INDEPENDENT AUDITOR’S REPORT

AND

FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007
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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR’S REPORT

To the Trustees
Woodbury University

We have audited the accompanying statement of financial position of Woodbury University (a California nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Woodbury University’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Woodbury University as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2008, on our consideration of Woodbury University’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Woodbury University taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Los Angeles, California
October 20, 2008
WOODBURY UNIVERSITY

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 2007

| ASSETS | | |
|------------------|------------------|
| Cash and cash equivalents | $ 4,222,239 | $ 4,940,078 |
| Cash restricted for building construction | - | 13,172,581 |
| Cash restricted for bond reserve | 1,712,824 | 1,713,254 |
| Investments | 13,373,343 | 12,922,096 |
| Tuition receivable, net of allowance for doubtful accounts of $318,162 in 2008 and $295,307 in 2007 | 1,141,943 | 1,020,402 |
| Student loans, net | 1,712,926 | 1,552,893 |
| Grant receivable - Title V | - | 145,244 |
| Pledges receivable | 2,426,346 | 2,147,704 |
| Other receivables | 123,570 | 156,395 |
| Prepaids, deposits and other assets | 2,437,920 | 2,792,029 |
| Property, plant and equipment, net | 44,692,056 | 30,252,960 |
| **Total assets** | $ 71,843,167 | $ 70,815,636 |

| LIABILITIES AND NET ASSETS | | |
|---------------------------|-----------------|
| Accounts payable | $ 406,033 | $ 1,347,186 |
| Accrued expenses and other liabilities | 4,228,054 | 3,386,516 |
| Tuition advances | 1,287,813 | 1,025,287 |
| Student funds payable and student deposits | 638,833 | 443,405 |
| Loan payable | 181,310 | 261,921 |
| Bonds payable | 26,230,000 | 26,675,000 |
| **Total liabilities** | 32,972,043 | 33,139,315 |

Net Assets

| Unrestricted | | |
|---------------|-----------------|
| Undesignated | 2,601,471 | 1,704,250 |
| Investment in property, plant and equipment | 19,680,008 | 16,506,494 |
| Board designated endowment | 10,277,580 | 10,525,382 |
| Pension-additional minimum liability | (2,928,991) | (1,437,509) |
| **Total unrestricted** | 29,630,068 | 27,298,617 |
| Temporarily restricted | 5,688,779 | 6,855,373 |
| Permanently restricted | 3,552,277 | 3,522,331 |
| **Total net assets** | 38,871,124 | 37,676,321 |
| **Total liabilities and net assets** | $ 71,843,167 | $ 70,815,636 |

*See accompanying notes.*
WOODBURY UNIVERSITY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

<table>
<thead>
<tr>
<th>Revenues and Reclassifications:</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Year Ended 6/30/2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>$32,865,722</td>
<td>$</td>
<td>$</td>
<td>$32,865,722</td>
</tr>
<tr>
<td>Less: Institutional student aid</td>
<td>(6,862,942)</td>
<td></td>
<td></td>
<td>(6,862,942)</td>
</tr>
<tr>
<td>Funded scholarships</td>
<td>(325,151)</td>
<td></td>
<td></td>
<td>(325,151)</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>25,677,629</td>
<td></td>
<td></td>
<td>25,677,629</td>
</tr>
<tr>
<td><strong>Reclassifications:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>4,616,778</td>
<td>(4,616,778)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total revenues and reclassifications</strong></td>
<td>32,713,425</td>
<td>(1,166,594)</td>
<td>29,946</td>
<td>31,576,777</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>11,381,174</td>
<td></td>
<td></td>
<td>11,381,174</td>
</tr>
<tr>
<td>Academic support</td>
<td>785,746</td>
<td></td>
<td></td>
<td>785,746</td>
</tr>
<tr>
<td>Library</td>
<td>924,615</td>
<td></td>
<td></td>
<td>924,615</td>
</tr>
<tr>
<td>Registrar</td>
<td>438,322</td>
<td></td>
<td></td>
<td>438,322</td>
</tr>
<tr>
<td>Student services</td>
<td>1,639,266</td>
<td></td>
<td></td>
<td>1,639,266</td>
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<tr>
<td>Institutional support</td>
<td>3,391,407</td>
<td></td>
<td></td>
<td>3,391,407</td>
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<tr>
<td>Campus operations and maintenance</td>
<td>2,470,714</td>
<td></td>
<td></td>
<td>2,470,714</td>
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<tr>
<td>Admissions</td>
<td>895,332</td>
<td></td>
<td></td>
<td>895,332</td>
</tr>
<tr>
<td>University marketing</td>
<td>2,552,631</td>
<td></td>
<td></td>
<td>2,552,631</td>
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<tr>
<td>Data processing</td>
<td>817,205</td>
<td></td>
<td></td>
<td>817,205</td>
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<tr>
<td>Auxiliary enterprises</td>
<td>1,252,446</td>
<td></td>
<td></td>
<td>1,252,446</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,491,067</td>
<td></td>
<td></td>
<td>1,491,067</td>
</tr>
<tr>
<td>Other</td>
<td>850,567</td>
<td></td>
<td></td>
<td>850,567</td>
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<tr>
<td><strong>Total expenses</strong></td>
<td>28,890,492</td>
<td></td>
<td></td>
<td>28,890,492</td>
</tr>
<tr>
<td>Change in net assets before change in minimum pension liability</td>
<td>3,822,933</td>
<td>(1,166,594)</td>
<td>29,946</td>
<td>2,686,285</td>
</tr>
<tr>
<td>Change in minimum pension liability</td>
<td>(1,491,482)</td>
<td></td>
<td></td>
<td>(1,491,482)</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>2,331,451</td>
<td>(1,166,594)</td>
<td>29,946</td>
<td>1,194,803</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>27,298,617</td>
<td>6,855,373</td>
<td>3,522,331</td>
<td>37,676,321</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$29,630,068</td>
<td>$5,688,779</td>
<td>$3,552,277</td>
<td>$38,871,124</td>
</tr>
</tbody>
</table>

See accompanying notes.
WOODBURY UNIVERSITY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Year Ended 06/30/07</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues and Reclassifications:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>$30,237,780</td>
<td>$</td>
<td>$</td>
<td>$30,237,780</td>
</tr>
<tr>
<td>Less: Institutional student aid</td>
<td>(6,509,136)</td>
<td>(6,509,136)</td>
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<td></td>
</tr>
<tr>
<td>Funded scholarships</td>
<td>(373,149)</td>
<td></td>
<td>(373,149)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>23,555,495</td>
<td></td>
<td></td>
<td>23,555,495</td>
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<tr>
<td>Federal and state grants</td>
<td>-</td>
<td>816,720</td>
<td></td>
<td>816,720</td>
</tr>
<tr>
<td>Private gifts and grants</td>
<td>313,480</td>
<td>3,069,497</td>
<td>400,000</td>
<td>3,782,977</td>
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<tr>
<td>Auxiliary enterprises</td>
<td>1,826,162</td>
<td></td>
<td></td>
<td>1,826,162</td>
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<tr>
<td>Realized and unrealized gain</td>
<td>1,262,756</td>
<td></td>
<td></td>
<td>1,262,756</td>
</tr>
<tr>
<td>on investments</td>
<td>407,660</td>
<td>21,581</td>
<td>22,516</td>
<td>451,757</td>
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<tr>
<td>Other</td>
<td>651,871</td>
<td></td>
<td>2,312</td>
<td>654,183</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>28,017,424</td>
<td>3,907,798</td>
<td>424,828</td>
<td>32,350,050</td>
</tr>
<tr>
<td><strong>Reclassifications:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>1,320,647</td>
<td>(1,320,647)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenues and reclassifications</td>
<td>29,338,071</td>
<td>2,587,151</td>
<td>424,828</td>
<td>32,350,050</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>10,686,751</td>
<td></td>
<td></td>
<td>10,686,751</td>
</tr>
<tr>
<td>Academic support</td>
<td>643,224</td>
<td></td>
<td></td>
<td>643,224</td>
</tr>
<tr>
<td>Library</td>
<td>939,331</td>
<td></td>
<td></td>
<td>939,331</td>
</tr>
<tr>
<td>Registrar</td>
<td>409,770</td>
<td></td>
<td></td>
<td>409,770</td>
</tr>
<tr>
<td>Student services</td>
<td>1,580,058</td>
<td></td>
<td></td>
<td>1,580,058</td>
</tr>
<tr>
<td>Institutional support</td>
<td>3,319,055</td>
<td></td>
<td></td>
<td>3,319,055</td>
</tr>
<tr>
<td>Campus operations and maintenance</td>
<td>1,865,856</td>
<td></td>
<td></td>
<td>1,865,856</td>
</tr>
<tr>
<td>Admissions</td>
<td>911,429</td>
<td></td>
<td></td>
<td>911,429</td>
</tr>
<tr>
<td>University marketing</td>
<td>2,220,008</td>
<td></td>
<td></td>
<td>2,220,008</td>
</tr>
<tr>
<td>Data processing</td>
<td>880,944</td>
<td></td>
<td></td>
<td>880,944</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>1,089,829</td>
<td></td>
<td></td>
<td>1,089,829</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,315,654</td>
<td></td>
<td></td>
<td>1,315,654</td>
</tr>
<tr>
<td>Other</td>
<td>936,034</td>
<td></td>
<td></td>
<td>936,034</td>
</tr>
<tr>
<td>Total expenses</td>
<td>26,797,943</td>
<td></td>
<td></td>
<td>26,797,943</td>
</tr>
</tbody>
</table>

| Change in net assets before change in minimum pension liability | 2,540,128 | 2,587,151 | 424,828 | 5,552,107 |
| Change in minimum pension liability | 182,950 | - | - | 182,950 |
| Adjustment to initially apply FASB No. 158 | (1,306,648) | - | - | (1,306,648) |
| Change in net assets | 1,416,430 | 2,587,151 | 424,828 | 4,428,409 |
| Net assets at beginning of year | 25,882,187 | 4,268,222 | 3,097,503 | 33,247,912 |
| Net assets at end of year | $27,298,617 | $6,855,373 | $3,522,331 | $37,676,321 |

*See accompanying notes.*
WOODBURY UNIVERSITY

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2008  2007

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$1,194,803</td>
<td>$4,428,409</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,491,067</td>
<td>1,315,654</td>
</tr>
<tr>
<td>Realized and unrealized (gain) loss on investments</td>
<td>861,803</td>
<td>(1,262,756)</td>
</tr>
<tr>
<td>Contributions restricted for long-term investments</td>
<td>(50,000)</td>
<td>(400,000)</td>
</tr>
<tr>
<td>Change in additional minimum pension liability</td>
<td>1,491,482</td>
<td>(182,950)</td>
</tr>
<tr>
<td>Adjustment to initially apply Statement 158</td>
<td>-</td>
<td>1,306,648</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition receivable</td>
<td>(121,541)</td>
<td>(111,754)</td>
</tr>
<tr>
<td>Student loans</td>
<td>(160,033)</td>
<td>41,654</td>
</tr>
<tr>
<td>Grant receivable - Title V</td>
<td>145,244</td>
<td>512,515</td>
</tr>
<tr>
<td>Pledges and other receivables, net</td>
<td>(245,817)</td>
<td>(1,231,754)</td>
</tr>
<tr>
<td>Prepaid, deposits and other assets</td>
<td>354,111</td>
<td>(605,056)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(941,153)</td>
<td>1,177,171</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>(649,944)</td>
<td>(1,126,064)</td>
</tr>
<tr>
<td>Tuition advances</td>
<td>262,526</td>
<td>92,285</td>
</tr>
<tr>
<td>Student funds payable and student deposits</td>
<td>195,426</td>
<td>(148,200)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>3,827,974</td>
<td>3,805,802</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net purchases of investments</td>
<td>(1,313,050)</td>
<td>(435,507)</td>
</tr>
<tr>
<td>Purchases of property, plant and equipment</td>
<td>(15,930,163)</td>
<td>(9,780,145)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(17,243,213)</td>
<td>(10,215,652)</td>
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<table>
<thead>
<tr>
<th>Cash flows from financing activities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from contributions restricted for long-term investments</td>
<td>50,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Payments of bond principal</td>
<td>(445,000)</td>
<td>(320,000)</td>
</tr>
<tr>
<td>Proceeds from bond issue</td>
<td>-</td>
<td>7,000,000</td>
</tr>
<tr>
<td>Proceeds from loans payable</td>
<td>(80,611)</td>
<td>(84,746)</td>
</tr>
<tr>
<td><strong>Net cash (used) provided by financing activities</strong></td>
<td>(475,611)</td>
<td>6,995,254</td>
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</table>

<table>
<thead>
<tr>
<th>Net (decrease) increase in cash and cash equivalents</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(13,890,850)</td>
<td>585,404</td>
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</table>

<table>
<thead>
<tr>
<th>Cash and cash equivalents at beginning of year</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>19,825,913</td>
<td>19,240,509</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and cash equivalents at end of year</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,935,063</td>
<td>$19,825,913</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supplemental information:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid</td>
<td>$483,480</td>
<td>$18,261</td>
</tr>
</tbody>
</table>

See accompanying notes.
NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization - Woodbury University (the University) offers undergraduate and graduate programs in various majors in the areas of arts and sciences, architecture and business. The University is located in Burbank, California.

Use of Estimates in the Preparation of Financial Statements - The University follows accounting principles generally accepted in the United States in the presentation of its financial statements. The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future, as more information becomes known which could impact the amounts reported and disclosed herein.

Concentrations of Credit Risk - Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash deposits at financial institutions, student receivables, and investments in marketable securities. At times, balances in the University’s cash accounts exceed the Federal Deposit Insurance Corporation (FDIC) limit. Concentration of credit risk with respect to receivables are limited due to the large number of students from which amounts are due, with no one account being significant. Please see Note 14 for more details as to how the University is minimizing its investment exposure to the volatility of the investment market.

Cash and Cash Equivalents - Woodbury considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents. The carrying amount reported in the statement of financial position for cash equivalents approximates fair value.

Investments - Investments in marketable securities are carried at fair value, based on quoted market prices. Money market accounts in which management’s intent is to re-invest in marketable securities are classified as investments within the Statement of Financial Position. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Tuition Receivable - Tuition receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to tuition receivable.

Perkins Loan Program - Student notes receivable represent loans made to students under the Perkins Loan Program. As amounts are repaid, the University re-lends funds available to other qualified students.
NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable - Unconditional promises to give are recorded as receivables and gift revenues and require the University to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved and recorded in their respective net asset category. An allowance for uncollectible pledges receivable is provided based upon management’s judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

Property, Plant and Equipment - Property, plant, and equipment are recorded at cost, or fair market value, at the date of donation, if donated. Depreciation and amortization on buildings and equipment are based upon the estimated useful lives of the assets, ranging between five years and thirty years, and are applied using the straight-line method. The University’s capitalization policy is to capitalize purchases of property, plant and equipment in excess of $1,000 and which have a useful life greater than one year.

During the year ended June 30, 2006, the University issued bonds through the California Educational Facilities Authority (CEFA) for construction of two buildings and a parking lot. Expenditures related to this construction have been capitalized (See note 3) as well as related interest. Capitalized interest as of June 30, 2008 and 2007 amounted to $460,572 and $357,930, respectively.

On April 1, 2008, the two buildings were placed into service and the capitalized expenditures were classified as buildings.

Net Asset Classification - Net asset amounts that have similar characteristics have been combined into three categories -- unrestricted, temporarily restricted and permanently restricted as follows:

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. Temporarily restricted net assets contain donor-imposed restrictions that permit the University to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the University. Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the University to use, or expend the income derived from the donated assets according to donor purposes.

Contributions that the donor requires to be used to acquire long-lived assets (e.g. building improvements, furniture, fixtures, and equipment) are reported as temporarily restricted. The University reflects the expiration of the donor-imposed restrictions when the long-lived assets have been acquired, at which time temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.
NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition -

Tuition and Fees - The University records tuition income as earned. Tuition in arrears has been recorded as a receivable and tuition received in advance has been recorded as tuition advances.

Government Grants - Government grants are recognized as related expenses are incurred or administrative fees are earned.

Auxiliary Services - Auxiliary services consist of room and board and meal plans. Such revenue is recognized when services are provided.

Tax Status - The Internal Revenue Service has ruled that the University qualifies under Section 501(c)(3) of the Internal Revenue Code and is therefore not subject to income taxes for activities related to its exempt programs. Management is not aware of any event which would cause the University to be disqualified in operation. The University adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, on July 1, 2007. The University had no unrecognized tax benefits which would require an adjustment to the July 1, 2007 beginning balance of net assets. The University had no unrecognized tax benefits at July 1, 2007 and at June 30, 2008. The University recognizes interest accrued and penalties related to unrecognized tax benefits as an administrative expense. During the years ended June 30, 2008 and 2007 the University recognized no interest and penalties.

New Pronouncements - In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157") which establishes a framework for measuring fair value of assets and liabilities and expands disclosures about fair value measurements. The changes to current practice resulting from the application of SFAS No. 157 relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB deferred the implementation of the provisions of SFAS No. 157 relating to non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. Management is currently evaluating the impact that SFAS 157 may have on the University's results of operations, financial position, and cash flow.

In February 2007, the FASB released SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 permits companies to measure many financial instruments and certain other assets and liabilities at fair value on an instrument by instrument basis. SFAS 159 also establishes presentation and disclosure requirements to facilitate comparisons between companies that select different measurement attributes for similar types of assets and liabilities. SFAS 159 was effective for the University on July 1, 2008. Management is currently evaluating the impact that SFAS 159 may have on the University's results of operations, financial position, and cash flow.
WOODBURY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS

Investments consist of the following as of June 30:

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market accounts</td>
<td>$801,291</td>
<td>$456,266</td>
</tr>
<tr>
<td>Corporate obligations</td>
<td>3,469,066</td>
<td>3,009,113</td>
</tr>
<tr>
<td>U.S. government obligations</td>
<td>1,057,272</td>
<td>981,886</td>
</tr>
<tr>
<td>Common stock and convertible stock</td>
<td>8,045,714</td>
<td>8,474,831</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$13,373,343</td>
<td>$12,922,096</td>
</tr>
</tbody>
</table>

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30, 2008 and 2007:

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$7,384,774</td>
<td>$7,384,774</td>
</tr>
<tr>
<td>Land improvements</td>
<td>1,465,760</td>
<td>1,465,760</td>
</tr>
<tr>
<td>Buildings</td>
<td>35,222,319</td>
<td>13,800,973</td>
</tr>
<tr>
<td>Building improvements</td>
<td>9,006,277</td>
<td>5,082,819</td>
</tr>
<tr>
<td>Furnishings and equipment</td>
<td>4,313,220</td>
<td>4,177,447</td>
</tr>
<tr>
<td>Library books and materials</td>
<td>3,501,760</td>
<td>3,396,162</td>
</tr>
<tr>
<td>Computers</td>
<td>3,130,261</td>
<td>2,814,304</td>
</tr>
<tr>
<td>Computer software</td>
<td>569,709</td>
<td>466,928</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>64,594,080</td>
<td>38,589,167</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(20,064,303)</td>
<td>(18,573,234)</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>44,529,777</td>
<td>20,015,933</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>162,279</td>
<td>10,237,027</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$44,692,056</td>
<td>$30,252,960</td>
</tr>
</tbody>
</table>

NOTE 4 - LIFE ESTATE

The University was gifted an irrevocable life estate asset in May 2000. The donor transferred the ownership of the real estate to the University in May 2000, while retaining the right to use the property for the remainder of the donor's life. The donor continues to be responsible for maintaining the property and paying all related expenses.
NOTE 4 - LIFE ESTATE (Continued)

At the time of donation, the University recorded the asset at its fair market value and is appreciating the value of the property over the estimated remaining life of the donor, which was initially determined using published IRS actuary life expectancy tables. As of June 30, 2008 and 2007, the life estate was $1,170,000 and $1,105,000 and is included in prepaid, deposits and other assets in the Statement of Financial Position.

NOTE 5 – DUE TO BANKS

Loan Payable - In September 2005, the University obtained an unsecured construction loan in the amount of $400,000 from a bank to fund construction costs of a building. The loan bears interest at a fixed rate of 5.981% and is payable on demand. If no demand is made, monthly principal payments of $6,667 and interest are due monthly until the final payment due in September 2010.

Future principal payments are as follows for the years ending June 30:

- 2009: 80,000
- 2010: 80,000
- 2011: 21,310
- Total: $181,310

Line of Credit - At June 30, 2008, the University has a $1.8 million line of credit agreement with a bank available through October 8, 2008 (draw-down period). Under the agreement, the University is allowed to draw down up to the full $1.8 million up through the end of the draw down period. After October 8, 2008, the total amount drawn down will be categorized as a loan and will be payable in eighty-four equal monthly payments beginning on November 8, 2008. As of June 30, 2008, the University had not borrowed any funds against this line of credit.

In August 2008, the University drew-down the full $1.8 million from the line of credit at a fixed interest rate of 6.09%. This loan matures on October 8, 2015.
NOTE 6 - BONDS PAYABLE

On January 11, 2006, the University issued $19,995,000 of bonds through the California Educational Facilities Authority (CEFA) for construction of buildings. The bonds mature on January 1 each year in varying amounts with interest rates ranging from 4.00% to 5.07%. Principal maturity amounts are as follows:

$4,800,000 Serial Bonds

<table>
<thead>
<tr>
<th>Maturity Date (January 1)</th>
<th>Principal Amount</th>
<th>Interest Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>350,000</td>
<td>4.50</td>
</tr>
<tr>
<td>2010</td>
<td>365,000</td>
<td>4.50</td>
</tr>
<tr>
<td>2011</td>
<td>380,000</td>
<td>4.00</td>
</tr>
<tr>
<td>2012</td>
<td>400,000</td>
<td>4.10</td>
</tr>
<tr>
<td>2013</td>
<td>415,000</td>
<td>4.25</td>
</tr>
<tr>
<td>2014</td>
<td>430,000</td>
<td>4.30</td>
</tr>
<tr>
<td>2015</td>
<td>450,000</td>
<td>4.40</td>
</tr>
<tr>
<td>2016</td>
<td>470,000</td>
<td>4.50</td>
</tr>
<tr>
<td>2017</td>
<td>490,000</td>
<td>4.60</td>
</tr>
<tr>
<td>2018</td>
<td>515,000</td>
<td>4.63</td>
</tr>
<tr>
<td>2019</td>
<td>535,000</td>
<td>4.75</td>
</tr>
</tbody>
</table>

$ 4,800,000

$14,540,000 Term Bonds

<table>
<thead>
<tr>
<th>Maturity Date (January 1)</th>
<th>Principal Amount</th>
<th>Interest Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2025</td>
<td>$ 3,830,000</td>
<td>5.00</td>
</tr>
<tr>
<td>2030</td>
<td>4,165,000</td>
<td>5.00</td>
</tr>
<tr>
<td>2036</td>
<td>6,545,000</td>
<td>5.07</td>
</tr>
</tbody>
</table>

$ 14,540,000

The bonds are secured by a deed of trust on the University’s real estate. In addition, there are certain restrictions on the University with regard to entering into other long-term borrowings and there are certain loan covenants with which the University must remain in compliance.
NOTE 6 - BONDS PAYABLE (Continued)

Mandatory sinking fund payments at a redemption price of par plus accrued interest will occur on the following dates for the bonds maturing January 1, 2025:

<table>
<thead>
<tr>
<th>Mandatory Sinking Fund Payment Dates (January 1)</th>
<th>Mandatory Fund Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$ 565,000</td>
</tr>
<tr>
<td>2021</td>
<td>590,000</td>
</tr>
<tr>
<td>2022</td>
<td>620,000</td>
</tr>
<tr>
<td>2023</td>
<td>650,000</td>
</tr>
<tr>
<td>2024</td>
<td>685,000</td>
</tr>
<tr>
<td>2025 (Maturity)</td>
<td>720,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 3,830,000</strong></td>
</tr>
</tbody>
</table>

Mandatory sinking fund payments at a redemption price of par plus accrued interest will occur on the following dates for the bonds maturing January 1, 2030:

<table>
<thead>
<tr>
<th>Mandatory Sinking Fund Payment Dates (January 1)</th>
<th>Mandatory Fund Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2026</td>
<td>$ 755,000</td>
</tr>
<tr>
<td>2027</td>
<td>790,000</td>
</tr>
<tr>
<td>2028</td>
<td>830,000</td>
</tr>
<tr>
<td>2029</td>
<td>875,000</td>
</tr>
<tr>
<td>2030 (Maturity)</td>
<td>915,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 4,165,000</strong></td>
</tr>
</tbody>
</table>

Redemption of bonds maturing January 1, 2036, on the following dates from the following mandatory sinking fund payments, at a redemption price of par plus accrued interest:

<table>
<thead>
<tr>
<th>Mandatory Sinking Fund Payment Dates (January 1)</th>
<th>Mandatory Fund Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2031</td>
<td>$ 960,000</td>
</tr>
<tr>
<td>2032</td>
<td>1,010,000</td>
</tr>
<tr>
<td>2033</td>
<td>1,060,000</td>
</tr>
<tr>
<td>2034</td>
<td>1,115,000</td>
</tr>
<tr>
<td>2035</td>
<td>1,170,000</td>
</tr>
<tr>
<td>2036 (Maturity)</td>
<td>1,230,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 6,545,000</strong></td>
</tr>
</tbody>
</table>
NOTE 6 - BONDS PAYABLE (Continued)

On February 27, 2007, the University issued $7,000,000 of bonds through the California Educational Facilities Authority (CEFA). The bonds mature on February 1 each year in varying amounts with interest rates ranging from 3.70% to 5.00%. Principal maturity amounts are as follows:

<table>
<thead>
<tr>
<th>Maturity Date (February 1)</th>
<th>Principal Amount</th>
<th>Interest Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>115,000</td>
<td>3.75</td>
</tr>
<tr>
<td>2010</td>
<td>115,000</td>
<td>5.00</td>
</tr>
<tr>
<td>2011</td>
<td>120,000</td>
<td>4.13</td>
</tr>
<tr>
<td>2012</td>
<td>125,000</td>
<td>5.00</td>
</tr>
<tr>
<td>2013</td>
<td>135,000</td>
<td>5.00</td>
</tr>
<tr>
<td>2014</td>
<td>140,000</td>
<td>5.00</td>
</tr>
<tr>
<td>2015</td>
<td>145,000</td>
<td>5.00</td>
</tr>
<tr>
<td>2016</td>
<td>155,000</td>
<td>5.00</td>
</tr>
<tr>
<td>2017</td>
<td>165,000</td>
<td>5.00</td>
</tr>
</tbody>
</table>

$ 1,215,000

<table>
<thead>
<tr>
<th>Maturity Date (February 1)</th>
<th>Principal Amount</th>
<th>Interest Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2026</td>
<td>1,895,000</td>
<td>5.00</td>
</tr>
<tr>
<td>2030</td>
<td>1,145,000</td>
<td>5.00</td>
</tr>
<tr>
<td>2037</td>
<td>2,635,000</td>
<td>5.00</td>
</tr>
</tbody>
</table>

$ 5,675,000

The bonds are secured by a deed of trust on the University’s real estate. In addition, there are certain restrictions on the University with regard to entering into other long-term borrowings and there are certain loan covenants with which the University must remain in compliance.
NOTE 6 - BOND PAYABLE (Continued)

Mandatory sinking fund payments at a redemption price of par plus accrued interest will occur on the following dates for the bonds maturing January 1, 2026:

<table>
<thead>
<tr>
<th>Manadatory Sinking Fund Payment Dates (February 1)</th>
<th>Mandatory Fund Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ 170,000</td>
</tr>
<tr>
<td>2019</td>
<td>180,000</td>
</tr>
<tr>
<td>2020</td>
<td>190,000</td>
</tr>
<tr>
<td>2021</td>
<td>200,000</td>
</tr>
<tr>
<td>2022</td>
<td>210,000</td>
</tr>
<tr>
<td>2023</td>
<td>220,000</td>
</tr>
<tr>
<td>2024</td>
<td>230,000</td>
</tr>
<tr>
<td>2025</td>
<td>240,000</td>
</tr>
<tr>
<td>2026 (Maturity)</td>
<td>255,000</td>
</tr>
<tr>
<td></td>
<td>$ 1,895,000</td>
</tr>
</tbody>
</table>

Mandatory sinking fund payments at a redemption price of par plus accrued interest will occur on the following dates for the bonds maturing February 1, 2030:

<table>
<thead>
<tr>
<th>Manadatory Sinking Fund Payment Dates (February 1)</th>
<th>Mandatory Fund Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2027</td>
<td>$ 265,000</td>
</tr>
<tr>
<td>2028</td>
<td>280,000</td>
</tr>
<tr>
<td>2029</td>
<td>295,000</td>
</tr>
<tr>
<td>2030 (Maturity)</td>
<td>305,000</td>
</tr>
<tr>
<td></td>
<td>$ 1,145,000</td>
</tr>
</tbody>
</table>
NOTE 6 - BOND PAYABLE (Continued)

Mandatory sinking fund payments at a redemption price of par plus accrued interest will occur on the following dates for the bonds maturing February 1, 2037:

<table>
<thead>
<tr>
<th>Manadatory Sinking Fund Payment Dates (February 1)</th>
<th>Mandatory Fund Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2031</td>
<td>325,000</td>
</tr>
<tr>
<td>2032</td>
<td>340,000</td>
</tr>
<tr>
<td>2033</td>
<td>355,000</td>
</tr>
<tr>
<td>2034</td>
<td>375,000</td>
</tr>
<tr>
<td>2035</td>
<td>395,000</td>
</tr>
<tr>
<td>2036</td>
<td>410,000</td>
</tr>
<tr>
<td>2037 (Maturity)</td>
<td>435,000</td>
</tr>
<tr>
<td></td>
<td>$ 2,635,000</td>
</tr>
</tbody>
</table>

NOTE 7 - PLEDGES RECEIVABLE

Pledges receivable, net of estimated uncollectible amounts, and discounted to present value, are due to be collected as follows at June 30:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross unconditional promises to give</td>
<td>$2,760,442</td>
<td>$2,557,130</td>
</tr>
<tr>
<td>Less: unamortized discount</td>
<td>(334,096)</td>
<td>(409,426)</td>
</tr>
<tr>
<td>Net unconditional promises to give</td>
<td>$2,426,346</td>
<td>$2,147,704</td>
</tr>
</tbody>
</table>

Amounts due in:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year</td>
<td>$832,843</td>
<td>$792,220</td>
</tr>
<tr>
<td>One to five years</td>
<td>1,245,599</td>
<td>964,911</td>
</tr>
<tr>
<td>Greater than five years</td>
<td>682,000</td>
<td>800,000</td>
</tr>
<tr>
<td>Less: unamortized discount</td>
<td>(334,096)</td>
<td>(409,427)</td>
</tr>
<tr>
<td></td>
<td>$2,426,346</td>
<td>$2,147,704</td>
</tr>
</tbody>
</table>
WOODBURY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - STUDENT NOTES RECEIVABLE

Starting in the 1999 fiscal year, the University permitted certain students with past due tuition to pay the amounts owed over extended periods of up to 25 years at zero interest. These terms are offered to students who experienced unforeseen financial difficulties. These notes have been discounted for reporting purposes as follows and are presented with tuition receivable on the statements of financial position:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student notes receivable at face value</td>
<td>$15,422</td>
<td>$15,973</td>
</tr>
<tr>
<td>Less: unamortized discount</td>
<td>(15,422)</td>
<td>(15,973)</td>
</tr>
<tr>
<td>$</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2008 and 2007, temporarily restricted net assets consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowed scholarships</td>
<td>$74,094</td>
<td>$75,826</td>
</tr>
<tr>
<td>Restricted scholarships</td>
<td>782,678</td>
<td>108,510</td>
</tr>
<tr>
<td>Title V Co-Op matching gift</td>
<td>492,677</td>
<td>658,112</td>
</tr>
<tr>
<td>Restricted private gifts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kirkendall life estate</td>
<td>1,170,323</td>
<td>1,105,484</td>
</tr>
<tr>
<td>E-Commerce major</td>
<td></td>
<td>11,222</td>
</tr>
<tr>
<td>Building project</td>
<td>3,259,720</td>
<td>4,349,396</td>
</tr>
<tr>
<td>Gift annuities</td>
<td>141,471</td>
<td>56,990</td>
</tr>
<tr>
<td>Other</td>
<td>149,639</td>
<td>946,986</td>
</tr>
<tr>
<td></td>
<td>6,070,602</td>
<td>7,312,526</td>
</tr>
<tr>
<td>Less: present value discount</td>
<td>(381,823)</td>
<td>(457,153)</td>
</tr>
<tr>
<td>$</td>
<td>5,688,779</td>
<td>6,855,373</td>
</tr>
</tbody>
</table>
WOODBURY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

For the years ended June 30, 2008 and 2007, net assets released from donor restrictions by satisfying conditions specified by the donors are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>College work study disbursement</td>
<td>$171,966</td>
<td>$134,298</td>
</tr>
<tr>
<td>Title V</td>
<td>155,724</td>
<td>526,140</td>
</tr>
<tr>
<td>Scholarships and grants</td>
<td>320,093</td>
<td>376,947</td>
</tr>
<tr>
<td>Building project</td>
<td>3,371,329</td>
<td>405</td>
</tr>
<tr>
<td>Other</td>
<td>597,666</td>
<td>282,857</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4,616,778</strong></td>
<td><strong>$1,320,647</strong></td>
</tr>
</tbody>
</table>

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2008 and 2007, permanently restricted net assets consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins Loan funds</td>
<td>$1,596,187</td>
<td>$1,616,241</td>
</tr>
<tr>
<td>Scholarship funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Woodbury Estate</td>
<td>1,150,000</td>
<td>1,100,000</td>
</tr>
<tr>
<td>Hearst Foundation</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Carl Eyerick</td>
<td>139,000</td>
<td>139,000</td>
</tr>
<tr>
<td>Fletcher Jones Foundation</td>
<td>210,000</td>
<td>210,000</td>
</tr>
<tr>
<td>Harvey Cova</td>
<td>82,700</td>
<td>82,700</td>
</tr>
<tr>
<td>Robert Laatsch</td>
<td>46,000</td>
<td>46,000</td>
</tr>
<tr>
<td>Richard King</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Dora Kirby</td>
<td>33,240</td>
<td>33,240</td>
</tr>
<tr>
<td>Connie Gillaspie</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Wanda McQuary</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Other</td>
<td>35,150</td>
<td>35,150</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,552,277</strong></td>
<td><strong>$3,522,331</strong></td>
</tr>
</tbody>
</table>
NOTE 11 - RETIREMENT PLANS

Pension Plan - The Pension Plan for Employees of Woodbury University (the Plan) is administered by an insurance company and is available to all employees over 21 years of age provided they complete 1,000 hours of service. The Plan is a noncontributory defined benefit plan. The benefits are based on employees’ compensation during all years of service. The University’s funding policy is to make annual contributions as required by applicable regulations. Total pension expense was $988,509 (including $150,952 of actuarial fees and PBGC premiums) and $1,045,178 (including $121,330 of actuarial fees and PBGC premiums) for the years ended June 30, 2008 and 2007, respectively. Assets held by the Plan consist primarily of Contractual Fixed Dollar Funds, Money Market Funds, Indexed Bond Funds, Value Equity and Growth Equity Funds maintained by the New York Life Insurance Company under Group Annuity Contract GA-11452.

Retirement plan expense includes net periodic pension expense for the Plan calculated using the Projected Unit Credit Method as follows:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost-benefit earned during the year</td>
<td>$868,170</td>
<td>$827,597</td>
</tr>
<tr>
<td>Interest cost on project benefit obligation</td>
<td>910,419</td>
<td>816,018</td>
</tr>
<tr>
<td>Return on plan assets</td>
<td>(943,108)</td>
<td>(755,159)</td>
</tr>
<tr>
<td>Net amortization and deferral</td>
<td>2,076</td>
<td>35,392</td>
</tr>
<tr>
<td>Net periodic pension expense</td>
<td>$837,557</td>
<td>$923,848</td>
</tr>
</tbody>
</table>

The following table set forth the funded status of the Plan as follows:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial present value of benefit obligation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vested</td>
<td>$13,575,978</td>
<td>$12,519,378</td>
</tr>
<tr>
<td>Nonvested</td>
<td>93,573</td>
<td>144,667</td>
</tr>
<tr>
<td>Accumulated benefit obligation</td>
<td>$13,669,551</td>
<td>$12,664,045</td>
</tr>
<tr>
<td>Projected benefit obligation</td>
<td>$15,473,323</td>
<td>$14,284,504</td>
</tr>
<tr>
<td>Plan assets at fair value</td>
<td>(12,634,002)</td>
<td>(12,382,292)</td>
</tr>
<tr>
<td>Unfunded projected benefit obligation</td>
<td>2,839,321</td>
<td>1,902,212</td>
</tr>
<tr>
<td>Unrecognized net loss from past experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td>different from that assumed</td>
<td>(2,902,995)</td>
<td>(1,409,437)</td>
</tr>
<tr>
<td>Prior service cost</td>
<td>(25,996)</td>
<td>(28,072)</td>
</tr>
<tr>
<td>Accrued pension cost, included in accrued expenses and other liabilities</td>
<td>$ (89,670)</td>
<td>$464,703</td>
</tr>
<tr>
<td>Additional minimum liability</td>
<td>$2,928,991</td>
<td>$1,437,509</td>
</tr>
</tbody>
</table>
NOTE 11 - RETIREMENT PLANS (Continued)

During the fiscal year ended June 30, 2007, the University adopted the recognition and disclosure provisions of Financial Accounting Standards Board (FASB) Statement No. 158, Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans. Statement 158 requires employers to recognize the funded status of defined benefit pension and other postretirement plans as a net asset or liability and to recognized changes in that funded status in the year in which the changes occur. The funded status reported on the balance sheet as of June 30, 2007 was measured as the difference between the fair value of plan assets and the benefit obligation.

The incremental effect of applying Statement 158 on the University’s financial statements as of June 30, 2007 was as follows:

<table>
<thead>
<tr>
<th>Before application of Statement 158</th>
<th>Adjustments</th>
<th>After application of Statement 158</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unfunded accrued pension liability</td>
<td>$ 464,703</td>
<td>$ -</td>
</tr>
<tr>
<td>Reduction in unrestricted net assets</td>
<td>$ 130,861</td>
<td>$ 1,306,648</td>
</tr>
<tr>
<td>Liability for pension benefits</td>
<td>$ 595,564</td>
<td>$ 1,306,648</td>
</tr>
</tbody>
</table>


Assumptions used in the actuarial computations were:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement</td>
<td>Age 65</td>
<td>Age 65</td>
</tr>
<tr>
<td>Mortality</td>
<td>1983 Group Annuity</td>
<td>1863 Group Annuity</td>
</tr>
<tr>
<td>Discount rate</td>
<td>7.0%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Rate of increase in compensation levels</td>
<td>4.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Expected long-term return on assets</td>
<td>7.5%</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

The future expected benefit payments under the defined benefit plan at June 30, 2008 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$667,659</td>
</tr>
<tr>
<td>2010</td>
<td>$708,091</td>
</tr>
<tr>
<td>2011</td>
<td>$751,217</td>
</tr>
<tr>
<td>2012</td>
<td>$840,865</td>
</tr>
<tr>
<td>2013</td>
<td>$935,767</td>
</tr>
<tr>
<td>2014-2018</td>
<td>$5,821,938</td>
</tr>
</tbody>
</table>
WOODBURY UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - RETIREMENT PLANS (Continued)

Employer contributions to the plan for the years ended June 30, 2008 and 2007 totaled $1,391,930 and $2,081,583, respectively.

The University’s pension plan weighted average asset allocations by asset category for June 30, 2008 and 2007 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>58%</td>
<td>60%</td>
</tr>
<tr>
<td>Debt securities</td>
<td>37%</td>
<td>35%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

403(b) Retirement Plan - The University offers a 403(b) retirement plan to all full time employees. Under the 403(b) retirement plan, the University will match 100% of the employee’s contribution to the plan up to a 1% limit of their annual salary. If the employee elects to contribute more than 1%, they may contribute to a 403(b) supplemental account.

NOTE 12 - LEASES

The University has entered into leases for office equipment and space rental. Rent expense under operating leases was $1,025,226 and $1,022,795 for the years ended June 30, 2008 and 2007, respectively.

The future minimum lease payments under noncancelable operating leases at June 30, 2008 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$601,061</td>
</tr>
<tr>
<td>2010</td>
<td>427,104</td>
</tr>
<tr>
<td>2011</td>
<td>361,939</td>
</tr>
<tr>
<td>2012</td>
<td>289,157</td>
</tr>
<tr>
<td>2013</td>
<td>273,293</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,243,778</td>
</tr>
</tbody>
</table>

Total future minimum lease payments $3,196,332
NOTE 13 - RELATED PARTIES

A member on the Board of Directors also serves as a paid consultant to the University.

The wife of the University President (and member of the Board) is an employee of the University.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent to year end the financial markets have been volatile. The University is a long-term investor and diversifies its investments to minimize the impact of market displacements. At this point in time it is not reasonably possible to assess the ongoing market conditions and effectiveness of efforts to bring stability back to the financial markets.