

## DOCUMENT INDEX

**1. Statement of Financial Responsibility**

**Tab 1A.** Continuous Corporate Security Bond

**Tab 1B.** Secretary of State of Ohio Registration

**2. Application for Approval and Registration of Postsecondary School**

**Tab 2A.** Franklin University Trustees – 2011

**Tab 2B.** Statement of Affiliation Status – The Higher Learning Commission

**Tab 2C.** Certificate of Accreditation – International Assembly for Collegiate Business Education

**Tab 2D.** Iowa Secretary of State Certificate of Authority

**Tab 2E.** Franklin University Annual Report – 2009, 2010

**Tab 2F.** Letter from Franklin University President, Dr. David R. Decker

**Tab 2G.** Secretary of State of Ohio Certificate of Good Standing

# Iowa College Student Aid Commission

Postsecondary Registration Administrator  
200 10<sup>th</sup> Street, Fourth Floor  
Des Moines, IA 50309  
(515) 725-3470

## Statement of Financial Responsibility and Exemption Request Iowa Code Chapter 714

Pursuant to Iowa Code §714 et seq., the undersigned school provides evidence of financial responsibility in order to maintain or conduct in Iowa one or more courses of instruction, including courses of instruction by correspondence; or in order to solicit in Iowa the sale of such course(s).

### READ THE INSTRUCTIONS BEFORE STARTING THE STATEMENT

All items must be completed before the application will be considered as received by the Commission. Attach additional pages as needed to provide the requested information. Responses are required to have a minimum of a summary paragraph on this form. Responses that include only statements similar to "please see attached", will be considered incomplete. Other documents or materials may also be attached to support the application. Attachments must be tabbed and clearly marked on both paper and pdf documents.

This statement is (check one):

- Initial filing (no filing fee)  
 Supplemental filing (no filing fee)  
 Renewal

### PART A – IDENTIFICATION

1. This statement is filed on behalf of:  
Name or title of school:

Franklin University

Address(es) of principal office(s):

201 South Grant Avenue

Columbus, Ohio 43215-5399

Telephone number (including country or area code):

(614) 797-4700; (877) 341-6300

Email address:

www.franklin.edu

2. State the name, business address, and business telephone number of the chief executive officer of the school:

Dr. David R. Decker, President

201 South Grant Avenue

Columbus, Ohio 43215-5399

(614) 947-6020

**PART B – DESIGNATION OF IOWA RESIDENT AGENT**

3. The designated resident agent in Iowa for the purpose of receiving service in civil actions is (indicate name, address, and telephone number):

CT Corporation System

500 East Court Avenue, Suite 200

Des Moines, Iowa 50309

(515) 245-4469

**PART C – PROGRAMS/TUITION/POLICIES**

4. Enclose a copy of any catalog, prospectus, brochure or other advertising material intended for distribution in Iowa.

A copy of Franklin University's 2011-2012 Academic Bulletin is attached.

5. State the tuition charges, fees and other costs payable to the school by a student. (Attach and tab a copy of a fee schedule produced for distribution to students/applicants.)

Please see page 23 of the 2011-2012 Academic Bulletin.\*

6. State the refund policy of the school for return of refundable portions of tuition, fees, or other charges. (Attach and tab a copy of a refund policy statement produced for distribution to students/applicants.)

Please see pages 23 -24 of the 2011-2012 Academic Bulletin.\*

\* Marked by blue dividing sheet.

**PART D – FINANCIAL SECURITY**

7. Is the school either:  
1) a school for cosmetology arts and sciences licensed under *Iowa Code* §157.8; or  
2) a barber school licensed under *Iowa Code* §158.7?

[ ] Yes. Attached is a copy of the license and one of the following:

Security Option 1 – A copy of a continuous corporate security bond in the sum of \$ \_\_\_\_\_ (fill in the amount from *attached worksheet – Form IS-1A*) payable to the State of Iowa conditioned upon the faithful performance of all contracts and agreements with students. (See instructions for sample bond language).

Security Option 2 – A letter of credit from a bank in the sum of \$ \_\_\_\_\_ (fill in amount from *attached worksheet – Form IS-1A*) conditioned upon the faithful performance of all contracts and agreements with students.

[ X ] No. Attach a copy of a continuous corporate security bond payable to the State of Iowa in the sum of \$50,000 conditioned upon the faithful performance of all contracts and agreements with students. (See instructions for sample bond language.)

Attached at Tab 1A.

8. Attach a copy of the organization's Certificate of Existence or Certificate of Authority, whichever is applicable.

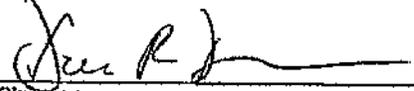
Attached at Tab 1B.

**PART E – SIGNATURE**

**Applicant Organization's Chief Executive Officer**

Dr. David R. Decker  
Name

President  
Title

  
Signature

9/22/2011  
Date

There is no annual renewal required for filing this statement. However, the financial security must be kept current, and a school which uses information not on file may be subject to civil or criminal liability.

**Tab 1A**

**INSTRUCTIONAL SCHOOL BOND**

**Bond No. 33BSBGA3212**

KNOW ALL PERSONS BY THESE PRESENTS, That we, Franklin University,  
as Principal, and Hartford Fire Insurance Company as Surety, are held and firmly bound unto the State of  
Iowa in the sum of \$ 50,000 lawful money of the United States, for which payment we bind ourselves,  
our successors and assigns, jointly and severally, firmly by these presents.

WHEREAS the Principal proposes to maintain, advertise, or conduct in Iowa a course of instruction for profit, or  
for tuition charge, by classroom instruction or by correspondence and to enter into contracts and agreements with students  
for such courses of instruction; this Bond is conditioned on the faithful performance of all contracts and agreements made  
by it or its salespersons with students. If the Principal shall faithfully perform all such contracts and agreements, then this  
obligation is to be void and of no effect.

PROVIDED, The liability of the Surety upon this Bond shall be continuous, except that the Surety shall have the  
right to terminate its liability under this Bond by serving notice of its election to do so upon the State of Iowa. The Surety's  
liability under the Bond shall be terminated and canceled effective thirty (30) days after receipt by the State of a written  
notice signed by the Surety or its authorized agent, stating that the liability of the Surety is thereby terminated and can-  
celed. Thereafter the Surety shall be discharged from any liability under this Bond for any default or violation of the terms  
of any contract or agreement made by the Principal or violation of the laws of the State of Iowa affecting such contract or  
agreement occurring after the effective date of the cancellation of this Bond.

Signed and dated this 24th day of May, 2011.

Franklin University, Principal  
By: [Signature] SVP Administration

Hartford Fire Insurance Company  
Ins. Co., Surety  
By: [Signature]  
Sally Volpe, Attorney-in-Fact

# POWER OF ATTORNEY

Direct Inquiries/Claims to:

**THE HARTFORD**

Bond T-4

One Hartford Plaza

Hartford, Connecticut 06155

call: 888-266-3488 or fax: 860-757-5835)

**KNOW ALL PERSONS BY THESE PRESENTS THAT:**

Agency Code: 33 880123

- Hartford Fire Insurance Company, a corporation duly organized under the laws of the State of Connecticut
- Hartford Casualty Insurance Company, a corporation duly organized under the laws of the State of Indiana
- Hartford Accident and Indemnity Company, a corporation duly organized under the laws of the State of Connecticut
- Hartford Underwriters Insurance Company, a corporation duly organized under the laws of the State of Connecticut
- Twin City Fire Insurance Company, a corporation duly organized under the laws of the State of Indiana
- Hartford Insurance Company of Illinois, a corporation duly organized under the laws of the State of Illinois
- Hartford Insurance Company of the Midwest, a corporation duly organized under the laws of the State of Indiana
- Hartford Insurance Company of the Southeast, a corporation duly organized under the laws of the State of Florida

having their home office in Hartford, Connecticut (hereinafter collectively referred to as the "Companies") do hereby make, constitute and appoint, **up to the amount of UNLIMITED** :

SALLY VOIPE, VIRGINIA PETERS, DONNA M. WILSON OF COLUMBUS, OHIO

their true and lawful Attorney(s)-in-Fact, each in their separate capacity if more than one is named above, to sign its name as surety(ies) only as delineated above by , and to execute, seal and acknowledge any and all bonds, undertakings, contracts and other written instruments in the nature thereof, on behalf of the Companies in their business of guaranteeing the fidelity of persons, guaranteeing the performance of contracts and executing or guaranteeing bonds and undertakings required or permitted in any actions or proceedings allowed by law.

In Witness Whereof, and as authorized by a Resolution of the Board of Directors of the Companies on January 22, 2004, the Companies have caused these presents to be signed by its Assistant Vice President and its corporate seals to be hereto affixed, duly attested by its Assistant Secretary. Further, pursuant to Resolution of the Board of Directors of the Companies, the Companies hereby unambiguously affirm that they are and will be bound by any mechanically applied signatures applied to this Power of Attorney.



*Wesley W. Cowling*

Wesley W. Cowling, Assistant Secretary

*M. Ross Fisher*

M. Ross Fisher, Assistant Vice President

STATE OF CONNECTICUT }  
 COUNTY OF HARTFORD } ss. Hartford

On this 3<sup>rd</sup> day of March, 2008, before me personally came M. Ross Fisher, to me known, who being by me duly sworn, did depose and say: that he resides in the County of Hartford, State of Connecticut; that he is the Assistant Vice President of the Companies, the corporations described in and which executed the above instrument; that he knows the seals of the said corporations; that the seals affixed to the said instrument are such corporate seals; that they were so affixed by authority of the Boards of Directors of said corporations and that he signed his name thereto by like authority.



CERTIFICATE

Scott F. Paseka  
 Notary Public

My Commission Expires October 31, 2012

I, the undersigned, Assistant Vice President of the Companies, DO HEREBY CERTIFY that the above and foregoing is a true and correct copy of the Power of Attorney executed by said Companies, which is still in full force effective as of May 24, 2011  
 Signed and sealed at the City of Hartford.



*Gary W. Stumper*

Gary W. Stumper, Assistant Vice President

**Tab 1B**

**United States of America  
State of Ohio  
Office of the Secretary of State**

*I, Jon Husted, do hereby certify that I am the duly elected, qualified and present acting Secretary of State for the State of Ohio, and as such have custody of the records of Ohio and Foreign business entities; that said records show FRANKLIN UNIVERSITY, an Ohio not for profit corporation, Charter No. 331378, having its principal location in Columbus, County of Franklin, was incorporated on June 23, 1964 and is currently in GOOD STANDING upon the records of this office.*



*Witness my hand and the seal of the  
Secretary of State at Columbus, Ohio  
this 2nd day of August, A.D. 2011*

*Jon Husted*

Ohio Secretary of State

Validation Number: V2011214ADABD0

# Iowa College Student Aid Commission

Postsecondary Approval and Registration Administrator  
200 10<sup>th</sup> Street, Fourth Floor  
Des Moines, IA 50309  
(515) 725-3470

## Application for Approval and Registration of Postsecondary School Iowa Code Chapter 261B

*Pursuant to Iowa Code 261B*, the undersigned school applies for registration to conduct or maintain one or more courses of instruction, including courses of instruction by correspondence, where the courses are offered in Iowa or the school has a presence in Iowa and desires to offer courses in other states or foreign countries.

Submit a paper document and a complete duplicate in pdf format on a CD.  
Applications may be submitted electronically by contacting the Postsecondary Approval Administrator at the Iowa College Student Aid Commission.

Applications for an initial approval and registration must include a *non-refundable* check for \$4,000 payable to the State of Iowa.

Application fees are to be sent to:

Postsecondary Approval and Registration Administrator  
200 10<sup>th</sup> Street, Fourth Floor  
Des Moines, IA 50309

All items must be completed before the application will be considered as received by the Commission. Attach additional pages as needed to provide the requested information. Responses are required to have a minimum of a summary paragraph on this form. Responses that include only statements similar to "please see attached", will be considered incomplete. Other documents or materials may also be attached to support the application. Attachments must be tabbed and clearly marked on both paper and pdf documents.

(Registrations must be renewed every four years or upon any substantive change in program offerings, location or accreditation.)

**1. Name of school and address of the principal office as defined in Iowa Code Section 490.140 or 510.141: [(261B.4(2))] and [(261B.4(1))]**

Name of School: Franklin University  
Suite: Not applicable  
Street: 201 South Grant Avenue  
City: Columbus  
State: Ohio  
Zip: 43215-5399  
Country: U.S.A.  
Telephone Number (including country or area code):  
(614) 797-4700  
(877) 341-6300

**2. Type of corporation:**

Non-profit

**3. Address of this school in all other states, and in foreign countries:**

Lake Pointe Center 5  
8415 Allison Pointe Boulevard, Suite 400  
Indianapolis, Indiana 46250  
(317) 429-3100  
(877) 341-6300

**4. Address of all locations in Iowa where instruction is to be provided:**

Not applicable. The university maintains no physical facilities in Iowa. The curricula for all Franklin University degree programs offered to Iowa residents are delivered entirely online.

**5. Tuition charges, fees and other costs payable to the school by the student [(261B.4(3))]:**

Undergraduate Educational Costs:

Initial Processing Fee (non-refundable):	\$25
Standard tuition per credit hour:	\$375
Tuition per credit hour for Computer Science, Graphics, Web Development, Information Technology & MIS courses:	\$440
College Level Examination Program (CLEP): (CLEP examination fee: \$72; administration fee: \$20)	\$92
Franklin University's Proficiency Examination (FUPE) per credit hour attempted:	\$40
Prior Learning Portfolio evaluation per credit hour requested:	\$50
Deferred tuition application fee (non-refundable):	\$50
Late payment fee for deferred tuition reimbursement plan:	\$100
Graduation application fee:	\$55
Returned check processing fee:	\$25
Cost of collection of past due balances – actual cost incurred:	Varies

Graduate Educational Costs:

Application fee (non-refundable):	\$30
Advance deposit (non-refundable):	\$100
Standard tuition per credit hour (First credit hour cost is considered a non-refundable deposit applied to the initial trimester of enrollment):	\$540
Tuition per credit hour for M.S. Computer Science:	\$605
Tuition per credit hour for M.S. Instructional Design & Performance Technology:	\$475
Deferred tuition application fee (non-refundable):	\$50
Late payment fee for deferred tuition reimbursement plan:	\$100
Graduation application fee (non-refundable):	\$75
Returned check processing fee:	\$25
Cost of collection of past due balances – actual cost incurred:	Varies

Please see Franklin University's 2011-2012 Academic Bulletin, page 21.

NOTE: All pages noted in the Franklin University Academic Bulletin are marked with a blue dividing sheet for easy reference.

6. **Refund policy of the school for the return of refundable portions of tuition, fees, or other charges [(261B.4(4))]. If the refund policy is attached, please summarize the policy below:**

In compliance with Section 668.22 of the Code of Federal Regulation, current students who prepay all tuition and fees and subsequently withdraw will receive a refund percentage of their tuition based on the date that the Add/Drop Form is submitted. No tuition is charged if a student withdraws during the first week of classes. Please see Franklin University's 2011-2012 Academic Bulletin, page 21, for additional details.

7. **Degrees granted by the school [(261B.4(5))]:**

**Offered in Iowa [(261B.4(11))]:**

In all, Franklin University offers thirty (30) undergraduate and five (5) graduate degree programs; degrees awarded are listed below. Please see Franklin University's 2011-2012 Academic Bulletin, pages 40 – 117 and 124 – 131, respectively, for additional details.

Associate of Science  
Bachelor of Science\*  
Master of Business Administration  
Master of Science

\* The Bachelor of Science – Nursing will be offered as a purely online program beginning in January, 2012. An RN license is required for admission to the program, which includes no in-state clinical or laboratory work. This degree program has been approved by the Ohio Board of Regents, but is not yet listed in the Academic Bulletin.

**Offered outside of Iowa:**

As above

8. **Name, business address and telephone number of the chief executive officer of the school [(261B.4(7))]:**

Name: Dr. David R. Decker, President  
Suite: Not applicable  
Street: 201 South Grant Avenue  
City: Columbus  
State: Ohio  
Zip: 43215-5399  
Country: U.S.A.  
Telephone Number (including country or area code):  
(614) 797-4700  
(877) 341-6300

9. **Provide a copy or description of the means by which the school intends to comply with 261B.9 [261B.4(8)].**  
**Code Section 261B.9 is as follows:**

**261B.9 DISCLOSURE TO STUDENTS**

Prior to the commencement of a course of instruction and prior to the receipt of a tuition charge or fee for a course of instruction, a school shall provide written disclosure to students of the following information accompanied by a statement that the information is being provided in compliance with this section:

1. The name or title of the course.
2. A brief description of the subject matter of the course.
3. The tuition charge or other fees charged for the course. If a student is enrolled in more than one course at the school, the tuition charge or fee for all courses may be stated in one sum.
4. The refund policy of the school for the return of the refundable portion of tuition, fees, or other charges. If refunds are not to be paid, the information shall state that fact.
5. Whether the credential or certificate issued, awarded, or credited to a student upon completion of the course or the fact of completion of the course is applicable toward a degree granted by the school and, if so, under what circumstances the application will be made.
6. The name of the accrediting agency recognized by the United States Department of Education or its successor agency which has accredited the school.

Response:

All information enumerated in and required by Section 261B.9, above, is contained in Franklin University's 2011-2012 Academic Bulletin. Page 5 contains information about institutional accreditation, and information regarding tuition and tuition refunds is found on page 21. Details regarding specific programs may be found on pages 40 – 117 (Undergraduate) and 124 – 131 (Graduate); details regarding specific courses may be found on pages 132 – 179.

10. **Name, address, and telephone number of a contact person in Iowa [261B.4(10)]:**

Not applicable; Franklin University's administration is located in Columbus, Ohio.

11. **Name, address, and title of the other officers and members of the legal governing body of the school:**

Franklin University is a non-profit independent university governed by a Board of Trustees and lead by its president, Dr. David R. Decker. Please see attached List of Franklin University Board of Trustees – 2011 at Tab 2A.

12. **Names and addresses of persons owning more than 10% of the school [(261B.4(6))]:**

Not applicable (see Question 11, above)

- 13. Name all agencies accrediting the institution. For each agency, include name, address, telephone number, and whether the agency is recognized by the U.S. Department of Education. [261B.4(9)]. Attach copies of accreditation certificates of status for each agency. If the Iowa location is not accredited, provide accrediting agency certification that the Iowa location will be granted accreditation upon approval by the College Student Aid Commission. Provide documentation that every location of applicant school is approved by the accrediting agency and in good standing, for all locations throughout the world.**

Name: The Higher Learning Commission of the North Central Association of Colleges and Schools\*  
Suite: 7-500  
Street: 230 South LaSalle Street  
City: Chicago  
State: Illinois  
Zip: 60604-1411  
Country: U.S.A.  
Telephone Number (including country or area code):  
(312) 263-0456  
(800) 621-7440  
Contact Person:  
Dr. Eric Martin

Please see attached documentation at Tab 2B.

\*The Higher Learning Commission of the North Central Association of Colleges and Schools is recognized by the U.S. Department of Education.

Name: The International Assembly for Collegiate Business Education (IACBE)\*\*  
Suite: Not applicable  
Street: P.O. Box 3960  
City: Olathe  
State: Kansas  
Zip: 66063  
Country: U.S.A.  
Telephone Number (including country or area code):  
(913) 631-3009  
Contact Person:  
Dennis Gash, Vice President and Chief Accreditation Officer

The IACBE is a specialized accreditor of Franklin University's College of Business. Please see attached documentation at Tab 2C.

\*\*The IACBE does not serve a purpose relating to student financial aid and thus is not eligible to be recognized by the U.S. Department of Education.

- 14. Describe the procedures followed by the school for permanent preservation of student records. [261B.4(12)].**

Franklin University recognizes that efficient management of its records, regardless of their form or medium, is essential to support our core functions, to comply with our legal and regulatory obligations, and to contribute to the effective management of the institution while ensuring that historically significant records are preserved to document university history.

Therefore, university faculty and staff will:

- Retain records according to established records retention schedules
- Maintain active and inactive records in appropriate storage equipment and locations
- Preserve records of historical significance
- Protect sensitive or private information using secure methods of recordkeeping and disposal
- Identify and protect vital and archival records
- Discard (in an approved manner) records no longer required
- Arrange for the orderly transfer of inactive records to designated off-site storage

15. **Provide the contact information to be used by students and graduates who seek to obtain transcript information:**

Any current or former student wishing to obtain a transcript may do so at:  
<http://franklin.edu/student-services/registrar/transcripts/>

16. **List the states and approval or registration agencies for all states in which the school operates or maintains a presence.**

Franklin University currently holds active licenses to operate in Ohio, Arkansas, Indiana, Illinois, Kentucky, Oklahoma and Wisconsin, issued by the entities listed below:

Ohio Secretary of State  
Ohio Board of Regents  
Indiana Secretary of State  
The Indiana Commission on Proprietary Education  
Arkansas Higher Education Coordinating Board/Arkansas Department of Education  
Illinois Board of Higher Education  
State of Wisconsin Educational Approval Board  
Oklahoma State Regents for Higher Education  
Kentucky Council on Postsecondary Education

17. **Describe the academic and instructional methodologies and delivery systems to be used by the school and the extent to which the school anticipates each methodology and delivery system will be used including, but not limited to, classroom instruction, correspondence, internet, electronic telecommunications, independent study, and portfolio experience evaluation. [(261B.4(13))].**

Iowa residents may access Franklin University's programs in two ways. First, students may enroll in and complete any of the Associate, Bachelor or Master degree programs online. Second, through the university's Community College Alliance Program (CCA), Iowa residents enrolled at Eastern Iowa Community College, North Iowa Community

College or Northwest Iowa Community College may achieve a Bachelor degree without leaving their local community. Such students finish their Associate degree with an option to complete approximately twenty-four (24) semester credit hours of additional preparation ("bridge") coursework from their local community college. They then complete a minimum of forty (40) semester credits of Bachelor degree completion courses online from Franklin University.

All Franklin University degree programs available to Iowa residents are conducted entirely online via the students' personal internet connection. A wide array of learning methodologies and applications are available, including online courseware, scientific simulations, business applications, desktop publishing software, and a variety of programming environments.

18. **Provide the name of every other State of Iowa agency required to approve the applicant school in Iowa, the school's contact person at the agency and the current status of that approval. Attach documentation in the form of a letter or certificate for each agency.**

Iowa Secretary of State (see attached Certificate of Authority, dated August 22, 2011, at Tab 2D).

19. **Is the school subject to a limitation, suspension or termination (LST) order issued by the U.S. Department of Education?**

No

20. **Provide the name and contact information for a U.S. Department of Education official who can verify the LST statement.**

David Spencer  
U.S. Department of Education  
500 West Madison Street, Suite 1427  
Chicago, Illinois 60661  
(312) 730-1511

21. **Do you:**  
**Enroll students in Iowa?**

Yes (through direct online enrollment and through the Community College Alliance (CCA) program)

**Employ Iowa faculty?**

Yes

- Do you intend to:**  
**Enroll students in Iowa?**

Yes

**Employ Iowa faculty?**

Perhaps; see Number 22, below

**22. Describe current operations or plans to enroll students in Iowa or employ Iowa faculty.**

Franklin University is a purely online institution in the state of Iowa and will therefore maintain no physical facilities in the state. Students may enroll in the university's online degree programs on their own, or through Franklin's Community College Alliance (CCA) program. State community colleges currently part of the CCA program include: Eastern Iowa Community College, North Iowa Community College and Northwest Iowa Community College. For more information on Franklin's CCA program, please see the "University Partnerships" section of the 2011-2012 Academic Bulletin, pages 10 – 11.

Franklin University does not currently send representatives to Iowa for the purposes of meeting or recruiting students through the CCA program.

**23. Name, address, and telephone number of full-time employees in Iowa.**

Not applicable

**24. Will your school comply with *Iowa Code Section 261B.7* limiting the use of references to the Secretary of State, State of Iowa, or College Student Aid Commission in promotional material (see the *Iowa Code* for details)?**

Yes

**25. Will your school comply with the requirements of *Iowa Code section 261.9(1)"e"* to "g"? (See the *Iowa Code* for details.)**

Yes

**26. Does the school agree to file annual reports that the Commission requires from all Iowa colleges and universities?**

Yes

**27. Attach a copy of the applicant school's most recent audit prepared by a certified public accounting firm no more than 12 months prior to the application and state below where, in the audit report, there is evidence that the auditor is providing an unqualified opinion.**

Franklin University's Annual Report for 2009 and 2010, dated October 12, 2010, which includes the Report of Independent Auditors on Financial Statements, is attached at Tab 2E.

**28. Describe how students will be provided with access to learning resources, including appropriate library and other support services requisite for the schools' degree programs.**

Franklin University is a purely online institution in the state of Iowa and will therefore maintain no physical facilities there. Students participate in Franklin courses through their personal computers' internet connection. While the university will have no in-state facilities, the Franklin University Nationwide Library provides robust online resources and services to support online students.

All Franklin University students have access to services provided electronically or by phone through the Nationwide Library at the university's main campus in Columbus, Ohio, during its hours of operation: Monday – Thursday 8 a.m. – 10 p.m.; Friday 8 a.m. – 5 p.m.; Saturday 8 a.m. – 4 p.m. and Sunday 1 p.m. – 5 p.m. (Eastern Standard Time). These services include research assistance from a staff of eight full-time librarians, all credentialed with MLIS degrees from ALA-accredited institutions. Librarians can assist students remotely over the phone, by email, and by instant message chat (i.e., LibChat). The main point of access for these remote services is the Franklin University Nationwide Library's website: <http://www.franklin.edu/library/>

Franklin University's Library makes a concerted effort to purchase most books and periodicals in electronic format to support its large number of online students who use library services remotely. The library has a vast collection of electronic books, journals and databases, which are accessible both on- and off-campus by all Franklin University students, regardless of their location, 24 hours a day, 7 days a week.

To support its philosophy of meeting the information needs of the students it serves, Franklin University's library also holds memberships in strategic library resource consortiums to provide a greater selection of electronic resources to all students. The library's membership in two Ohio-based consortiums, OhioLINK and OhioNET, gives it leverage to afford subscriptions to a large variety of electronic databases, which include electronic journals, books (i.e., ebooks), digital films, images and multimedia content. These electronic resources are available to Franklin University's Iowa students as well, through their myFranklin account usernames and passwords.

Through Franklin University's OhioLINK consortium membership alone, the following resources are available remotely to all currently enrolled Franklin students:

- 150 electronic research databases
- 14,000 electronic journals
- Millions of electronic articles
- 62,000 electronic books (ebooks)
- Thousands of digital images, and video and audio files
- 26,000 theses and dissertations

In addition to consortium-sourced databases, the library subscribes to many stand-alone (i.e., non-consortium) databases as well. All electronic resources are purchased to support the curriculum of Franklin University. For example, in support of the university's Business Administration degree programs, the library subscribes to subject-specific databases like Standard & Poor's, Morningstar, and Business and Company Resource Center, among many others, to provide students with access to financial material and business periodicals not freely available online.

The General Education courses are also supported by electronic journal article databases such as Global Issues in Context and Academic Search Complete, as well as electronic book databases like ebrary, ACLS Humanities, and netLibrary. These resources are easily accessible with students' myFranklin username and password, whether they are on campus or distance learners. A full list of the university's electronic databases can be found on the library website at: <http://franklin.edu/library/articles-databases/>

Tutoring services are provided to online students through Franklin University's Student Learning Center (SLC). Students can receive help with math, writing, computer literacy and program-specific subjects through real-time online tutoring. Group workshops are also offered online through the SLC, and recordings of these workshops are freely available on the SLC's website. Further details on the services provided by the SLC can be found at: <http://www.franklin.edu/student-services/student-learning-center/>

29. **Provide evidence that faculty within an appropriate discipline are involved in developing and evaluating curriculum for the program(s) to be registered in Iowa.**

Franklin University employs a team approach to the creation of curricula, which involves lead faculty who are experts in their fields, instructional design faculty, content contributors, and resources from academic services such as the Library, Student Learning Center, and Multimedia team. Considerable resources and intellectual talent are invested in assuring quality, consistency, and relevancy in learning outcomes, activities and assessments at the institutional, program, course, and curricula levels to meet the learning styles of the adult student. The Curriculum Development Teams for each degree program are listed in Franklin University's 2011 – 2012 Academic Bulletin, directly beneath the title of the program (pages 41 – 117 for Undergraduate degrees, and pages 125-131 for Graduate degrees):  
[http://www.franklin.edu/franklin/files/bulletin/Yudu\\_Final-8\\_2\\_11.pdf](http://www.franklin.edu/franklin/files/bulletin/Yudu_Final-8_2_11.pdf)

Academic quality is ensured by considering each course section not as an independent offering measured in isolation, but rather as an integral part of the overall institution's quality assurance and continuous improvement process. Franklin University assesses all academic programs and learning outcomes on a regular basis and relies heavily on the assessment results to redesign and improve curriculum.

30. **Provide evidence that the school has adequate physical facilities appropriate for the program(s) to be offered and are located in the state. Include a copy of a signed agreement for a facility purchase or lease or option to purchase or lease. Please include a photograph of the location.**

Not applicable; all degree programs and courses available to Iowa residents are internet-based.

31. **Include a statement, signed by the chief executive officer of the applicant school, on school letterhead, demonstrating the school's commitment to the delivery of programs located in Iowa, and agreeing to provide alternatives to students to complete programs at other institutions if the applicant school closes the program before students have completed their courses of study.**

See attached letter from Franklin University President Dr. David R. Decker, at Tab 2F.

- 32. Provide an organizational plan that shows the location and physical address, telephone number, fax number and contact information for all internet-based and site-based educational locations, administrative, and service centers operated by the applicant and any parent organization.**

As previously stated, Franklin University has no physical location within Iowa. All administrative and support services originate from Franklin's main campus in Columbus, Ohio. The university's web address is [www.franklin.edu](http://www.franklin.edu) and enrolled students access university curriculum, coursework and services at <http://www.my.franklin.edu>.

- 33. Provide documentation showing the school's policy for the resolution of student and graduate comments and complaints. Provide complete contact information to which complainants may be referred.**

Franklin University's policy for the resolution of student and graduate comments and complaints is referenced within the 'Process for Student Concerns' section of the 2011-2012 Academic Bulletin, page 25. The complete policy regarding student comments and complaints may be found on the university's website in sections III and IV of the Student Code of Conduct at: <http://www.franklin.edu/go/conduct>.

- 34. Provide a copy of a current Certificate of Authority provided by the applicant's home state and the Iowa Secretary of State.**

A current Certificate of Good Standing, from the Secretary of State of Ohio, is attached at Tab 2G. A copy of the Certificate of Authority issued by the Iowa Secretary of State is attached at Tab 2D.

- 35. Provide the U.S. Department of Education cohort default rate for each associated organizational entity for which the U.S. Department of Education reports a cohort default rate.**

The 2008 cohort default rate for Franklin University is 3.2% (most recent data available).

- 36. Provide the average debt upon graduation of individuals completing programs at each branch location and the entire organization.**

The average debt of Franklin University students upon graduation is \$23,752.00.

- 37. Provide the U.S. Department of Education cohort graduation rate for each branch location and the total organization, showing rates for graduates of diploma, two-year, and four-year programs, if those rates are reported to the U.S. Department of Education National Center for Education Statistics.**

The average age of Franklin University undergraduate students is thirty-four (34). Consistent with the adult student population nationwide, most balance their education with work, family and other civic obligations. Therefore, most Franklin University students attend school part-time. The standard reporting required by the federal government (IPEDS) only includes first-time, full-time students who begin in the fall term. This represents less than 4% of the total student population at Franklin University. The graduation rate of first-time, full-time, fall-enrolled students (IPEDS) is 39%.

For a visual representation of this data, graduation rate information is published on the Consumer Information page of Franklin University's website at:  
[http://www.franklin.edu/franklin/files/heoa/graduation\\_rate\\_of\\_first\\_time\\_full\\_time.pdf](http://www.franklin.edu/franklin/files/heoa/graduation_rate_of_first_time_full_time.pdf)

**SIGNATURE**

**Applicant School Chief Executive Officer**

Dr. David R. Decker  
Name

President  
Title

  
Signature

9/22/2011  
Date

**If any information in this application changes between the time of application and Commission action, the school must inform the Commission by filing an Amended Application clearly indicating the information which is being amended. Amendments must be received before the Commission takes action.**

**Tab 2A**

# Franklin University Board of Trustees- 2011

---

## **Officers:**

*Board Chair*

**Gary James '71**

*President, Dynalab Inc.*

*Vice Chair*

**Gary Flynn '71**

*President (retired), Ross Products, Div. of Abbott Labs*

*Secretary*

**Sue Doody**

*President, Lindy's Restaurant*

**Melissa Ingwersen (immediate past Chair)**

*President, Central Ohio Region, Key Bank*

## **Board Members:**

**Jack Cartner '63**

*President, MoTrim, Inc.*

**Jo Ann Davidson**

*President, JAD & Assoc. LLC*

**Mary Duchi**

*Vice President, Battelle*

**Phil Fankhauser '68**

*Co-Founder & Principal, EPCON Communities, Inc.*

**Anthony Gonsalves**

*Chief Marketing Officer for Allied Insurance, Nationwide*

**Eugene Griffin '84**

*Principal Founder, Dynamix Engineering Ltd.*

**Bruce Hagan**

*Regional Executive & President, Dublin Methodist Hospital and Delaware's Grady Memorial Hospital*

**Judy Huang**

*President/CEO 889 Global Solutions*

**Matthew Jauchius**

*Senior Vice President & Chief Strategy Officer, Nationwide*

**Carl E. Johnson**

*Director, Manufacturing North America Automotive Aftermarket, PPG Industries*

**Floyd Jones '85**

*Sr. VP External Affairs (Retired), The Dispatch Printing Co.*

**James Kunk**

*Central Region President, Huntington National Bank*

**Greg Lashutka**

*Sr. VP for Corporate Relations (retired), Nationwide*

**Clarke Price '69**

*President & CEO, Ohio Society of CPAs*

**Peter Roche**

*Senior Vice President (Retired), Chemical Abstracts Services*

**John Ruhlin '70**

*President, J.B. Ruhlin and Associates*

**Ralph Sanese '75**

*President, Sanese Services*

**Thomas Shoupe**

*Senior VP, Honda of America Manufacturing*

**Carole Watkins '83**

*Chief Human Resources Officer, Cardinal Health*

## **Trustees Emeriti:**

**Robert L. Bailey**

*Chairman (Retired), State Auto Insurance Companies*

**William M. Bennett**

*Vice Chairman, Community Relations (Retired), Bank One*

**Dr. Robert S. Crane, Jr.\***

*Crane Plastics Company*

**David J. D'Antoni**

*Senior Vice President (Retired), Ashland Inc.*

**J. Richard Emens**

*Attorney at Law, Partner, Chester, Willcox & Saxbe*

**Phyllis Greene**

*Community Service Leader*

**Gen. Raymond Mason\*\***

*AUS Ret. Major General; Chairman, Columbus Truck & Equipment Co.*

**Roger Merrill**

*National Security, Space and Transportation Research Battelle Memorial Institute (Retired)*

**James W. Phillips \*\***

*The Galbreath Company*

**C. Kenneth Smith, C.P.A.\*\***

*Consultant, Ernst & Young, CPA's*

**George Snodgrass \*\***

*Rockwell Corporation*

**Ralph E. Waldo, C.L.U.\*\***

*Columbus Life Insurance Co., Inc.*

*\*Posthumously*

*\*\* Deceased*

**Tab 2B**



[Home](#) > [Understanding Accreditation](#) > Directory of HLC Institutions

Currently or Previously Affiliated Institutions - 10/11/2011

*Information provided on the Statement of Affiliation Status reflects the most recent actions of the Commission. The Commission has a multi-level decision process. Any institutional changes that are currently under review are not made public until final action has been taken.*

## Franklin University

201 S. Grant Ave.  
Columbus, OH 43215-5399

[www.franklin.edu](http://www.franklin.edu)

### Statement of Affiliation Status [Click here for definitions...](#)

*Chief Executive Officer:* Dr. David Ritchie Decker, President  
*HLC Institution ID:* 1839  
*Current Accreditation Status:* Accredited  
*Candidacy Date(s):* 1974  
*Accreditation Date(s):* (1976- .)  
*Commission Participation:* PEAQ PARTICIPANT

*Year of Last PEAQ Comprehensive Evaluation:* 2007 - 2008  
*Year of Next PEAQ Comprehensive Evaluation:* 2017 - 2018

*Last Action:* 08/15/2011

*Legal Status:* Private NFP  
*Degrees Awarded (details below):* A, B, M

#### Stipulations on Affiliation Status:

Accreditation at the Master's level is limited to the Master of Business Administration, the Master of Science in Human Services Management, the Master of Science in Marketing and Communication, the Master of Science in Computer Science, the Master of Science in Accounting, and the Master of Science in Instructional Design and Performance Technology. Programs offered through international partnerships must be delivered in English.

#### Approval of New Degree Locations:

The Commission's Streamlined Review Process is only available for offering existing degree programs within a 50 mile radius of the home campus in Columbus, Ohio.

#### Approval of Distance and Correspondence Courses and Programs:

New Commission policy on institutional change became effective July 1, 2010. Some aspects of the change processes affecting distance delivered courses and programs are still being finalized. This entry will be updated in 2011 to reflect current policy. In the meantime, see the Commission's Web site for information on seeking approval of distance education courses and programs.

#### Reports Required:

Progress Report: 07/31/2012; A report on foreign locations concerning assessment/satisfaction, enrollment, and compliance with standards and commitments for contractual arrangements.

#### Other Visits Scheduled:

None.

### Organizational Profile [Click here for definitions...](#)

#### Enrollment Headcount (last updated: 04/22/2011)

	Full-Time	Part-Time
Undergraduate:	2708	4357
Graduate:	727	226
Dual enrollment (high school) programs:	27	

#### Degree Programs (last updated: 04/22/2011)

Programs Offered

Degrees Awarded in Last Reported Year

- HLC Home
- About HLC
- Maintaining Accreditation
- Resources for Institutions
- Resources for Peer Reviewers
- Commission Policies
- HLC Events
- Understanding Accreditation
  - Directory of HLC Institutions
  - HLC and the Public
  - Complaints
  - Public Disclosure Notices
  - Visit List
  - Frequently Asked Questions (FAQs)
- Feedback on the Web Site
- Site Map

Associate Degrees	7	79
Bachelors Degrees	26	1489
Masters Degrees	5	430
Specialist Degrees	0	0
Doctoral Degrees	0	0

**Certificate Programs (last updated: 04/22/2011)**

Certificates	Programs Offered	Certificates Awarded in Last Reported Year
	0	0

**Off-Campus Activities (last updated: 04/22/2011)**

<b>In-State:</b>	<b>Campuses:</b>	None
	<b>Additional Locations:</b>	Delaware (Delaware) ; Dublin (Dublin) ; Westerville (Westarville)
	<b>Course Locations:</b>	None
<b>Out-of-State:</b>	<b>Campuses:</b>	None
	<b>Additional Locations:</b>	Indianapolis, IN (Lake Pointe Center)
	<b>Course Locations:</b>	None
<b>Out-of-U.S.:</b>	<b>Campuses:</b>	None
	<b>Additional Locations:</b>	Chengdu, China (Sichuan University) ; Bitola, Macedonia (University St. Klement Ohridski - Bitola) ; Muscat, Oman (Modern College of Business & Science) ; Wroclaw, Poland (Wroclaw School of Banking)
	<b>Course Locations:</b>	Bratislava, Slovakia (Economics University) ; Dnipropetrovsk, Ukraine (National Mining University) ; Hanoi, Vietnam (Vietnam National University)

**Distance Learning (last updated: 04/22/2011)**

**Distance Ed**

- Associate - 09.0901 Organizational Communication, General (Organizational Communication) (Internet)
- Associate - 11.0103 Information Technology (Information Technology) (Internet)
- Associate - 11.0701 Computer Science (Computer Science) (Internet)
- Associate - 52.0201 Business Administration and Management, General (Business Administration) (Internet)
- Associate - 52.0301 Accounting (Accounting) (Internet)
- Associate - 52.0399 Accounting and Related Services, Other (Forensic Accounting) (Internet)
- Associate - 52.0801 Finance, General (Financial Management) (Internet)
- Bachelor - 09.0901 Organizational Communication, General (Organizational Communication) (Internet)
- Bachelor - 09.0902 Public Relations/Image Management (Public Relations) (Internet)
- Bachelor - 11.0103 Information Technology (Information Technology) (Internet)
- Bachelor - 11.0701 Computer Science (Computer Science) (Internet)
- Bachelor - 11.0801 Web Page, Digital/Multimedia and Information Resources Design (Web Development) (Internet)
- Bachelor - 30.9999 Multi-Interdisciplinary Studies, Other (Interdisciplinary Studies) (Internet)
- Bachelor - 42.2804 Industrial and Organizational Psychology (Applied Psychology) (Internet)
- Bachelor - 43.9999 Homeland Security, Law Enforcement, Firefighting and Related Protective Services, Other (Public Safety Management) (Internet)
- Bachelor - 43.9999 Homeland Security, Law Enforcement, Firefighting and Related Protective Services, Other (Safety, Security and Emergency Management) (Internet)
- Bachelor - 45.0801 Economics, General (Business Economics) (Internet)
- Bachelor - 50.0411 Game and Interactive Media Design (Interactive Media Design) (Internet)
- Bachelor - 51.0701 Health/Health Care Administration/Management (Allied Healthcare Management) (Internet)
- Bachelor - 51.0701 Health/Health Care Administration/Management (Healthcare Management) (Internet)
- Bachelor - 51.0707 Health Information/Medical Records Technology/Technician (Healthcare Information Systems Mgmt) (Internet)
- Bachelor - 52.0201 Business Administration and Management, General (Business Administration) (Internet)
- Bachelor - 52.0201 Business Administration and Management, General (Management) (Internet)
- Bachelor - 52.0201 Business Administration and Management, General (Organizational Leadership) (Internet)
- Bachelor - 52.0205 Operations Management and Supervision (Applied Management) (Internet)
- Bachelor - 52.0205 Operations Management and Supervision (Operations and Supply Chain Management) (Internet)
- Bachelor - 52.0299 Business Administration, Management and Operations, Other (Business Forensics) (Internet)
- Bachelor - 52.0301 Accounting (Accounting) (Internet)
- Bachelor - 52.0399 Accounting and Related Services, Other (Forensic Accounting) (Internet)
- Bachelor - 52.0801 Finance, General (Financial Management) (Internet)
- Bachelor - 52.0804 Financial Planning and Services (Financial Planning) (Internet)
- Bachelor - 52.1001 Human Resources Management/Personnel Administration, General (Human Resources Management) (Internet)
- Bachelor - 52.1201 Management Information Systems, General (Management Information Sciences) (Internet)
- Bachelor - 52.1401 Marketing/Marketing Management, General (Marketing) (Internet)
- Bachelor - 52.1499 Marketing, Other (e-Marketing) (Internet)
- Master - 11.0701 Computer Science (Computer Science) (Internet)
- Master - 13.0301 Curriculum and Instruction (Instructional Design and Performance Technology) (Internet)
- Master - 52.0201 Business Administration and Management, General (M.B.A.) (Internet)
- Master - 52.0301 Accounting (Accounting) (Internet)
- Master - 52.1401 Marketing/Marketing Management, General (Marketing and Communication) (Internet)

**Correspondence Ed**

None

**Tab 2C**

**IACBE**

International Assembly for Collegiate Business Education

**The Board of Commissioners of the  
International Assembly For Collegiate Business Education**

Has reviewed the business and business-related degree programs offered by the

*College of Business*

and hereby issues this

**Certificate of Accreditation**

to

*Franklin University*

This accreditation is valid as long as the institution  
and its business programs remain in compliance  
with the principles and policies of the Assembly

Issued on the 25th day of March 2010

*Beth Castiglia*

Beth Castiglia Ph.D.  
Chair, Board of Commissioners

*John L. Green, Jr.*

John L. Green, Jr. Ph.D.  
President

**Tab 2D**

# IOWA

No: W00746412  
Date: 08/23/2011

## SECRETARY OF STATE

504RFN-421910  
FRANKLIN UNIVERSITY

### ACKNOWLEDGEMENT OF DOCUMENT FILED

The Secretary of State acknowledges receipt of the following document:

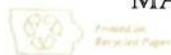
Certificate of Authority

The document was filed on Aug 22 2011 9:59AM, to be effective as of Aug 22 2011 9:59AM.

The amount of \$25.00 was received in full payment of the filing fee.



  
MATT SCHULTZ SECRETARY OF STATE



**Tab 2E**

**FRANKLIN UNIVERSITY**  
Columbus, Ohio

**ANNUAL REPORT**  
July 31, 2010 and 2009

**FRANKLIN UNIVERSITY**

Columbus, Ohio

**ANNUAL REPORT**

July 31, 2010 and 2009

**CONTENTS**

<b>REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS.....</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION .....</b>	<b>2</b>
<b>STATEMENTS OF ACTIVITIES.....</b>	<b>3</b>
<b>STATEMENTS OF CASH FLOWS.....</b>	<b>5</b>
<b>NOTES TO FINANCIAL STATEMENTS.....</b>	<b>6</b>



Crowe Horwath LLP  
Independent Member Crowe Horwath International

## REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

Board of Trustees  
Franklin University  
Columbus, Ohio

We have audited the accompanying statements of financial position of Franklin University ("the University") as of July 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Franklin University as of July 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the University changed its method of accounting for course module development costs in 2010.

*Crowe Horwath LLP*

Crowe Horwath LLP

Columbus, Ohio  
October 12, 2010

FRANKLIN UNIVERSITY  
 STATEMENTS OF FINANCIAL POSITION  
 July 31, 2010 and 2009  
 (In thousands)

	<u>2010</u>	As Restated <u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,397	\$ 3,839
Accounts receivable		
Tuition and fees (less allowance: 2010 - \$1,971; 2009 - \$1,886)	3,378	3,613
Department of Education	345	98
Other	267	275
Contributions receivable	8	8
Prepaid expenses	1,178	689
Other assets	224	197
Investments	60,805	55,035
Bond proceeds restricted for buildings and equipment	1,694	-
Educational property		
Land and improvements	5,242	5,219
Buildings	25,093	23,988
Equipment and furniture	11,628	11,055
Construction in progress	<u>2,478</u>	<u>-</u>
Total educational property at cost	44,441	40,262
Accumulated depreciation	<u>21,831</u>	<u>20,006</u>
Educational property, net	<u>22,610</u>	<u>20,256</u>
 Total assets	 <u>\$ 92,906</u>	 <u>\$ 84,010</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 3,752	\$ 4,209
Accrued payroll	3,000	3,438
Deferred tuition	264	263
Capital lease obligations payable	<u>9,372</u>	<u>4,750</u>
Total liabilities	<u>16,388</u>	<u>12,660</u>
 <b>Net assets</b>		
Unrestricted	73,033	68,100
Temporarily restricted	444	227
Permanently restricted	<u>3,041</u>	<u>3,023</u>
Total net assets	<u>76,518</u>	<u>71,350</u>
 Total liabilities and net assets	 <u>\$ 92,906</u>	 <u>\$ 84,010</u>

See accompanying notes to financial statements.

FRANKLIN UNIVERSITY  
 STATEMENTS OF ACTIVITIES  
 Year ended July 31, 2010 with comparative 2009 totals  
 (In thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2010</u>	<u>As Restated Total 2009</u>
<b>Operating revenues</b>					
Student tuition and fees	\$ 58,913	\$ -	\$ -	\$ 58,913	\$ 52,755
Scholarship allowances	1,070	-	-	1,070	950
Net student tuition and fees	57,843	-	-	57,843	51,805
Private gifts and grants	271	79	-	350	347
Federal grants	576	-	-	576	352
Investment income	22	292	-	314	22
Other income	912	-	-	912	719
Total	59,624	371	-	59,995	53,245
Net assets released from restrictions	174	(174)	-	-	-
Total operating revenues	59,798	197	-	59,995	53,245
<b>Operating expenses</b>					
Instruction	20,727	-	-	20,727	19,491
Academic support	7,240	-	-	7,240	6,176
Student services	7,571	-	-	7,571	6,660
Institutional support	23,623	-	-	23,623	23,181
Development	772	-	-	772	393
Total operating expenses	59,933	-	-	59,933	55,901
<b>Change in net assets from operations</b>	(135)	197	-	62	(2,656)
<b>Nonoperating items</b>					
Private gifts and grants	-	-	14	14	38
Investment income, net of fees	5,303	20	4	5,327	(11,626)
Loss on sale/disposition of assets	(32)	-	-	(32)	-
Change in fair value of interest rate swap	(203)	-	-	(203)	(196)
Total nonoperating items	5,068	20	18	5,106	(11,784)
<b>Change in net assets</b>	4,933	217	18	5,168	(14,440)
Net assets at beginning of year, as restated	68,100	227	3,023	71,350	85,790
<b>Net assets at end of year</b>	<u>\$ 73,033</u>	<u>\$ 444</u>	<u>\$ 3,041</u>	<u>\$ 76,518</u>	<u>\$ 71,350</u>

See accompanying notes to financial statements.

FRANKLIN UNIVERSITY  
STATEMENT OF ACTIVITIES (AS RESTATED)  
Year ended July 31, 2009  
(In thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2009</u>
<b>Operating revenues</b>				
Student tuition and fees	\$ 52,755	\$ -	\$ -	\$ 52,755
Scholarship allowances	950	-	-	950
Net student tuition and fees	<u>51,805</u>	-	-	51,805
Private gifts and grants	211	136	-	347
Federal grants	352	-	-	352
Investment income	22	-	-	22
Other income	719	-	-	719
Total	<u>53,109</u>	136	-	53,245
Net assets released from restrictions	<u>513</u>	<u>(513)</u>	-	-
Total operating revenues	<u>53,622</u>	<u>(377)</u>	-	<u>53,245</u>
<b>Operating expenses</b>				
Instruction	19,491	-	-	19,491
Academic support	6,176	-	-	6,176
Student services	6,660	-	-	6,660
Institutional support	23,181	-	-	23,181
Development	393	-	-	393
Total operating expenses	<u>55,901</u>	-	-	<u>55,901</u>
<b>Change in net assets from operations</b>	(2,279)	(377)	-	(2,656)
<b>Nonoperating items</b>				
Private gifts and grants	-	-	38	38
Investment income, net of fees	(11,391)	(261)	26	(11,626)
Change in fair value of interest rate swap	(196)	-	-	(196)
Total nonoperating items	<u>(11,587)</u>	<u>(261)</u>	<u>64</u>	<u>(11,784)</u>
<b>Change in net assets</b>	(13,866)	(638)	64	(14,440)
Net assets at beginning of year	<u>81,966</u>	<u>865</u>	<u>2,959</u>	<u>85,790</u>
<b>Net assets at end of year</b>	<u>\$ 68,100</u>	<u>\$ 227</u>	<u>\$ 3,023</u>	<u>\$ 71,350</u>

See accompanying notes to financial statements.

FRANKLIN UNIVERSITY  
STATEMENTS OF CASH FLOWS  
Years ended July 31, 2010 and 2009  
(In thousands)

	<u>2010</u>	<u>As Restated 2009</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 5,168	\$ (14,440)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	2,294	2,342
Provision for uncollectible accounts receivable	1,100	1,543
Realized and unrealized (gains) losses on investments	(5,213)	12,228
Change in fair value of interest rate swap	203	196
Loss on sale/disposition of property, plant and equipment	32	-
Gifts for permanently restricted purposes	(14)	(38)
Changes in operating assets and liabilities		
Accounts receivable	(1,104)	(391)
Prepaid expenses	(410)	(162)
Other assets	(27)	6
Contributions receivable	-	22
Accounts payable and other liabilities	(660)	2,820
Accrued payroll	(439)	532
Deferred tuition	<u>2</u>	<u>(9)</u>
Net cash from operating activities	<u>932</u>	<u>4,649</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(17,358)	(21,175)
Proceeds from sales of investments	16,801	22,885
Bond proceeds restricted to purchase of buildings and equipment	(1,694)	-
Purchases of property, plant and equipment	(4,698)	(3,436)
Proceeds from sales of property, plant and equipment	<u>18</u>	<u>-</u>
Net cash used in investing activities	<u>(6,931)</u>	<u>(1,726)</u>
<b>Cash flows from financing activities</b>		
Borrowings under revolving line of credit	8,000	-
Repayments of borrowings under revolving line of credit	(8,000)	-
Proceeds from long-term borrowings	4,921	-
Payments on long-term borrowings	(378)	(170)
Gifts for permanently restricted purposes	<u>14</u>	<u>38</u>
Net cash from (used in) financing activities	<u>4,557</u>	<u>(132)</u>
Net change in cash and cash equivalents	(1,442)	2,791
Cash and cash equivalents, beginning of year	<u>3,839</u>	<u>1,048</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,397</u>	<u>\$ 3,839</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the year for interest	\$ 364	\$ 257

See accompanying notes to financial statements.

FRANKLIN UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
July 31, 2010 and 2009

---

**NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

Organization: Franklin University (“the University”), founded in 1902, is a nonprofit educational corporation and, accordingly, is exempt from Federal income and state taxes. All funds and property received by the University are irrevocably dedicated to and used exclusively for educational purposes.

Financial Statement Presentation: Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions.

Gifts of cash and other assets are reported as restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, a 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.

The University reports gifts of property, plant and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted revenues. Absent explicit donor stipulations about how long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Permanently restricted funds include primarily endowment scholarship funds that are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income be utilized.

Cash and Cash Equivalents: Cash and cash equivalents are defined as cash and investments to be used for current operations with original maturities at time of purchase of three months or less. A majority of cash and cash equivalents are held with one financial institution.

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students. Accounts receivable also include amounts due from the federal government, state and local governments. Past due student accounts are charged 1.5% interest per month. The University uses the allowance method to estimate uncollectible receivables, including unconditional promises to give. The allowances are based upon prior experience and management’s analysis of specific receivables and promises to give.

Contributions: Contributions, including unconditional promises to give, are recognized as revenues in the period the related commitments are received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received beyond the fiscal year are discounted at an appropriate discount rate.

Investments: Investments are stated at fair value based on market values or dealer quotes, with changes in fair value being recognized as gains and losses during the period in which they occur.

Limited partnerships, for which there is no ready market, are valued at fair value as estimated by management. To estimate fair value, management may rely on valuations reported by the general partners of such investments and/or the University’s independent investment advisor. Because of the inherent uncertainty of valuation in the absence of readily ascertainable market values, the estimated values of those investments may differ from the values that would have been used had a ready market existed for such investments or if the investments were realized, and the differences could be material. Such investments are, by their nature, generally considered to be long-term investments and are not intended to be liquidated on a short-term basis.

---

(Continued)

FRANKLIN UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 July 31, 2010 and 2009

---

**NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Educational Properties and Depreciation:** Educational properties represented by buildings, improvements and equipment are carried at cost or market value at the date of the gift, less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. Expenditures for additions, renewals or betterments with a cost in excess of \$3,000 are capitalized. Expenditures for maintenance and repairs are charged to expense. Expenses related to educational properties have been allocated to the following expenses based on square footage: instruction, academic support, student services, institutional support and development.

**Course Module Development Costs:** During the year ended July 31, 2010, the University elected to change its method of accounting for costs to develop course modules for in-person and online education courses from capitalizing and amortizing the costs to expensing the costs. To comply with accounting principles generally accepted in the United States of America, the 2009 financial statements were restated for this change in accounting principle to reflect expensing the costs.

The net cumulative effect on unrestricted and total net assets was \$1,281,000 at August 1, 2008 as follows:

	<u>Unrestricted</u>	<u>Total</u>
	<i>(in thousands)</i>	
Net assets at July 31, 2008, as previously reported	\$ 83,247	\$ 87,071
Change in accounting for course module costs	(1,281)	(1,281)
Net assets at July 31, 2008, as restated	\$ 81,966	\$ 85,790

The effect of the change on the year for the year ended July 31, 2009 was to decrease the change in net assets by \$417,000 as follows:

	<u>Unrestricted</u>	<u>Total</u>
	<i>(in thousands)</i>	
Change in net assets for year ending July 31, 2009, as previously reported	\$ (13,449)	\$ (14,023)
Change in accounting for course module costs	(417)	(417)
Change in net assets for year ending July 31, 2009, as restated	\$ (13,866)	\$ (14,440)

For the year ended July 31, 2009 the \$417,000 adjustment increased academic support expenses. The effect of this change in accounting on the change in net assets for the year ended July 31, 2010 was not determined.

**Nonoperating Activities:** The University has defined nonoperating activity to include the following:

**Private gifts and grants:** Contributions to the permanent endowment of the University not available to be spent, contributions restricted for capital purchases not available to be spent for operations and bequests not a part of the University's routine revenue generation processes.

**Investment income:** Endowment income and realized gains (losses) in excess of the spending policy and unrealized gains (losses) on endowments and other investments not available for current operations.

---

(Continued)

FRANKLIN UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
July 31, 2010 and 2009

---

**NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Gains (losses) on sale/disposition of assets: Gains or losses associated with sales of property, plant and equipment and certain other asset dispositions or impairments.

Change in fair value of interest rate swap: Changes in the fair value of the interest rate swap.

Fair Value of Financial Instruments: The University's carrying amount for its financial instruments, which include cash and cash equivalents, accounts receivable, contributions receivable, investments, bond proceeds, accounts payable, liabilities associated with the interest rate swap, and related variable rate capital lease obligation at July 31, 2010 and 2009 are carried at their estimated fair values. The estimated fair value amounts have been determined by the University using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data and developing these estimates.

Interest Rate Swap Agreement: The University has entered into an interest rate swap to receive variable rate interest and pay fixed rate interest to a major financial institution that fixes the University's interest rate paid on its variable rate capital lease obligation payable. The variable interest on the capital lease obligation payable is hedged by a forward starting interest rate swap. Net interest payments will be effectively fixed at the rates indicated, during the period. The University intends to hold this forward starting interest rate swap until maturity. The interest rate swap is considered a derivative and is recognized on the statement of financial position at fair value. Changes in the fair value of this derivative are reported as non-operating revenue or expense on the statement of activities.

Revenue Recognition: The University records earned revenues such as tuition, fees, grants and other revenues over the period during which related services are rendered.

Deferred Tuition: Deferred tuition is comprised primarily of Fall 2010 trimester tuition paid in advance.

Agency Transactions: The University receives resources in certain transactions where it is acting as an intermediary for the resource providers. The resources are then delivered to third-party donees. These transactions are recognized as changes in assets and liabilities and do not affect the statement of activities. Federal grants and certain Ohio grants are considered agency relationships.

Pension Plan: The University participates in a multi-employer defined contribution pension plan covering generally all full-time administrative officers, faculty and certain support staff. The University's policy is to fund pension cost accrued. Pension expense for 2010 and 2009 was approximately \$2,258,000 and \$1,953,000, respectively.

Income Taxes: Generally accepted accounting principles prescribes recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits will be recognized only if a tax position is more-likely-than-not sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at July 31, 2010.

The University would recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The University has no amounts accrued for interest or penalties for the year ended July 31, 2010. The University is no longer subject to examination by taxing authorities for years before 2007. The University does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

---

(Continued)

FRANKLIN UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 July 31, 2010 and 2009

**NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Adoption of New Accounting Standard: Effective September 15, 2009, the University adopted changes issued by the Financial Accounting Standards Board ("FASB") to the authoritative hierarchy of generally accepted accounting principles ("GAAP"). The FASB has issued a standard regarding the FASB Accounting Standards Codification™ ("Codification"), and the GAAP hierarchy which replaces the standard previously issued by the FASB regarding the hierarchy of GAAP. This standard identifies the source of accounting principles and the framework for selecting the principles used in the preparation of financial statements for non-governmental entities that are presented in conformity with GAAP in the United States (the "GAAP hierarchy"). In addition, this standard establishes the Codification as the source of authoritative GAAP recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with GAAP. All guidance contained in the Codification carries an equal level of authority. This standard was effective for financial statements issued for interim and annual periods ending after September 15, 2009, and accordingly the University adopted this standard for the year ended July 31, 2010. Its adoption did not have a significant impact on its financial statements.

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 affecting 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 and expenditures during the reporting periods. Actual results could differ from those estimates.

Reclassifications: Certain reclassifications have been made to the 2009 amounts to conform to the 2010 financial statement presentation. These reclassifications had no effect on net assets or changes in net assets.

**NOTE 2 – INVESTMENTS**

Investments at July 31, 2010 and 2009 are summarized as follows:

	<u>2010</u>	<u>2009</u>
	<i>(In thousands)</i>	
Stocks	\$ 16,088	\$ 15,038
Mutual funds - bonds	8,368	7,751
Mutual funds - equities	15,944	13,508
Hedge funds	19,017	17,809
Limited partnerships	<u>1,388</u>	<u>931</u>
Investments at fair value	<u>\$ 60,805</u>	<u>\$ 55,035</u>

The composition of investment return consisted of the following:

	<u>2010</u>	<u>2009</u>
	<i>(In thousands)</i>	
Interest and dividends	\$ 597	\$ 809
Investment fees	(169)	(185)
Net realized and unrealized gains (losses) on investments	<u>5,213</u>	<u>(12,228)</u>
Total investment return	5,641	(11,604)
Investment return designated for current operations	<u>314</u>	<u>22</u>
Investment return not designated for current operations	<u>\$ 5,327</u>	<u>\$ (11,626)</u>

(Continued)

FRANKLIN UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
July 31, 2010 and 2009

---

**NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value measurements are determined by the University pursuant to guidance issued by the FASB. This guidance defines fair value as the price 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. FASB guidance established a fair value hierarchy that distinguishes between (1.) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2.) an entity's own assumptions about market participant assumptions based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under the FASB guidance are as follows:

- Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair values of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

The University's derivative instrument consists of an interest rate swap. The fair value of the swap is determined based on the relative values of the fixed and floating portions of the interest rate contract. The valuation model utilized involves current interest rates, projected yield curves and volatility factors to determine the fair value of the instrument as of the date of measurement. As such, significant fair value inputs can generally be verified and do not involve significant management judgments (Level 2 inputs).

The hedge funds consist of fund of funds that have observable inputs and market activity that allow for pricing based on the underlying market prices of the items in the fund adjusted for information developed by University management for historical and current performance of the underlying funds, liquidity and credit premiums required by a market participant and financial trend analysis with respect to the overall fund compared to benchmark performance ratios. Redemption restrictions are greater than three months (Level 3 inputs). There are no unfunded commitments on these funds. The investment objectives of the various hedge funds are as follows:

- Focus on institutional quality managers who invest in historically uncorrelated strategies such as relative value, event-driven, equity market neutral, credit, distressed securities, and various arbitrage based approaches.
- Enhance return through an extensive manager selection process and manage risk through an intensive quantitative and qualitative due diligence and monitoring process. The highly diversified, non-correlated multi-manager/multi-strategy portfolio focuses on inefficiencies and anomalies in the financial markets across a broad spectrum of unique liquid alternative investment strategies.

---

(Continued)

FRANKLIN UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
July 31, 2010 and 2009

**NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

- Preserve capital and superior risk-adjusted returns. Engage principally in a diversified investment strategy utilizing a multi-manager approach to invest in securities.

For other investments for which there is no active market, University management and the Investment Committee review the valuations and returns in comparison to industry benchmarks and other information. Due to current market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market volatility (Level 3 inputs). At July 31, 2010 and 2009, these investments consist solely of limited partnerships (primarily private equity funds). There are no redemption options on these funds. There are unfunded commitments on certain of these funds totaling approximately \$594,000 at July 31, 2010. The investment objectives of these funds are as follows:

- Achieve attractive risk-adjusted absolute returns by focusing on certain transaction types in certain key markets.
- Offer investors an opportunity to access the private equity market through a much smaller commitment than would be feasible investing directly in funds.

Assets and Liabilities Measured on a Recurring Basis: Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at July 31, Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<i>(In thousands)</i>		
<u>2010</u>			
Stocks			
Cash	\$ 582	\$ -	\$ -
Communications	194	-	-
Consumer	3,721	-	-
Distribution and retail	1,864	-	-
Financial	917	-	-
Health	2,122	-	-
Manufacturing	1,497	-	-
Minerals	617	-	-
Technology	4,275	-	-
Transportation	299	-	-
Mutual funds - bonds	8,368	-	-
Mutual funds - equities	15,944	-	-
Hedge funds	-	-	19,017
Limited partnerships	-	-	1,388
Total investments	<u>\$ 40,400</u>	<u>\$ -</u>	<u>\$ 20,405</u>
Interest rate swap	<u>\$ -</u>	<u>\$ (399)</u>	<u>\$ -</u>

(Continued)

FRANKLIN UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
July 31, 2010 and 2009

**NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

	Fair Value Measurements at July 31, Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<i>(In thousands)</i>		
<u>2009</u>			
Stocks	\$ 15,038	\$ -	\$ -
Mutual funds - bonds	7,751	-	-
Mutual funds - equities	13,508	-	-
Hedge funds	-	17,809	-
Limited partnerships	-	-	931
	<u>\$ 36,295</u>	<u>\$ 17,809</u>	<u>\$ 931</u>
Total investments			
Interest rate swap	<u>\$ -</u>	<u>\$ (196)</u>	<u>\$ -</u>

The tables below present a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended July 31, 2010 and 2009:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Hedge Funds <i>(In thousands)</i>	Limited Partnerships <i>(In thousands)</i>
<u>2010</u>		
Beginning balance, July 31, 2009	\$ -	\$ 931
Transfers in	17,809	-
Redemptions/distributions	(594)	-
Realized/unrealized gains included in earnings	1,802	53
Purchases and capital contributions	-	404
	<u>\$ 19,017</u>	<u>\$ 1,388</u>
Ending balance, July 31, 2010		
<u>2009</u>		
Beginning balance, July 31, 2008		\$ 560
Realized/unrealized losses included in earnings		(65)
Purchases and capital contributions		436
		<u>\$ 931</u>
Ending balance, July 31, 2009		

The various investments in equity securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the value of these investments could occur.

(Continued)

FRANKLIN UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
July 31, 2010 and 2009

**NOTE 4 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable are promises to give from various donors that are unconditional. At July 31, 2010 and 2009 approximately \$7,600 and \$8,500, respectively, was due within one year.

**NOTE 5 – CAPITALIZED LEASE OBLIGATIONS PAYABLE**

The University had the following capitalized lease obligations at July 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
	<i>(In thousands)</i>	
2007 Issue	\$ 4,575	\$ 4,750
2010 Issue	<u>4,797</u>	<u>-</u>
	<u>\$ 9,372</u>	<u>\$ 4,750</u>

On December 1, 2007, the University entered into a lease agreement with the Ohio Higher Educational Facility Commission (the "Commission") to finance the purchase and renovation of a building. The University's lease serves, in part, as security for the Commission's \$43,215,000 Ohio Higher Educational Facility Commission Variable Rate Demand Revenue Bonds Series B. The capitalized lease obligation is due in January 2028.

The interest rate on the lease is based on the weekly rate as defined in the lease agreement, with a maximum interest rate of 10%. The interest rate on the lease for the years ended July 31, 2010 and 2009 was 2.44% and 3.25%, respectively.

The bonds are secured by a direct-pay letter of credit issued by Huntington National Bank, which expires on December 15, 2012. Debt service on the bonds is paid by draws on the letter of credit. In the event the bonds are tendered for purchase and are not remarketed, the purchase price for the tendered bonds is also paid through a draw on the letter of credit. The University is obligated to reimburse the bank for draws on the letter of credit. As the above described variable rate bond issue operates in a floating mode and is remarketed at par value weekly, carrying value approximates fair value of the outstanding balance of the bonds.

On January 1, 2010, the University entered into a lease agreement with the Commission to finance the renovation of various buildings and the purchase of information technology equipment. The University's lease serves as security for the Commission's \$5,000,000 State of Ohio Higher Educational Facility Revenue Bonds (Franklin University Project). The interest rate on the lease is fixed at 4.2102%. The estimated fair value of the outstanding balance of the bonds was approximately \$4,877,000 as of July 31, 2010. The capitalized lease obligation is due in January 2020.

The cost and accumulated amortization of the assets under capital leases are as follows at July 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
	<i>(In thousands)</i>	
Cost	\$ 8,601	\$ 5,000
Accumulated amortization	<u>601</u>	<u>267</u>
	<u>\$ 8,000</u>	<u>\$ 4,733</u>

(Continued)

FRANKLIN UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
July 31, 2010 and 2009

---

**NOTE 5 – CAPITALIZED LEASE OBLIGATIONS PAYABLE (Continued)**

At July 31, 2010, there was \$1,694,000 of unspent 2010 issue proceeds.

Amortization of the assets under capital leases is included with depreciation expense.

In the event of default by the University on its obligation pursuant to these leases, the assets that were acquired with the proceeds from the bonds could be repossessed by the trustee of the bonds. In addition, pursuant to these agreements the University has agreed to certain financial and operating covenants, with which the University has complied.

As of July 31, 2010, future principal payments by year for the next five years and in the aggregate thereafter under the capital lease obligations are as follows (in thousands):

2011	\$	800
2012		628
2013		656
2014		681
2015		711
Remaining amount due		<u>6,096</u>
	\$	<u>9,372</u>

Total interest expense on the capitalized lease obligations payable for the years ending July 31, 2010 and 2009 was \$217,000 and \$158,000, respectively.

**NOTE 6 – LINE OF CREDIT**

The University has a \$5,000,000 unsecured revolving line of credit with a bank. Advances bear interest at prime minus 0.25% or at the London Interbank Offered Rate (LIBOR) plus 2.50%. The line of credit is due on demand and had no amounts outstanding at July 31, 2010 or 2009. In August 2010 this line of credit was increased to \$10,000,000.

**NOTE 7 – INTEREST RATE SWAP**

The University's cash-flow hedge contains credit risk to the extent that its bank counterparty may be unable to meet the terms of the agreement. The University minimized such risk by limiting its counterparty to a major financial institution. Management does not expect any material losses as a result of default by the other party. The University entered into the interest rate swap in October 2008. The interest rate swap agreement is due to expire in January 2028.

At July 31, 2010 this interest rate swap had a total notional amount of \$4,575,000. Under this agreement, the University pays the bank interest monthly at an annual rate of 2.96% and receives a rate at 68% of one-month LIBOR. Net settlements on the interest rate swap agreement are included in institutional support expense on the statement of activities. The fair market value of this agreement at July 31, 2010 and 2009 was approximately \$(399,000) and \$(196,000), respectively, and is included in accounts payable and other liabilities on the statements of financial position. Gains and losses are included in nonoperating items on the statements of activities. Weighted average information about the swap at July 31, 2010 and 2009 is as follows:

---

(Continued)

FRANKLIN UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 July 31, 2010 and 2009

**NOTE 7 – INTEREST RATE SWAP (Continued)**

	<u>2010</u>	<u>2009</u>
Weighted average pay rates	2.96%	2.96%
Weighted average receive rates	0.18%	0.50%
Weighted average maturity	10.03 years	10.65 years

**NOTE 8 – NET ASSETS**

Unrestricted net assets at July 31, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
	<i>(In thousands)</i>	
Investment in educational property	\$ 14,932	\$ 15,506
Board-designated for endowment	890	594
Board-designated for other purposes	111	-
Undesignated	<u>57,100</u>	<u>52,000</u>
Total	<u>\$ 73,033</u>	<u>\$ 68,100</u>

Temporarily restricted net assets consist of net assets restricted for scholarships, the Franklin University leadership center and capital additions. Permanently restricted net assets consist of endowed scholarship funds and funds for the Franklin University leadership center.

**NOTE 9 – ENDOWMENT COMPOSITION**

The University's endowment primarily consists of funds held by Morgan Keegan. In August 2010, the University transferred the funds to Key Bank. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by applicable standards, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net assets composition by type of fund as of July 31, 2010 are as follows:

	<i>(In thousands)</i>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Donor restricted endowment funds	\$ (6)	\$ 370	\$ 3,041	\$ 3,405
Board-designated funds	<u>890</u>	<u>-</u>	<u>-</u>	<u>890</u>
Total funds	<u>\$ 884</u>	<u>\$ 370</u>	<u>\$ 3,041</u>	<u>\$ 4,295</u>

(Continued)

FRANKLIN UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
July 31, 2010 and 2009

**NOTE 9 – ENDOWMENT COMPOSITION (Continued)**

Changes in endowment net assets for the year ended July 31, 2010 were as follows:

	<i>(In thousands)</i>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment assets, beginning of year	\$ 526	\$ 137	\$ 3,023	\$ 3,686
Investment income, net	75	295	4	374
Recovery on underwater endowments	62	(62)	-	-
Contributions	221	10	14	245
Appropriation of endowment assets	<u>-</u>	<u>(10)</u>	<u>-</u>	<u>(10)</u>
Endowment assets, end of year	<u>\$ 884</u>	<u>\$ 370</u>	<u>\$ 3,041</u>	<u>\$ 4,295</u>

Endowment net assets composition by type of fund as of July 31, 2009 are as follows:

	<i>(In thousands)</i>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Donor restricted endowment funds	\$ (68)	\$ 137	\$ 3,023	\$ 3,092
Board-designated funds	<u>594</u>	<u>-</u>	<u>-</u>	<u>594</u>
Total funds	<u>\$ 526</u>	<u>\$ 137</u>	<u>\$ 3,023</u>	<u>\$ 3,686</u>

Changes in endowment net assets for the year ended July 31, 2009 were as follows:

	<i>(In thousands)</i>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment assets, beginning of year	\$ 594	\$ 750	\$ 2,959	\$ 4,303
Investment income, net	(68)	(171)	26	(213)
Contributions	-	-	38	38
Appropriation of endowment assets	<u>-</u>	<u>(442)</u>	<u>-</u>	<u>(442)</u>
Endowment assets, end of year	<u>\$ 526</u>	<u>\$ 137</u>	<u>\$ 3,023</u>	<u>\$ 3,686</u>

Interpretation of UPMIFA: The Board of Trustees of the University has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

(Continued)

FRANKLIN UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
July 31, 2010 and 2009

---

**NOTE 9 – ENDOWMENT COMPOSITION (Continued)**

As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Return Objectives and Risk Parameters: The University has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives: The purpose of the Endowment Fund is to facilitate donors' desires to make substantial long-term gifts to the community and to develop a new and significant source of revenue for the University. In so doing, the Endowment Fund will provide a secure, long-term source of funds to: (i) stabilize funding during periods of below normal annual campaigns; (ii) fund special grants; (iii) ensure long-term growth; (iv) enhance the University's ability to meet changing community needs in both the short and long-term; and, (v) support the administrative expenses of the University as deemed appropriate.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Board of Trustees approves all major spending decisions of the University. Although no formal spending policy has been adopted, historically the University has never used endowment funds to pay for operational expenses.

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 or UPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. There was approximately \$6,000 and \$68,000 of such amounts as of July 31, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market conditions.

---

(Continued)

FRANKLIN UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
July 31, 2010 and 2009

---

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

The University leases classroom space and equipment under various noncancelable operating leases that expire at various dates through August 2019. Future minimum lease payments under noncancelable operating leases at July 31, 2010 are as follows (in thousands):

2011	\$ 2,285
2012	998
2013	623
2014	452
2015	459
Thereafter	<u>1,957</u>
	<u>\$ 6,774</u>

Rent expense for the years ended July 31, 2010 and 2009 was approximately \$2,270,000 and \$2,031,000, respectively.

The University's students receive significant financial assistance from governmental agencies in the form of grants. The disbursement of funds received under such programs generally requires compliance with terms and conditions specified in grant agreements and are subject to audit by grantor agencies. The grant agreements provide for possible auditing of expenditures by grantor agencies and possible disallowance of certain expenditures. The University has not had any disallowance of expenditures in the past.

The University has an employment agreement with its President Emeritus that expires in 2013 to be the Executive Director of the Franklin University Leadership Center and a part-time faculty member.

**NOTE 11 – SUBSEQUENT EVENT**

Management has performed an analysis of the activities and transactions subsequent to July 31, 2010 to determine the need for any adjustments to and/or disclosures within the audited financial statements as of and for the year ended July 31, 2010. Management has performed their analysis through October 12, 2010, which is the date the financial statements were available to be issued.

**Tab 2F**

# FRANKLIN UNIVERSITY

201 S. Grant Ave.  
Columbus, Ohio 43215  
614.797.4700  
1.877.341.6300  
www.franklin.edu

September 20, 2011

Ms. Carolyn Small  
Iowa College Student Aid Commission  
Postsecondary Approval and Registration Administrator  
200 10<sup>th</sup> St, 4<sup>th</sup> Floor  
Des Moines, IA 50309

Re: Statement of Franklin University's commitment to the delivery of programs in Iowa

Dear Ms. Small,

Founded in Columbus, Ohio, in 1902, Franklin University has been in continuous operation for 109 years. The University was originally accredited by the Higher Learning Commission in 1976, and has maintained good standing with the HLC since that time.

The mission of Franklin University is to provide high-quality, relevant education, enabling the broadest possible community of learners to achieve their goals and enrich the world. Providing quality online programs is a large part of this mission. Franklin University's degree programs are designed by our full-time faculty, in partnership with professionals working in the field. Program outcomes are assessed on a regular basis to continuously improve courses and maintain currency and relevance of curriculum.

Please accept this statement as confirmation that providing quality education to students, both online and face-to-face, is Franklin University's priority. Should any event occur in which the University decides to discontinue a degree program, all students enrolled in that program would be well-informed of the teach-out options for alternative methods of completion.

Sincerely,



Dr. David R. Decker, President  
Franklin University  
201 S. Grant Avenue  
Columbus, OH 43215  
614.947.6020  
deckerd@franklin.edu

**Tab 2G**

**JON HUSTED**

Ohio Secretary of State

[Home](#) | [About](#) | [Businesses](#) | [Voter Services](#) | [Candidates](#) | [Elections & Ballot Issues](#) | [Other Records](#) | [Ballot Lives](#) | [Publications](#) | [Media Center](#)

**BUSINESS FILINGS**

[General Information](#) | [Business Search](#) | [UCC Search](#) | [Trade Mark / Service Mark Search](#) | [Prepayment Accounts](#) | [Help](#)

Business Name  
Business Name - Exact  
Number Search  
Agent/Contact Name  
Prior Business Name  
Church Name

**Corporation Details**

Corporation Details		
Entity Number	931378	
Business Name	FRANKLIN UNIVERSITY	
Filing Type	CORPORATION FOR NON-PROFIT	
Status	Active	
Original Filing Date	08/23/1964	
Expiry Date	02/09/2014	
Location: COLUMBUS	County: FRANKLIN	State: OHIO
Agent / Registrant Information		
JOSEPH F. FRASCH, JR. 1550 OLD HENDERSON ROAD SUITE N-130 COLUMBUS, OH 43220 Effective Date: 07/11/1983 Contact Status: Active		
Incorporator Information		
ROLAND A SEDGWICK KENNETH P BESSEY BYRON E FORD		
Filings		
Filing Type	Date of Filing	Document Number/Image
DOMESTIC ARTICLES/NON-PROFIT	06/23/1964	B262_1481
CERTIFICATE OF CONTINUED EXISTENCE	08/19/1971	B769_0320
CERTIFICATE OF AUTHORIZATION	05/23/1972	B807_1858
CERTIFICATE OF AUTHORIZATION	08/13/1977	E284_1183
CERTIFICATE OF AUTHORIZATION	07/08/1981	F008_0251
DOMESTIC AGENT SUBSEQUENT APPOINTMENT	07/11/1983	F282_1546
CERTIFICATE OF AUTHORIZATION	08/29/1984	F521_1297
CERTIFICATE OF AUTHORIZATION	08/08/1988	G450_1428
DOMESTIC AGENT ADDRESS CHANGE	12/05/1988	G820_1478
CERTIFICATE OF AUTHORIZATION	08/14/1991	H181_1104
CERTIFICATE OF AUTHORIZATION	10/18/1993	H713_0841
CERTIFICATE OF AUTHORIZATION	02/13/1995	5068_0284
CERTIFICATE OF AUTHORIZATION	09/18/1997	8019_0603
CERTIFICATE OF AUTHORIZATION	05/06/1998	198814601235
CERTIFICATE OF AUTHORIZATION	04/16/1999	189911001200
CERTIFICATE OF AUTHORIZATION	04/16/1999	189911001201
LETTER/RENEWAL NOTICE MAILED	12/16/2003	200335077433
CERTIFICATE OF CONTINUED EXISTENCE	03/23/2004	200408502559
TRADE NAME/ORIGINAL FILING	08/23/2006	200617700614
LETTER/RENEWAL NOTICE MAILED	11/24/2008	200832978446
CERTIFICATE OF CONTINUED EXISTENCE	02/09/2009	200904101654
TRADE NAME RENEWAL	03/22/2011	201108301201

[Return To Search Page](#) | [Return To Search List](#) | [Printer Friendly Report](#)