718,446
Other, Net of Allowance of Doubtful Accounts of \$-0- in 2014 and 2013	2,060,732	10,003,167
Interest Receivable	20,144	20,415
Inventories	7,753,867	8,279,985
Assets Held for Sale	570,000	-
Prepaid Expenses	768,747	851,858
Total Current Assets	<u>19,807,312</u>	<u>25,013,398</u>
LONG-TERM RECEIVABLES AND OTHER NON-CURRENT ASSETS		
Certificates of Deposit	-	245,000
Student Loans Receivable, Net of Allowance for Doubtful Accounts of \$-0- in 2014 and 2013	2,466,959	2,489,006
Contributions Receivable, Net of Allowance for Doubtful Accounts of \$282,700 in 2014 and \$346,900 in 2013	5,370,685	6,590,698
Unitrusts Receivable	949,088	1,157,336
Deferred Debt Acquisition Costs, Net of Accumulated Amortization of \$65,800 in 2014 and \$32,900 in 2013	488,658	521,560
Collateral Held Under Securities Lending Agreement	-	753,484
Other Long-Term Receivables	838,690	1,101,035
Total Long-Term Receivables and Other Non-Current Assets	<u>10,114,080</u>	<u>12,858,119</u>
LONG-TERM INVESTMENTS		
Investments	160,494,993	136,451,383
Assets Held in Charitable Remainder Unitrusts	7,262,038	6,846,642
Total Long-Term Investments	<u>167,757,031</u>	<u>143,298,025</u>
PROPERTY, PLANT AND EQUIPMENT		
Land and Improvements	7,255,025	4,343,201
Buildings	90,055,761	87,184,193
Furniture and Equipment	10,138,740	8,864,827
Library and Rare Books	12,010,893	11,792,231
Construction in Progress	2,857,700	4,828,972
Total	<u>122,318,119</u>	<u>117,013,424</u>
Less: Accumulated Depreciation	9,312,460	4,676,674
Total Property, Plant and Equipment	<u>113,005,659</u>	<u>112,336,750</u>
Total Assets	<u>\$ 310,684,082</u>	<u>\$ 293,506,292</u>

COLLEGE OF ARTS AND SCIENCES

LIABILITIES AND NET ASSETS	2014	2013
CURRENT LIABILITIES		
Accounts Payable	\$ 1,833,046	\$ 2,223,912
Accrued Payroll and Benefits	3,868,161	3,878,951
Other Liabilities	561,610	490,334
Deferred Revenue	1,261,154	1,513,554
Funds Held for Others	277,063	275,764
Current Portion of Annuities and Unitrusts Payable	743,179	971,410
Current Portion of Notes, Bonds and Mortgages Payable	2,316,618	2,407,157
Total Current Liabilities	10,860,831	11,761,082
LONG-TERM LIABILITIES		
Deferred Revenue	587,575	509,050
Government Grants Repayable - Federal Perkins Loan Program	2,466,959	2,489,006
Notes, Bonds and Mortgages Payable, Net of Current Portion	30,679,652	36,618,533
Annuities and Unitrusts Payable, Net of Current Portion	5,229,769	5,545,197
Collateral Payable Under Securities Lending Agreement	-	885,151
Other Long-Term Liabilities	939,179	871,770
Total Long-Term Liabilities	39,903,134	46,918,707
Total Liabilities	50,763,965	58,679,789
NET ASSETS		
Unrestricted:		
Available for Operations	877,316	544,217
Reserves and Program Funds	19,427,164	18,890,612
Endowment:		
Unrestricted Portion	(130,667)	(236,218)
Board Designated	37,209,796	33,331,995
Debt Stabilization	18,171,604	19,876,901
Investment in Property, Plant and Equipment	79,690,162	73,062,435
Annuities, Life Income Deposits and Insurance	2,755,459	1,748,175
Contributions Receivable	1,494,315	1,507,481
Total Unrestricted Net Assets	159,495,149	148,725,598
Temporarily Restricted:		
Unitrusts	1,708,897	1,486,194
Life Insurance	150,774	144,651
Endowment	32,705,125	24,192,347
Unexpended Gifts:		
Plant	1,886,132	283,051
Program	2,409,059	2,677,910
Contributions Receivable	5,213,359	3,811,346
Total Temporarily Restricted Net Assets	44,073,346	32,595,499
Permanently Restricted:		
Unitrusts	1,986,242	2,279,781
Life Insurance	405,824	311,138
Endowment	51,542,129	47,924,170
Contributions Receivable	2,417,427	2,990,317
Total Permanently Restricted Net Assets	56,351,622	53,505,406
Total Net Assets	259,920,117	234,826,503
Total Liabilities and Net Assets	\$ 310,684,082	\$ 293,506,292

SAINT JOHN'S UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR YEAR ENDED 2013)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

COLLEGE OF ARTS AND SCIENCES

	2014			2013 TOTAL	
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED		TOTAL
OPERATING ACTIVITIES					
OPERATING REVENUES					
Tuition and Fees	\$ 69,170,507	\$ -	\$ -	\$ 69,170,507	\$ 66,119,555
Less: Funded Scholarships and Grants - Restricted Funds	(2,601,439)	-	-	(2,601,439)	(2,376,994)
Less: Funded Scholarships and Grants - Unrestricted Funds	(928,242)	-	-	(928,242)	(862,624)
Less: Unfunded Scholarships and Grants	<u>(29,910,417)</u>	<u>-</u>	<u>-</u>	<u>(29,910,417)</u>	<u>(27,964,458)</u>
Net Tuition and Fees	35,730,409	-	-	35,730,409	34,915,479
Government Grants:					
Federal Grants	721,890	12,700	-	734,590	735,404
State Grants	154,512	58,688	-	213,200	193,126
Private Gifts and Grants	3,710,243	1,265,581	-	4,975,824	5,173,979
Other Investment Income	372,715	70	-	372,785	404,118
Investment Return Allocated for Operations (Draw)	5,769,040	269,970	-	6,039,010	5,858,962
Other Sources	1,299,304	-	-	1,299,304	1,155,378
Sales and Services of Auxiliary Enterprises:					
Residence Halls	7,616,399	-	-	7,616,399	7,231,240
Food Services	8,807,109	-	-	8,807,109	8,442,656
Other Auxiliaries	<u>3,989,615</u>	<u>-</u>	<u>-</u>	<u>3,989,615</u>	<u>6,135,277</u>
	68,171,236	1,607,009	-	69,778,245	70,245,619
Net Assets Released from Restrictions	<u>1,905,430</u>	<u>(1,905,430)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenues, Gains and Other Support	<u>70,076,666</u>	<u>(298,421)</u>	<u>-</u>	<u>69,778,245</u>	<u>70,245,619</u>
OPERATING EXPENSES					
Program Expenses:					
Instruction	23,980,162	-	-	23,980,162	23,005,421
Academic Support	8,002,554	-	-	8,002,554	7,547,806
Student Services	9,075,599	-	-	9,075,599	8,937,786
Auxiliary Enterprises:					
Residence Halls	4,352,630	-	-	4,352,630	4,112,401
Food Services	7,150,342	-	-	7,150,342	6,802,453
Other Auxiliaries	4,685,502	-	-	4,685,502	5,009,383
Support Expenses:					
Institutional Support	<u>11,591,077</u>	<u>-</u>	<u>-</u>	<u>11,591,077</u>	<u>12,226,274</u>
Total Operating Expenses	<u>68,837,866</u>	<u>-</u>	<u>-</u>	<u>68,837,866</u>	<u>67,641,524</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	1,238,800	(298,421)	-	940,379	2,604,095
NONOPERATING ACTIVITIES					
Long-Term Investment Activities:					
Endowment Income	10,447,018	11,818,591	-	22,265,609	15,513,527
Less: Investment Return Allocated for Operations (Draw)	<u>(3,004,052)</u>	<u>(3,034,958)</u>	<u>-</u>	<u>(6,039,010)</u>	<u>(5,858,962)</u>
	7,442,966	8,783,633	-	16,226,599	9,654,565
Private Gifts and Grants	-	1,800,298	4,166,938	5,967,236	3,417,677
Other Investment Income	60,717	6,121	94,684	161,522	105,695
Change in Contributions	(13,166)	1,402,013	(572,890)	815,957	(1,218,245)
Annuity and Unitrust Net Gifts	6,275	-	110,290	116,565	2,856
Adjustment of Actuarial Liability	183,741	222,700	(151,912)	254,529	(284,161)
Net Gain from Insurance Proceeds	647,449	-	-	647,449	8,048,313
Donor Reclassification of Net Assets	150,000	614,272	(800,894)	(36,622)	-
	1,035,016	4,045,404	2,846,216	7,926,636	10,072,135
Net Assets Released from Restrictions	<u>1,052,769</u>	<u>(1,052,769)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,087,785</u>	<u>2,992,635</u>	<u>2,846,216</u>	<u>7,926,636</u>	<u>10,072,135</u>
INCREASE IN NET ASSETS FROM NONOPERATING ACTIVITIES	9,530,751	11,776,268	2,846,216	24,153,235	19,726,700
INCREASE IN NET ASSETS	10,769,551	11,477,847	2,846,216	25,093,614	22,330,795
Net Assets - Beginning of Year	<u>148,725,598</u>	<u>32,595,499</u>	<u>53,505,406</u>	<u>234,826,503</u>	<u>212,495,708</u>
NET ASSETS - END OF YEAR	<u>\$ 159,495,149</u>	<u>\$ 44,073,346</u>	<u>\$ 56,351,622</u>	<u>\$ 259,920,117</u>	<u>\$ 234,826,503</u>

SAINT JOHN'S UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

COLLEGE OF ARTS AND SCIENCES

	2013			TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	
OPERATING ACTIVITIES				
OPERATING REVENUES				
Tuition and Fees	\$ 66,119,555	\$ -	\$ -	\$ 66,119,555
Less: Funded Scholarships and Grants - Restricted Funds	(2,376,994)	-	-	(2,376,994)
Less: Funded Scholarships and Grants - Unrestricted Funds	(862,624)	-	-	(862,624)
Less: Unfunded Scholarships and Grants	(27,964,458)	-	-	(27,964,458)
Net Tuition and Fees	<u>34,915,479</u>	-	-	<u>34,915,479</u>
Government Grants:				
Federal Grants	733,829	1,575	-	735,404
State Grants	158,487	34,639	-	193,126
Private Gifts and Grants	3,191,240	1,982,739	-	5,173,979
Other Investment Income	404,048	70	-	404,118
Investment Return Allocated for Operations (Draw)	5,517,123	341,839	-	5,858,962
Other Sources	1,155,378	-	-	1,155,378
Sales and Services of Auxiliary Enterprises:				
Residence Halls	7,231,240	-	-	7,231,240
Food Services	8,442,656	-	-	8,442,656
Other Auxiliaries	<u>6,135,277</u>	-	-	<u>6,135,277</u>
	<u>67,884,757</u>	<u>2,360,862</u>	-	<u>70,245,619</u>
Net Assets Released from Restrictions	<u>2,839,479</u>	<u>(2,839,479)</u>	-	<u>-</u>
Total Operating Revenues, Gains and Other Support	<u>70,724,236</u>	<u>(478,617)</u>	-	<u>70,245,619</u>
OPERATING EXPENSES				
Program Expenses:				
Instruction	23,005,421	-	-	23,005,421
Academic Support	7,547,806	-	-	7,547,806
Student Services	8,937,786	-	-	8,937,786
Auxiliary Enterprises:				
Residence Halls	4,112,401	-	-	4,112,401
Food Services	6,802,453	-	-	6,802,453
Other Auxiliaries	5,009,383	-	-	5,009,383
Support Expenses:				
Institutional Support	<u>12,226,274</u>	-	-	<u>12,226,274</u>
Total Operating Expenses	<u>67,641,524</u>	-	-	<u>67,641,524</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	3,082,712	(478,617)	-	2,604,095
NONOPERATING ACTIVITIES				
Long-Term Investment Activities:				
Endowment Income	7,121,541	8,391,986	-	15,513,527
Less: Investment Return Allocated for Operations (Draw)	<u>(3,022,021)</u>	<u>(2,836,941)</u>	-	<u>(5,858,962)</u>
	<u>4,099,520</u>	<u>5,555,045</u>	-	<u>9,654,565</u>
Private Gifts and Grants	70,288	1,331,054	2,016,335	3,417,677
Other Investment Income	63,200	5,594	36,901	105,695
Change in Contributions	(11,501)	(392,876)	(813,868)	(1,218,245)
Annuity and Unitrust Net Gifts	2,856	-	-	2,856
Adjustment of Actuarial Liability	(301,614)	46,003	(28,550)	(284,161)
Net Gain from Insurance Proceeds	8,048,313	-	-	8,048,313
Donor Reclassification of Net Assets	<u>(80)</u>	<u>80</u>	-	<u>-</u>
	<u>7,871,462</u>	<u>989,855</u>	<u>1,210,818</u>	<u>10,072,135</u>
Net Assets Released from Restrictions	<u>2,340,593</u>	<u>(2,340,593)</u>	-	<u>-</u>
	<u>10,212,055</u>	<u>(1,350,738)</u>	<u>1,210,818</u>	<u>10,072,135</u>
INCREASE IN NET ASSETS FROM NONOPERATING ACTIVITIES	<u>14,311,575</u>	<u>4,204,307</u>	<u>1,210,818</u>	<u>19,726,700</u>
INCREASE IN NET ASSETS	17,394,287	3,725,690	1,210,818	22,330,795
Net Assets - Beginning of Year	<u>131,331,311</u>	<u>28,869,809</u>	<u>52,294,588</u>	<u>212,495,708</u>
NET ASSETS - END OF YEAR	<u>\$ 148,725,598</u>	<u>\$ 32,595,499</u>	<u>\$ 53,505,406</u>	<u>\$ 234,826,503</u>

SAINT JOHN'S UNIVERSITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

SCHOOL OF THEOLOGY

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,039,234	\$ 1,555,581
Certificates of Deposit	-	200,000
Accounts Receivable:		
Student Receivables, Net of Allowance for Doubtful Accounts of \$12,800 in 2014 and \$14,300 in 2013	107,803	73,747
Contributions Receivable, Net of Allowance for Doubtful Accounts of \$10,300 in 2014 and \$8,800 in 2013	196,016	167,511
Interest Receivable	2,369	2,409
Other Receivables	15,901	10,238
Prepaid Expenses	92,893	79,303
Total Current Assets	1,454,216	2,088,789
 LONG-TERM RECEIVABLES AND OTHER NON-CURRENT ASSETS		
Certificates of Deposit	735,000	735,000
Contributions Receivable, Net of Allowance for Doubtful Accounts of \$31,600 in 2014 and \$36,500 in 2013	601,077	692,983
Unitrusts Receivable	89,103	77,326
Collateral Held Under Securities Lending Agreement	-	102,427
Total Long-Term Receivables and Other Non-Current Assets	1,425,180	1,607,736
 LONG-TERM INVESTMENTS		
Investments	19,798,816	17,837,234
Assets Held in Charitable Remainder Unitrusts	66,428	30,919
Total Long-Term Investments	19,865,244	17,868,153
 PROPERTY, PLANT AND EQUIPMENT		
Buildings	1,055,941	1,055,941
Furniture and Equipment	11,168	11,168
Library and Rare Books	158,667	72,565
Construction in Progress	6,195	-
Total	1,231,971	1,139,674
Less: Accumulated Depreciation	88,000	41,848
Total Property, Plant and Equipment	1,143,971	1,097,826
Total Assets	\$ 23,888,611	\$ 22,662,504

SCHOOL OF THEOLOGY

	2014	2013
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 40,455	\$ 53,442
Accrued Payroll and Benefits	144,347	151,861
Deferred Revenue	246,632	253,933
Funds Held for Others	5,041	4,097
Current Portion of Annuities and Unitrusts Payable	63,788	87,537
Total Current Liabilities	500,263	550,870
LONG-TERM LIABILITIES		
Annuities and Unitrusts Payable, Net of Current Portion	383,382	491,511
Collateral Payable Under Securities Lending Agreement	-	120,326
Other Long-Term Liabilities	38,890	36,987
Total Long-Term Liabilities	422,272	648,824
Total Liabilities	922,535	1,199,694
NET ASSETS		
Unrestricted:		
Available for Operations	-	-
Reserves and Program Funds	126,816	86,343
Endowment:		
Unrestricted Portion	-	-
Board Designated	3,259,023	3,064,683
Investment in Property, Plant and Equipment	1,105,080	1,060,840
Annuities	626,248	436,401
Contributions Receivable	159,816	144,037
Total Unrestricted Net Assets	5,276,983	4,792,304
Temporarily Restricted:		
Unitrusts	89,103	77,326
Endowment	6,828,701	5,275,447
Unexpended Gifts: Plant	1,100	-
Unexpended Gifts: Program	1,522,639	2,162,139
Contributions Receivable	72,864	91,901
Total Temporarily Restricted Net Assets	8,514,407	7,606,813
Permanently Restricted:		
Unitrusts	9,552	7,817
Endowment	8,600,721	8,431,320
Contributions Receivable	564,413	624,556
Total Permanently Restricted Net Assets	9,174,686	9,063,693
Total Net Assets	22,966,076	21,462,810
Total Liabilities and Net Assets	\$ 23,888,611	\$ 22,662,504

SAINT JOHN'S UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR YEAR ENDED 2013)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

SCHOOL OF THEOLOGY

	2014			TOTAL	2013 TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED		
OPERATING ACTIVITIES					
OPERATING REVENUES					
Tuition and Fees	\$ 1,175,586	\$ -	\$ -	\$ 1,175,586	\$ 1,158,240
Less: Funded Scholarships and Grants - Restricted Funds	(521,727)	-	-	(521,727)	(550,844)
Less: Funded Scholarships and Grants - Unrestricted Funds	(16,351)	-	-	(16,351)	(14,321)
Less: Unfunded Scholarships and Grants	-	-	-	-	(2,939)
Net Tuition and Fees	<u>637,508</u>	<u>-</u>	<u>-</u>	<u>637,508</u>	<u>590,136</u>
Private Gifts and Grants	691,641	72,135	-	763,776	1,991,937
Other Investment Income	6,479	-	-	6,479	12,635
Investment Return Allocated for Operations (Draw)	997,011	-	-	997,011	931,077
Other Sources	220,663	-	-	220,663	153,963
Sales and Services of Auxiliary Enterprises:					
Residence Halls	220,333	-	-	220,333	224,930
Food Services	49,542	-	-	49,542	61,156
	<u>2,823,177</u>	<u>72,135</u>	<u>-</u>	<u>2,895,312</u>	<u>3,965,834</u>
Net Assets Released from Restrictions	<u>711,636</u>	<u>(711,636)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenues, Gains and Other Support	3,534,813	(639,501)	-	2,895,312	3,965,834
OPERATING EXPENSES					
Program Expenses:					
Instruction:					
Core Curriculum	690,962	-	-	690,962	833,192
Public Service	728,343	-	-	728,343	532,234
Academic Support	483,291	-	-	483,291	397,024
Student Services	440,811	-	-	440,811	396,484
Auxiliary Enterprises:					
Residence Halls	201,617	-	-	201,617	173,262
Food Services	49,542	-	-	49,542	61,156
Support Expenses:					
Institutional Support	<u>874,313</u>	<u>-</u>	<u>-</u>	<u>874,313</u>	<u>765,349</u>
Total Operating Expenses	<u>3,468,879</u>	<u>-</u>	<u>-</u>	<u>3,468,879</u>	<u>3,158,701</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	65,934	(639,501)	-	(573,567)	807,133
NONOPERATING ACTIVITIES					
Long-Term Investment Activities:					
Endowment Income	665,429	2,244,632	-	2,910,061	2,094,896
Less: Investment Return					
Allocated for Operations (Draw)	<u>(305,635)</u>	<u>(691,376)</u>	<u>-</u>	<u>(997,011)</u>	<u>(931,077)</u>
	359,794	1,553,256	-	1,913,050	1,163,819
Private Gifts and Grants	-	1,099	151,387	152,486	201,825
Change in Contributions	15,779	(19,037)	(60,143)	(63,401)	118,937
Annuity and Unitrust Net Gifts	(4,197)	-	-	(4,197)	11,221
Adjustment of Actuarial Liability	10,747	11,777	19,749	42,273	(55,137)
Donor Reclassification of Net Assets	36,622	-	-	36,622	-
	<u>58,951</u>	<u>(6,161)</u>	<u>110,993</u>	<u>163,783</u>	<u>276,846</u>
Net Assets Released from Restriction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>58,951</u>	<u>(6,161)</u>	<u>110,993</u>	<u>163,783</u>	<u>276,846</u>
INCREASE (DECREASE) IN NET ASSETS FROM NONOPERATING ACTIVITIES	418,745	1,547,095	110,993	2,076,833	1,440,665
INCREASE (DECREASE) IN NET ASSETS	484,679	907,594	110,993	1,503,266	2,247,798
Net Assets - Beginning of Year	<u>4,792,304</u>	<u>7,606,813</u>	<u>9,063,693</u>	<u>21,462,810</u>	<u>19,215,012</u>
NET ASSETS - END OF YEAR	<u>\$ 5,276,983</u>	<u>\$ 8,514,407</u>	<u>\$ 9,174,686</u>	<u>\$ 22,966,076</u>	<u>\$ 21,462,810</u>

SAINT JOHN'S UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

SCHOOL OF THEOLOGY

	2013			TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	
OPERATING ACTIVITIES				
OPERATING REVENUES				
Tuition and Fees	\$ 1,158,240	\$ -	\$ -	\$ 1,158,240
Less: Funded Scholarships and Grants - Restricted Funds	(550,844)	-	-	(550,844)
Less: Funded Scholarships and Grants - Unrestricted Funds	(14,321)	-	-	(14,321)
Less: Unfunded Scholarships and Grants	(2,939)	-	-	(2,939)
Net Tuition and Fees	590,136	-	-	590,136
Private Gifts and Grants	613,376	1,378,561	-	1,991,937
Other Investment Income	12,635	-	-	12,635
Investment Return Allocated for Operations (Draw)	931,077	-	-	931,077
Other Sources	153,963	-	-	153,963
Sales and Services of Auxiliary Enterprises:				
Residence Halls	224,930	-	-	224,930
Food Services	61,156	-	-	61,156
	2,587,273	1,378,561	-	3,965,834
Net Assets Released from Restrictions	624,208	(624,208)	-	-
	3,211,481	754,353	-	3,965,834
Total Operating Revenues, Gains and Other Support	3,211,481	754,353	-	3,965,834
OPERATING EXPENSES				
Program Expenses:				
Instruction:				
Core Curriculum	833,192	-	-	833,192
Public Service	532,234	-	-	532,234
Academic Support	397,024	-	-	397,024
Student Services	396,484	-	-	396,484
Auxiliary Enterprises:				
Residence Halls	173,262	-	-	173,262
Food Services	61,156	-	-	61,156
Support Expenses:				
Institutional Support	765,349	-	-	765,349
	3,158,701	-	-	3,158,701
Total Operating Expenses	3,158,701	-	-	3,158,701
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	52,780	754,353	-	807,133
NONOPERATING ACTIVITIES				
Long-Term Investment Activities:				
Endowment Income	494,165	1,600,731	-	2,094,896
Less: Investment Return Allocated for Operations (Draw)	(239,472)	(691,605)	-	(931,077)
	254,693	909,126	-	1,163,819
Private Gifts and Grants	-	-	201,825	201,825
Change in Contributions	106,916	59,969	(47,948)	118,937
Annuity and Unitrust Net Gifts	11,221	-	-	11,221
Adjustment of Actuarial Liability	(195,909)	4,798	135,974	(55,137)
Donor Reclassification of Net Assets	-	-	-	-
	(77,772)	64,767	289,851	276,846
Net Assets Released from Restriction	-	-	-	-
	(77,772)	64,767	289,851	276,846
INCREASE (DECREASE) IN NET ASSETS FROM NONOPERATING ACTIVITIES	176,921	973,893	289,851	1,440,665
INCREASE (DECREASE) IN NET ASSETS	229,701	1,728,246	289,851	2,247,798
Net Assets - Beginning of Year	4,562,603	5,878,567	8,773,842	19,215,012
NET ASSETS - END OF YEAR	\$ 4,792,304	\$ 7,606,813	\$ 9,063,693	\$ 21,462,810

SAINT JOHN'S UNIVERSITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

HILL MUSEUM AND MANUSCRIPT LIBRARY

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,801,887	939,567
Accounts Receivable:		
Customer Receivables, Net of Allowance for Doubtful Accounts of \$-0- in 2014 and in 2013	189,285	93,713
Contributions Receivable, Net of Allowance for Doubtful Accounts of \$36,100 in 2014 and \$32,800 in 2013	685,235	623,201
Inventories	38,574	88,509
Prepaid Expenses	4,250	1,014
Total Current Assets	2,719,231	1,746,004
 LONG-TERM RECEIVABLES AND OTHER NON-CURRENT ASSETS		
Contributions Receivable, Net of Allowance for Doubtful Accounts of \$35,700 in 2014 and \$65,600 in 2013	677,530	1,247,067
Collateral Held Under Securities Lending Agreement	-	59,576
Total Long-Term Receivables and Other Non-Current Assets	677,530	1,306,643
 LONG-TERM INVESTMENTS		
Investments	10,473,306	10,097,518
Assets Held in Charitable Remainder Unitrusts	64,807	59,396
Total Long-Term Investments	10,538,113	10,156,914
 PROPERTY, PLANT AND EQUIPMENT		
Buildings	340,093	340,093
Furniture and Equipment	80,361	42,222
Microfilm	4,463,521	4,357,684
Books	1,886,558	1,852,558
Construction in Progress	482,636	20,784
Total	7,253,169	6,613,341
Less: Accumulated Depreciation	35,353	13,776
Total Property, Plant and Equipment	7,217,816	6,599,565
 Total Assets	 \$ 21,152,690	 \$ 19,809,126

HILL MUSEUM AND MANUSCRIPT LIBRARY

	2014	2013
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 329,284	\$ 51,325
Accrued Payroll and Benefits	41,358	35,622
Funds Held for Others	-	888
Current Portion of Annuities and Unitrusts Payable	16,223	34,033
Total Current Liabilities	386,865	121,868
LONG-TERM LIABILITIES		
Notes, Bonds and Mortgage Notes Payable	30,076	28,329
Annuities and Unitrusts Payable, Net of Current Portion	75,632	139,233
Collateral Payable Under Securities Lending Agreement	-	69,986
Total Long-Term Liabilities	105,708	237,548
Total Liabilities	492,573	359,416
NET ASSETS		
Unrestricted:		
Available for Operations	(249,490)	(224,649)
Reserves and Program Funds	475,000	590,000
Endowment:		
Unrestricted Portion	-	-
Board Designated	168,433	150,921
Investment in Property, Plant and Equipment	7,217,816	6,599,565
Annuities	47,482	(52,840)
Contributions Receivable	32,736	45,170
Total Unrestricted Net Assets	7,691,977	7,108,167
Temporarily Restricted:		
Endowment	3,562,127	2,551,201
Unitrusts	30,701	24,793
Unexpended Gifts:		
Plant	971,916	152,976
Program	466,113	536,644
Contributions Receivable	1,330,030	1,825,097
Total Temporarily Restricted Net Assets	6,360,887	5,090,711
Permanently Restricted:		
Endowment	6,607,253	7,250,832
Contributions Receivable	-	-
Total Permanently Restricted Net Assets	6,607,253	7,250,832
Total Net Assets	20,660,117	19,449,710
Total Liabilities and Net Assets	\$ 21,152,690	\$ 19,809,126

SAINT JOHN'S UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR YEAR ENDED 2013)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

HILL MUSEUM AND MANUSCRIPT LIBRARY

	2014			TOTAL	2013 TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED		
OPERATING ACTIVITIES					
OPERATING REVENUES					
Private Gifts and Grants:					
Foundations, Corporations and Individuals	\$ 469,591	\$ 66,500	\$ -	\$ 536,091	\$ 441,022
St. John's Abbey	11,807	-	-	11,807	2,000
St. John's University - Program Costs	12,374	-	-	12,374	-
St. John's University - Indirect Costs	42,420	-	-	42,420	41,385
Government Grants - Federal	-	213,501	-	213,501	104,158
Other Investment Income	1,533	47	-	1,580	4,252
Investment Return Allocated for Operations (Draw)	377,033	17,443	-	394,476	373,038
Other Sources:					
Gift Shop Sales	66,764	-	-	66,764	67,395
Library Sales	20,872	-	-	20,872	25,793
Miscellaneous Income	93,770	-	-	93,770	125,116
	<u>1,096,164</u>	<u>297,491</u>	<u>-</u>	<u>1,393,655</u>	<u>1,184,159</u>
Net Assets Released from Restrictions	1,014,288	(1,014,288)	-	-	-
Total Operating Revenues, Gains and Other Support	2,110,452	(716,797)	-	1,393,655	1,184,159
OPERATING EXPENSES					
Sponsored Programs:					
General	796,761	-	-	796,761	762,851
Preservation Fieldwork	259,106	-	-	259,106	237,060
Scholarly Activity:					
Study Centers	205,173	-	-	205,173	186,244
Fellowships	49,829	-	-	49,829	15,865
Cataloging	407,189	-	-	407,189	321,919
Digital Collections	309,826	-	-	309,826	168,571
Arca Artium	36,802	-	-	36,802	74,816
Other Mission Support	29,339	-	-	29,339	30,243
Gift Shop	72,440	-	-	72,440	33,570
Library Sales	14,977	-	-	14,977	16,846
Depreciation Expense	21,576	-	-	21,576	13,776
Less: Capitalized Costs	(174,776)	-	-	(174,776)	(171,086)
Total Operating Expenses	<u>2,028,242</u>	<u>-</u>	<u>-</u>	<u>2,028,242</u>	<u>1,690,675</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	82,210	(716,797)	-	(634,587)	(506,516)
NONOPERATING ACTIVITIES					
Long-Term Investment Activities:					
Endowment Income	41,178	1,534,590	-	1,575,768	1,160,710
Less: Investment Return Allocated for Operations (Draw)	(7,109)	(387,367)	-	(394,476)	(373,038)
	<u>34,069</u>	<u>1,147,223</u>	<u>-</u>	<u>1,181,292</u>	<u>787,672</u>
Private Gifts and Grants	4,016	997,358	106,421	1,107,795	1,810,169
Change in Contributions	(12,434)	(495,067)	-	(507,501)	(739,014)
Annuity and Unitrust Net Gifts	-	-	-	-	8,508
Adjustment of Actuarial Liability	59,247	4,161	-	63,408	(22,381)
Donor Reclassification of Net Assets	(125,000)	875,000	(750,000)	-	-
	<u>(74,171)</u>	<u>1,381,452</u>	<u>(643,579)</u>	<u>663,702</u>	<u>1,057,282</u>
Net Assets Released from Restriction	541,702	(541,702)	-	-	-
	<u>467,531</u>	<u>839,750</u>	<u>(643,579)</u>	<u>663,702</u>	<u>1,057,282</u>
INCREASE (DECREASE) IN NET ASSETS FROM NONOPERATING ACTIVITIES	501,600	1,986,973	(643,579)	1,844,994	1,844,954
INCREASE (DECREASE) IN NET ASSETS	583,810	1,270,176	(643,579)	1,210,407	1,338,438
Net Assets - Beginning of Year	<u>7,108,167</u>	<u>5,090,711</u>	<u>7,250,832</u>	<u>19,449,710</u>	<u>18,111,272</u>
NET ASSETS - END OF YEAR	<u>\$ 7,691,977</u>	<u>\$ 6,360,887</u>	<u>\$ 6,607,253</u>	<u>\$ 20,660,117</u>	<u>\$ 19,449,710</u>

SAINT JOHN'S UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

HILL MUSEUM AND MANUSCRIPT LIBRARY

	2013			TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	
OPERATING ACTIVITIES				
OPERATING REVENUES				
Private Gifts and Grants:				
Foundations, Corporations and Individuals	\$ 406,997	\$ 34,025	\$ -	\$ 441,022
St. John's Abbey	2,000	-	-	2,000
St. John's University - Program Costs	-	-	-	-
St. John's University - Indirect Costs	41,385	-	-	41,385
Government Grants - Federal	-	104,158	-	104,158
Other Investment Income	3,541	711	-	4,252
Investment Return Allocated for Operations (Draw)	356,294	16,744	-	373,038
Other Sources:				
Gift Shop Sales	67,395	-	-	67,395
Library Sales	25,793	-	-	25,793
Miscellaneous Income	125,116	-	-	125,116
	<u>1,028,521</u>	<u>155,638</u>	<u>-</u>	<u>1,184,159</u>
Net Assets Released from Restrictions	805,551	(805,551)	-	-
Total Operating Revenues, Gains and Other Support	1,834,072	(649,913)	-	1,184,159
OPERATING EXPENSES				
Sponsored Programs:				
General	762,851	-	-	762,851
Preservation Fieldwork	237,060	-	-	237,060
Scholarly Activity:				
Study Centers	186,244	-	-	186,244
Fellowships	15,865	-	-	15,865
Cataloging	321,919	-	-	321,919
Digital Collections	168,571	-	-	168,571
Arca Artium	74,816	-	-	74,816
Other Mission Support	30,243	-	-	30,243
Gift Shop	33,570	-	-	33,570
Library Sales	16,846	-	-	16,846
Depreciation Expense	13,776	-	-	13,776
Less: Capitalized Costs	(171,086)	-	-	(171,086)
Total Operating Expenses	<u>1,690,675</u>	<u>-</u>	<u>-</u>	<u>1,690,675</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	143,397	(649,913)	-	(506,516)
NONOPERATING ACTIVITIES				
Long-Term Investment Activities:				
Endowment Income	29,157	1,131,553	-	1,160,710
Less: Investment Return Allocated for Operations (Draw)	(6,825)	(366,213)	-	(373,038)
	<u>22,332</u>	<u>765,340</u>	<u>-</u>	<u>787,672</u>
Private Gifts and Grants	568,666	875,323	366,180	1,810,169
Change in Contributions	33,041	(538,046)	(234,009)	(739,014)
Annuity and Unitrust Net Gifts	8,508	-	-	8,508
Adjustment of Actuarial Liability	(22,970)	589	-	(22,381)
Donor Reclassification of Net Assets	-	80,000	(80,000)	-
	<u>587,245</u>	<u>417,866</u>	<u>52,171</u>	<u>1,057,282</u>
Net Assets Released from Restriction	91,581	(91,581)	-	-
	<u>678,826</u>	<u>326,285</u>	<u>52,171</u>	<u>1,057,282</u>
INCREASE IN NET ASSETS FROM NONOPERATING ACTIVITIES	701,158	1,091,625	52,171	1,844,954
INCREASE IN NET ASSETS	844,555	441,712	52,171	1,338,438
Net Assets - Beginning of Year	6,263,612	4,648,999	7,198,661	18,111,272
NET ASSETS - END OF YEAR	<u>\$ 7,108,167</u>	<u>\$ 5,090,711</u>	<u>\$ 7,250,832</u>	<u>\$ 19,449,710</u>

SAINT JOHN'S UNIVERSITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

ARTIST IN RESIDENCE

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 201,159	\$ 192,252
Other Receivables	400	325
Total Current Assets	201,559	192,577
 LONG-TERM RECEIVABLES AND OTHER NON-CURRENT ASSETS		
Collateral Held Under Securities Lending Agreement	-	2,145
 LONG-TERM INVESTMENTS		
Investments	391,512	351,072
 PROPERTY, PLANT AND EQUIPMENT		
Buildings	208,275	208,275
Furniture and Equipment	60,804	38,438
Total	269,079	246,713
Less: Accumulated Depreciation	16,821	7,963
Total Property, Plant and Equipment	252,258	238,750
Total Assets	\$ 845,329	\$ 784,544

ARTIST IN RESIDENCE

	<u>2014</u>	<u>2013</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 347	\$ 131
Accrued Payroll and Benefits	7,852	6,395
Total Current Liabilities	<u>8,199</u>	<u>6,526</u>
LONG-TERM LIABILITIES		
Collateral Payable Under Securities Lending Agreement	-	2,519
Total Liabilities	8,199	9,045
NET ASSETS		
Unrestricted:		
Available for Operations - AIR	110,362	122,493
Reserves and Program Funds	14,395	16,098
Endowment:		
Unrestricted Portion	-	-
Investment in Property, Plant and Equipment	252,258	238,750
Total Unrestricted Net Assets	<u>377,015</u>	<u>377,341</u>
Temporarily Restricted:		
Endowment	105,839	65,124
Unexpended Gifts: Program	68,603	47,461
Total Temporarily Restricted Net Assets	<u>174,442</u>	<u>112,585</u>
Permanently Restricted:		
Endowment	285,673	285,573
Total Permanently Restricted Net Assets	<u>285,673</u>	<u>285,573</u>
Total Net Assets	<u>837,130</u>	<u>775,499</u>
Total Liabilities and Net Assets	<u>\$ 845,329</u>	<u>\$ 784,544</u>

SAINT JOHN'S UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR YEAR ENDED 2013)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

ARTIST IN RESIDENCE

	2014			TOTAL	2013 TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED		
OPERATING ACTIVITIES					
OPERATING REVENUES					
Private Gifts and Grants:					
Foundations, Corporations and Individuals	\$ 57,090	\$ 58,556	\$ -	\$ 115,646	\$ 89,099
St. John's University	27,399	-	-	27,399	6,780
Other Investment Income	260	-	-	260	626
Other Sources	2,749	-	-	2,749	14,233
Investment Return Allocated for Operations (Draw)	16,190	322	-	16,512	15,831
	<u>103,688</u>	<u>58,878</u>	<u>-</u>	<u>162,566</u>	<u>126,569</u>
Net Assets Released from Restrictions	<u>37,736</u>	<u>(37,736)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenues, Gains and Other Support	141,424	21,142	-	162,566	126,569
OPERATING EXPENSES					
Other:					
Sponsored Programs:					
General	139,391	-	-	139,391	106,444
Book Expense	2,359	-	-	2,359	12,437
Total Operating Expenses	<u>141,750</u>	<u>-</u>	<u>-</u>	<u>141,750</u>	<u>118,881</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES					
	(326)	21,142	-	20,816	7,688
NONOPERATING ACTIVITIES					
Long-Term Investment Activities:					
Endowment Income	-	57,227	-	57,227	41,376
Less: Investment Return Allocated for Operations (Draw)	<u>-</u>	<u>(16,512)</u>	<u>-</u>	<u>(16,512)</u>	<u>(15,831)</u>
	<u>-</u>	<u>40,715</u>	<u>-</u>	<u>40,715</u>	<u>25,545</u>
Private Gifts and Grants	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>	<u>100</u>
	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>	<u>100</u>
Net Assets Released from Restriction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>	<u>100</u>
INCREASE IN NET ASSETS FROM NONOPERATING ACTIVITIES					
	<u>-</u>	<u>40,715</u>	<u>100</u>	<u>40,815</u>	<u>25,645</u>
INCREASE (DECREASE) IN NET ASSETS					
	(326)	61,857	100	61,631	33,333
Net Assets - Beginning of Year	<u>377,341</u>	<u>112,585</u>	<u>285,573</u>	<u>775,499</u>	<u>742,166</u>
NET ASSETS - END OF YEAR	<u>\$ 377,015</u>	<u>\$ 174,442</u>	<u>\$ 285,673</u>	<u>\$ 837,130</u>	<u>\$ 775,499</u>

SAINT JOHN'S UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

ARTIST IN RESIDENCE

	2013			TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	
OPERATING ACTIVITIES				
OPERATING REVENUES				
Private Gifts and Grants:				
Foundations, Corporations and Individuals	\$ 55,799	\$ 33,300	\$ -	\$ 89,099
St. John's University	6,780	-	-	6,780
Other Investment Income	626	-	-	626
Other Sources	14,233	-	-	14,233
Investment Return Allocated for Operations (Draw)	15,522	309	-	15,831
	<u>92,960</u>	<u>33,609</u>	<u>-</u>	<u>126,569</u>
Net Assets Released from Restrictions	<u>28,653</u>	<u>(28,653)</u>	<u>-</u>	<u>-</u>
 Total Operating Revenues, Gains and Other Support	 121,613	 4,956	 -	 126,569
OPERATING EXPENSES				
Other:				
Sponsored Programs:				
General	106,444	-	-	106,444
Book Expense	12,437	-	-	12,437
Total Operating Expenses	<u>118,881</u>	<u>-</u>	<u>-</u>	<u>118,881</u>
NET INCREASE (DECREASE IN NET ASSETS FROM OPERATING ACTIVITIES	2,732	4,956	-	7,688
NONOPERATING ACTIVITIES				
Long-Term Investment Activities:				
Endowment Income	-	41,376	-	41,376
Less: Investment Return Allocated for Operations (Draw)	<u>-</u>	<u>(15,831)</u>	<u>-</u>	<u>(15,831)</u>
	<u>-</u>	<u>25,545</u>	<u>-</u>	<u>25,545</u>
Private Gifts and Grants	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
Net Assets Released from Restriction	<u>316</u>	<u>(316)</u>	<u>-</u>	<u>-</u>
	<u>316</u>	<u>(316)</u>	<u>100</u>	<u>100</u>
INCREASE IN NET ASSETS FROM NONOPERATING ACTIVITIES	316	25,229	100	25,645
INCREASE IN NET ASSETS	3,048	30,185	100	33,333
Net Assets - Beginning of Year	<u>374,293</u>	<u>82,400</u>	<u>285,473</u>	<u>742,166</u>
NET ASSETS - END OF YEAR	<u>\$ 377,341</u>	<u>\$ 112,585</u>	<u>\$ 285,573</u>	<u>\$ 775,499</u>

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Saint John's

UNIVERSITY



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