AMERICAN JEWISH UNIVERSITY

(A NONPROFIT EDUCATIONAL INSITUTION)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008)

CONTENTS

June 30, 2009

SingerLewak LLP
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Jewish University

We have audited the accompanying consolidated statement of financial position of American Jewish University (the "University") as of June 30, 2009 and the related statements of activities, functional expenses, and cash flows for the year 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. The prior year's summarized comparative information has been derived from the University's 2008 financial statements and, in our report dated October 11, 2008, 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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2009, and the changes in its net assets and its cash flows for the year 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 21, 2009 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 read in conjunction with this report in considering the results of our audit.

SingerLewak LLP

SingerLewak LLP

Los Angeles, California
October 21, 2009

AMERICAN JEWISH UNIVERSITY
(A NONPROFIT EDUCATIONAL INSTITUTION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2009
(with Comparative Totals for June 30, 2008)

ASSETS

	2009	2008
Assets		
Cash and cash equivalents	$ 2,002,032	$ 2,589,125
Contributions receivable, net	4,667,677	5,462,684
Other receivables, net of allowance of $65,267 and $71,392 for 2009 and 2008, respectively	329,670	394,738
Notes receivable	6,424,629	6,521,703
Investments	65,988,538	77,423,416
Prepaid expenses and other assets	219,482	192,566
Inventories	108,893	130,907
Assets held in charitable remainder trust	99,883	-
Property, plant and equipment, net	39,347,386	36,166,448
Cash equivalents restricted to capital projects	5,514,836	3,045,761
Other assets	512,840	539,140
Total assets	**$ 125,215,866**	**$ 132,466,488**

LIABILITIES AND NET ASSETS

	2009	2008
Liabilities		
Accounts payable and accrued expenses	$ 7,810,534	$ 8,293,472
Deferred revenue	1,672,481	1,806,115
Notes payable	28,516,452	24,789,010
Liability under split interest agreements	611,447	588,347
Interest rate swap agreements	1,368,096	601,807
Total liabilities	39,979,010	36,078,751
Commitments and contingencies		
Net assets		
Unrestricted	18,829,717	30,145,522
Temporarily restricted	45,029,002	42,363,464
Permanently restricted	21,378,137	23,878,751
Total net assets	85,236,856	96,387,737
Total liabilities and net assets	**$ 125,215,866**	**$ 132,466,488**

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

AMERICAN JEWISH UNIVERSITY

(A NONPROFIT EDUCATIONAL INSTITUTION)
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009
(with Comparative Totals for the Year Ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Revenue and other support					
Tuition and fees, net of scholarships and financial aid of $1,927,601	$ 3,454,114	$ -	$ -	$ 3,454,114	$ 3,598,374
Gifts, grants and bequests	6,144,625	3,283,621	46,833	9,475,079	14,558,815
Program, sales and services	715,716	-	-	715,716	1,252,632
Auxiliary enterprises	5,782,550	-	-	5,782,550	5,132,808
Investment income	881,588	1,420,545	76,178	2,378,311	3,591,740
Other income	525,537	-	-	525,537	959,721
Net assets released from restrictions	4,277,691	(4,277,691)		-	-
Net asset reclassification by donor	384,562	2,239,063	(2,623,625)	-	-
Total revenues and other support	22,166,383	2,665,538	(2,500,614)	22,331,307	29,094,090
Expenses					
Program services					
Academic	7,215,878	-	-	7,215,878	6,999,650
Department of continuing education	3,381,680	-	-	3,381,680	4,323,104
Public service	154,346	-	-	154,346	342,177
Total program services	10,751,904	-	-	10,751,904	11,664,931
Supporting services					
Auxiliary enterprises	4,649,557	-	-	4,649,557	4,352,181
Fundraising	1,251,134	-	-	1,251,134	1,474,689
Management and general	7,072,644	-	-	7,072,644	6,712,399
Total supporting services	12,973,335	-	-	12,973,335	12,539,269
Total expenses	23,725,239	-	-	23,725,239	24,204,200
Changes in net assets before other deductions	(1,558,856)	2,665,538	(2,500,614)	(1,393,932)	4,889,890
Other additions (deductions)					
Change in value of split interest agreements	(88,457)	-	-	(88,457)	(121,667)
Change in fair value of interest rate swaps	(766,290)	-	-	(766,290)	(218,564)
Unrealized/realized loss on investments	(8,902,202)	-	-	(8,902,202)	(5,130,430)
Changes in net assets	(11,315,805)	2,665,538	(2,500,614)	(11,150,881)	(580,771)
Net assets, beginning of year	30,145,522	42,363,464	23,878,751	96,387,737	96,968,508
Net assets, end of year	**$ 18,829,717**	**$ 45,029,002**	**$ 21,378,137**	**$ 85,236,856**	**$ 96,387,737**

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

AMERICAN JEWISH UNIVERSITY
(A NONPROFIT EDUCATIONAL INSTITUTION)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009
(with Comparative Totals for the Year Ended June 30, 2008)

	2009	2008
Cash flows from operating activities		
Change in net assets	$ (7,967,137)	$ (580,771)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	1,960,190	1,640,533
Realized and unrealized losses on investments	8,902,202	5,130,430
Unrealized (gains) losses on interest rate swap agreements	766,290	218,564
Contributions restricted for endowment	(46,833)	(174,135)
Loss on disposition of property and equipment	54,654	-
Changes in assets and liabilities		
Contributions receivable, net	795,007	2,202,534
Other receivables, net	65,068	201,824
Notes receivable	97,074	83,259
Prepaid expenses and other assets	(26,915)	137,213
Inventories	22,014	98,088
Assets held in charitable remainder trust	(99,883)	-
Accounts payable and accrued expenses	(482,940)	(1,466,485)
Deferred revenue	(133,634)	454,867
Annuities payable, net	23,100	(259,891)
Net cash provided by operating activities	3,928,257	7,686,030
Cash flows from investing activities		
Purchase of property and equipment	(5,176,028)	(2,895,210)
Proceeds from sale of property and equipment	6,546	-
Cash transferred (to) from cash equivalents restricted to capital projects	(2,469,075)	(442,968)
Purchase of investments	(3,509,165)	(86,650,741)
Sale of investments	6,041,841	82,032,447
Net cash used in investing activities	(5,105,881)	(7,956,472)
Cash flows from financing activities		
Contributions restricted for endowment	46,833	174,135
Proceeds from notes payable	4,999,041	500,000
Principal payments on notes payable	(1,271,599)	(512,503)
Net cash provided by financing activities	3,774,275	161,632
Net decrease in cash and cash equivalents	2,596,651	(108,810)
Cash and cash equivalents, at beginning of year	2,589,125	2,697,935
Cash and cash equivalents, at end of year	**$ 5,185,776**	**$ 2,589,125**
Supplemental information		
Interest paid	**$ 1,446,448**	**$ 1,310,454**
Summary of non-cash financing and investing activities		
Partnership interests and notes receivable	**$ 103,276**	**$ -**
Contribution of property and equipment	**$ -**	**$ 5,599,162**

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

NOTE 1 – GENERAL

Nature of Organization
The American Jewish University (the "University") is a nonprofit educational institution offering undergraduate and graduate degrees. The primary purpose of accounting and reporting is for recording the resources received and applied rather than the determination of net income. In 2006, the University received a 10-year accreditation by the Western Association of Schools and Colleges (WASC).

During 2007, the University expanded their adult education, undergraduate and graduate curriculum by combining with a similar non profit institution, the Brandeis-Bardin Institute (BBI). The combination created one of the largest Jewish educational institutions on the West Coast.

In addition, BBI has a 100% ownership interest in a separate corporation, the Brandeis Mutual Water Company. The results of which have been incorporated with the combination.

ZSRS Fund LLC
The University has a 100% ownership interest in ZSRS Fund, LLC (the "LLC"). The LLC holds notes receivable and a number of minority interests in partnerships that own property in California and Arizona, and are being accounted for under the equity method. The results of the subsidiary have been consolidated into the books of the University.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The consolidated financial statements include the accounts of the University and its wholly-owned subsidiaries. All material inter-company accounts and transactions of consolidated subsidiaries have been eliminated in consolidation.

The consolidated 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statements Presentation
The University reports information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions. In the normal course of business, the University accepts financial assets from donors and recognizes the fair value of assets received as a contribution. This has been accomplished by classification of net assets and transactions into three classes - permanently restricted, temporarily restricted and unrestricted as follows:

Permanently restricted - net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the University. Generally, the donors of these assets permit the University to use all or part of income earned on related investments for general or specific purposes in support of the University.

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

Unrestricted - net assets which represent resources generated from operations or assets not subject to donor-imposed stipulations.

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 at the date of the financial statements. Estimates also affect the reported amount of revenues, expenses or other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
The University considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash and cash equivalents of permanent endowment funds held temporarily until suitable long term investment opportunities are identified are included in long term investments.

Investments
The University's investments in fixed income, equity securities and private equity funds are recorded at fair value as of the date of the statement of financial position. Realized and unrealized gains and losses are netted in the statement of activities. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor stipulation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)
Purchases and sales of securities are recorded on the trade date. The cost in determining the gain or loss from the sale of securities is based on average cost of the securities involved in the transaction.

The University's fixed income and equity securities are generally publicly traded on national securities exchanges and have readily available quoted market values. Such investments are recorded at market value.

The University's private equity investments are carried at estimated fair value. Management establishes fair value of these nonmarketable investments through: 1) observable trading activity reported at net asset value, or 2) a documented valuation process including review of audited reports for the investment funds, verification of the fair value of marketable securities in the funds, regular review of fund manager valuation approaches and monitoring of fund activities. Because of the inherent uncertainty of valuation of nonmarketable investments, the estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

The University received has ownership interests in seven real estate partnerships with ownership interests ranging from 15.955% to 37.77%. The University holds these investments in ZSRS Fund, LLC and accounts for them under the equity method. Accordingly, the University records its share of the partnerships' income/loss and distributions as an increase/decrease to the carrying value of these investments.

Inventory
Inventories consist mainly of books and items held for sale in the University's bookstore, and are stated at the lower-of-cost or market and accounted for using the first-in, first-out (FIFO) method.

Assets Held in Charitable Remainder Trust and Charitable Gift Annuity Agreements
The University has been named as the beneficiary and trustee of a charitable remainder unitrust (CRUT). Assets contributed by the donor under this trust agreement were recognized at the fair value with a liability to the beneficiary under the CRUT agreement. Such liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiary over her expected life. The University has determined such liability using investment returns consistent with the composition of the investment portfolios, single life expectancy from the Internal Revenue Service Publication 1457 and the discount rate applicable in the year in which the agreement was entered into. The difference between the asset and liability is recorded as contribution revenue, with changes in value booked in subsequent years. The fair value of the asset held in the CRUT was $99,883 and the liability was $44,318 as of June 30, 2009.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets Held in Charitable Remainder Trust and Charitable Gift Annuity Agreements (Continued)
Charitable gift annuities require the University to pay a fixed annual amount to the annuitant over the annuitant's life, assets contributed by donors under gift annuity agreements and controlled by the University are recognized at fair value with a corresponding liability to beneficiaries of the annuity agreements. The excess of the cash received over the present value of the annuity obligation is recorded as contribution revenue on the date the annuity gift is received and the liability is determined. Such liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. To the extent the University is entitled, annuity funds are transferred to operations upon the death of the annuitant. The University monitors reserve funds and is in compliance with guidelines specified by the State of California Department of Insurance. The present value of these split-interest liabilities was $567,129 as of June 30, 2009.

Amortization of the discount and changes in actuarial assumptions are included in the "Change in value of split interest agreements" in the statement of activities.

Property, Plant, and Equipment
Property, plant, and equipment are carried at cost or fair market value at the date of the gift, if donated. Repairs and maintenance are charged to operations. Depreciation was provided over the useful lives of the respective assets on a straight-line basis. The estimated useful lives are as follows:

Buildings	40 years
Building improvements	10 years
Furniture and equipment	5 years

Upon disposition of assets, the cost and related accumulated depreciation is removed with the resulting gain or loss recognized in unrestricted net assets.

Interest Rate Swaps
The University uses an overall interest rate risk-management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in interest expense that are caused by interest rate volatility. Interest rate swaps involve the exchange of fixed-rate and variable-rate interest payments between two parties, based on a common notional principal amount and maturity date. Under current accounting standards, all derivative instruments are recognized on the statement of financial position at their fair values and changes in fair value are recognized in the statement of activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Valuation of Library and Art Collections
The value of the University Library Collection, Fine Art Works at the Mulholland Campus and Sculpture Garden are not reflected in the financial statements of the University, as it is the University's intent to maintain these as "collections."

Fair Value of Financial Instruments
Financial instruments included in the University's statement of financial position include cash and cash equivalents, accounts receivable, pledges receivable, investments, accounts payable and accrued liabilities, split-interest agreement liabilities and interest rate swaps . For cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, the carrying amounts represent a reasonable estimate of fair values due to their short-term maturity. Long term pledges receivable have been discounted using applicable risk-free rates to approximate fair value. Split-interest agreement liabilities are reflected at their estimated fair values using the methodology described in Note 2. Investments and derivative financial instruments (i.e. interest rate swaps) are reflected at estimated fair value as described below.

On July 1, 2008, the University adopted the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157), including FASB Staff Position (FSP) No. FAS 157-3, "Determining Fair Value of a Financial Asset When the Market for That Asset is Not Active", except as it applies to those non financial assets and liabilities measured on a nonrecurring basis for which the effective date has been delayed by one year. SFAS 157 defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e. the exit price).

SFAS 157 established a framework for measuring fair value under accounting principles generally accepted in the United States of America. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices in active markets for identical assets the University has the ability to access at the measurement date. These types of quoted prices would include securities with quoted market prices in active markets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)
Level 2 – Pricing inputs (other than quoted prices included in Level 1) that are observable for the instruments, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the University. These types of sources would include observable trading activity for similar instruments, models or other valuation methodologies.

Level 3 – Pricing inputs that are unobservable for the asset. Unobservable inputs are those that reflect the University's own assumptions about the assumptions that market participants would use in pricing the asset developed based on the best information available. These types of sources would include investment manager pricing for private equities and hedge funds.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement. The University's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument.

As a result of the adoption of SFAS 157, the University has modified the assumptions used in measuring the fair value of its derivative positions. Specifically, the University now includes the impact of its own credit risk on derivative liabilities measured at fair value under SFAS 157. Counterparty and own credit adjustments consider the estimated future cash flows between the University and its counterparties under the terms of the instrument and affect the credit risk on the valuation of those cash flows. The fair value of the University's liability was not materially affected by the credit risk adjustment.

Revenue and Expense Recognition
Revenues are reported as increases in unrestricted net assets unless use of the related assets are limited by donor-imposed restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases these net asset classes. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Expenses are reported as decreases in unrestricted net assets. Interest Income and 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 restrictions on net assets (i.e., donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expense Recognition (Continued)
Certain federal grants which the University administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time. The University expects that such amounts, if any, would not have a significant impact on the financial position of the University.

Tuition and Fees Revenue
Tuition income is recognized as the educational services are provided. Tuition and fees received by the University for semesters or sessions occurring subsequent to June 30, 2009 are recorded as deferred revenue.

Functional Allocation of Expenses
Costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes
The University is exempt from federal income and California franchise taxes under the Internal Revenue Code Section 501(c)(3) and corresponding California Revenue and Taxation Code Section 23701(d).

In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109." FIN 48 clarifies the accounting for uncertainty in income taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. FIN 48 also provides guidance related to derecognition, classification, interest and penalties, accounting in interim periods and disclosure. If there are changes in net assets as a result of application of FIN 48, these will be accounted for as an adjustment to net assets. The University adopted FIN 48 effective July 1, 2007. The University has no material unrecognized/derecognized tax benefits or tax penalties or interest.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk
Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments which potentially subject the University to concentrations of credit risk consist primarily of cash and cash equivalents; investments; contribution and other receivables; and interest rate swaps.

The University maintains its cash accounts in a number of commercial banks. Accounts at these banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC). At various times during the year, the University had deposits in excess of the FDIC insurance limit. However, the University has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investments securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

Recently Issued Accounting Pronouncements
In May 2009, the FASB issued SFAS No. 165, "Subsequent Events", SFAS 165 provides general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The University adopted SFAS 165 during the year ended June 30, 2009 and it did not have a material impact on the financial statements. The subsequent events have been evaluated through October 21, 2009 which is the date the financial statements were ready to be issued.

In June 2009, the FASB approved the *FASB Accounting Standards Codification* ("Codification"), which launched on July 1, 2009 and will be effective for financial statements for interim or annual reporting periods ending after September 15, 2009. The Codification is not expected to change GAAP, but will combine all authoritative standards into a comprehensive, topically organized online database. After the Codification launch on July 1, 2009 only one level of authoritative GAAP exists, other than guidance issued by the SEC. All other accounting literature excluded from the Codification will be considered non-authoritative. The University is currently evaluating the potential effect that the adoption of the Codification will have on its 2010 financial statements.

In July 2008, the University adopted SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities", which permits election of fair value measurement for certain financial assets and liabilities on a contract-by-contract basis. The University chose not to elect the fair value option for all financial instruments outstanding as of June 30, 2009.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)
In August 2008, the FASB issued FASB Staff Position (FSP) FAS 117-1, "Endowments of Not-for Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds", which the state of California adopted effect January 1, 2009. FSP 117-1 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization and improves disclosures about an organization's endowment funds. The University adopted FSP 117-1 for the year ended June 30, 2009 and it did not have a material impact on the financial statements.

Reclassifications
Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions, including unconditional promises to give, are recognized in the financial statements as contributions receivable and revenue of the appropriate net asset category in the period they are received. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Unconditional promises to give are recorded after discounting, using rates between 1.36% and 6.03%, to present value of the future cash flows.

Unconditional promises to give are scheduled to be realized in the following periods:

Due in one year or less	$ 3,538,141
Between one year and five years	1,447,084
More than five years	125,000
	5,110,225
Less: Net present value discount	340,343
Allowance for uncollectible receivables	102,205
Net contributions receivable	**$ 4,667,677**

NOTE 4 – NOTES RECEIVABLE

The following three promissory notes were acquired as part of the contribution of ZSRS Fund, LLC.

The first promissory note is collateralized by a deed of trust from Glen Development Company in the amount of $5,675,639. The unpaid balance of this note was $5,462,914 as of June 30, 2009. The note has a fixed interest rate of 7.25% and matures on July 31, 2014. Terms of the note require monthly installments of principal and interest payments of $43,024 based on a 25-year amortization schedule.

The second promissory note is collateralized by a deed of trust from Circle Partnership in the amount of $1,595,636. The unpaid balance of the note was $781,715 as of June 30, 2009. The note has a fixed interest rate of 7% and matures on October 27, 2011. The terms of the note require monthly installment principal and interest payments of $11,798 based on a 25-year amortization schedule.

The third promissory note is collateralized by a deed of trust from Cabrillo Partnership in the amount of $180,000. The unpaid balance of the note was $180,000 as of June 30, 2009. The note has a fixed interest rate of 7.25% and matures on October 27, 2011. Terms of the note requires monthly interest payments of $1,088.

Maturities of the notes receivable are as follows:

Fiscal Year Ending June 30,	Amount
2010	$ 657,864
2011	657,864
2012	1,194,851
2013	516,288
2014	516,288
Thereafter	2,881,474
Total	**$ 6,424,629**

NOTE 5 – INVESTMENTS

Investments at June 30, 2009, are summarized as follows:

Investment Description	Carrying Value
Cash equivalents held for endowments	$ 3,330,910
Mutual funds	19,928,057
Equity securities	12,006,536
Corporate bonds	1,161,669
Israel bonds	87,430
Multi-strategy bonds	7,266,520
Private equity funds	6,203
Hedge funds	14,283,572
Mutual water company interest	75,000
Real estate partnership interests	7,842,641
Total investments	**$ 65,988,538**

Investments are generally pooled and managed under various asset diversification strategies, depending upon the specific pool's objectives, and to avoid significant concentrations of market risk. Under the University's endowment spending policy, certain amounts (based on a percentage of the investment value of the endowment) are appropriated to support current operations.

As of June 30, 2009, the University has commitments to make additional capital contributions to invest in the various hedge funds of $2,656,272.

Investments held for gift annuities were segregated but included in the above investment schedule. The balance was $1,144,172 at June 30, 2009.

NOTE 5 – INVESTMENTS (Continued)

Real Estate Partnership Interests

ZSRS Fund, LLC, a wholly owned subsidiary of the University, holds ownership interests in the following partnerships accounted for under the equity method:

Partnership	Ownership Percentage	Carrying Value
10th Street Ziegler Partnership	16.67%	$ 320,676
29th Avenue Arizona Partnership	16.67%	254,440
Santa Maria Industrial Building LLC	16.67%	947,932
Circle Partnership	37.77%	1,356,138
Glen Development Company	15.95%	2,629,114
Standard Saybrook Associates	16.67%	762,086
WPI Properties, Ltd.	19.36%	1,572,255
Total		**$ 7,842,641**

Brandeis Mutual Water Company

In addition the University has an investment in the Brandeis Mutual Water Company that represents a wholly-owned investment in a separate corporation formed to protect the University's interest in the natural water source attached to a local water district serving the Brandeis-Bardin Campus. The investment allows the University to buy its water from the local water district at cost. Brandeis Mutual Water Company has $75,000 in assets. There was no activity in the company for the period ended June 30, 2009.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30, 2009 was comprised of the following:

Land	$ 3,901,646
Buildings and improvements	57,282,398
Furniture and equipment	4,358,386
Automotive equipment	115,261
Construction in progress	3,310,021
	68,967,712
Less accumulated depreciation	29,620,326
Total	**$ 39,347,386**

Depreciation expense was $1,933,890 for the year ended June 30, 2009.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT (Continued)

The University utilizes two campuses under continuing development on property at Mulholland Drive, Los Angeles, California and in Simi Valley, California. The University also owns and utilizes conference grounds in Ojai, California. The cumulative costs of these properties at June 30, 2009 are as follows:

Mulholland Campus property	$ 35,194,940
Ojai Conference Ground property	2,400,117
Simi Valley Campus property	19,687,341
	57,282,398
Less accumulated depreciation	24,415,007
Total	**$ 32,867,391**

NOTE 7 – BOND ISSUANCE FEES

Bond issuance fees as June 30, 2009 consisted of the following:

Bond issuance fees	$ 759,624
Less accumulated amortization	246,784
Total	**$ 512,840**

The bond issuance fees have been capitalized and are being amortized over the lives of the respective bonds. Amortization expense was $26,300 for the year ended June 30, 2009.

NOTE 8 – NOTES, MORTGAGE AND TRUST DEED PAYABLE

The University is obligated under various borrowing an arrangement at June 30, 2009 is as follows:

California Educational Facilities Authority (CEFA) 1998 Series A Bonds; variable rate interest paid monthly; collateralized by land and buildings; due December 1, 2028	$ 11,500,000
CEFA 1998 Series B Bonds; variable rate interest paid monthly; collateralized by land and buildings; due December 1, 2028	5,900,000
Note payable to Capital Crossing Bank (SBA); principal and interest due monthly at 4%; secured by land and buildings; maturing on July 16, 2024.	938,816
$4,000,000 line of credit with a financial institution; Guaranteed by a third-party donor trust; interest at the Prime rate less 0.75% (2.5% at June 30, 2009); due on January 15, 2011.	3,951,594
$7,500,000 line of credit with a financial institution; interest rates from 2.49% to 6.32%;secured by first deed of trust on the University's Bel Air Campus; expires May 1, 2010.	5,600,000
Note payable to the University of Judaism Foundation; interest due quarterly at 1% below the Prime rate (2.25% at June 30, 2009); due on demand, Uncollateralized.	100,000
Note payable to Capital Crossing Bank (SBA); principal and interest at 4% due monthly; secured by land and buildings; maturing on August 19, 2019.	521,042
Note payable to Board member, non-interest-bearing; due on demand.	5,000
Total	**$ 28,516,452**

NOTE 8 – NOTES, MORTGAGE AND TRUST DEED PAYABLE (Continued)

The Series A Bond in the amount of $13,500,000 have a weekly variable non-taxable interest rate, which may be converted to a fixed rate. The initial interest rate was 3.0% and is adjusted weekly by the remarketing agent to the rate that would cause the bonds to have a market value equal to the principal amount plus accrued interest under prevailing market conditions. The effective variable rate at June 30, 2009 was 0.69%. The bonds were issued to: (i) construct and renovate certain educational facilities of the University; (ii) repay existing indebtedness; (iii) pay capitalized interest; and, (iv) pay certain bond issuance costs.

The Series B Bond in the amount of $7,000,000 have a weekly variable taxable interest rate, which may be converted to a fixed rate. The initial interest rate was 5.3% and is adjusted weekly by the remarketing agent to the rate that would cause the bonds to have a market value equal to the principal amount plus accrued interest under prevailing market conditions. The effective variable rate at June 30, 2009 was 1.80%. The bonds were issued to: (i) refinance existing indebtedness of the University and (ii) to pay certain bond issuance costs.

If the University opts to convert the bonds to a “Fixed Rate”, the bonds will be subject to a mandatory sinking fund redemption through and including the maturity thereof on December 1st of each year, commencing on the first December 1 occurring at least six (6) months after the “Fixed Rate Adjustment Date”, through and including the date of maturity of the “Bonds” of that series. The sinking fund payments will be set to achieve annual level debt service (including both principal and interest) for all remaining “Bond Years.”

Repayment of the bonds is supported by an irrevocable direct-pay letter of credit up to the principal amount of the bond plus accrued interest. The letter of credit will expire on December 20, 2011.

The most significant covenants of the Series A and B bonds are that the University may not encumber any of the revenue sources specified to repay the bonds and that all arbitrage profits, as defined, will be subject to rebate. The bonds also contain cross-default provisions which put both bonds in default if either of them are in default.

Maturities of the notes, mortgage and trust deed payable are as follows:

Fiscal Year Ending June 30,	Amount
2010	$ 6,209,368
2011	4,665,962
2012	609,368
2013	609,368
2014	609,368
Thereafter	15,813,018
Total	**$ 28,516,452**

NOTE 9 – INTEREST RATE SWAPS

Concurrent with the issuance of the bonds in Note 8, the University established two interest rate swaps with Allied Irish Bank, one of which expired December 1, 2006 and the second which expired December 1, 2008 in the amounts of $6,200,000 and $12,400,000, respectively. The expired swaps were replaced by two interest rate swaps in the amount of $6,000,000 and $11,500,000, which expire on December 1, 2015 and December 1, 2028, respectively. The swaps fix the interest rate the University pays on the bonds as the actual interest costs over the term of the bonds are based upon weekly variable rates. The two interest rate swap rates are fixed at 3.94% and 5.2% for Series A and B bonds, respectively. As of June 30, 2009, the University recorded a liability for the fair value of the interest rate swaps of $1,368,096. The change in fair value of the interest rate swaps was $766,290 for the year ended June 30, 2009.

NOTE 10 – FAIR VALUE MEASUREMENT

The following table sets forth, by level, within the fair value hierarchy, amounts recorded in the University's financial statements at fair value as at June 30, 2009:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 2,002,032	$ -	$ -	$ 2,002,032
Endowment cash equivalents	3,330,910	-	-	3,330,910
Cash equivalents restricted to capital projects	5,514,836	-	-	5,514,836
Mutual funds	19,928,057	-	-	19,928,057
Equity securities	12,006,536	-	-	12,006,536
Corporate bonds	-	1,161,669	-	1,161,669
Israel bonds	-	87,430	-	87,430
Multi-strategy bonds	-	7,266,520	-	7,266,520
Private equity funds	-	-	6,203	6,203
Hedge funds	-	-	14,283,572	14,283,572
Charitable remainder unitrust	-	-	99,883	99,883
Total Assets	**$ 42,782,371**	**$ 8,515,619**	**$ 14,389,658**	**$ 65,687,648**
Liabilities:				
Charitable remainder unitrust payment liability	-	-	44,318	44,318
Gift annuity payment liability	-	-	567,129	567,129
Interest rate swaps	-	1,368,096	-	1,368,096
Total Liabilities	**$ -**	**$ 1,368,096**	**$ 611,447**	**$ 1,979,543**

NOTE 10 – FAIR VALUE MEASUREMENT (Continued)

Cash restricted by donors to investment in land, buildings, and equipment are not included with the line items cash and cash equivalents. Rather, these items are reported as cash equivalents restricted to capital projects.

For the year ended June 30, 2009, the changes in fair value of the University's Level 3 assets and liabilities are as follows:

	June 30, 2008	Purchases/ Contributions	Unrealized/ Realized loss, net	Other	June 30, 2009
Assets:					
Private equity funds	$ -	$ 6,203	$ -	$ -	$ 6,203
Hedge funds	10,923,782	3,222,811	136,979	$ -	14,283,572
Charitable remainder unitrust	-	99,883	-	-	99,883
Total Assets	**$ 10,923,782**	**$ 3,328,897**	**$ 136,979**	**$ -**	**$ 14,389,658**
Liabilities:					
Charitable remainder unitrust payment liability	-	-	-	44,318	44,318
Gift annuity payment liability	588,347	-	-	21,218	567,129
Total Liabilities	**$ 588,347**	**$ -**	**$ -**	**$ 65,536**	**$ 611,447**

NOTE 11 – NET ASSETS

Unrestricted, temporarily restricted, and permanently restricted net assets at June 30, 2009 were available for the following purposes:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
General endowment funds	$ (2,122,849)	$ -	$ 19,085,243	$ 16,962,394
Endowment funds held for scholarships	-	-	2,292,894	2,292,894
General fund	14,961,024	1,996,463	-	16,957,487
Annuity	-	572,985	-	572,985
Plant fund	(2,517,879)	10,296,662	-	7,778,783
Other funds	8,509,421	32,162,892	-	40,672,313
Total	**$ 18,829,717**	**$45,029,002**	**$ 21,378,137**	**$ 85,236,856**

NOTE 12 – ENDOWMENT

Through December 31, 2008, the California Uniform Management of Institutional Funds Act (UMIFA) governed the management and use of donor-restricted endowment funds held by charitable institutions in the state of California. Under UMIFA, the University classified as permanently restricted net assets the original value of gifts donated to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction, if any, of the applicable donor gift instrument. Accumulated earnings of donor-restricted endowment funds are classified as unrestricted or temporarily restricted net assets, funds available for operations in accordance with the donor specifications.

Effective January 1, 2009, the state of California adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which replaces UMIFA. In August of 2008, the FASB issued FSP No. 117-1 (FSP 117-1), "Endowments of 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". The disclosure provisions of FSP 117-1 were applied by the University in the year ended June 30, 2009.

The University's endowment consists of more than 80 individual donor-restricted endowments funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets, associated with endowment funds are classified and reported as permanently restricted or temporarily restricted based on the existence or absence of donor restrictions.

Interpretation of Relevant Law
The Board of Directors of the University has formally adopted California's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as of January 1, 2009, and has interpreted this act follows: Subject to the intent of the donor expressed in the gift instrument, the University will appropriate for expenditure or accumulate so much of an endowment fund as the Board determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. In making a determination to appropriate or accumulate, the Board will act in good faith and with care that an ordinary prudent person in a like position would exercise under similar circumstances, keeping in mind the continued existence of the program the gift was intended to support.

NOTE 12 – ENDOWMENT (Continued)

For the year ended June 30, 2009, the University's endowment net assets changed as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	$ -	$ -	$ 23,878,751	$ 23,878,751
Investment return:				
Investment income, net	149,434	60,034	76,178	285,646
Net realized and unrealized losses	(1,755,376)	-	-	(1,755,376)
Total investment return	(1,605,942)	60,034	76,178	(1,469,730)
Contributions	-	-	46,833	46,833
Appropriation of endowment assets for expenditure	(600,900)	-	-	(600,900)
Other changes:				
Donor-released from restrictions and other releases	83,993	(60,034)	(2,623,625)	(2,599,666)
Total endowment funds	**$ (2,122,849)**	**$ -**	**$ 21,378,137**	**$ 19,255,288**

As of June 30, 2009, the University's endowment consisted entirely of donor restricted endowment funds.

Spending Policy
The University's spending policy is designed to provide for positive growth in the market value of its endowment, net of distributions, over an extended period of time. In establishing this policy, the Board considered the long-term expected return of the endowment investment pool and the goal of maintaining the purchasing power of the endowment assets. Over the long term, the current spending policy is designed to return a net positive gain in market value (growth) after spendable transfers. The annual rate for spendable transfers, distributed quarterly is decided on by the Board, in the current year this rate was 5% of each endowments spending base. The spending base is calculated by using a 3 year average market value of the different endowments investment.

NOTE 12 – ENDOWMENT (Continued)

Investment Policy

The University's investment objectives are to provide the University with a rate of growth equal to or exceeding the University's annual draw rate or the rate of inflation whichever is higher. The Endowments assets are to be invested as a balanced portfolio consisting of equity, fixed income, cash equivalent securities and other assets with due regard to preservation and growth of principal.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. In accordance with the provisions of FSP No. 117-1, deficiencies of this nature that are reported in unrestricted net assets were $2,122,849 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

NOTE 13 – PENSION PLANS

The University has several defined contribution pension plans covering substantially all of its full-time executives and employees.

All such plans are fully funded currently by payments to the various plan trustees. University payments to these plans totaled $412,069 for the year ended June 30, 2009.

NOTE 14 – RELATED-PARTY TRANSACTIONS

The University is a designated beneficiary of the University of Judaism Foundation (the "Foundation"). The Foundation was established in 1980 by officers of the University to support the University and other Public Charities, as defined by the Internal Revenue Code. Under the terms of the Foundation's incorporating documents, the University receives a minimum of approximately 35% of the Foundation's annual income. Additional income amounts, as well as the principal of the Foundation, may be received by the University based upon annual designations of the Foundation's members.

During 2009, the Foundation distributed $6,785 to the University and will distribute an additional $3,275 for 2009 activity.

In addition, included in notes payable (see Note 8) is a $100,000 loan by the Foundation to the University. During fiscal year 2009 the University paid $7,250 in interest on this loan.

The University is the recipient of a non-interest-bearing note (see Note 8) made by a member of the Board of Directors which is payable by the University on demand.