

Mercyhurst College

Accountants' Report and Financial Statements

June 30, 2007 and 2006



Mercyhurst College
June 30, 2007 and 2006

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Mercyhurst College
Erie, Pennsylvania

We have audited the accompanying statements of financial position of Mercyhurst College as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercyhurst College as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2007, on our consideration of the College's internal control over financial reporting and 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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

October 12, 2007

Mercyhurst College
Statements of Financial Position
June 30, 2007 and 2006

Assets

	2007	2006
Cash and cash equivalents	\$ 10,039,343	\$ 9,753,848
Accounts receivable, net of allowance; 2007 - \$470,145, 2006 - \$489,666	1,776,275	1,531,555
Contributions receivable, net	187,000	148,494
Receivable from charitable remainder trust	647,667	555,767
Loans receivable, net of allowance of \$139,270	2,631,217	2,713,441
Inventories	379,169	402,979
Prepaid expenses and other assets	392,615	465,806
Bond discount and issuance costs, net	298,246	345,677
Deposits with trustees	2,029,960	2,204,041
Long-term investments	24,185,079	17,355,412
Land, buildings and equipment, net	70,520,379	69,808,909
Total assets	\$ 113,086,950	\$ 105,285,929

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 1,594,533	\$ 1,646,915
Accrued expenses and other liabilities	2,311,811	2,207,897
Accrued interest	358,491	347,911
Student deposits	1,456,905	1,447,967
Deferred revenue	1,032,739	1,192,433
Notes payable	1,707,291	1,516,588
Bonds payable	30,495,000	32,270,000
Advances from Federal government for student loans	2,244,764	2,258,281
Trusts payable	285,374	275,894
Total liabilities	41,486,908	43,163,886

Net Assets

Unrestricted	54,256,070	47,724,430
Temporarily restricted	6,438,541	4,909,356
Permanently restricted	10,905,431	9,488,257
Total net assets	71,600,042	62,122,043
Total liabilities and net assets	\$ 113,086,950	\$ 105,285,929

Mercyhurst College
Statement of Activities
Year Ended June 30, 2007

	2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
Tuition and fees	\$ 69,311,746	\$ —	\$ —	\$ 69,311,746
Less college funded financial aid and scholarships	<u>26,955,054</u>	<u>—</u>	<u>—</u>	<u>26,955,054</u>
Net tuition and fees	42,356,692	—	—	42,356,692
Government grants and other contracts	6,069,868	—	—	6,069,868
Private gifts	702,085	284,753	1,662,174	2,649,012
Investment income	817,137	433,575	—	1,250,712
Net realized and unrealized gains	1,117,031	1,907,674	—	3,024,705
Other revenues	1,225,285	—	—	1,225,285
Auxiliary enterprises	16,812,625	—	—	16,812,625
Change in value of split interest agreements	—	82,421	—	82,421
Net assets released from restrictions	1,250,879	(1,250,879)	—	—
Reclassification of net assets	<u>173,359</u>	<u>71,641</u>	<u>(245,000)</u>	<u>—</u>
Total revenues, gains and other support	<u>70,524,961</u>	<u>1,529,185</u>	<u>1,417,174</u>	<u>73,471,320</u>
Expenses and Other Deductions				
Instruction	24,720,386	—	—	24,720,386
Public service	280,293	—	—	280,293
Academic support	2,488,288	—	—	2,488,288
Student services	11,999,602	—	—	11,999,602
Institutional support	10,340,719	—	—	10,340,719
Auxiliary enterprises	12,759,470	—	—	12,759,470
Interest	<u>1,404,563</u>	<u>—</u>	<u>—</u>	<u>1,404,563</u>
Total expenses and other deductions	<u>63,993,321</u>	<u>—</u>	<u>—</u>	<u>63,993,321</u>
Change in Net Assets	6,531,640	1,529,185	1,417,174	9,477,999
Net Assets, Beginning of Year	<u>47,724,430</u>	<u>4,909,356</u>	<u>9,488,257</u>	<u>62,122,043</u>
Net Assets, End of Year	<u>\$ 54,256,070</u>	<u>\$ 6,438,541</u>	<u>\$ 10,905,431</u>	<u>\$ 71,600,042</u>

Mercyhurst College
Statement of Activities
Year Ended June 30, 2006

	2006			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
Tuition and fees	\$ 64,451,299	\$ —	\$ —	\$ 64,451,299
Less college funded financial aid and scholarships	<u>23,551,003</u>	<u>—</u>	<u>—</u>	<u>23,551,003</u>
Net tuition and fees	40,900,296	—	—	40,900,296
Government grants and other contracts	7,977,244	—	—	7,977,244
Private gifts	664,561	1,751,927	309,454	2,725,942
Investment income	606,272	169,410	—	775,682
Net realized and unrealized gains	474,634	933,597	—	1,408,231
Other revenues	1,213,732	—	—	1,213,732
Auxiliary enterprises	16,151,165	—	—	16,151,165
Change in value of split interest agreements	—	100,900	—	100,900
Net assets released from restrictions	3,198,110	(3,198,110)	—	—
Reclassification of net assets	<u>—</u>	<u>(32,195)</u>	<u>32,195</u>	<u>—</u>
Total revenues, gains and other support	<u>71,186,014</u>	<u>(274,471)</u>	<u>341,649</u>	<u>71,253,192</u>
Expenses and Other Deductions				
Instruction	23,738,404	—	—	23,738,404
Public service	272,389	—	—	272,389
Academic support	2,402,692	—	—	2,402,692
Student services	11,579,910	—	—	11,579,910
Institutional support	9,025,444	—	—	9,025,444
Auxiliary enterprises	13,038,074	—	—	13,038,074
Interest	<u>1,350,381</u>	<u>—</u>	<u>—</u>	<u>1,350,381</u>
Total expenses and other deductions	<u>61,407,294</u>	<u>—</u>	<u>—</u>	<u>61,407,294</u>
Change in Net Assets	9,778,720	(274,471)	341,649	9,845,898
Net Assets, Beginning of Year	<u>37,945,710</u>	<u>5,183,827</u>	<u>9,146,608</u>	<u>52,276,145</u>
Net Assets, End of Year	<u>\$ 47,724,430</u>	<u>\$ 4,909,356</u>	<u>\$ 9,488,257</u>	<u>\$ 62,122,043</u>

Mercyhurst College
Statements of Cash Flows
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Activities		
Change in net assets	\$ 9,477,999	\$ 9,845,898
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	3,393,147	3,357,413
Net realized and unrealized gains on investments	(3,024,705)	(1,408,231)
Change in value of split interest agreements	(82,421)	(100,900)
Contributions received restricted for long-term investment	(1,662,174)	(309,454)
Changes in		
Receivables	(201,001)	505,628
Inventories	23,810	(36,331)
Prepaid expenses and other assets	73,191	107,740
Accounts payable	(52,382)	(1,763,828)
Accrued expenses and other liabilities	114,494	(820,136)
Student deposits	8,938	188,154
Deferred revenue	(159,694)	115,788
Advances from Federal government for student loans	<u>(13,517)</u>	<u>(14,303)</u>
Net cash provided by operating activities	<u>7,895,685</u>	<u>9,667,438</u>
Investing Activities		
Purchase of land, buildings and equipment	(4,057,186)	(5,095,218)
Purchase of long-term investments	(27,853,160)	(10,349,084)
Proceeds from disposition of long-term investments	24,000,838	9,122,752
Change in deposits with trustees	<u>221,441</u>	<u>156,429</u>
Net cash used in investing activities	<u>(7,688,067)</u>	<u>(6,165,121)</u>
Financing Activities		
Principal payments on bonds	(1,775,000)	(1,420,000)
Principal borrowings on notes payable	1,162,000	1,242,334
Principal payments on notes payable	(971,297)	(1,856,812)
Proceeds from contributions restricted for long-term investment	<u>1,662,174</u>	<u>309,454</u>
Net cash provided by (used in) financing activities	<u>77,877</u>	<u>(1,725,024)</u>
Increase in Cash and Cash Equivalents	285,495	1,777,293
Cash and Cash Equivalents, Beginning of Year	<u>9,753,848</u>	<u>7,976,555</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,039,343</u>	<u>\$ 9,753,848</u>
Supplemental Cash Flows Information		
Interest paid	\$ 1,394,208	\$ 1,327,258

Mercyhurst College
Notes to Financial Statements
June 30, 2007 and 2006

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Mercyhurst College (the College) operates as a private, not-for-profit institution in northwestern Pennsylvania. A majority of its students are from Pennsylvania and surrounding states. The majority of the College's revenues are derived from tuition and fees charged to students.

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 and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

With the exception of certain investments held in the endowment fund, the College considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2007 and 2006, cash equivalents consisted primarily of money market funds. At June 30, 2007, the College's cash accounts exceeded federally insured limits by approximately \$10,831,000.

Fair Value of Financial Instruments

The College's financial instruments which include cash, cash equivalents, receivables, investments, accounts payable, accrued expenses, other liabilities and debt are carried at amounts which approximate fair value.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes investment income, which includes interest and dividends; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

The College maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated quarterly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Mercyhurst College
Notes to Financial Statements
June 30, 2007 and 2006

Accounts Receivable

Accounts receivable are stated at the amount of tuition, room and board and fees billed to students adjusted for the allowance for uncollectible accounts. Student receivables are normally due four weeks prior to the first day of the fall term, and one to two weeks prior to the first day of the winter and spring terms. The College also offers payment plans which allow students to make three payments throughout the term, or nine payments throughout the year. Accounts that are unpaid after the due date may be subject to a late fee. A financial hold is placed on delinquent accounts, which bars a student from registering for any new classes until they make payment arrangements and bars a student from receiving transcripts or a diploma. The College provides an allowance for doubtful accounts, which is based upon a review of the outstanding student receivables along with current and historical collection information.

Loans Receivable

Student loans receivable under the Federal Perkins Loan Program are reported at the outstanding principal balances, net of allowance for collectibility. The repayment period begins after an initial grace period of nine months after the student ceases to be at least a half-time student. Interest income is recorded as monthly payments are received.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset. Repairs, maintenance and minor replacements of existing facilities are charged to expense as incurred.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the College has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the College in perpetuity. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction. Contributions other than cash are recorded at their estimated fair value.

Mercyhurst College
Notes to Financial Statements
June 30, 2007 and 2006

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue using the level-yield method.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

An allowance for uncollectible contributions, which is based on management's judgment of the risks, is provided as a reduction of the amount of contributions received.

Collections

Collections of works of art, historical treasures and similar assets are not capitalized in as much as the items are preserved and cared for continuously. Contributions of collection items are not reported in the financial statements. The College's collections consist primarily of paintings, sculptures, and other works of art, books, and antique furniture.

Inventory Pricing

Inventories consist primarily of books, clothing, and other merchandise at the College's bookstores, and certain maintenance supplies, and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Advances from Federal Government for Student Loans

The College administers federally funded loan programs for the benefit of its students. This liability represents the amount that must be returned to the federal government upon termination of the program.

Government Grants

Support funded by grants is recognized as the College performs the contracted services or expends funds eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Auxiliary Enterprises

Revenues and expenditures from auxiliary enterprises include the student dormitories, food service, bookstore, special events, and outside sales. Certain indirect expenditures, such as depreciation and interest on indebtedness, are not charged to the auxiliary enterprises.

Mercyhurst College
Notes to Financial Statements
June 30, 2007 and 2006

Income Taxes

The College is exempt from income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described under Section 501(c) of the Code, as well as a similar provision of state law. However, the College is subject to federal income tax on any unrelated business taxable income.

Reclassifications

The College identified certain net asset fund balances that had been misclassified between unrestricted, temporarily restricted and permanently restricted during 2007 and 2006. The following net assets were reclassified in the 2007 and 2006 financial statements to appropriately recognize the restricted nature of certain net asset fund balances:

	2007	2006
Unrestricted	\$ 173,359	\$ —
Temporarily restricted	71,641	(32,195)
Permanently restricted	(245,000)	32,195

The reclassifications had no effect on changes in net assets for 2007 and 2006.

Note 2: Investments

Investments, including deposits with trustees, at June 30 consisted of the following:

	2007	2006
Cash equivalents	\$ 150,672	\$ 401,915
U.S. Treasury securities	2,022,884	2,021,179
Collective fixed income funds	3,784,670	3,744,813
Collective equity funds	14,064,354	7,615,801
Equity securities	3,696,421	4,649,498
Hedge fund-of-funds	2,073,870	702,245
Real estate	422,168	424,002
	\$ 26,215,039	\$ 19,559,453

Mercyhurst College
Notes to Financial Statements
June 30, 2007 and 2006

Note 3: Contributions Receivable and Conditional Gifts

Contributions receivable consisted of the following:

	June 30, 2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Due within one year	\$ 50,025	\$ 54,395	\$ 8,109	\$ 112,529
Due in one to five years	<u>150,000</u>	<u>10,792</u>	<u>—</u>	<u>160,792</u>
	200,025	65,187	8,109	273,321
Less				
Allowance for uncollectible contributions	(40,050)	(13,052)	(1,624)	(54,726)
Unamortized discount	<u>(26,750)</u>	<u>(4,387)</u>	<u>(458)</u>	<u>(31,595)</u>
	<u>\$ 133,225</u>	<u>\$ 47,748</u>	<u>\$ 6,027</u>	<u>\$ 187,000</u>

	June 30, 2006			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Due within one year	\$ 12,447	\$ 137,116	\$ 37,705	\$ 187,268
Due in one to five years	<u>—</u>	<u>38,851</u>	<u>4,942</u>	<u>43,793</u>
	12,447	175,967	42,647	231,061
Less				
Allowance for uncollectible contributions	(12,447)	(44,050)	(10,676)	(67,173)
Unamortized discount	<u>—</u>	<u>(12,701)</u>	<u>(2,693)</u>	<u>(15,394)</u>
	<u>\$ —</u>	<u>\$ 119,216</u>	<u>\$ 29,278</u>	<u>\$ 148,494</u>

The discount rate used was 6.0% for 2007 and 2006.

Mercyhurst College
Notes to Financial Statements
June 30, 2007 and 2006

The College has been named in will commitments totaling \$2,775,000 at June 30, 2007 which are not reflected in the financial statements, as they are considered conditional promises to give.

Note 4: Receivable from Charitable Remainder Trust

The College is the beneficiary under a charitable remainder trust for which it is not the trustee. The College's beneficial interest in this trust is recorded at fair value, measured by the present value of the estimated expected future benefits to be received when the trust assets are distributed. At June 30, 2007 and 2006, the College's beneficial interest in the remainder trust administered by an outside party is \$647,667 and \$555,767, respectively.

Note 5: Land, Buildings, and Equipment

Land, buildings, and equipment at June 30, consist of:

	2007	2006
Land	\$ 3,375,134	\$ 3,375,134
Land improvements	8,275,671	8,132,876
Buildings	72,715,383	70,929,548
Furnishings and equipment	19,550,814	17,580,512
Library books	4,155,148	3,971,291
Construction-in-progress	<u>524,903</u>	<u>550,507</u>
	108,597,053	104,539,868
Less accumulated depreciation	<u>(38,076,674)</u>	<u>(34,730,959)</u>
	<u>\$ 70,520,379</u>	<u>\$ 69,808,909</u>

Note 6: Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities at June 30, consist of:

	2007	2006
Accrued payroll and deferred compensation	\$ 1,545,141	\$ 1,490,540
Accrued payroll taxes and withholdings	128,335	139,043
Accrued vacation	496,916	414,693
Other accrued expenses	<u>141,419</u>	<u>163,621</u>
	<u>\$ 2,311,811</u>	<u>\$ 2,207,897</u>

Mercyhurst College
Notes to Financial Statements
June 30, 2007 and 2006

Note 7: Trusts Payable

The College administers two charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the College's use. The portion of the trust attributable to the future interest of the College is recorded in the statements of activities as temporarily restricted contributions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair market value in the College's statements of financial position. On an annual basis, the College revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using discount rates available at the date of the trusts' inception which were 7.0% and 7.6% and applicable mortality tables.

Note 8: Long-term Debt

Long-term debt at June 30 consists of the following:

	2007	2006
Notes payable		
Line of Credit	\$ 1,698,958	\$ 1,449,921
Other	<u>8,333</u>	<u>66,667</u>
Total notes payable	<u>1,707,291</u>	<u>1,516,588</u>
Bonds payable		
College Revenue Bonds of 1997, with interest rates ranging from 5.45% to 5.85%	2,085,000	2,235,000
Pennsylvania Higher Education Facilities Authority Revenue Bonds Series 1999 E1, with interest at 3.74% at June 30, 2007 and at variable rates thereafter that are based upon the Bond Market Association (BMA) index.	2,800,000	2,900,000
Pennsylvania Higher Education Facilities Authority Revenue Bonds Series 2001 I2, with interest at 3.74% at June 30, 2007 and at variable rates thereafter that are based upon the BMA index.	5,100,000	5,300,000
College Revenue Bonds of 2003, with interest at a swap rate of 3.82% at June 30, 2007 until November 1, 2012, and at variable rates thereafter that are based upon the BMA index.	5,000,000	5,325,000
College Revenue Refunding Bonds Series A and B of 2004, with interest rates ranging from 3.20% to 5.00%	<u>15,510,000</u>	<u>16,510,000</u>
Total bonds payable	<u>30,495,000</u>	<u>32,270,000</u>
Total long-term debt	<u>\$ 32,202,291</u>	<u>\$ 33,786,588</u>

Mercyhurst College

Notes to Financial Statements

June 30, 2007 and 2006

The College currently has two line of credit arrangements with two local banks that provide the College up to a total of \$2,700,000 for physical plant improvement projects and working capital. The first agreement is for capital expenditures and expires on December 29, 2008. The original amount of the note was \$1,000,000, and was amended to \$1,700,000 on March 10, 2005. The note accrues interest on outstanding borrowings at a rate equal to the (i) bank's prime lending rate minus .5%, or (ii) a LIBOR-Rate plus 1.50% for the applicable LIBOR-Rate Interest Period. Borrowings are secured by the gross revenues of the College, on parity with the Borrower's bondholders. The second agreement was for capital expenditures and working capital up to \$1,000,000 and expired March 1, 2006. The note accrued interest on outstanding borrowings at a rate equal to the J.P. Morgan Chase Bank of New York City published prime lending rate minus .75%. A commitment fee of .05% was also assessed on any unused portion of the line of credit. The note was not renewed upon expiration. On March 23, 2006, the College entered into a one year \$1,000,000 revolving line of credit for short term working capital with a bank to replace the line of credit which expired March 1, 2006. Borrowings on the line are unsecured and are a general obligation of the College. The line of credit expires March 22, 2009. The note accrues interest on outstanding borrowings at a rate equal to the LIBOR-flex rate plus 1.25%. A commitment fee of 0.125% is assessed on any unused portion of the line of credit. At June 30, 2007 and 2006 the balances outstanding under the lines of credit were \$1,698,958 and \$1,449,921 respectively.

On July 3, 1997, the College issued a \$3,920,000 bond issue through the Authority (the 1997 Bonds) for the purpose of (a) the acquisition of apartment buildings for student housing; (b) the completion and automation of the College's library; (c) the renovation of McAuley Hall; (d) the construction of additional College facilities; (e) the funding of a debt service reserve fund; and (f) the financing of all or a portion of the costs relating to the issuance of the 1997 Bonds.

On November 1, 1999, the College issued a \$3,500,000 bond issue through the Pennsylvania Higher Education Facilities Authority for the purpose of (a) purchase of four apartment buildings for student housing; (b) renovations to the Hammermill Library; (c) construction of eight townhouses for student housing located at 16 West Division Street at the campus located in the town of North East, Pennsylvania; (d) certain additional miscellaneous capital expenditures and (e) the payment of certain costs of issuing the bonds.

On November 1, 2001, the College issued a \$5,500,000 bond issue through the Pennsylvania Higher Education Facilities Authority for the purpose of (a) construction of the Audrey Hirt Academic Center and (b) the renovation of the College's hockey rink.

On July 31, 2003, the College issued a \$5,475,000 bond issue through the City of Erie Higher Education Building Authority (the Authority) for the purpose of (a) the acquisition of four apartment buildings on Lewis Avenue for student housing; (b) the acquisition of four apartment buildings known as "Highland Square" for student housing; (c) construction of two two-story residence halls on the College's Erie campus; (d) construction of a two-story Health and Safety Building on the College's North East campus; and (e) the payment of certain costs of issuing the bonds. On September 2, 2004, the College obtained approval from the Authority to amend the list of projects covered by the 2003 Bond Issue to include certain costs associated with the construction of a bookstore and the renovation of Old Main, both of which are located on the College's Erie campus.

Mercyhurst College
Notes to Financial Statements
June 30, 2007 and 2006

On October 1, 2004, the College issued \$13,225,000 College Revenue Refunding Bonds, Series A of 2004 and \$5,140,000 College Revenue Refunding Bonds, Series B of 2004 (collectively, the 2004 Bonds) through the Authority. The 2004 Bond proceeds were used to finance a project consisting of (a) current refunding of all 1993 Bonds; and (b) the financing of the costs relating to the issuance of the 2004 Bonds. The 1993 Bond proceeds were used to finance a project consisting of (a) advance refunding of all outstanding debt under previously issued Bonds; (b) the construction of on-campus apartment buildings, townhouses and a parking deck; (c) the purchase of certain land and buildings on which the College is situated; (d) a portion of the costs associated with the construction of a concert hall; (e) the funding of a debt service reserve fund; and (f) the financing of the costs relating to the issuance of the 1993 Bonds.

The College is subject to certain financial and reporting covenants under the 1997, 1999, 2001, 2003, and 2004 Bond issues. The College is in compliance with these covenants.

As part of the 1993, 1997, and 2004 Bond issues, the Authority entered into a Sublease and Security Agreement, a Supplemental Sublease and Security Agreement, and a Second Supplemental Sublease and Security Agreement (the Agreements) with the College. Pursuant to the Agreements, the College is charged with operating and maintaining the related construction projects and making installment payments from its gross revenues in amounts sufficient to meet debt service requirements of the 1997 and 2004 Bonds.

The 1997 and 2004 Bonds are secured by all gross revenues of the College, subject to certain permitted encumbrances, and all existing and future equipment and fixtures of the College.

The 1999 Bonds are secured by a letter of credit with a bank in the amount of \$2,851,333. The letter of credit expires July 1, 2012 and is renewable thereafter.

The 2001 Bonds are secured by a letter of credit with a bank in the amount of \$5,193,500. The letter of credit expires July 1, 2012 and is renewable thereafter.

The 2003 Bonds are secured by a letter of credit with a bank in the amount of \$5,093,333. The letter of credit expires July 1, 2012 and is renewable thereafter.

Mercyhurst College
Notes to Financial Statements
June 30, 2007 and 2006

The mandatory redemption and sinking fund requirements to redeem or otherwise retire principal amounts of the 1997, 1999 and 2001, 2003, and 2004 Bonds are as follows:

- *1997 Bonds* — Ranging from \$160,000 in 2008 to \$265,000 in 2017.
- *1999 Bonds* — Ranging from \$200,000 in 2008 to \$300,000 in 2020.
- *2001 Bonds* — Ranging from \$200,000 in 2008 to \$500,000 in 2022.
- *2003 Bonds* — Ranging from \$200,000 in 2008 to \$400,000 in 2024.
- *2004 Series A Bonds* – Ranging from \$815,000 in 2008 to \$1,150,000 in 2017, \$660,000 in 2018, \$695,000 in 2019, and \$80,000 in 2020 at maturity.
- *2004 Series B Bonds* – Ranging from \$210,000 in 2008 to \$345,000 in 2020, \$315,000 in 2021, \$330,000 in 2022, and \$340,000 in 2023 at maturity.

Aggregate annual maturities of long-term debt at June 30, 2007 are:

2008	\$ 1,793,333
2009	3,523,958
2010	1,965,000
2011	2,010,000
2012	2,075,000
Thereafter	<u>20,835,000</u>
	<u>\$ 32,202,291</u>

Note 9: Derivative Financial Instruments

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the College entered into an interest rate swap agreement for a portion of its floating rate debt. The agreement provides for the College to receive interest from the counterparty at 67% of LIBOR and to pay interest to the counterparty at a fixed rate of 3.82% on a notional amount of \$5,000,000 at June 30, 2007. Under the agreement, the College pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The agreement is recorded at its fair value with subsequent changes in fair value included in expenses and other deductions.

Mercyhurst College
Notes to Financial Statements
June 30, 2007 and 2006

Note 10: Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions.

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes or future periods:

	<u>2007</u>	<u>2006</u>
Student services	\$ 40,360	\$ 19,421
Institutional support	1,482,272	952,066
Loan funds	37,762	34,671
Instruction	2,157,501	1,698,522
Academic support	3,182	5,218
Scholarships	2,251,176	1,631,799
Plant operations and additions	427,404	542,840
Public service	<u>38,884</u>	<u>24,819</u>
	<u>\$ 6,438,541</u>	<u>\$ 4,909,356</u>

Permanently Restricted Net Assets

Permanently restricted net assets at June 30 are restricted to investments in perpetuity, the income from which is expendable to support:

	<u>2007</u>	<u>2006</u>
Institutional support	\$ 2,410,003	\$ 1,099,810
Scholarships	8,317,961	8,064,728
Instructional	115,258	261,510
Public service	<u>62,209</u>	<u>62,209</u>
	<u>\$ 10,905,431</u>	<u>\$ 9,488,257</u>

Mercyhurst College
Notes to Financial Statements
June 30, 2007 and 2006

Net Assets Released from Restriction

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

	<u>2007</u>	<u>2006</u>
Purpose of restrictions accomplished:		
Instructional activities	\$ 42,520	\$ 32,081
Academic support	2,817	—
Student services	—	7,200
Institutional support	193,625	101,374
Operation and maintenance of plant	89,503	236,331
Scholarships	<u>814,957</u>	<u>504,268</u>
	1,143,422	881,254
Plant fund expenditures	<u>107,457</u>	<u>2,316,856</u>
	<u>\$ 1,250,879</u>	<u>\$ 3,198,110</u>

Note 11: Operating Leases

The College has various operating lease agreements primarily involving facilities, office equipment and vehicles. These leases are noncancelable and expire on various dates through the year 2017.

Total rental expense for 2007 and 2006 was \$2,077,332 and \$2,134,349, respectively.

Future minimum lease payments at June 30 were:

2008	\$ 1,651,675
2009	1,270,059
2010	845,161
2011	561,935
2012	528,660
Thereafter	<u>1,629,380</u>
	<u>\$ 6,486,870</u>

Mercyhurst College
Notes to Financial Statements
June 30, 2007 and 2006

Note 12: Pension Plan

Retirement benefits are provided for College employees through the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) a national organization, and the Variable Annuity Life Insurance Company (VALIC), used to fund pension benefits for educational institutions. Under the arrangement, the College and plan participants make monthly contributions to TIAA-CREF and VALIC to fund retirement benefits through a defined contribution plan. The plan covers a majority of all eligible employees. The College's share of the cost of these benefits for the years ended June 30, 2007 and 2006 was \$1,054,475 and \$1,013,242, respectively.

Note 13: Contingencies and Commitments

The College is subject to claims and lawsuits that can arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits, if they were to occur, will not have a material adverse effect on the financial position, change in net assets and cash flows of the College.

Note 14: Expense Summary

Expenses classified by natural classification are summarized as follows:

	<u>2007</u>	<u>2006</u>
Salaries and wages	\$ 24,968,340	\$ 23,135,305
Fringe benefits	7,871,380	7,295,204
Contract services	3,050,793	2,797,837
Supplies	1,440,569	1,335,058
Travel	1,796,574	1,610,853
Repairs and maintenance	1,665,597	1,798,782
Utilities	2,145,587	2,271,815
Cost of sales for auxiliary enterprises	4,894,734	4,767,336
Bad debts	366,708	392,166
Rents and leases	2,077,332	2,134,439
Non-capital equipment	1,081,520	1,421,800
Interest on indebtedness	1,404,563	1,350,381
Insurance	775,814	668,336
Depreciation and amortization	3,393,147	3,357,413
Other	<u>7,060,663</u>	<u>7,070,569</u>
	<u>\$ 63,993,321</u>	<u>\$ 61,407,294</u>

Mercyhurst College
Notes to Financial Statements
June 30, 2007 and 2006

Note 15: Functional Expenses

The College's expenses on a functional basis are as follows:

	<u>2007</u>	<u>2006</u>
Instruction	\$ 26,085,500	\$ 25,105,727
Public service	280,293	272,389
Academic support	2,488,288	2,402,692
Student services	11,939,288	11,579,910
Institutional support	9,421,761	8,186,124
Auxiliary enterprises	12,759,470	13,038,074
Fundraising	<u>1,018,721</u>	<u>822,378</u>
	<u>\$ 63,993,321</u>	<u>\$ 61,407,294</u>

Supplementary Information

Mercyhurst College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Agency/ Pass-Through Entity/Cluster/Program	CFDA Number	Grant or Identifying Number	Amount
Department of Education			
Student Financial Aid Cluster			
Federal Work Study Program	84.033		\$ 378,872
Federal Pell Grant Program	84.063		2,775,591
Federal Supplemental Education Opportunity Grant	84.007		440,233
Federal Perkins Loan Program	84.038		3,281,995
Federal Family Education Loan Program	84.032		20,311,380
Academic Competitiveness Grant	84.375		134,334
National Science and Mathematics Access to Retain Talent Grant	84.376		<u>46,667</u>
			27,369,072
<i>Pass-through from Pennsylvania Department of Education</i>			
Vocational Education Program	84.048	23-600-3115	184,346
Project Teach	84.215X	03-992-8544	55,221
ACH Program	84.215X	25-600-1265	28,180
Intelligence Research and Analysis	84.116Z		263
Art-Based Teacher ED	84.116Z		<u>19,887</u>
Total Department of Education			<u>27,656,969</u>
Department of Labor			
<i>Pass-through from Pennsylvania Department of Labor</i>			
Trade Adjustment Act Program	17.245	23-600-3107	140,559
Pre-Teaching Academy TANF Challenge Grant	17.258	25-129-3830	<u>6,101</u>
Total Department of Labor			<u>146,660</u>
Department of Justice			
<i>Pass-through from Pennsylvania Commission on Crime and Delinquency</i>			
RIAP/University of Arkansas Terrorism	16.560	71-600-3252	21,066
Knife and Saw Tool Mark Analysis	16.	2005-II-CX-K016	<u>174,912</u>
Total Department of Justice			<u>195,978</u>
Department of Health and Human Services			
<i>Pass-through from Pennsylvania Department of Public Welfare</i>			
Temporary Assistance for Needy Families – TANF Challenge	93.558	25-129-3830	<u>11,377</u>
Department of Defense			
MAI/Excavations at Rockshelters	12.421		110,891
National Security Administration	12.	H98230-05-D0101	24,669
Country Study	12.	H98230-05-D.0101	17,303
China Telecommunications	12.	H98230-05-D.0101	39,113
Galileo Video Update	12.	H98230-05-D.0101	3,564
Analytic Methodology	12.	H98230-05-D.0101	7,785
Wimax	12.	H98230-05-D.0101	<u>28,731</u>
Total Department of Defense			<u>232,056</u>
Department of Interior			
<i>Pass-through from Pennsylvania State University</i>			
Assistance to State Water Resources Research/PSU	15.805	3127-MC-USDI-0116	<u>10,449</u>
Department of Commerce			
Coastal Zone Management Implementation	11.419		<u>6,984</u>
Environmental Protection Agency			
Great Lakes Program – LERC Conneaut Creek Watershed	66.469		<u>1,388</u>
Office of Personnel Management			
Intergovernmental Personnel Act Mobility Program	27.011		<u>42,464</u>
Total			<u>\$ 28,304,325</u>

Mercyhurst College
Schedule of Expenditures and Federal Awards
Year Ended June 30, 2007

Notes to Schedule

1. This schedule includes the federal awards activity of Mercyhurst College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Mercyhurst College provided no federal awards to subrecipients.
3. The FFEL Program consists of subsidized and unsubsidized Federal Stafford Loans (for students), Federal PLUS Loans (for parents) and FFEL Consolidation Loans (for both students and parents). Participating lending institutions, such as banks and credit unions, make these loans, which are guaranteed by state or national guaranty agencies and insured by the federal government. Federal statute requires that proceeds from Stafford Loans and PLUS Loans be disbursed to the College to be directly applied to students' accounts. New loans processed for students during the year ended June 30, 2007 were as follows:

Federal Family Education Loan Program	
Stafford	
Subsidized	\$ 8,648,817
Unsubsidized	6,858,466
PLUS	<u>4,804,097</u>
	<u>\$ 20,311,380</u>



**Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Trustees
Mercyhurst College
Erie, Pennsylvania

We have audited the financial statements of Mercyhurst College as of and for the year ended June 30, 2007, and have issued our report thereon dated October 12, 2007. 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 the College'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 College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 the College'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*.

We noted certain matters that we reported to the College's management in a separate letter dated October 12, 2007.

This report is intended solely for the information and use of the governing body, management and others within the College 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.

BKD, LLP

October 12, 2007



Independent Accountants' Report on Compliance and Internal Control Over Compliance with Requirements Applicable to Major Federal Awards Programs

Board of Trustees
Mercyhurst College
Erie, Pennsylvania

Compliance

We have audited the compliance of Mercyhurst College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the compliance of Mercyhurst College 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 College'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 College's compliance with those requirements.

In our opinion, Mercyhurst College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 07-01.

Internal Control Over Compliance

The management of Mercyhurst College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal controls over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the College's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing body, management 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.

BKD, LLP

October 12, 2007

Mercyhurst College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Summary of Auditor's Results

1. The opinion expressed in the independent accountants' report was:
 Unqualified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting described:
Significant deficiency(ies) noted considered material weakness(es)? Yes No
Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
Reportable condition(s) noted considered material weakness(es)? Yes No
Reportable condition(s) noted that are not considered to be a material weakness? Yes No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:
 Unqualified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

Mercyhurst College
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2007

7. The Organization's major programs were:

Cluster/Program	CFDA Number
Student Financial Aid Cluster	84.063, 84.007, 84.033, 84.032, 84.038, 84.375, 84.376

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$849,130.

9. The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

Mercyhurst College
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2007

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
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07-01	Federal Program – Student Financial Assistance Cluster – Federal Family Education Loan Program (CFDA 84.032), U.S. Department of Education. Funding Period – Year ended June 30, 2007.	\$0
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Criteria: Special Tests and Provisions – The College must notify NSLDS about changes in student status within 30 days or, if a student is expected to be included in a response to a Roster File, within 60 days.

Statement of Condition: Changes in student status for five students were not reported to NSLDS within 30 days or included in a response to a Roster File within 60 days.

Effect of Condition: The students’ status changes were not communicated to the NSLDS in a timely manner.

Context:

	<u>Number</u>	<u>Dollars</u>
Population	817	\$4,863,092
Sample	30	184,319
Not in Compliance	5	22,502

Cause of Condition: One instance of noncompliance was due to the student not having been included in a roster file submitted by NSLDS to the Clearinghouse, and therefore not reported back by the Clearinghouse to NSLDS. The other four instances of noncompliance were due to the students’ having been included in the roster file submitted to the Clearinghouse timely, but not reported to the NSLDS within the required timeframe.

Recommendation: We recommend that the College reevaluate the number of times the Clearinghouse roster files are uploaded to NSLDS to ensure that communication of changes in student status to NSLDS is in compliance with Federal Regulations. In addition, we recommend that the College generate a report at the end of each month showing all students who withdrew, graduated or dropped out during that month and verify those students’ status on the NSLDS website at the end of the following month to ensure that the status change was communicated to NSLDS properly and timely.

Mercyhurst College
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2007

Reference Number	Summary of Finding	Questioned Costs
07-01 (continued)	<p><i>Views of Responsible Officials and Planned Corrective Actions:</i> The College concurs with the finding. The College will implement the following procedures to prevent this from occurring in the future:</p> <ol style="list-style-type: none"> 1. Reporting to NSLDS via the Student Clearinghouse will occur on a monthly basis during the academic year. 2. Retroactive withdrawals will be reported directly (manually) to NSLDS since those records are not picked up in the subsequent enrollment files sent to the Student Clearinghouse. 3. A procedure will be developed and implemented to ensure that data sent to the Student Clearinghouse is transferred to NSLDS on a monthly basis. 	

Mercyhurst College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

Reference Number	Summary of Finding	Status
06-01	<p>Special Tests and Provisions Changes in student status for two students were not reported to NSLDS within 30 days or included in a response to a Roster File within 60 days.</p> <p>Corrective Action Management's planned corrective actions were implemented during the year, however a key setting in the NSLDS system for accessing files and data from the Clearinghouse had not been changed from 60 to 30 days. That setting has been changed.</p>	Partially corrected