



Financial Statements for the
Years Ended June 30, 2011 and 2010,
And Supplementary Information

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and
Dr. Michael Carter, President of
Campbellsville University

We have audited the accompanying statements of financial position of Campbellsville University (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 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 the 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 Campbellsville University as of June 30, 2011 and 2010, 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 September 29, 2011, on our consideration of Campbellsville 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Campbellsville 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Wise, Buckner, Sprowles & Associates, PLLC

Certified Public Accountants

Campbellsville, KY
September 29, 2011

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**CAMPBELLSVILLE UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	Total June 30, 2011	Total June 30, 2010
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 615,439	\$ 1,666,798	\$ 23,282	\$ 2,305,519	\$ 2,090,447
Short-term Investments	-	171,767	-	171,767	171,234
Accounts receivable-Net of allowance of \$774,996	2,053,601	-	-	2,053,601	2,083,825
Federal Funds receivable	19,607	193,920	-	213,527	289,685
Contributions receivable	154,358	466,304	7,934	628,596	666,868
Inventories	17,607	-	-	17,607	5,878
Prepaid Expenses	116,832	-	-	116,832	79,683
Total Current Assets	<u>2,977,444</u>	<u>2,498,789</u>	<u>31,216</u>	<u>5,507,449</u>	<u>5,387,620</u>
Student Loans Receivable- net of allowance of \$596,480	204,426	-	-	204,426	190,947
Contributions receivable	202,347	3,223,091	25,270	3,450,708	3,569,320
Long-term investments	2,044,877	3,431,394	7,133,377	12,609,648	10,887,013
Funds held in trust by others	-	353,429	921,121	1,274,550	1,085,939
Property, Plant, and equipment	61,405,700	-	-	61,405,700	58,191,671
Other	693,594	16,525	-	710,119	744,848
Total Assets	<u>\$ 67,528,388</u>	<u>\$ 9,523,228</u>	<u>\$ 8,110,984</u>	<u>\$ 85,162,600</u>	<u>\$ 80,057,358</u>
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts Payable	\$ 897,845	\$ 119,740	\$ -	\$ 1,017,585	\$ 848,596
Current portion of long-term debt	1,045,470	-	-	1,045,470	1,020,000
Current portion of capital lease	52,406	-	-	52,406	-
Accrued expenses	1,660,211	-	-	1,660,211	1,751,251
Deferred revenue, deposits, and agency funds	592,355	-	-	592,355	486,032
Total Current Liabilities	<u>4,248,287</u>	<u>119,740</u>	<u>-</u>	<u>4,368,027</u>	<u>4,105,879</u>
Long-term debt	37,024,915	-	-	37,024,915	34,790,185
Long-term capital lease	259,298	-	-	259,298	-
Liability on annuity contract	-	1,699,993	-	1,699,993	1,748,197
Advances from federal government for student loans	178,560	-	-	178,560	187,715
Total Liabilities	<u>41,711,060</u>	<u>1,819,733</u>	<u>-</u>	<u>43,530,793</u>	<u>40,831,976</u>
NET ASSETS					
Total Net Assets	<u>25,817,328</u>	<u>7,703,495</u>	<u>8,110,984</u>	<u>41,631,807</u>	<u>39,225,382</u>
Total Liabilities and Net Assets	<u>\$ 67,528,388</u>	<u>\$ 9,523,228</u>	<u>\$ 8,110,984</u>	<u>\$ 85,162,600</u>	<u>\$ 80,057,358</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELLSVILLE UNIVERSITY
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2011 and 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2011	June 30, 2010
Revenues, gains and other support:					
Tuition and fees	\$ 37,972,244	\$ -	\$ -	\$ 37,972,244	\$ 33,839,896
Less allowance for scholarships	(14,996,996)	-	-	(14,996,996)	(12,924,365)
Net tuition and fees	22,975,248	-	-	22,975,248	20,915,531
Investment return designated for current operations:					
Endowment income	112,804	73,397	-	186,201	175,974
Other investment income	30,661	115,204	-	145,865	188,013
Government grants	39,066	1,069,504	-	1,108,570	908,078
Private gifts, grants and bequests	551,632	1,425,508	-	1,977,140	2,730,069
Auxiliary enterprises sales and services	6,229,158	-	-	6,229,158	5,527,250
Kentucky Baptist Convention Cooperative Program	1,524,146	-	-	1,524,146	1,539,200
Other sources	1,074,199	804,418	-	1,878,617	1,081,983
	32,536,915	3,488,030	-	36,024,945	33,066,098
Net assets released from restriction	3,398,991	(3,398,991)	-	-	-
Total revenues, gains and other support	35,935,906	89,039	-	36,024,945	33,066,098
Expenses:					
Educational and general					
Instruction	12,426,915	-	-	12,426,915	10,374,243
Academic Support	2,530,688	-	-	2,530,688	2,136,252
Student services	5,959,105	-	-	5,959,105	5,633,249
General institution	10,047,683	-	-	10,047,683	9,976,424
Interest	1,854,079	-	-	1,854,079	1,743,885
Total educational and general	32,818,470	-	-	32,818,470	29,864,053
Auxiliary enterprises	2,878,628	-	-	2,878,628	2,619,208
Total expenses	35,697,098	-	-	35,697,098	32,483,261
Increase(decrease) in net assets from operating activity	238,808	89,039	-	327,847	582,837
Non-operating activity:					
Contributions restricted for long term investment	-	-	519,168	519,168	416,530
Investment return in excess of amounts designated for current operations	7,361	1,467,875	15,259	1,490,495	748,991
Amortization of bond issuance costs	(31,370)	-	-	(31,370)	(31,370)
Gain (Loss) on disposal of property, plant & equipment	2,225	-	-	2,225	2,401
Change in value of split interest agreements	-	98,060	-	98,060	(26,920)
Increase (decrease) in net assets from non-operating activity	(21,784)	1,565,935	534,427	2,078,578	1,109,632
INCREASE (DECREASE) IN NET ASSETS	217,024	1,654,974	534,427	2,406,425	1,692,469
NET ASSETS, BEGINNING OF YEAR	25,600,304	6,048,521	7,576,557	39,225,382	37,532,913
NET ASSETS, END OF YEAR	<u>\$ 25,817,328</u>	<u>\$ 7,703,495</u>	<u>\$ 8,110,984</u>	<u>\$ 41,631,807</u>	<u>\$ 39,225,382</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELLSVILLE UNIVERSITY
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2010
Revenues, gains and other support:				
Tuition and fees	\$ 33,839,896	\$ -	\$ -	\$ 33,839,896
Less allowance for scholarships	(12,924,365)	-	-	(12,924,365)
Net tuition and fees	20,915,531	-	-	20,915,531
Investment return designated for current operations:				
Endowment income	119,194	56,780	-	175,974
Other investment income	78,698	109,315	-	188,013
Government grants	58,558	849,520	-	908,078
Private gifts, grants and bequests	384,312	2,345,757	-	2,730,069
Auxiliary enterprises sales and services	5,527,250	-	-	5,527,250
Kentucky Baptist Convention Cooperative Program	1,539,200	-	-	1,539,200
Other sources	757,059	324,924	-	1,081,983
	29,379,802	3,686,296	-	33,066,098
Net assets released from restriction	3,569,344	(3,569,344)	-	-
Total revenues, gains and other support	32,949,146	116,952	-	33,066,098
Expenses:				
Educational and general				
Instruction	10,374,243	-	-	10,374,243
Academic Support	2,136,252	-	-	2,136,252
Student services	5,633,249	-	-	5,633,249
General institution	9,976,424	-	-	9,976,424
Interest	1,743,885	-	-	1,743,885
Total educational and general	29,864,053	-	-	29,864,053
Auxiliary enterprises	2,619,208	-	-	2,619,208
Total expenses	32,483,261	-	-	32,483,261
Increase(decrease) in net assets from operating activity	465,885	116,952	-	582,837
Non-operating activity:				
Contributions restricted for long term investment	-	-	416,530	416,530
Investment return in excess of amounts designated for current operations	7,138	715,582	26,271	748,991
Amortization of bond issuance costs	(31,370)	-	-	(31,370)
Gain (Loss) on disposal of property, plant & equipment	2,401	-	-	2,401
Change in value of split interest agreements	-	(26,920)	-	(26,920)
Increase (decrease) in net assets from non-operating activity	(21,831)	688,662	442,801	1,109,632
INCREASE (DECREASE) IN NET ASSETS	444,054	805,614	442,801	1,692,469
NET ASSETS, BEGINNING OF YEAR	25,156,250	5,242,907	7,133,756	37,532,913
NET ASSETS, END OF YEAR	<u>\$ 25,600,304</u>	<u>\$ 6,048,521</u>	<u>\$ 7,576,557</u>	<u>\$ 39,225,382</u>

The accompanying notes are an integral part of the financial statements.

**CAMPBELLSVILLE UNIVERSITY
STATEMENTS OF CASH FLOWS**
For the Years Ended June 30, 2011 and 2010

	JUNE 30	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 2,406,425	\$ 1,692,469
Items not requiring (providing) operating activities cash flows:		
Contributions restricted for long-term investment and capital expenditures	(1,275,193)	(2,159,310)
Gifts of fixed assets	(180,590)	(463,056)
Depreciation	2,342,228	2,345,128
Net realized and unrealized (gain) loss on investments and funds held in trust by others	(1,455,769)	(693,371)
Provisions for bad debts	162,059	119,645
(Gain) Loss on disposal of property, plant, and equipment	(2,225)	(2,401)
Change in value of split interest agreements	(48,204)	40,890
Changes in:		
Accounts receivable	(55,677)	(679,360)
Contributions receivable	156,884	375,791
Inventories	(11,729)	(245)
Prepaid expenses and other	(33,790)	(44,862)
Accounts payable, accrued expenses, and other liabilities	77,949	642,748
Deferred revenue, deposits held, and agency funds	106,321	108,389
Net Cash provided by (used in) operating activities	<u>2,188,690</u>	<u>1,282,455</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	2,053,963	2,887,917
Purchase of investments	(2,509,974)	(918,392)
Purchase of property, plant, and equipment	(5,384,112)	(6,771,814)
Disbursements for loans to students	(39,000)	(49,285)
Repayments on loans to students	(13,479)	170,559
Proceeds from sale of property, plant, and equipment	10,670	17,700
Net Cash provided by (used in) investing activities	<u>(5,881,932)</u>	<u>(4,663,315)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for long-term investment and capital expenditures	1,275,193	2,159,310
Proceeds from issuance of debt	3,951,594	2,115,959
Payments on debt	(1,379,689)	(1,096,989)
Debt Issuance Costs	31,370	31,370
Advances from (repayments to) federal government for student loans	29,845	16,275
Net Cash provided by (used in) financing activities	<u>3,908,313</u>	<u>3,225,925</u>
INCREASE (DECREASE) IN CASH	<u>215,071</u>	<u>(154,935)</u>
CASH, beginning of year	<u>2,090,447</u>	<u>2,245,382</u>
CASH, end of year	<u>\$ 2,305,519</u>	<u>\$ 2,090,447</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash payments for interest (net of capitalized interest)	\$ 1,862,487	\$ 1,770,904
NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Noncash transactions include financing for property, plant and equipment		
Property, plant and equipment acquired (includes gift-in-kind)	4,132,184	2,579,016
Debt Acquired	(3,951,594)	(2,115,959)

The accompanying notes are an integral part of the financial statements.

CAMPBELLSVILLE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business - Campbellsville University (the University) is a nonprofit four-year coeducational University located in Campbellsville, Kentucky. The University's mission is to be a comprehensive, Christian institution that offers pre-professional, undergraduate and graduate programs. The University is dedicated to academic excellence solidly grounded in the liberal arts that fosters personal growth, integrity and professional preparation within a caring environment. The University prepares students as Christian servant leaders for life-long learning, continued scholarship and active participation in a diverse, global society.

Basis of Presentation - The accompanying financial statements are presented in accordance with the provisions of FASB Accounting Standards Codification (ASC) 958 (formerly Statement of Financial Accounting Standards (SFAS No. 117). FASB ASC 958 gives specific guidance for financial reporting of not-for-profit organizations, which includes three basic financial statements and the classification of resources into three classes of net assets.

The three net asset categories as reflected in the accompanying financial statements are as follows:

Unrestricted – Net assets, which are free of donor-imposed restrictions.

Temporarily Restricted – Net assets whose use by the University is limited by donor-imposed stipulations that expire by passage of time or that can be fulfilled or removed by actions of the University pursuant to those stipulations.

Permanently Restricted – Net assets whose use by the University is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the University.

Non-operating activities reflect transactions of a long-term investment nature, including contributions to be invested by the University to generate a return that will support future operations, and investment return in excess of amounts designated for current operations.

Contributions – All unconditional promises to give (contributions) are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support (i.e., increases in that net asset class). However, if a restriction is fulfilled in the same time period in which the contribution is received, the University reports the support as unrestricted.

Contributions that are expected to be collected within one year are recorded at their market value. Contributions 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 5-year treasury rate. Amortization of the discount is included in contribution revenue.

Conditional promises to give are not included as contributions until such time as the conditions are substantially met.

Investments – Investment income, which consists of interest and dividend income earned, realized gains or losses and unrealized appreciation (depreciation) on those investments, is included in the statement of changes in net assets. Investment income reported as operating revenue consists of interest and dividend income on investments and any gains approved by the Board of Trustees for use in operations. All other realized and unrealized gains and losses are reported as non-operating revenue. Investments in equity securities with readily determinable fair values and investments in debt securities are stated at fair value. Investments in real estate are recorded at fair market value determined by independent appraisals.

Fair Values of Financial Instruments - The following methods and assumptions were used by the University in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents, accounts receivable, accounts payable and long-term debt: the carrying amounts in the statement of financial position approximate the fair values because of the maturities of those financial instruments.

CAMPBELLSVILLE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Investments: the fair values of investments are based on quoted market prices for those or similar instruments. Real estate investments are valued based on appraisals.

Contributions receivable: The fair value of contributions receivable that are due in more than one year is estimated by discounting the future cash flows using a 5-year treasury rate of 1.67%.

Liability on annuity contract: the fair values of the liability on annuity contracts are based on estimated cash flows of annuities or other payments under such obligations.

Property, Plant and Equipment - Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful life of the assets. The current estimated useful lives for assets are as follows:

Buildings	40 to 60 years
Major Improvements	20 to 30 years
Furniture & Equipment	10 years
University Vehicles	7 years
Computer Equipment	3 years
Library Holdings	10 years

The University capitalizes all expenditures in excess of \$1,000 for property and equipment at cost, including all costs relative to placing the asset into service.

Contributed property and equipment is recorded at fair market value at the date of the donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Inventories – Inventories are valued at the lower of cost (first-in, first-out method) or market. Inventories are comprised primarily of vending items and office supplies held in the university central store.

Tuition and Student Fees – The University's primary source of revenue is tuition and fees for students. Revenues from tuition and student fees are reported within the fiscal year in which the session starts.

Tuition Discounting

The University has adopted a policy to show its tuition and fees net of the allowance for awarded institutional scholarships. This helps identify the actual revenue that is available to the University to meet its operating needs. The scholarships awarded were \$14,996,996 and \$12,924,365 for June 30, 2011 and 2010, respectively. The scholarships were provided from the following funding sources:

	<u>2011</u>	<u>2010</u>
Unrestricted funds	\$14,218,564	\$12,303,011
Funded scholarships	<u>778,432</u>	<u>621,354</u>
	\$14,996,996	\$12,924,365

Use of Estimates – Financial statements prepared in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Cash and Cash Equivalents – The University considers demand deposits, money market funds, and other investments with an original maturity of 180 days or less, to be cash equivalents.

CAMPBELLSVILLE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Accounts Receivable – Accounts receivable are stated at unpaid balances less allowance for doubtful accounts. The University provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances, which affect the ability of the student to pay. Receivables are considered impaired if the unpaid balances are not received in accordance with the promissory note. It is the University's policy to charge off uncollectible accounts when management determines the receivable will not be collected.

Fundraising Expense

The fundraising expense for the University was \$803,136 and \$774,173 for June 30, 2011 and 2010, respectively.

Advertising Expense

The University uses advertising to promote its programs. The advertising costs are expensed as incurred. For years ended June 30, 2011 and 2010, advertising costs totaled \$395,787 and \$489,856, respectively.

Liability on Split Interest Agreements

The University is the recipient of and serves as the trustee of several trust and gift annuity contracts which require future payments to the donor or their named beneficiaries. The assets received from the donors have been recorded at fair market value. The liability represents the present value of future annuity obligations using a discount rate based on the annuitant's life expectancy and other actuarial assumptions.

Impairment of Long-lived Assets

The University records impairment losses on long-lived assets when events and circumstances indicate that the assets might be impaired and the expected cash flows to be generated by those assets are less than the related carrying amounts, pursuant to GAAP. There were no impairments identified in the years ended June 30, 2011 and 2010.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation. These reclassifications had no effect on previously reported results of operations or net assets.

CAMPBELLSVILLE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 2: INVESTMENTS

Investments of June 30, 2011 and 2010 are summarized as follows:

	2011		2010	
	Cost	FMV	Cost	FMV
Investment Securities				
Guaranteed investment contracts	\$ 850,688	\$ 850,688	\$ 850,688	\$ 850,688
Kentucky Baptist Foundation pooled investment funds:				
Balanced (equity) fund	3,957,732	4,932,941	3,741,641	3,639,545
Alternative fund	512,723	543,167	522,823	534,741
Private equity	302,599	295,301	198,814	170,220
Fixed income fund	2,110,178	2,294,002	2,009,444	2,186,524
Cash equivalent fund	7,162	7,162	8,190	8,190
WMU pooled investments:				
Equity Funds	1,072,515	1,168,986	951,004	961,756
Certificates of deposit	125,017	125,017	124,444	124,444
Corporate stock	96,075	28,829	96,075	69,574
Mutual Funds	111,133	111,133	143,336	143,336
Money market funds, primarily government	1,194,439	1,194,439	1,194,479	1,194,479
Total investment securities	10,340,261	11,551,665	9,840,939	9,883,496
Investment in real estate	896,950	1,229,750	846,950	1,174,750
Total Investments	\$ 11,237,211	\$ 12,781,415	\$ 10,687,889	\$ 11,058,246
Classified as:				
Current Assets		\$ 171,767		\$ 171,234
Long-term Assets		12,609,648		10,887,013
		\$ 12,781,415		\$ 11,058,246

The following schedule summarizes the investment return and its classification in the Statement of Activities:

	2011		2010	
	Investment income	\$ 415,441	Investment fees	\$ 475,258
Net realized and unrealized gain/(loss) on investments		(59,723)		(55,652)
Total investment return	1,466,843		693,372	
		\$ 1,822,561		\$ 1,112,978

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011		2010	
				2011	2010	2011	2010
Endowment income	\$ 112,804	\$ 73,397	\$ -	\$ 186,201	\$ 175,974		
Other investment income	30,661	115,204	-	145,865	188,013		
Investment return in excess of amounts designated for current operations	7,361	1,467,875	15,259	1,490,495	748,991		
	\$ 150,826	\$ 1,656,476	\$ 15,259	\$ 1,822,561	\$ 1,112,978		

CAMPBELLSVILLE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 3: ENDOWMENT INVESTMENTS AND SPENDING POLICIES

The University adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on April 26, 2011 for financial statements issued thereafter. The university's interpretation of the law is that the historic dollar value of the endowment be preserved over time and held as a permanently restricted net asset.

As a result of this interpretation, the university classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment fund, (b) the original value of subsequent gifts to the permanent endowment fund, and (c) accumulations to the permanent endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. All other investment activity of the endowment fund is classified as temporarily restricted net assets until appropriated for expenditure under the endowment spending policy.

The University has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. To achieve that objective, the University has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk by investing in a well diversified mix, which includes equity and fixed income securities and alternative strategies, intended to result in a consistent inflation-protected rate of return with sufficient liquidity to make an annual distribution, while also growing the fund.

The spending policy calculates the amount of money annually distributed from the university's various endowed funds, both for scholarship awards and administration. The University's spending policy is to distribute net income only for 4 years after the establishment of an endowment fund, then an amount not to exceed 6% of the average of the preceding 16 quarter-end market values. The university will follow the spending rate adopted by the Kentucky Baptist Foundation in any given year unless it is deemed necessary by the Board of Trustees to change the rate for the University. The spending amounts were \$73,397 and \$56,780 for the fiscal years ended June 30, 2011 and 2010, respectively. The university spending policy for June 30, 2011 was net-income only.

Changes in endowment net assets as of June 30, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				Net Assets 6/30/11	Net Assets 6/30/10
Beginning balance	\$ -	\$ 529,356	\$ 7,576,558	\$ 8,105,914	\$ 7,161,428
Contributions	-	-	519,168	519,168	329,572
Spending formula	-	(72,761)	-	(72,761)	(56,780)
Investment income	-	120,654	-	120,654	129,542
Appreciation (depreciation)	-	1,270,675	15,259	1,285,934	584,602
Investment Fees	-	(46,033)	-	(46,033)	(42,449)
Other changes	-	-	-	-	-
Ending balance	<u>\$ -</u>	<u>\$ 1,801,891</u>	<u>\$ 8,110,984</u>	<u>\$ 9,912,876</u>	<u>\$ 8,105,914</u>

CAMPBELLSVILLE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 4: FAIR VALUE MEASUREMENTS

The University has determined the fair value of certain assets and liabilities through the application of FASB ASC 820, *Fair Value Measurements and Disclosures*. Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities using Level 2 inputs are based on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets or liabilities valued using Level 3 inputs were valued using significant unobservable inputs due to the nature of the alternative investments market.

The fair value of investments and liabilities as of June 30, 2011 and 2010 are summarized as follows:

		Quoted Prices in Active Markets	Significant Other Observable	Significant Unobservable Inputs
	June 30, 2011	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)
	Fair Value			
Assets				
Investments	\$ 12,781,415	\$ 11,439,703	\$ 503,244	\$ 838,468
Contributions Receivable	4,079,304			4,079,304
Funds held in trust by others	1,274,550	-	-	1,274,550
Total Assets	18,135,269	11,439,703	503,244	6,192,322
Liabilities				
Liability on split interest agreements	1,699,993	-	-	1,699,993
Total Liabilities	1,699,993	-	-	1,699,993
Total fair value	<u>\$ 16,435,276</u>	<u>\$ 11,439,703</u>	<u>\$ 503,244</u>	<u>\$ 4,492,329</u>
		Quoted Prices in Active Markets	Significant Other Observable	Significant Unobservable Inputs
	June 30, 2010	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)
	Fair Value			
Assets				
Investments	\$ 11,058,247	\$ 9,391,215	\$ 962,071	\$ 704,961
Contributions Receivable	4,236,188			4,236,188
Funds held in trust by others	1,085,939	-	-	1,085,939
Total Assets	16,380,374	9,391,215	962,071	6,027,088
Liabilities				
Liability on split interest agreements	1,748,197	-	-	1,748,197
Total Liabilities	1,748,197	-	-	1,748,197
Total fair value	<u>\$ 14,632,177</u>	<u>\$ 9,391,215</u>	<u>\$ 962,071</u>	<u>\$ 4,278,891</u>

CAMPBELLSVILLE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 4: FAIR VALUE MEASUREMENTS - (CONTINUED)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 reconciliation):

			Funds Held Contributions Receivable	Funds Held in Trust by Others	Liability on Split Interest Agreements
Fair Value at June 30, 2009	\$ 252,773	\$ 4,611,979	\$ 988,493	\$ 1,707,307	
Total gains or losses (realized/unrealized)	16,214	(375,791)	97,446	(74,394)	
Purchases, issuances, and settlements	48,973	-	-	-	115,284
Transfers in and/or out of Level 3	387,001	-	-	-	-
Fair Value at June 30, 2010	704,961	4,236,188	1,085,939	1,748,197	
Total gains or losses (realized/unrealized)	106,100	(156,884)	188,611	(211,285)	
Purchases, issuances, and settlements	154,351	-	-	-	163,081
Transfers in and/or out of Level 3	(126,944)	-	-	-	-
Fair Value at June 30, 2011	<u>\$ 838,468</u>	<u>\$ 4,079,304</u>	<u>\$ 1,274,550</u>	<u>\$ 1,699,993</u>	

The amount of total gains or losses for the period included in the change in net assets attributable to the change in unrealized gains or losses relating to financial instruments still held in investments at June 30, 2011 was \$87,978.

The unrealized gain of \$87,978 is included in "Investment return in excess of amounts designated for current operations" in the statement of activities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used as of June 30, 2011.

NOTE 5: CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2011 and 2010 include the following unconditional promises to give:

	2011	2010
Unrestricted	\$ 364,939	\$ 294,874
Restricted	1,787,655	1,837,443
Buildings and equipment	1,992,731	2,209,696
Endowment	<u>33,971</u>	<u>43,022</u>
Gross contributions receivable	4,179,296	4,385,035
Less: Allowance for uncollectibles	24,994	35,564
Unamortized discount	<u>74,997</u>	<u>113,283</u>
Net contributions receivable	<u>\$ 4,079,304</u>	<u>\$ 4,236,188</u>
Gross contributions are due in:		
Less than one year	\$ 628,596	\$ 666,868
One to five years	1,394,571	2,005,001
Over five years	2,156,129	1,713,166
Total gross contributions receivable	<u>\$ 4,179,296</u>	<u>\$ 4,385,035</u>

Included in contributions receivable are split interest agreements with a present value of \$1,707,040 (net of discount \$44,208). The values were based on appraisals and the discounts are computed using a 5-year treasury rate of 1.67% for 2011. The split interest agreements are charitable remainder trusts.

CAMPBELLSVILLE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 6: SPLIT-INTEREST AGREEMENTS

The University administers various split-interest agreements which include charitable gift annuities and charitable remainder trusts. Each of the split-interest agreements provides for the payment of distributions to beneficiaries over the life of the agreement. At the termination of the agreement, the remaining assets are available for the university's use as designated by the donor. Contribution revenue is recorded in the Statement of Activities as either temporarily or permanently restricted revenue, discounted for the present value of future payments to the beneficiary, in the period in which the agreement is established. Assets for the split-interest agreements are recorded at fair market value and the estimated present value of future payments to beneficiaries are recorded as liabilities in the accompanying Statement of Financial Position. On an annual basis, the university revalues the liability based on actuarial assumptions. At June 30, 2011 and 2010 the liability for split-interest agreements was \$1,699,993 and \$1,748,197 respectively.

NOTE 7: FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others represent resources neither in the possession nor under the control of the institution, but held and administered by outside trustees as part of the university's endowment. Funds held in trust by others are recognized as the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or the University is notified of its existence. The University received \$112,804 and \$119,194 in distributions from these trust funds during 2011 and 2010, respectively (included in the amounts reported as investment earnings).

Included in the distributions are \$75,507 and \$81,204 in 2011 and 2010 respectively, received from a trust fund managed by the Kentucky Baptist Foundation (KBF), which is not included in the accompanying statement of financial position. The donor has directed the trustee not to disclose any information to the beneficiaries regarding the nature or amount of assets in the trust fund. Accordingly, it is not practicable to estimate the present value of remaining distributions, if any.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	2011	2010
Land	\$ 9,417,847	\$ 8,245,015
Buildings and Improvements	59,342,310	54,981,917
Library Books and Periodicals	2,865,302	2,812,532
Equipment and Furniture	9,864,126	10,202,666
Construction in Progress	<u>1,071,109</u>	<u>2,398,255</u>
 Total Property, Plant, and Equipment	 82,560,695	 78,640,386
Less: Accumulated Depreciation and Amortization	<u>(21,154,995)</u>	<u>(20,448,715)</u>
 Property, Plant, and Equipment-Net	 <u>\$ 61,405,700</u>	 <u>\$ 58,191,671</u>

Depreciation expense was incurred in the amount of \$2,342,228 and \$2,345,128 during 2011 and 2010, respectively. Amortization of assets under capital leases is included with depreciation expense.

The University capitalizes interest cost on borrowings incurred during new construction or upgrades made to qualifying assets. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. There was no capitalized interest in 2011 or 2010.

CAMPBELLSVILLE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 9: LONG-TERM DEBT

	2011	2010
Educational building revenue bonds-\$7,060,000 bonds payable through June 1, 2039; interest rate fixed at 3.75% through June 30, 2014, then adjusted annually thereafter with a floor of 3.50% and cap on the annual increase of .50% based on the WSJ prime rate.	\$ 6,791,106	\$ 6,924,743
Educational building revenue bonds-\$350,000 bonds payable serially through March 1, 2011; \$3,245,000 term bonds due through March 1, 2034: interest rates ranging from 2.75% to 5.70%.	3,245,000	3,320,000
Educational building refunding revenue bonds, \$250,000 bonds payable serially through March 1, 2008, \$4,095,000 term bonds due through March 1, 2033; interest rates ranging from 2.0% to 5.75%.	3,880,000	3,955,000
Educational building refunding and improvement revenue bonds-\$4,745,000 bonds payable serially through March 1, 2020; \$12,165,000 term bonds due March 1, 2033; interest rates ranging from 1.55% to 5.75%.	14,290,000	14,650,000
Educational building revenue bonds-\$775,000 bonds payable serially through March, 2009; \$4,015,000 term bonds due March 1, 2028; at various interest rates ranging from 3.3% to 5.5%.	3,805,000	3,915,000
Real estate mortgage notes, bearing interest at 3.25%-5.00% interest payable in monthly installments.	6,053,028	3,031,423
Installment notes, bearing interest at 0%-6.37% payable in monthly installments.	6,251	14,019
Total	38,070,385	35,810,185
Current portion of long-term debt	(1,045,470)	(1,020,000)
Long-Term Debt	\$ 37,024,915	\$ 34,790,185

Substantially all of the University's property, plant and equipment, certain investment securities and all dormitory revenues are collateral for the above debt. Amortization of assets held under capital leases is included with depreciation.

Maturity requirements on long-term debt and minimum lease payments are as follows:

Year Ended June 30		
2012	\$ 1,045,470	
2013	1,299,537	
2014	1,432,556	
2015	1,077,741	
2016	1,161,612	
Thereafter	<u>32,053,470</u>	
 Total	 <u>\$ 38,070,385</u>	

The university is required to maintain a debt coverage ratio of 1.25 or greater. Debt coverage for the years ended June 30, 2011 and 2010 was 1.57 and 1.76, respectively.

CAMPBELLSVILLE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 10: LEASES

Capital Leases

The university entered into a capital lease to complete a major server upgrade for the campus. The economic substance of the lease is that the University is financing the assets through the lease, and accordingly, it is recorded in the assets and liabilities of the Statement of Financial Position. Future minimum lease payments are as follows:

Year Ended June 30	
2012	\$ 52,406
2013	59,494
2014	62,018
2015	64,650
2016	67,393
Thereafter	<u>5,743</u>
 Total	 <u>\$ 311,705</u>

Amortization of assets held under the lease is included with depreciation expense.

Operating Leases

The University had operating leases with non-cancelable lease terms in excess of one year. Rental expense for 2011 and 2010 was \$62,589 and \$78,372, respectively. Future minimum rental payments are as follows:

Year Ended June 30	
2012	\$ 61,308
2013	48,432
2014	37,155
2015	16,746
2016	<u>-</u>
 Total	 <u>\$ 163,641</u>

NOTE 11: NET ASSETS RELEASED FROM RESTRICTIONS

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

	2011	2010
Purpose Restrictions Satisfied (Primarily Student Financial Aid)	\$ 734,402	\$ 778,432
Property, Plant and Equipment Acquired and Placed in Service	826,327	1,165,473
Purpose Restrictions Satisfied (Other)	<u>1,838,262</u>	<u>1,625,439</u>
 Total	 <u>\$ 3,398,991</u>	 <u>\$ 3,569,344</u>

CAMPBELLSVILLE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 12: NET ASSETS

Unrestricted net assets are for the following purposes:	2011	2010
Net investment in property, plant and equipment	\$ 23,023,610	\$ 22,381,486
Designated for specific purposes	<u>2,793,718</u>	<u>3,218,818</u>
Total unrestricted net assets	<u>\$ 25,817,328</u>	<u>\$ 25,600,304</u>
Temporarily restricted net assets are for the following purposes:		
Capital expenditures	\$ 3,337,084	\$ 3,381,630
Scholarships	225,516	336,217
Loans to students	11,126	11,098
Endowment funds	1,449,462	349,279
Funds held in trust by others	353,429	180,077
Annuity and trust funds	1,505,961	1,437,071
Other designated	<u>820,918</u>	<u>353,149</u>
Total temporarily restricted net assets	<u>\$ 7,703,495</u>	<u>\$ 6,048,521</u>
Permanently restricted net assets are restricted to:		
Investment in perpetuity, income from which is expendable to support educational and general purposes:		
Endowment funds	\$ 7,189,863	\$ 6,670,695
Funds held in trust by others	<u>921,121</u>	<u>905,862</u>
Total permanently restricted net assets	<u>\$ 8,110,984</u>	<u>\$ 7,576,557</u>

NOTE 13: RETIREMENT PLAN

The University participates in a multi-employer defined contribution plan, which is administered by GuideStone Financial Resources. This plan covers all full-time employees. The University's contributions to the plan, based on a percentage of employee's gross salaries, were \$765,964 and \$676,659 during 2011 and 2010, respectively.

NOTE 14: TRANSACTION WITH AFFILIATE

The University has a Covenant Agreement with the Kentucky Baptist Convention that provides for the Kentucky Baptist Convention to annually elect the University Board of Trustees. The Kentucky Baptist Convention supports the mutual purposes of the University and the Kentucky Baptist Convention by financial contributions made to the University, in accordance with recommendations as approved by both the Executive Board of the Kentucky Baptist Convention and the Kentucky Baptist Convention. The University received unrestricted contributions of \$1,524,146 and \$1,539,200 from the Kentucky Baptist Convention for 2011 and 2010, respectively.

NOTE 15: INCOME TAXES

The University is exempt from income tax under the provision of Section 501(c)(3) of the Internal Revenue Code.

CAMPBELLSVILLE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 16: CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash, temporary cash investments and promises to give receivable. The University has concentrated its credit risk for cash by maintaining deposits in banks located within the same geographic region. The maximum loss that would have resulted from that risk for the excess of the deposit liabilities reported by the banks over the amounts that would have been covered by federal insurance totaled \$231,625 and \$314,726, respectively at June 30, 2011 and June 30, 2010. Concentrations of credit risk with respect to promises to give are limited due to the number of contributors and their dispersion across geographic areas.

NOTE 17: RELATED PARTY TRANSACTIONS

The University entered into a note payable with a current member of its Board of Trustees on May 16, 2007. The note payable was in the amount of \$300,000 with a 6% per annum interest rate on the unpaid balance. The principal balance at June 30, 2011 was \$100,000. Interest only payments are payable through April 16, 2012, at which time any remaining principal and interest balance is payable in full, unless other terms are mutually agreed at that time by both parties.

The University entered into an operating lease with a current member of its Board of Trustees on January 31, 2011. The lease provides for an 8,000 square foot property located in Somerset, Kentucky to assist in the expansion of the off-campus adult program in that area. The lease runs for a period of three years expiring on December 31, 2013 with annual lease payments in the amount \$25,000. The lease is non-renewable. Rental expense for June 30, 2011 totaled \$22,916.67

NOTE 18: NEW ACCOUNTING PRONOUNCEMENTS

FASB ASC 958-205-50-1B (formerly FASB Staff Position 117-1), *"Endowments for Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds"*.

This pronouncement provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The State of Kentucky enacted a version of UPMIFA effective July 15, 2010. The university adopted this law on April 26, 2011. It is the interpretation of the university that permanently restricted net assets include (a) the original value of the gifts donated to the permanent endowment fund, (b) the original value of subsequent gifts to the permanent endowment fund, and (c) accumulations to the permanent endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. All other investment activity of the endowment fund is classified as temporarily restricted net assets until appropriated for expenditure under the endowment spending policy. The adoption of this law and the effect of this interpretation had no material impact on the financial statements for June 30, 2011.

NOTE 19: SUBSEQUENT EVENTS

In preparing these financial statements, the University has evaluated events and transactions for potential recognition or disclosure through September 29, 2011, the date the financial statements were available to be issued.

For disclosure purposes, the University issued an additional \$561,533 in long-term debt to continue construction of dorms on campus totaling \$409,533 and \$152,000 to purchase two properties contiguous to the campus.

Supplementary Information

CAMPBELLSVILLE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Federal Grant or Program	Federal CFDA Number	Federal Expenditures
U.S. Department of Education		
Student Financial Assistance Cluster		
Federal Supplementary Education Opportunity Grant Program (FSEOG)	84.007 *	\$ 121,870
Federal Direct Loan Program (FDL)	84.268 *	13,778,075
Federal Work Study Program (FWS)	84.033 *	259,180
Federal Perkins Loan Program (FPL)	84.038 *	-
Federal Pell Grant Program (PELL)	84.063 *	5,163,055
Academic Competitiveness Grant Program (ACG)	84.375 *	117,375
National Science and Mathematics Access to Retain Talent Grant Program (National SMART)	84.376 *	<u>34,000</u>
Total Student Financial Assistance Cluster		19,473,555
Kentucky Alternative Certification in Special Education (KACSE)	84.350B *	581,776
Servant Leader Project (Title III)	84.031A *	<u>308,378</u>
Total Department of Education		20,363,709
U.S. Department of Labor		
Pass-through Awards from Lake Cumberland Area Development District and Cumberlands Workforce Investment Board:		
Heartland Economic Recovery Project (HERP)	17.260 *	424,658
Helping Individuals Grow in Healthcare (HIGH)	17.260 *	276,051
Pass-through Awards from Campbellsville-Taylor County Industrial Development Authority:		
Healthcare Employment by Learning Phlebotomy (HELP)	17.261	24,466
Retool Today's Workforce for Tomorrow's Future (Retool)	17.261	<u>142,999</u>
Total Department of Labor		868,174
Department of Health & Human Services		
Pass-through Award from Kentucky Cabinet for Health & Family Services and Eastern Kentucky University:		
Public Child Welfare Certification Program(PCWCP)	93.658	<u>71,749</u>
Total Department of Health & Human Services		<u>71,749</u>
Total Federal Financial Assistance		<u>\$ 21,303,632</u>

* Denotes major program.

Basis of Presentation – The Schedule of Expenditures of Federal Awards (the schedule) of Campbellsville University (the University) is prepared on the accrual basis of accounting.

Loan Programs – The University administers the Federal Perkins Loan Program (CFDA #84.038) which had outstanding loan balances totaling \$451,375 at June 30, 2011. Total disbursements of the Federal Perkins Loan Program for the fiscal year ended June 30, 2010, were \$47,496, including loans to students of \$39,000 and administrative costs of \$8,496.

CAMPBELLSVILLE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of audit issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
Significant deficiencies identified that are not considered to be material weakness(es)?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No

Federal Awards

Internal control over major programs?

Material weakness(es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
Significant deficiencies identified that are not considered to be material weakness(es)?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	None Reported

Type of auditor's report issued on compliance for major programs (unqualified):

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
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Identification of major programs:

CFDA Number	Name of Federal Program or Cluster:
84.007	Student Financial Assistance Cluster:
84.033	Federal Supplementary Education Opportunity Grant Program (FSEOG)
84.038	Federal Work Study Program (FWS)
84.063	Federal Perkins Loan Program (FPL)
84.268	Federal Pell Grant Program (PELL)
84.375	Federal Direct Loan Program (FDL)
84.376	Academic Competitiveness Grant Program (ACG) National Science and Mathematics Access to Retain Talent Grant Program (National SMART)
84.350B	Kentucky Alternative Certification in Special Education (KACSE)
84.031A	Servant Leader Project (Title III)
17.260	U.S. Department of Labor
17.260	Heartland Economic Recovery Project (HERP)
17.260	Helping Individuals Grow in Healthcare (HIGH)

Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement of Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

CAMPBELLSVILLE UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2011

The audit of Campbellsville University for the year ended June 30, 2010 revealed no audit findings requiring corrective action.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees and
Dr. Michael Carter, President of
Campbellsville University

We have audited the financial statements of Campbellsville University (a nonprofit organization) as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated September 29, 2011. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Campbellsville University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Campbellsville University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial accounting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Campbellsville University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Trustees and
Dr. Michael Carter, President
Campbellsville University
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This report is intended solely for the information and use of management, the audit committee, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wise, Buckner, Sprowles & Associates, PLLC

Certified Public Accountants

Campbellsville, KY
September 29, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees and
Dr. Michael Carter, President of
Campbellsville University

Compliance

We have audited Campbellsville University's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Campbellsville University's major federal programs for the years ended June 30, 2011 and 2010. The University's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Campbellsville University's internal control over compliance.

Board of Trustees and
Dr. Michael Carter, President
Campbellsville University
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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, finance committee, management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Wise, Buckner, Sprowles & Associates, PLLC

Certified Public Accountants

Campbellsville, KY
September 29, 2011