POINT LOMA NAZARENE UNIVERSITY AND AFFILIATE

Combined Financial Statements
With Independent Auditors' Report

June 30, 2013 and 2012

CAPINCROUSE LLP
Certified Public Accountants

POINT LOMA NAZARENE UNIVERSITY AND AFFILIATE

Table of Contents

CAPINCROUSE LLP
Certified Public Accountants
www.capincrouse.com 6725 Mesa Ridge Road, Suite 204 San Diego, CA 92121 858.638.7220

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Point Loma Nazarene University and Affiliate
San Diego, California

Report on the Financial Statements

We have audited the accompanying combined financial statements of Point Loma Nazarene University and Affiliate (the University), which comprise the combined statements of financial position as of June 30, 2013 and 2012, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the combined 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 University'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 combined financial statements.

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

Board of Trustees
Point Loma Nazarene University and Affiliate
San Diego, California

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Point Loma Nazarene University and Affiliate as of June 30, 2013 and 2012, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

San Diego, California
October 14, 2013

POINT LOMA NAZARENE UNIVERSITY AND AFFILIATE

Combined Statements of Financial Position

	June 30, 2013	June 30, 2012
ASSETS:		
Cash and cash equivalents	$ 20,379,659	$ 13,621,423
Marketable securities	45,418,235	43,447,515
Student receivables, less allowance of $693,822 and $722,246 at June 30, 2013 and 2012, respectively	1,255,475	1,751,692
Accounts receivable	519,472	471,679
Notes receivable, less allowance of $50,230 and $59,538 at June 30, 2013 and 2012, respectively	3,629,332	3,854,920
Other assets	1,297,619	1,956,290
Equity participation notes receivable	5,723,808	5,561,543
Bond issuance costs, net of amortization	471,807	532,736
Investments in real estate	9,430,723	9,556,692
Construction in progress	1,740,544	1,950,851
Property, plant, and equipment, net of depreciation	71,403,448	71,010,325
Total Assets	$ 161,270,122	$ 153,715,666
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	$ 1,944,748	$ 2,136,993
Construction payable	534,892	559,129
Accrued expenses and other liabilities	3,637,535	3,336,408
Amounts held for others	1,172,212	1,235,176
Deposits and deferred revenue	1,976,669	2,423,073
Charitable trusts and annuities payable	1,649,319	1,609,845
Fair value of swap agreement liability	6,982,312	9,499,048
Federal student loan obligations	3,438,420	3,395,039
Long-term debt	31,165,858	32,116,149
	52,501,965	56,310,860
Net assets:		
Unrestricted	78,029,360	70,144,134
Temporarily restricted	10,516,411	8,402,433
Permanently restricted	20,222,386	18,858,239
	108,768,157	97,404,806
Total Liabilities and Net Assets	$ 161,270,122	$ 153,715,666

See notes to combined financial statements

POINT LOMA NAZARENE UNIVERSITY AND AFFILIATE

Combined Statements of Activities

	Year Ended June 30,							
	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, SUPPORT, AND RECLASSIFICATIONS:								
Student tuition and fees	$ 78,585,978	$ -	$ -	$ 78,585,978	$ 76,059,114	$ -	$ -	$ 76,059,114
Less student aid	(18,259,609)	-	-	(18,259,609)	(16,640,408)	-	-	(16,640,408)
	60,326,369	-	-	60,326,369	59,418,706	-	-	59,418,706
Auxiliary services	16,444,450	-	-	16,444,450	15,333,682	-	-	15,333,682
Private gifts and grants	2,156,388	2,355,734	1,461,641	5,973,763	2,327,396	1,026,708	1,144,441	4,498,545
Income on long-term investments	622,495	195,350	-	817,845	451,229	306,081	-	757,310
Other income	4,359,808	227	-	4,360,035	3,971,288	-	-	3,971,288
	83,909,510	2,551,311	1,461,641	87,922,462	81,502,301	1,332,789	1,144,441	83,979,531
Net assets released from restrictions	2,076,004	(1,978,510)	(97,494)	-	1,345,138	(1,345,138)	-	-
Total Revenue, Support, and Reclassifications	85,985,514	572,801	1,364,147	87,922,462	82,847,439	(12,349)	1,144,441	83,979,531
OPERATING EXPENSES:								
Instruction	27,563,422	-	-	27,563,422	27,455,412	-	-	27,455,412
Academic support	6,482,903	-	-	6,482,903	6,111,040	-	-	6,111,040
Student development	15,181,032	-	-	15,181,032	14,535,743	-	-	14,535,743
Institutional support	14,629,541	-	-	14,629,541	14,901,694	-	-	14,901,694
Operation and maintenance of plant	7,535,441	-	-	7,535,441	7,745,557	-	-	7,745,557
Auxiliary services	8,057,483	-	-	8,057,483	7,690,123	-	-	7,690,123
Other expenses	1,232,455	-	-	1,232,455	1,375,071	-	-	1,375,071
Organized research	359,850	-	-	359,850	413,800	-	-	413,800
Total Expenses	81,042,127	-	-	81,042,127	80,228,440	-	-	80,228,440
Change in Net Assets from Operations	4,943,387	572,801	1,364,147	6,880,335	2,618,999	(12,349)	1,144,441	3,751,091
Other Changes in Non-Operating Activities:								
Net unrealized gain (loss) on investments	219,288	989,344	-	1,208,632	(168,714)	(352,026)	-	(520,740)
Net realized gain on investments	148,315	551,833	-	700,148	49,753	241,846	-	291,599
Trust and annuity actuarial gain	57,500	-	-	57,500	70,255	-	-	70,255
Adjustment to swap agreement liability	2,516,736	-	-	2,516,736	(3,321,734)	-	-	(3,321,734)
Change in Net Assets	7,885,226	2,113,978	1,364,147	11,363,351	(751,441)	(122,529)	1,144,441	270,471
Net Assets, Beginning of Year	70,144,134	8,402,433	18,858,239	97,404,806	70,895,575	8,524,962	17,713,798	97,134,335
Net Assets, End of Year	$ 78,029,360	$ 10,516,411	$ 20,222,386	$ 108,768,157	$ 70,144,134	$ 8,402,433	$ 18,858,239	$ 97,404,806

See notes to combined financial statements

POINT LOMA NAZARENE UNIVERSITY AND AFFILIATE

Combined Statements of Cash Flows

	Year Ended June 30, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 11,363,351	$ 270,471
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,246,298	3,925,294
Net realized and unrealized loss (gain) on investments	(3,031,241)	154,304
Increase in provision for doubtful accounts	669	9,415
Capitalization of bond issuance costs	-	(226,291)
(Gain) Loss on equity participation notes receivable	(42,265)	39,282
Adjustment to actuarial liability for annuities	39,474	(14,603)
Restricted capital contributions	(720)	(1,470)
Adjustment to swap agreement liability	(2,516,736)	3,321,735
Net change in:		
Student and accounts receivable	448,424	415,390
Other assets	658,671	(540,634)
Accounts payable	(192,245)	284,874
Accrued expenses and other liabilities	301,127	30,159
Amounts held for others	(62,964)	224,503
Deposits and deferred revenue	(446,404)	(929,167)
Federal student loan obligations	43,381	58,686
Net Cash Provided by Operating Activities	10,808,820	7,021,948
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(4,368,185)	(3,131,141)
Sales of marketable securities	2,756,977	2,406,711
Purchases of marketable securities	(1,696,456)	(6,127,361)
Net proceeds from sale of real estate	806,189	154,869
Purchase of real estate	(350,220)	(791,902)
Issuance of equity participation notes receivable	(450,000)	-
Collections on notes receivable	224,919	479,475
Net Cash Used in Investing Activities	(3,076,776)	(7,009,349)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(950,291)	(903,940)
Payments on construction payable	(24,237)	-
Payments on capital lease obligation	-	(112,200)
Restricted capital contributions	720	1,470
Net Cash Used in Financing Activities	(973,808)	(1,014,670)
Change in Cash and Cash Equivalents	6,758,236	(1,002,071)
Cash and Cash Equivalents, Beginning of Year	13,621,423	14,623,494
Cash and Cash Equivalents, End of Year	$ 20,379,659	$ 13,621,423
SUPPLEMENTAL INFORMATION:		
Cash paid during the year for interest (none capitalized)	$ 1,553,537	$ 1,475,717
Capital additions acquired construction payable	$ 534,892	$ 559,129

See notes to combined financial statements

1. NATURE OF ORGANIZATION:

Point Loma Nazarene University (PLNU), formerly Pasadena College, was established in 1902 (incorporated in 1918) in California. PLNU is a selective, Christian liberal arts university located in San Diego, California, with graduate program regional centers throughout Southern California. Home to approximately 2,400 undergraduates and 1,100 graduate students, PLNU is committed to teaching, shaping, and sending its students into the world to make a positive difference.

PLNU is a nonprofit, religious corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). As such, it is also exempt from state income taxes. The primary source of revenue for PLNU is tuition and fee income from students. PLNU has been classified as a publicly supported organization, which is not a private foundation, under section 509(a) of the Code. Contributions by the public are deductible for income tax purposes.

PLNU is accredited by the Western Association of Schools and Colleges (WASC).

Point Loma Nazarene University Foundation (the Foundation), formerly Pasadena College Foundation, was incorporated in 1965. It exists to support the investment and fundraising activities of PLNU. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Code and is not a private foundation under Section 509(a) of the Code.

PRINCIPLES OF COMBINATION

The reporting entity includes PLNU and the Foundation (collectively referred to as the University).

The financial statements of the Foundation are combined into the financial statements of PLNU because PLNU controls the Foundation through economic interest and by way of electing the board of directors. All significant intercompany transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The combined financial statements of the University have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies followed are described below to enhance the usefulness of the combined financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash on deposit, and money market accounts. The University considers short-term highly liquid investments with a maturity date of three months or less from the date of purchase that are not part of an investment pool to be cash equivalents. The University invests its excess cash in various types of short-term investments. The University has established guidelines relative to diversification and maturities that maximize safety and liquidity. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates. These accounts often exceed federally insured limits. However, the University has not experienced any losses in such accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

MARKETABLE SECURITIES
Marketable equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the combined statements of activities.

STUDENT AND ACCOUNTS RECEIVABLE
Student and accounts receivable are reported net of any anticipated losses due to uncollectible accounts. The University's policy for determining when receivables are past due is if an account balance remains unpaid after the semester deadline. A finance charge is assessed on past due balances, and students are not permitted to register for subsequent semesters until all past due amounts are paid. Uncollectible accounts are written off to bad debt expense in the period they become uncollectible.

The allowance for doubtful accounts is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. The amount of the allowance is based on management's evaluation of the collectability of the receivable portfolio, including the age of the receivable, the history for each students account balance, and economic conditions. This process is based on estimates, and ultimate losses may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for doubtful accounts in the period in which they become known.

PROPERTY, PLANT, AND EQUIPMENT
Land, buildings, equipment, and library books are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. Depreciation is computed by the straight-line method with estimated useful lives as follows:

Buildings	60 years
Building renovations	40 years
Library books	15 years
Building and land improvements	10 years
Equipment	5 – 10 years

BOND ISSUANCE COSTS
Bond issuance costs are amortized on a straight-line basis over the term of the related outstanding bonds and are reported net of accumulated amortization. Bond issuance cost amortization totaled $60,929 and $38,299 for each of the years ended June 30, 2013 and 2012, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CHARITABLE TRUSTS AND ANNUITIES PAYABLE
Annuities are paid to individuals who have entered into annuity contracts with the University. Standard annuity tables are used to estimate the present value of future payments due to annuitants based on the annuitant's age and gender, the frequency and amount of payment, and the principal amount of the annuity. This present value calculation (also called the reasonable commensurate value) represents a liability of the University and is adjusted each year based on the expected remaining life of the annuitant. Upon the maturity of an annuity or trust, any remaining reasonable commensurate value is recognized as, and included in, contributions in the appropriate net asset classification on the combined statements of activities. For the years ended June 30, 2013 and 2012, there was $617 and $0, respectively of such income recognized.

FEDERAL STUDENT LOAN OBLIGATIONS
Student loans consist of federal and private donated funds loaned to students. Private donated funds are recorded as temporarily restricted net assets. Federal funds are recorded as a liability. In accordance with the Federal Perkins and Federal Nursing loan agreements, the University contributes a portion of its operating fund to the Federal loan programs. In general, the University's contribution is equal to approximately 10% of the total federal loan balance.

NET ASSETS
The combined financial statements report amounts by class of net assets:

Unrestricted net assets amounts are those currently available at the discretion of the board for use in the University's operations and those resources invested in property, plant, and equipment.

Temporarily restricted net assets contain donor-imposed restrictions that request the University to use or expend the assets as specified. These restrictions are satisfied either by the passage of time or by actions of the University.

Permanently restricted net assets contain donor-imposed restrictions and stipulate that the resources be maintained permanently but permit the University to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PUBLIC SUPPORT, REVENUE, AND EXPENSES
Contributions are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets is transferred to the University. The University records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions, or both. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the temporarily restricted net assets class. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

The University records tuition and other fees as earned. Tuition revenue is earned once the tuition is no longer refundable. Traditional school terms end prior to fiscal year-end. For non-traditional programs, revenue is pro-rated between fiscal years using straight-line proportional method.

FUNCTIONAL ALLOCATION OF EXPENSES
The costs of providing various program services and supporting activities of the University have been summarized on a functional basis in note 11. Accordingly, certain costs such as payroll and benefits have been allocated among the program services and supporting activities benefited based on management estimates of program usage.

USE OF ESTIMATES
The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. Actual results could differ from those estimates.

ADVERTISING
The University advertises to promote its academic programs as well as various special events occurring on campus. Advertising costs are expensed as incurred. For the years ended June 30, 2013 and 2012, advertising costs were $679,064 and $692,932, respectively.

RECLASSIFICATION
Certain amounts in the 2012 combined financial statements have been reclassified to conform with the 2013 presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

UNCERTAIN TAX POSITIONS
The combined financial statement effects of a tax position taken or expected to be taken are recognized in the combined financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the combined statements of activities. As of June 30, 2013 and 2012, the University had no uncertain tax positions that qualify for recognition or disclosure in the combined financial statements.

The University files information tax returns in the U.S. and California. The University is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations

3. MARKETABLE SECURITIES:
Marketable securities consist of:

	June 30,	
	2013	2012
Fixed income	$ 6,658,348	$ 5,653,202
Common stocks	5,445,782	13,806,458
Installment note receivable	249,566	249,566
Mutual funds	24,053,734	12,700,684
Certificates of deposit	5,840,124	8,143,447
Money market funds	45,425	41,542
Cash and cash equivalents	3,125,256	2,852,616
	$ 45,418,235	$ 43,447,515

Investment income as reported in the combined statements of activities is net of management fees and loan cancellation costs. Investment fees amounted to approximately $193,000 and $173,000 during the years ended June 30, 2013 and 2012, respectively.

4. CREDIT QUALITY OF FINANCING RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES:

LOANS RECEIVABLE

As an agent for the federal government, the University's federal loan portfolio is guaranteed by the United States Department of Education. There are, therefore, no impaired loans, no nonperforming loans, and no modifications to loan terms executed by the University because amounts that become old or past due are in due course turned back over to the Department of Education. The federal net share of the loan portfolio is ultimately refundable to the government and is classified as a liability in the combined statements of financial position.

The aging of the loan portfolio by classes of loans as of June 30, 2013, consists of:

	Current	31-90 Days Past Due	91-180 Days Past Due	Greater Than 180 Days	Total Notes Receivable
Student loans - federal	$ 2,604,941	$ 89,559	$ 95,425	$ 306,919	$ 3,096,844
Student loans - institutional	113,852	-	-	-	113,852
Faculty and staff loans	460,191	4,192	4,483	-	468,866
	$ 3,178,984	$ 93,751	$ 99,908	$ 306,919	$ 3,679,562
As a percentage of total loan portfolio	34%	1%	1%	3%	39%

Changes in allowance for estimated losses on loans in aggregate for the years ended June 30, 2013, is presented as follows:

	Student loans - institutional	Faculty and staff loans	Total
Beginning balance	$ 308	$ 59,230	$ 59,538
Charge-offs	-	(9,977)	(9,977)
Provision	3,035	(2,366)	669
Ending balance	$ 3,343	$ 46,887	$ 50,230

4. CREDIT QUALITY OF FINANCING RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES, continued:

The aging of the loan portfolio by classes of loans as of June 30, 2012, consists of:

	Current	31-90 Days Past Due	91-180 Days Past Due	Greater Than 180 Days	Total Notes Receivable
Student loans - federal	$ 2,682,330	$ 103,849	$ 100,270	$ 307,337	$ 3,193,786
Student loans - institutional	128,375	-	-	-	128,375
Faculty and staff loans	592,297	-	-	-	592,297
	$ 3,403,002	$ 103,849	$ 100,270	$ 307,337	$ 3,914,458
As a percentage of total loan portfolio	36%	1%	1%	3%	41%

Changes in allowance for estimated losses on loans in aggregate for the years ended June 30, 2012, is presented as follows:

	Student loans - institutional	Faculty and staff loans	Total
Beginning balance	$ 6,248	$ 57,983	$ 64,231
Charge-offs	(14,108)	-	(14,108)
Provision	8,168	1,247	9,415
Ending balance	$ 308	$ 59,230	$ 59,538

4. CREDIT QUALITY OF FINANCING RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES, continued:

EQUITY PARTICIPATION NOTES RECEIVABLE
The Housing Co-Investment program is an incentive program designed to help qualifying full-time faculty and staff employees purchase their primary residence.

Equity participation note agreements are entered into with the employees at the discretion of the University's administrative cabinet. The University's maximum investment in any particular property is based on its location, the purchase price, and the participant's annual gross family income. The University holds second trust deeds on the properties and will, in addition to its original investment, share on a pro rata basis any increases or decreases in the market value upon sale of any property.

Equity participation notes receivable are carried at face value net of any anticipated losses due to uncollectible accounts. Allowances for impaired notes receivable are determined based on collateral values or the present value of estimated cash flows. No allowance for doubtful accounts has been recorded against these loans based on their collateralization and prior collection history.

The loan amounts represent 58% and 57% of the total loan portfolio at June 30, 2013 and 2012, respectively. There were no amounts past due at June 30, 2013 and 2012.

5. INVESTMENTS IN REAL ESTATE:
Investments in real estate are carried at the lower of cost or fair market value (if the value is considered to be permanently impaired). Investments in real estate consist of:

	June 30, 2013	June 30, 2012
Faculty housing	$ 8,887,819	$ 8,806,387
Other properties	542,904	750,305
	$ 9,430,723	$ 9,556,692

6. PROPERTY, PLANT, AND EQUIPMENT:

Property, plant, and equipment consists of:

	June 30, 2013	June 30, 2012
Land and improvements	$ 5,697,215	$ 6,796,960
Buildings and improvements	105,869,454	107,209,794
Equipment	11,530,168	22,682,182
Library books	3,936,346	5,711,207
	127,033,183	142,400,143
Less accumulated depreciation	(55,629,735)	(71,389,818)
	71,403,448	71,010,325
Construction in progress	1,740,544	1,950,851
Less debt, construction payable, and capital lease obligation secured by property, plant, and equipment	(31,693,250)	(32,667,778)
Net investment in property, plant, and equipment	$ 41,450,742	$ 40,293,398

Depreciation expense totaled $4,185,369 and $3,886,995 for the years ended June 30, 2013 and 2012, respectively.

The total amount of assets recorded under capital lease totaled $57,222 and $545,914 for the years ended June 30, 2013 and 2012, respectively. Accumulated depreciation of such assets amounted to $35,639 and $489,572 at June 30, 2013 and 2012, respectively.

During the year ended June 30, 2013, management posted an adjustment to reduce accumulated deprecation and fixed assets by $19,945,450. The adjustment is a change in estimate resulting from removing fully depreciated and no longer in service assets from fixed assets. The adjustment had no affect on net assets.

7. LONG-TERM DEBT:

Long-term debt consists of:

	June 30, 2013	June 30, 2012
Suntrust Leasing Corporation, original amount $1,022,718 secured by equipment. Monthly principal and interest payments of $11,211 (5.72%), due April 2015.	$ 273,358	$ 388,649
ABAG Finance Authority for Nonprofit Corporations (ABAG) Bonds, Series 2008, original amount of $34,000,000. Principal payments are due annually starting on October 1, 2009. Interest is calculated and payable monthly. The average interest rate for the month of June 2013 was 1.1211%.	30,885,000	31,720,000
Other unsecured loans	7,500	7,500
	$ 31,165,858	$ 32,116,149

The ABAG bonds are variable rate demand bonds that were backed by a letter of credit. The initial letter of credit expired in November 2011 and was extended until December 20, 2011, when all of the outstanding bonds ($31,720,000) were purchased by Bank of America Merrill Lynch (BAML). The term of this direct purchase is five years. The University pays BAML a monthly interest payment based on a monthly index plus a margin. Principal payments are due each October 1. The bonds are secured by a first deed of trust on the Point Loma campus. The University maintains a derivative interest rate swap agreement to manage exposure to changes in interest rates as described in note 8.

Interest expense totaled $1,552,019 and $1,504,188 for the years ended June 30, 2013 and 2012, respectively. Included in interest expense are bank fees associated with the letter of credit totaling approximately $0 and $28,000 for the years ended June 30, 2013 and 2012 respectively. A letter of credit is not required during the term of the direct purchase.

LOAN COVENANT

With respect to the ABAG bonds, BAML requires covenants relating to, among other things, the maintenance of insurance, the maintenance of certain financial ratios, and financial reporting deadlines. As of June 30, 2013, the University was in compliance with all covenants.

7. LONG-TERM DEBT, continued:

Annual maturities are:

Year Ending June 30,	
2014	$ 997,061
2015	1,049,229
2016	982,107
2017	1,010,000
2018	1,060,000
Thereafter	26,067,461
	$ 31,165,858

8. INTEREST RATE SWAP AGREEMENT:

During the year ended June 30, 2007, the University entered into an interest rate swap agreement to manage the economic effect of variable interest obligations associated with the ABAG bonds described in note 7 so that the interest payable on the debt effectively becomes a fixed rate, thereby reducing the impact of future rate changes on future interest expenses. Under the swap agreement, the University agreed to pay a fixed rate of 4.0986% to the swap provider (Bank of America) over the life of the bonds (25 years) and to receive a variable interest payment based on a percentage of the one-month LIBOR rate. Effective November 1, 2009, the fixed rate paid to the swap provider was increased to 4.1663% in exchange for a reduction (until October 1, 2014) in the University's collateral posting requirements under the swap. As of June 30, 2013, this agreement had a fair value of ($6,982,312), a change of $2,516,736 from June 30, 2012 due to an improvement in market interest rates. During June 2013, the variable interest rate received by the University was .40279%, while the rate paid to bondholders was 1.1211%. The notional amount of the swap agreement was $30,885,000 and $31,720,000 on June 30, 2013 and 2012, respectively. The notional amount declines annually and expires on October 1, 2033.

The unrealized losses on this agreement are included in adjustment to swap agreement liability in the combined statements of activities and the corresponding liability is included in fair value of swap agreement liability in the combined statements of financial position.

8. INTEREST RATE SWAP AGREEMENT, continued:

The effects of derivative instruments on the combined financial statements were as follows as of June 30, 2013 and 2012, and for the years then ended:

FAIR VALUE OF DERIVATIVE INSTRUMENTS IN COMBINED STATEMENTS OF FINANCIAL POSITION

	Statement Location	Fair Value at June 30, 2013	Fair Value at June 30, 2012
Fair value hedge:			
Interest rate cap agreement	Fair value of swap agreement	$ 6,982,312	$ 9,499,048

EFFECTS OF DERIVATIVE INSTRUMENTS ON COMBINED STATEMENTS OF ACTIVITIES

	Statement Location	Gain (loss) for year ending June 30, 2013	Gain (loss) for year ending June 30, 2012
Fair value hedge:			
Interest rate cap agreement	Adjustment to swap agreement	$ 2,516,736	$ (3,321,734)

9. PAYMENTS TO ANNUITANTS AND TRUST BENEFICIARIES:

Payments to annuitants under the various charitable gift annuity agreements are computed at rates varying from 4% to 12% of the contributed amount and total approximately $75,000 annually. In addition, the University is the trustee and remainder beneficiary of several irrevocable charitable remainder trusts, wherein the University invests the assets of the trusts and distributes a specified percentage or amount each year to the donor or other beneficiary. Upon the death of the beneficiary, the assets remaining in the trust transfer to the University. Payments made under these trust agreements total approximately $144,000 annually.

10. LEASE COMMITMENTS:

The University leases its Arcadia, Bakersfield, and Corona, California, campuses and certain equipment under non-cancelable operating lease agreements. Total rent expense was $1,072,986 and $1,229,520 for the years ended June 30, 2013 and 2012, respectively.

Future minimum lease payments under non-cancelable operating leases with initial terms of one year or more are:

Years Ending June 30,	
2014	$ 1,242,391
2015	1,063,458
2016	441,618
2017	380,171
2018	365,776
Thereafter	2,119,176
Total minimum lease payments	$ 5,612,590

Included in total minimum lease payments are property use fees of $3,860,992 based on the DRC Partners use agreement for the conference center near the Point Loma campus.

Future minimum rentals to be received under non-cancelable subleases as of June 30, 2013, totaled approximately $51,810.

11. FUNCTIONAL EXPENSE ALLOCATION:

The following is an allocation of expenses by function:

	June 30, 2013	June 30, 2012
Program services	$ 61,221,452	$ 61,793,234
Supporting activities:		
General and administrative	17,969,722	17,340,534
Fundraising	1,850,953	1,094,672
	$ 81,042,127	$ 80,228,440

12. NET ASSETS:

Net assets consist of:

	June 30, 2013	June 30, 2012
Unrestricted:		
Undesignated	$ 20,835,748	$ 15,713,149
Board designated endowment funds	15,742,870	14,137,587
Net investment in land, buildings, and equipment	41,450,742	40,293,398
	$ 78,029,360	$ 70,144,134
Temporarily restricted net assets are available for the following purposes:		
Annuity/life income plans	$ 537,054	$ 682,797
Student aid	7,359,901	5,100,902
Construction	2,266,143	2,265,423
Research grants and other	353,313	353,311
	$ 10,516,411	$ 8,402,433
Permanently restricted net assets are available for the following purposes:		
Endowed scholarship funds	$ 19,847,605	$ 18,483,458
Annuity scholarship funds (upon the death of the annuitants or beneficiaries)	374,781	374,781
	$ 20,222,386	$ 18,858,239
Net assets released from restrictions by purpose are:		
Construction of long-lived assets	$ 135,550	$ -
Student development	440,075	259,060
Scholarships and grants	619,405	414,440
Payments to annuitants	86,751	181,948
Institutional support	49,372	302,797
Academic support	57,866	82,741
Research	100,233	79,053
Other	126,126	7,181
Maturing annuity	345,599	-
Instruction	17,533	17,918
	$ 1,978,510	$ 1,345,138

13. EMPLOYEE BENEFIT PLANS:

The University maintains a defined contribution pension plan (the Plan) for eligible full-time employees. Participants may contribute up to the maximum limit by federal law. The University contributes a base of 3% with no required contribution by the participant and matches up to 5% of participant contributions. The University's contributions were $2,297,856 and $2,276,675 for the years ended June 30, 2013 and 2012, respectively.

The employees may elect to contribute to a Tax Deferred Annuity (the TDA Plan). The University does not provide for contributions to the TDA Plan.

14. ENDOWMENTS:

The University's endowment consists of approximately 300 individual funds. The endowment includes both donor-restricted endowment funds (the significant majority of which were established to provide scholarships to University students) and funds designated by the board of trustees to function as endowments. As required by accounting principles generally accepted in the United States of America (GAAP), 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.

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

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

- The duration and preservation of the fund
- The purposes of the University and the specific donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University

14. ENDOWMENTS, continued:

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 or SPMIFA requires the University to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $1,543,109 and $2,048,239 as of June 30, 2013 and June 30, 2012, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board.

RETURN OBJECTIVES AND RISK PARAMETERS
The University, through its Foundation, has adopted investment and spending policies for donor-restricted endowment assets that attempt to provide a predictable stream of funding for student scholarships while seeking to maintain the purchasing power of the endowment assets. Under these policies, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of selected benchmarks for each investment asset class while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average annual rate of return greater than the corresponding benchmark index. Actual returns in any given year may vary from this amount.

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 AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY
During the year ended June 30, 2013, the University appropriated for expenditures from its scholarship endowment 4.0% of the average fair market value over the 12 quarters prior to, and including, December 31 of the preceding year. In the previous year, the University appropriated 3.5% using the same average fair market value method.

Spending from these funds is intended to benefit the University in perpetuity; therefore, the spending policy is intended to achieve a balance between the need to preserve the purchasing power of the endowment principal at the time of the donation and the need to maximize current distribution to support the purposes designated by the donors.

14. ENDOWMENTS, continued:

Endowment Net Asset Composition by Type of Fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ (1,543,109)	$ 3,939,050	$ 19,847,605	$ 22,243,546
Board designated endowment funds	17,285,979	-	-	17,285,979
	$ 15,742,870	$ 3,939,050	$ 19,847,605	$ 39,529,525

Endowment Net Asset Composition by Type of Fund as of June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ (2,048,239)	$ 3,108,534	$ 18,483,458	$ 19,543,753
Board designated endowment funds	16,185,826	-	-	16,185,826
	$ 14,137,587	$ 3,108,534	$ 18,483,458	$ 35,729,579

The endowment assets are included as components of cash and cash equivalents and investments reported in the accompanying combined financial statements.

14. ENDOWMENTS, continued:

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 14,137,587	$ 3,108,534	$ 18,483,458	$ 35,729,579
Investment return:				
Investment income	442,042	122,824	-	564,866
Net gains (realized and unrealized)	573,816	1,230,606	-	1,804,422
Total investment return	1,015,858	1,353,430	-	2,369,288
Contributions	-	6,756	1,461,641	1,468,397
Appropriation of endowment assets for expenditure	-	(529,670)	-	(529,670)
Other changes:				
Transfers to create board-designated endowment funds	1,365,054	-	-	1,365,054
Transfers to adjust endowments to actual	-	-	(97,494)	(97,494)
Board-designated endowment expenditures	(775,629)	-	-	(775,629)
	589,425	(522,914)	1,364,147	1,430,658
Endowment net assets, end of year	$ 15,742,870	$ 3,939,050	$ 19,847,605	$ 39,529,525

14. ENDOWMENTS, continued:

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 14,494,600	$ 3,244,592	$ 17,339,017	$ 35,078,209
Investment return:				
Investment income	83,813	225,491	-	309,304
Net losses (realized and unrealized)	(43,972)	(117,511)	-	(161,483)
Total investment return	39,841	107,980	-	147,821
Contributions	-	20,374	1,144,441	1,164,815
Appropriation of endowment assets for expenditure	-	(264,412)	-	(264,412)
Other changes:				
Board-designated endowment expenditures	(396,854)	-	-	(396,854)
	(396,854)	(244,038)	1,144,441	503,549
Endowment net assets, end of year	$ 14,137,587	$ 3,108,534	$ 18,483,458	$ 35,729,579

15. FAIR VALUE MEASUREMENTS:

The University uses appropriate valuation techniques to determine fair value based on inputs available. When available, the University measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available.

15. FAIR VALUE MEASUREMENTS, continued:

Fair values of assets measured on a recurring basis at June 30, 2013, are as follows:

	June 30, 2013	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable securities:				
Fixed income:				
Government bonds	$ 900,585	$ 450,153	$ 450,432	$ -
Corporate bonds	5,706,873	5,706,873	-	-
Church bonds	50,890	-	-	50,890
Total fixed income	6,658,348	6,157,026	450,432	50,890
Common stocks:				
Domestic	5,206,384	5,206,384	-	-
Foreign	239,398	239,398	-	-
Total common stocks	5,445,782	5,445,782	-	-
Installment note receivable	249,566	-	-	249,566
Mutual funds:				
Equity Domestic	11,729,226	10,363,484	1,365,742	-
Equity Foreign	258,831	226,641	32,190	-
Fixed Income Domestic	11,901,504	11,262,437	639,067	-
Fixed Income Foreign	14,201	9,421	4,780	-
Commodities	9,324	9,324	-	-
Commingled funds	65,465	65,465	-	-
Miscellaneous	75,183	75,183	-	-
Total mutual funds	24,053,734	22,011,955	2,041,779	-
Money market mutual funds	45,425	45,425	-	-
	$ 36,452,855	$ 33,660,188	$ 2,492,211	$ 300,456
Interest rate swap agreement liability	$ 6,982,312	$ -	$ 6,982,312	$ -

15. FAIR VALUE MEASUREMENTS, continued:

Fair values of assets measured on a recurring basis at June 30, 2012, are as follows:

		Fair Value Measurements Using:		
	June 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable securities:				
Fixed income:				
Government bonds	$ 1,114,592	$ 680,841	$ 433,751	$ -
Corporate bonds	4,442,720	4,442,720	-	-
Church bonds	95,890	-	-	95,890
Total fixed income	5,653,202	5,123,561	433,751	95,890
Common stocks:				
Domestic	13,806,458	13,806,458	-	-
Foreign	-	-	-	-
Total common stocks	13,806,458	13,806,458	-	-
Installment note receivable	249,566	-	-	249,566
Mutual funds:				
Equity Domestic	1,754,137	641,445	1,112,692	-
Equity Foreign	163,815	131,117	32,698	-
Fixed Income Domestic	10,643,573	10,010,891	632,682	-
Fixed Income Foreign	66,120	61,926	4,194	-
Commodities	4,058	4,058	-	-
Miscellaneous	68,981	68,981	-	-
Total mutual funds	12,700,684	10,918,418	1,782,266	-
Money market mutual funds	41,542	41,542	-	-
	$ 32,451,452	$ 29,889,979	$ 2,216,017	$ 345,456
Interest rate swap agreement liability	$ 9,499,048	$ -	$ 9,499,048	$ -

15. FAIR VALUE MEASUREMENTS, continued:

VALUATION TECHNIQUES
Fair values for U.S. Government securities, money market funds, corporate bonds and debentures, and common stocks are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of mutual funds is based on quoted net asset values of the shares held by the University at year-end. The fair values of Common Fund, managed corporate bond funds, and equity funds, for which quoted market prices are not available are valued based on yields currently available on comparable securities of issuers with similar credit ratings. The fair values of the certificates of deposit are based on observable inputs other than the quoted prices included in Level 1 and thus are based on yields for securities of comparable maturity, quality, and type as obtained from market makers. The fair values of installment notes held as investments for which quoted market prices are not available are valued based on yields currently available on comparable notes of issuers with similar credit ratings. The swap agreement liability is valued at the net present value of future cash flows attributable to the difference between the contractual variable and fixed rates in the agreement.

Changes in valuation techniques: None.

The following is a reconciliation of investments in securities for which significant unobservable inputs (Level 3) were used in determining value:

	June 30, 2013	June 30, 2012
Beginning balance	$ 345,456	$ 353,415
Principal payments received	(45,000)	(7,959)
Ending balance	$ 300,456	$ 345,456

16. RELATED PARTIES:
The University leases property owned by a denominationally related organization. Lease payments for the years ended June 30, 2013 and 2012, were $60,000 and $330,519, respectively.

A member of the board of trustees is also the president of a financial institution at which the University has approximately $8 million on deposit.

In October 2011, the University entered into a use agreement for a conference center near the University's Point Loma campus. DRC Partners allows the University to use their conference center near the University's Point Loma campus for a fee. The base use fee is $27,500 per month and increases annually. The University uses this space for offices, classes, and special events, which generate additional revenue for the University. Ownership of DRC Partners includes two individuals who are current board members of the University and one individual who is an employee of the University. Lease payments for the years ended June 30, 2013 and 2012, were $310,000 and $317,981, respectively.

17. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the combined financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

CAPINCROUSE LLP
Certified Public Accountants
www.capincrouse.com 6725 Mesa Ridge Road, Suite 204 San Diego, CA 92121 858.638.7220

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Trustees
Point Loma Nazarene University and Affiliate
San Diego, California

We have audited the combined financial statements of Point Loma Nazarene University and Affiliate as of and for the year ended June 30, 2013, and our report thereon dated October 14, 2013, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Supplemental Combining Statement of Financial Position and Supplemental Combining Statement of Activities are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and results of operations of the individual organizations, and it is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Capin Crouse LLP

San Diego, California
October 14, 2013

POINT LOMA NAZARENE UNIVERSITY AND AFFILIATE

Supplemental Combining Statement of Financial Position

June 30, 2013

	PLNU	Foundation	Total
ASSETS:			
Cash and cash equivalents	$ 20,361,287	$ 18,372	$ 20,379,659
Marketable securities	11,478,987	33,939,248	45,418,235
Student receivables, less allowance of $693,822	1,252,078	3,397	1,255,475
Accounts receivable	519,472	-	519,472
Notes receivable, less allowance of $50,230	3,629,332	-	3,629,332
Due to / from	4,977,935	(4,977,935)	-
Other assets	1,197,910	99,709	1,297,619
Equity participation notes receivable	-	5,723,808	5,723,808
Bond issuance costs, net of amortization	471,807	-	471,807
Investments in real estate	-	9,430,723	9,430,723
Construction in progress	1,740,544	-	1,740,544
Property, plant, and equipment, net of depreciation	71,403,448	-	71,403,448
Total Assets	$ 117,032,800	$ 44,237,322	$ 161,270,122
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable	$ 1,944,748	$ -	$ 1,944,748
Construction payable	534,892	-	534,892
Accrued expenses and other liabilities	3,635,994	1,541	3,637,535
Amounts held for others	1,172,212	-	1,172,212
Deposits and deferred revenue	1,975,069	1,600	1,976,669
Charitable trusts and annuities payable	-	1,649,319	1,649,319
Fair value of swap agreement liability	6,982,312	-	6,982,312
Federal student loan obligations	3,438,420	-	3,438,420
Long-term debt	31,158,358	7,500	31,165,858
	50,842,005	1,659,960	52,501,965
Net assets:			
Unrestricted	59,972,956	18,056,404	78,029,360
Temporarily restricted	6,119,380	4,397,031	10,516,411
Permanently restricted	98,459	20,123,927	20,222,386
	66,190,795	42,577,362	108,768,157
Total Liabilities and Net Assets	$ 117,032,800	$ 44,237,322	$ 161,270,122

POINT LOMA NAZARENE UNIVERSITY AND AFFILIATE

Supplemental Combining Statement of Financial Position

June 30, 2012

	PLNU	Foundation	Total
ASSETS:			
Cash and cash equivalents	$ 13,602,918	$ 18,505	$ 13,621,423
Marketable securities	12,787,132	30,660,383	43,447,515
Student receivables, less allowance of $722,246	1,748,323	3,369	1,751,692
Accounts receivable	378,122	93,557	471,679
Notes receivable, less allowance of $59,538	3,854,920	-	3,854,920
Due to / from	5,396,108	(5,396,108)	-
Other assets	1,846,989	109,301	1,956,290
Equity participation notes receivable	-	5,561,543	5,561,543
Trust deed note receivable	-	-	-
Bond issuance costs, net of amortization	532,736	-	532,736
Investments in real estate	-	9,556,692	9,556,692
Construction in progress	1,950,851	-	1,950,851
Property, plant, and equipment, net of depreciation	71,010,325	-	71,010,325
Total Assets	$ 113,108,424	$ 40,607,242	$ 153,715,666
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable	$ 2,136,993	$ -	$ 2,136,993
Construction payable	559,129	-	559,129
Accrued expenses and other liabilities	3,336,408	-	3,336,408
Amounts held for others	1,235,176	-	1,235,176
Deposits and deferred revenue	2,421,473	1,600	2,423,073
Charitable trusts and annuities payable	-	1,609,845	1,609,845
Fair value of swap agreement liability	9,499,048	-	9,499,048
Federal student loan obligations	3,395,039	-	3,395,039
Long-term debt	32,108,649	7,500	32,116,149
	54,691,915	1,618,945	56,310,860
Net assets:			
Unrestricted	53,613,119	16,531,015	70,144,134
Temporarily restricted	4,626,726	3,775,707	8,402,433
Permanently restricted	176,664	18,681,575	18,858,239
	58,416,509	38,988,297	97,404,806
Total Liabilities and Net Assets	$ 113,108,424	$ 40,607,242	$ 153,715,666

POINT LOMA NAZARENE UNIVERSITY AND AFFILIATE

Supplemental Combining Statement of Activities

Year Ended June 30, 2013

	PLNU				Foundation				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE, SUPPORT, AND RECLASSIFICATIONS:									
Student tuition and fees	$ 78,585,978	$ -	$ -	$ 78,585,978	$ -	$ -	$ -	$ -	$ 78,585,978
Less student aid	(17,832,020)	-	-	(17,832,020)	(427,589)	-	-	(427,589)	(18,259,609)
	60,753,958	-	-	60,753,958	(427,589)	-	-	(427,589)	60,326,369
Auxiliary services	16,444,450	-	-	16,444,450	-	-	-	-	16,444,450
Private gifts and grants	2,156,388	2,307,641	-	4,464,029	-	48,093	1,461,641	1,509,734	5,973,763
Income on long-term investments	265,448	175,097	-	440,545	357,047	20,253	-	377,300	817,845
Other income	4,243,699	-	-	4,243,699	116,109	227	-	116,336	4,360,035
	83,863,943	2,482,738	-	86,346,681	45,567	68,573	1,461,641	1,575,781	87,922,462
Net assets released from restrictions	1,068,289	(990,084)	(78,205)	-	1,007,715	(988,426)	(19,289)	-	-
Total Revenue, Support, and Reclassifications	84,932,232	1,492,654	(78,205)	86,346,681	1,053,282	(919,853)	1,442,352	1,575,781	87,922,462
OPERATING EXPENSES:									
Instruction	27,563,422	-	-	27,563,422	-	-	-	-	27,563,422
Academic support	6,482,903	-	-	6,482,903	-	-	-	-	6,482,903
Student development	15,181,032	-	-	15,181,032	-	-	-	-	15,181,032
Institutional support	14,629,541	-	-	14,629,541	-	-	-	-	14,629,541
Operation and maintenance of plant	7,535,441	-	-	7,535,441	-	-	-	-	7,535,441
Auxiliary services	8,057,483	-	-	8,057,483	-	-	-	-	8,057,483
Other expenses	463,441	-	-	463,441	769,014	-	-	769,014	1,232,455
Organized research	359,850	-	-	359,850	-	-	-	-	359,850
Transfers	705,625	-	-	705,625	(705,625)	-	-	(705,625)	-
Total Expenses	80,978,738	-	-	80,978,738	63,389	-	-	63,389	81,042,127
Change in Net Assets from Operations	3,953,494	1,492,654	(78,205)	5,367,943	989,893	(919,853)	1,442,352	1,512,392	6,880,335
Other Changes in Non-Operating Activities:									
Net unrealized gain (loss) on investments	(94,416)	-	-	(94,416)	313,704	989,344	-	1,303,048	1,208,632
Net realized gain on investments	(15,977)	-	-	(15,977)	164,292	551,833	-	716,125	700,148
Trust and annuity actuarial gain	-	-	-	-	57,500	-	-	57,500	57,500
Adjustment to swap agreement liability	2,516,736	-	-	2,516,736	-	-	-	-	2,516,736
Change in Net Assets	6,359,837	1,492,654	(78,205)	7,774,286	1,525,389	621,324	1,442,352	3,589,065	11,363,351
Net Assets, Beginning of Year	53,613,119	4,626,726	176,664	58,416,509	16,531,015	3,775,707	18,681,575	38,988,297	97,404,806
Net Assets, End of Year	$ 59,972,956	$ 6,119,380	$ 98,459	$ 66,190,795	$ 18,056,404	$ 4,397,031	$ 20,123,927	$ 42,577,362	$ 108,768,157

POINT LOMA NAZARENE UNIVERSITY AND AFFILIATE

Supplemental Combining Statement of Activities

Year Ended June 30, 2012

	PLNU				Foundation				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE, SUPPORT, AND RECLASSIFICATIONS:									
Student tuition and fees	$ 76,059,114	$ -	$ -	$ 76,059,114	$ -	$ -	$ -	$ -	$ 76,059,114
Less student aid	(16,234,601)	-	-	(16,234,601)	(405,807)	-	-	(405,807)	(16,640,408)
	59,824,513	-	-	59,824,513	(405,807)	-	-	(405,807)	59,418,706
Auxiliary services	15,333,682	-	-	15,333,682	-	-	-	-	15,333,682
Private gifts and grants	2,327,396	990,965	-	3,318,361	-	35,743	1,144,441	1,180,184	4,498,545
Income on long-term investments	486,428	(61,672)	-	424,756	(35,199)	367,753	-	332,554	757,310
Other income	3,856,875	-	-	3,856,875	114,413	-	-	114,413	3,971,288
	81,828,894	929,293	-	82,758,187	(326,593)	403,496	1,144,441	1,221,344	83,979,531
Net assets released from restrictions	895,484	(895,484)	-	-	449,654	(449,654)	-	-	-
Total Revenue, Support, and Reclassifications	82,724,378	33,809	-	82,758,187	123,061	(46,158)	1,144,441	1,221,344	83,979,531
OPERATING EXPENSES:									
Instruction	27,455,412	-	-	27,455,412	-	-	-	-	27,455,412
Academic support	6,111,040	-	-	6,111,040	-	-	-	-	6,111,040
Student development	14,535,743	-	-	14,535,743	-	-	-	-	14,535,743
Institutional support	14,901,694	-	-	14,901,694	-	-	-	-	14,901,694
Operation and maintenance of plant	7,745,557	-	-	7,745,557	-	-	-	-	7,745,557
Auxiliary services	7,690,123	-	-	7,690,123	-	-	-	-	7,690,123
Other expenses	1,200,719	-	-	1,200,719	174,352	-	-	174,352	1,375,071
Organized research	413,800	-	-	413,800	-	-	-	-	413,800
Transfers	(312,587)	-	-	(312,587)	312,587	-	-	312,587	-
Total Expenses	79,741,501	-	-	79,741,501	486,939	-	-	486,939	80,228,440
Change in Net Assets from Operations	2,982,877	33,809	-	3,016,686	(363,878)	(46,158)	1,144,441	734,405	3,751,091
Other Changes in Non-Operating Activities:									
Net unrealized gain (loss) on investments	(43,294)	-	-	(43,294)	(125,420)	(352,026)		(477,446)	(520,740)
Net realized gain on investments	921	-	-	921	48,832	241,846	-	290,678	291,599
Trust and annuity actuarial gain	-	-	-	-	70,255	-	-	70,255	70,255
Adjustment to swap agreement liability	(3,321,734)	-	-	(3,321,734)	-	-	-	-	(3,321,734)
Change in Net Assets	(381,230)	33,809	-	(347,421)	(370,211)	(156,338)	1,144,441	617,892	270,471
Net Assets, Beginning of Year	53,994,349	4,592,917	176,664	58,763,930	16,901,226	3,932,045	17,537,134	38,370,405	97,134,335
Net Assets, End of Year	$ 53,613,119	$ 4,626,726	$ 176,664	$ 58,416,509	$ 16,531,015	$ 3,775,707	$ 18,681,575	$ 38,988,297	$ 97,404,806