BRYANT COLLEGE

Financial Statements

As of and for the eleven-month period ended June 30, 2004

(With Independent Auditors' Report Thereon)

BRYANT COLLEGE

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KPMG LLP
600 Fleet Center
50 Kennedy Plaza
Providence, RI 02903-2321

Independent Auditors' Report

The Board of Trustees
Bryant College:

We have audited the accompanying statement of financial position of Bryant College (the College) as of June 30, 2004, and the related statements of activities and cash flows for the period August 1, 2003 to June 30, 2004. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the College's 2003 financial statements and, in our report dated September 5, 2003, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 the College as of June 30, 2004 and the changes in its net assets and its cash flows for the period August 1, 2003 to June 30, 2004 in conformity with accounting principles generally accepted in the United States of America.

In fiscal 2004, the College changed its year-end to June 30 from July 31. Accordingly, the accompanying 2004 financial statements include eleven months of activity, compared to twelve months of activity in 2003.

KPMG LLP

August 12, 2004

BRYANT COLLEGE

Statement of Financial Position

June 30, 2004
(With comparative amounts as of July 31, 2003)

(Dollars in thousands)

Assets		**2004**	**2003**
Cash and short-term investments (note 3)	$	20,312	17,479
Accounts receivable, net		880	1,617
Contributions receivable, net (note 4)		3,417	6,582
Prepaid expenses and other assets		1,261	1,370
Notes receivable, net (note 5)		5,405	5,296
Long-term investments (note 3)		131,279	117,980
Deposits held by bond trustees (note 7)		350	5,508
Land, buildings and equipment, net (notes 6 and 7)		85,733	82,770
Total assets	$	248,637	238,602
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	9,014	7,628
Deferred revenues and advance payments		6,573	7,731
Notes and bonds payable, net (note 7)		48,004	55,928
Refundable advances – U.S. government grants (note 5)		5,365	5,248
Total liabilities		68,956	76,535
Net assets:			
Unrestricted:			
Available for operations		8,471	6,572
Designated for long-term investment		118,291	106,131
Net investment in plant		38,079	32,350
Total unrestricted net assets		164,841	145,053
Temporarily restricted (note 8)		3,885	6,837
Permanently restricted (notes 9 and 12)		10,955	10,177
Total net assets		179,681	162,067
Total liabilities and net assets	$	248,637	238,602

See accompanying notes to financial statements.

BRYANT COLLEGE

Statement of Activities

For the period August 1, 2003 through June 30, 2004
(With comparative totals for the year ended July 31, 2003)

(Dollars in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2004	Total 2003
Operating:					
Revenues:					
Tuition and fees	$ 64,724	—	—	64,724	58,484
Residence and dining	18,157	—	—	18,157	15,986
Less scholarships and grants	(19,181)	—	—	(19,181)	(16,132)
Net student revenue	63,700	—	—	63,700	58,338
Contributions	1,088	—	—	1,088	1,041
Net assets released from restrictions (note 10)	594	—	—	594	339
Government grants	601	—	—	601	660
Long-term investment income used in operations (note 3)	5,980	—	—	5,980	6,933
Short-term investment income	509	—	—	509	630
Public service	2,152	—		2,152	2,672
Auxiliary and other sources	2,054	—	—	2,054	3,277
Total operating revenues	76,678	—	—	76,678	73,890
Expenses (note 13):					
Instruction	21,386	—	—	21,386	20,470
Academic support	7,489	—	—	7,489	7,306
Student services	12,410	—	—	12,410	12,752
Institutional support	12,236	—	—	12,236	12,065
Public service	2,911	—	—	2,911	3,704
Auxiliary services	15,719	—	—	15,719	15,374
Total operating expenses	72,151	—	—	72,151	71,671
Increase in net assets from operating activities	4,527	—	—	4,527	2,219
Nonoperating:					
Capital contributions	19	1,755	434	2,208	3,890
Net assets released from restrictions (note 10)	4,120	(4,714)	—	(594)	(339)
Net unrealized and realized gain on long-term investments, less amount used in operations (note 3)	12,456	—	344	12,800	4,302
Other income	116	7	—	123	234
Capital campaign fundraising expenses	(1,450)	—	—	(1,450)	(2,167)
Change in net assets from nonoperating activities	15,261	(2,952)	778	13,087	5,920
Change in net assets	19,788	(2,952)	778	17,614	8,139
Net assets:					
Beginning of period	145,053	6,837	10,177	162,067	153,928
End of period	$ 164,841	3,885	10,955	179,681	162,067

See accompanying notes to financial statements.

BRYANT COLLEGE

Statement of Cash Flows

For the period August 1, 2003 through June 30, 2004
(With comparative amounts for the year ended July 31, 2003)

(Dollars in thousands)

		2004	2003
Cash flows from operating activities:			
Change in net assets	$	17,614	8,139
Adjustment to reconcile change in net assets to cash provided by operating activities:			
Depreciation and amortization		6,661	5,997
Net unrealized and realized gain on long-term investments		(15,875)	(8,096)
Contributions of furniture, equipment and other assets		(18)	(574)
Contributions received for long-term investment		(499)	(460)
Net change in working capital		3,433	910
Net cash provided by operating activities		11,316	5,916
Cash flows from investing activities:			
Additions to land, buildings and equipment		(8,739)	(7,642)
Proceeds from maturities and sales of investments		142,490	143,585
Cost of purchases of investments		(142,160)	(138,457)
Decrease in deposits held by bond trustees		5,158	303
Change in notes receivable, net		(109)	43
Net cash used in investing activities		(3,360)	(2,168)
Cash flows from financing activities:			
Contributions received for long-term investment		499	460
Repayment of principal on notes and bonds payable		(7,983)	(3,693)
Increase in refundable advances – U.S. government grants		117	91
Net cash used in financing activities		(7,367)	(3,142)
Change in cash		589	606
Cash, beginning of period		(523)	(1,129)
Cash, end of period	$	66	(523)

See accompanying notes to financial statements.

(1) Description of the College

Bryant College (the College) is a private, nonsectarian, coeducational institution of higher education chartered under the laws of the State of Rhode Island. The College was founded in 1863 and is located in Smithfield, on approximately 400 acres. The College offers a program leading to bachelors degrees in business administration, communication, information technology, applied psychology and liberal studies. Additionally, the College offers graduate programs leading to masters degrees in business administration, information systems, and taxation.

In fiscal 2004, the College changed its year-end to June 30 from July 31. Accordingly, the accompanying 2004 financial statements include eleven months of activity, compared to twelve months of activity in 2003.

Effective August 25, 2004, the College changed its name to “Bryant University.” Associated with this change, the Academic Affairs division has been restructured to create a College of Business and a College of Arts and Sciences.

(2) Summary of Significant Accounting Policies

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

(a) Net Assets

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income and gains, if any, on related investments for general or specific purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the College and or the passage of time.

Unrestricted net assets – Net assets not subject to donor-imposed stipulations which the College may use at its discretion.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and or the stipulated time period has elapsed, are reported as net assets released from restrictions between the applicable classes of net assets.

(Continued)

Dividends, interest and net gains (losses) on investments are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift or the College's interpretation of relevant state law require that they be added to the principal of a permanent restricted fund;
- as increases (decreases) in temporarily restricted net assets if the terms of the contributions impose restrictions on the current use of the income and or net gains; and
- as increases (decreases) in unrestricted net assets in all other cases.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted revenues. Promises to give that are scheduled to be received after the statement of financial position date are shown as increases in temporarily restricted net assets and are released to unrestricted net assets when the purpose and/or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. The College reports contributions of land, buildings or equipment as unrestricted revenues unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as unrestricted revenues provided the long-lived assets are placed in service in the same reporting period. Otherwise, the contributions are reported as temporarily restricted support until the assets are acquired and placed in service.

Unconditional promises to give that are receivable as of the end of the fiscal year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is expected to be received. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any.

The College adheres to the AICPA *Not-for-Profit Organizations Audit and Accounting Guide* in reporting fundraising costs and expenses by their functional classification. Accordingly, depreciation, interests and operations and maintenance expenses have been allocated to functional classifications based on building square footage. In addition, total fundraising expenses were $2,273 and $2,312 for the period August 1, 2003 to June 30, 2004 and for the year ended July 31, 2003, respectively.

(b) Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the College's financial statements as of and for the year ended July 31, 2003, from which the summarized information was derived.

(c) Short-Term Investments

Short-term investments include cash equivalents having maturities at date of purchase of three months or less, and are carried at cost, which approximates market value.

(d) Investments

Investments are carried at fair value. All long-term investments have been reported in the financial statements at their fair value in the case of marketable securities. The fair value of publicly traded securities is based upon quotes from the principal exchanges on which the security is traded. Mutual fund investments are valued based on net asset values. The net increase (decrease) in realized and unrealized appreciation (depreciation) in the fair value of such investments has been included in the statement of activities in the appropriate net asset classification. In the case of certain nonmarketable securities, principally limited partnerships and similar interests, for which quoted market prices are not available, the estimated fair value of these investments is based on valuations provided by the external investment managers. Since limited partnership investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. These investments represent approximately 3.5% of total investments.

(e) Liquidity

In order to provide information about liquidity, assets have been sequenced according to their convertibility to cash, and liabilities according to their estimated maturity.

(f) Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(g) Land, Buildings and Equipment

Land, constructed and purchased property, and equipment are carried at historical cost. Long-lived fixed assets, with the exception of land, are depreciated using the straight-line method over their estimated useful lives, which range from three to forty years.

(Continued)

(Dollars in thousands)

(h) Deferred Revenues

Students' reservation deposits along with advance payments for tuition, room, board and certain expenditures which relate to the College's summer or fall sessions have been deferred and will be recorded as unrestricted revenues and expenses, respectively, in the year in which they are earned or incurred.

(i) Tax Status

The College is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from income taxes pursuant to Section 501(a) of the Code.

(j) Operations

The statement of activities reports the changes in unrestricted, temporarily restricted and permanently restricted assets from operating and nonoperating activities. Unrestricted operating revenues consist of those items attributable to the College's primary mission of providing education. It includes investment earnings on the College's operating funds. Investment earnings on the College's unrestricted long-term investments and all realized and unrealized gains, net of the amount appropriated for operations, are classified as nonoperating. Net assets released from restrictions for capital purposes are included in nonoperating. Additionally, unrestricted operating revenues include contributions received related to annual fund support while all other contributions are classified as nonoperating.

(k) Reclassifications

Certain 2003 balances have been reclassified to conform to 2004 reporting practices.

(3) Investments

Long-term investments consisted of the following as of June 30, 2004 and July 31, 2003:

		2004	2003
Equity securities	$	76,421	67,701
Alternative investments		25,461	23,313
Fixed income securities		27,275	26,506
Cash equivalents		2,122	460
Total long-term investments, at fair value	$	131,279	117,980

Alternative investments are comprised of hedge funds, and partnerships in venture capital, private equity and real estate. The College had open purchase commitments for its partnership investments of $10,453 as of June 30, 2004.

(Dollars in thousands)

Long-term investment activity consisted of the following for the period August 1, 2003 to June 30, 2004 and for the year ended July 31, 2003:

		2004	2003
Long-term investments at beginning of period	$	117,980	109,355
Contributions		499	460
Interest and dividends		3,225	3,332
Net realized and unrealized gain		15,875	8,096
Management fees		(320)	(193)
Total investment earnings		18,780	11,235
Amount appropriated for operating activities		(5,980)	(6,933)
Amount used for capital campaign fundraising expenses		—	(2,167)
Transfers from operating activity		—	6,030
Long-term investments at end of period	$	131,279	117,980

Under the College's long-term investment spending policy, up to 5% of the long-term investments' three-year average market value is appropriated for expenditure.

Cash and short-term investments of $20,312 and $17,479 as of June 30, 2004 and July 31, 2003, respectively, include a cash balance of $66 and a cash overdraft of $523, respectively.

(4) Contributions Receivable

Contributions receivable consisted of the following as of June 30, 2004 and July 31, 2003:

		2004	2003
Amounts due in:			
Less than one year	$	2,108	5,029
One to five years		1,993	2,540
Over five years		110	195
Less discount and allowance for uncollectible contributions		(794)	(1,182)
Contributions receivable, net	$	3,417	6,582

(5) Notes Receivable

Notes receivable include funds advanced to the College by the U.S. government under the Federal Perkins Loan Program (the Program). Such funds may be reloaned by the College after collection, but in the event that the College no longer participates in the Program, the amounts are generally refundable to the U.S. government. Notes receivable are principally amounts under the Program and are subject to significant restrictions. Accordingly, it is not practicable to determine the fair value of such amounts.

(Dollars in thousands)

(6) Land, Buildings and Equipment

The College's land, buildings and equipment are comprised of the following as of June 30, 2004 and July 31, 2003:

		2004	2003
Buildings and leasehold improvements	$	112,857	105,464
Furniture, equipment and other assets		36,537	33,760
Land and improvements		11,082	10,980
Construction in progress		841	1,630
		161,317	151,834
Less accumulated depreciation		(75,584)	(69,064)
Land, buildings and equipment, net	$	85,733	82,770

Depreciation expense was $6,520 and $5,844 for the period August 1, 2003 to June 30, 2004 and for the year ended July 31, 2003, respectively.

(7) Notes and Bonds Payable

Notes and bonds payable outstanding as of June 30, 2004 and July 31, 2003 are as follows:

		2004	2003
3%, U.S. Department of Housing and Urban Development (HUD) Bryant College Dormitory Bonds of 1969, due in semiannual installments of varying amounts to 2010	$	433	505
Variable rate (1.70%), Rhode Island Higher Education Building Corporation (RIHEBC), Series 1983, due September 2003		—	4,560
4.73%, RIHEBC, 1998 Master Lease, due in varying amounts to 2008		1,416	1,730
4.24%, RIHEBC, 1998 Master Lease, due in varying amounts to 2009		2,509	3,006
4.25%-5.00%, RIHEBC, 2001 Series, due in varying amounts to 2032		28,625	29,125
4.00%-5.00%, RIHEBC, 2002 Series, due in varying amounts to 2019		15,425	17,465
Less unamortized bond discount		(404)	(463)
Notes and bonds payable, net	$	48,004	55,928

Cash paid for interest was $2,458 and $2,679 for the period August 1, 2003 to June 30, 2004 and for the year ended July 31, 2003, respectively.

(Continued)

(Dollars in thousands)

The College believes that its debt approximates fair value based on estimates using interest rates available for similar debt with equivalent maturities.

Scheduled annual principal repayments of notes and bonds payable as of June 30, 2004 and July 31, 2003 are as follows:

		Bonds	Notes
Fiscal year:			
2005	$	2,715	847
2006		1,315	885
2007		1,368	925
2008		1,435	966
2009		1,497	302
Thereafter		36,153	—
Total principal payments	$	44,483	3,925

The 1969 HUD bonds are collateralized by a first mortgage on certain dormitories of the College.

In June 1998, the College entered into a $3,100 Master Lease with RIHEBC to finance the expansion of computer technology, renovation and rehabilitation of certain buildings at the College, and to pay certain expenses of issuance with respect to the Master Lease. The lease is collateralized by the assets purchased with the lease proceeds.

In December 1998, the College entered into a $5,000 Master Lease with RIHEBC to finance the construction of athletic facilities, expansion of computer technology, renovation and rehabilitation of certain buildings at the College, and to pay certain expenses of issuance with respect to the Master Lease. The lease is collateralized by the assets purchased with the lease proceeds.

In January 2001, the College entered into an agreement with RIHEBC which provided for the issuance of $30,000, 4.00%-5.19%, Higher Education Facility Revenue Bonds, Series 2001 due in varying principal payments or sinking fund payments to June 1, 2019. These bonds are a general obligation of the College, requiring a pledge of tuition and admission fees received in each fiscal year.

In May 2002, the College entered into an agreement with RIHEBC which provided for the issuance of $19,425, 2.00%-5.24%, Higher Education Facility Revenue Refunding Bonds, 2002 Series A Bonds, due in varying principal payments or sinking fund payments to June 1, 2019. These bonds are a general obligation of the College, requiring a pledge of tuition and admission fees received in each fiscal year.

(Continued)

(Dollars in thousands)

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of June 30, 2004 and July 31, 2003:

	2004	2003
Contributions receivable, net	$ 3,242	6,341
Purpose restrictions:		
Scholarships	147	126
Instruction	96	119
Academic support	138	36
Student services	48	49
Institutional support	3	2
Public service	119	164
Buildings and facilities	39	—
Other capital campaign	53	—
Total purpose restrictions	643	496
Total temporarily restricted net assets	$ 3,885	6,837

(9) Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following as of June 30, 2004 and July 31, 2003:

	2004	2003
Contributions receivable, net	$ 175	241
Assets for which income is restricted for the following purposes:		
Scholarships	8,944	8,162
Instruction and other programs	1,836	1,774
Total income restricted as to purpose	10,780	9,936
Total permanently restricted net assets	$ 10,955	10,177

(Dollars in thousands)

(10) Net Assets Released from Restrictions

Net assets released from temporary donor restrictions by incurring expenses or costs satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

		2004	2003
Buildings and facilities	$	4,120	3,177
Scholarships and other programs		594	504
Total net assets released from restrictions	$	4,714	3,681

(11) Retirement Plan

The College has a contributory retirement plan (the Plan) for eligible full-time academic, administrative and service personnel. The Plan is designed in accordance with the provisions of Section 403(b) of the Code. Contributions are made by the College and the participants to the Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and the Fidelity Service Company, the Plan's investment custodians, based on participant elections. The College's expense under the Plan was $2,248 and $2,193 for the period August 1, 2003 to June 30, 2004 and for the year ended July 31, 2003, respectively.

(12) Uniform Management of Institutional Funds Act

The College is incorporated under the laws of the State of Rhode Island and is, therefore, subject to the provisions of the Rhode Island Uniform Management of Institutional Funds Act (the Act), as amended. Under the Act, the accumulated realized and unrealized gains related to the investment of a permanently restricted contribution may legally be appropriated for expenditure by the College to a specified limit, with a fixed amount remaining with the permanently restricted contribution in order to account for any changes in the purchasing power of the historic dollar value of the contribution, unless donor-imposed restrictions explicitly provide otherwise, thus preserving the buying power of these contributions. Accordingly, the net gains on permanently restricted contributions that contain no donor restrictions as to the use of income derived therefrom have been included in unrestricted net assets. The net gains on permanently restricted contributions that contain donor restrictions as to the use of income derived therefrom have been included in temporarily restricted net assets to the extent that they are not spent pursuant to the restrictions in the same period they are earned. Only the original amount of permanently restricted contributions, plus the calculation of a portion of the income and gains based upon the consumer price index, has been included in permanently restricted net assets.

(Dollars in thousands)

(13) Natural Classification of Operating Expenses

Operating expenses by their natural classification were as follows for the period August 1, 2003 to June 30, 2004 and for the year ended July 31, 2003:

		2004	2003
Salaries and wages	$	32,878	33,683
Fringe benefits		9,302	9,026
Depreciation and amortization		6,661	5,997
Food service		4,225	3,815
Purchased services		2,814	2,729
Utilities and communications		2,806	2,732
Facility renovations		2,341	2,313
Interest		2,219	2,541
Advertising and publications		1,644	1,475
Supplies and postage		798	992
Other		6,463	6,368
Total operating expenses	$	72,151	71,671