NEW ISSUE **BOOK-ENTRY ONLY**

*In the opinion of Bond Counsel, under existing law and assuming compliance with certain covenants, interest on the Series 2014 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations, interest on the Series 2014 Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax. Bond Counsel is also of the opinion that the Series 2014 Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In Bond Counsel's further opinion, under existing law, the Series 2014 Bonds and interest thereon are exempt from all Arkansas state, county and municipal taxes. See the caption **TAX EXEMPTION** herein.*

$6,605,000
CITY OF SEARCY, ARKANSAS
(HARDING UNIVERSITY AND HARDING PLACE)
PUBLIC EDUCATIONAL AND RESIDENTIAL HOUSING FACILITIES BOARD
CAPITAL IMPROVEMENT REVENUE BONDS
SERIES 2014

Dated: December 1, 2014 **Due: October 1, as shown below**

The Series 2014 Bonds are special and limited obligations of the City of Searcy, Arkansas (Harding University and Harding Place) Public Educational and Residential Housing Facilities Board (the "Issuer"). Neither the general credit of the Issuer nor the general credit or the taxing power of the City of Searcy, Arkansas or the State of Arkansas or any other political subdivision thereof is pledged for the payment of the Series 2014 Bonds. The Series 2014 Bonds are payable from and secured by a pledge of certain revenues and other amounts to be received by the Issuer pursuant to a Loan Agreement and Security Agreement dated as of August 1, 1993, as amended and supplemented, between the Issuer and Harding University, Inc., an Arkansas nonprofit corporation (the "Corporation").

The Series 2014 Bonds are issued and secured on a parity basis with the Issuer's $1,860,000 outstanding principal amount of Revenue Bonds, Refunding Series 2010A, having a final maturity date of October 1, 2021, the Issuer's $4,995,000 outstanding principal amount of Revenue Bonds, Refunding and Capital Improvement Series 2010B, having a final maturity date of October 1, 2020, the Issuer's $3,310,000 outstanding principal amount of Capital Improvement Revenue Bonds, Series 2010D, having a final maturity date of October 1, 2025, the Issuer's $7,495,000 outstanding principal amount of Capital Improvement Revenue Bonds, Series 2011, having a final maturity date of October 1, 2031, the Issuer's $6,130,000 outstanding principal amount of Refunding and Capital Improvement Revenue Bonds, Series 2012, having a final maturity date of October 1, 2031, and the Issuer's $5,945,000 outstanding principal amount of Capital Improvement Revenue Bonds, Series 2013, having a final maturity date of October 1, 2032.

The Series 2014 Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Series 2014 Bonds will be made so long as Cede & Co. is the registered owner of the Series 2014 Bonds. Individual purchases of the Series 2014 Bonds will be made only in book-entry form, in the denominations of $5,000 or any integral multiple thereof. Individual purchasers of the Series 2014 Bonds ("Beneficial Owners") will not receive physical delivery of bond certificates.

Interest on the Series 2014 Bonds is payable semiannually on April 1 and October 1, commencing April 1, 2015. All such interest payments shall be payable to the person in whose name such Series 2014 Bonds are registered on the bond registration books maintained by BancorpSouth Bank, Stuttgart, Arkansas, as trustee, paying agent and bond registrar pursuant to an Indenture of Trust dated as of August 1, 1993, as amended and supplemented. Disbursement of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of DTC participants or indirect participants, as more fully described herein.

The Series 2014 Bonds will be subject to optional, extraordinary and mandatory sinking fund redemption prior to maturity, as more fully described herein.

MATURITY SCHEDULE
$2,825,000 Serial Bonds

Year	Principal Amount	Interest Rate	Yield	Year	Principal Amount	Interest Rate	Yield
2015	$260,000	1.000%	0.400%	2020	$285,000	2.000%	1.950%*
2016	260,000	1.500	0.700	2021	290,000	2.250	2.250
2017	265,000	2.000	1.050	2022	295,000	2.550	2.550
2018	270,000	2.000	1.300	2023	305,000	2.750	2.750
2019	280,000	2.000	1.600	2024	315,000	2.875	2.875

$1,730,000 3.250% Term Bonds due October 1, 2029 to Yield 3.400%
$2,050,000 3.625% Term Bonds due October 1, 2034 to Yield 3.850%

(Plus accrued interest from December 1, 2014)

The Series 2014 Bonds are offered when, as, and if issued and received by the Underwriter named below, subject to the approval of validity by Friday, Eldredge & Clark, LLP, Bond Counsel, and certain other conditions. Certain matters will be passed upon for the Corporation by Donald E. Kee, Esq. It is expected that the Series 2014 Bonds will be available for delivery on or about December 10, 2014.

Stephens Inc.

Dated: November 13, 2014

*Priced to first optional call date, April 1, 2020.

No person is authorized to give any information or to make any representation not contained in this Official Statement, and any information not contained herein must not be relied upon as having been authorized by the City of Searcy, Arkansas (Harding University and Harding Place) Public Educational and Residential Housing Facilities Board, Harding University, Inc., or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2014 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City of Searcy, Arkansas (Harding University and Harding Place) Public Educational and Residential Housing Facilities Board or Harding University, Inc. since the date hereof.

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THE SERIES 2014 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2014 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

OFFICIAL STATEMENT

$6,605,000
City of Searcy, Arkansas
(Harding University and Harding Place)
Public Educational and Residential Housing Facilities Board
Capital Improvement Revenue Bonds
Series 2014

INTRODUCTORY STATEMENT

The following Introductory Statement is subject in all respects to the more complete information set forth in this Official Statement. All descriptions and summaries of documents hereinafter set forth are qualified in their entirety by reference to each document.

This Official Statement, including the cover page and Appendices hereto, is furnished in connection with the issuance and sale of $6,605,000 principal amount of Capital Improvement Revenue Bonds, Series 2014 (the "Series 2014 Bonds") by the City of Searcy, Arkansas (Harding University and Harding Place) Public Educational and Residential Housing Facilities Board (the "Issuer").

The Issuer is a body politic and corporate and a public instrumentality of the City of Searcy, Arkansas (the "City"), organized and existing under the laws of the State of Arkansas (the "State") to finance, acquire, own, lease, contract concerning and dispose of educational facilities and residential housing and related facilities for elderly persons. The Series 2014 Bonds are being issued pursuant to the laws of the State, including particularly the Public Facilities Boards Act, Arkansas Code Annotated Sections 14-137-101 to -123 (Repl. 1998; Supp. 2013) (the "Act"), a resolution and ordinances of the City Council of the City, resolutions duly adopted by the Issuer, and an Indenture of Trust dated as of August 1, 1993 (the "Indenture"), between the Issuer and BancorpSouth Bank, in the City of Stuttgart, Arkansas, as trustee, paying agent and bond registrar (the "Trustee"), as supplemented by a First Supplemental Indenture of Trust dated as of February 1, 1995, a Second Supplemental Indenture of Trust dated as of June 1, 1995, a Third Supplemental Indenture of Trust dated as of January 1, 1996, a Fourth Supplemental Indenture of Trust dated as of September 1, 1998, a Fifth Supplemental Indenture of Trust dated as of December 1, 1998, a Sixth Supplemental Indenture of Trust dated as of September 1, 1999, a Seventh Supplemental Indenture of Trust dated as of June 1, 2001, an Eighth Supplemental Indenture of Trust dated as of December 1, 2002, a Ninth Supplemental Indenture of Trust dated as of December 1, 2003, a Tenth Supplemental Indenture of Trust dated as of April 1, 2005, an Eleventh Supplemental Indenture of Trust dated as of February 1, 2010, a Twelfth Supplemental Indenture of Trust dated as of December 1, 2010, a Thirteenth Supplemental Indenture of Trust dated as of October 1, 2011, a Fourteenth Supplemental Indenture of Trust dated as of April 1, 2012, a Fifteenth Supplemental Indenture of Trust dated as of March 1, 2013, and a Sixteenth Supplemental Indenture of Trust dated as of December 1, 2014 (collectively, the "Indenture"). The Series 2014 Bonds are being issued and secured on a parity basis with the Issuer’s $1,860,000 outstanding principal amount of Revenue Bonds, Refunding Series 2010A (the "Series 2010A Bonds"), the Issuer’s $4,995,000 outstanding principal amount of Revenue Bonds, Refunding and Capital Improvement Series 2010B (the "Series 2010B Bonds"), the Issuer's $3,310,000 outstanding principal amount of Capital Improvement Revenue Bonds, Series 2010D (the "Series 2010D Bonds"), the Issuer's $7,495,000 outstanding principal amount of Capital Improvement Revenue Bonds, Series 2011 (the "Series 2011 Bonds"), the Issuer's $6,130,000 outstanding principal amount of Refunding and Capital Improvement Revenue Bonds, Series 2012 (the "Series 2012 Bonds") and the Issuer's $5,945,000 outstanding principal amount of Capital Improvement Revenue Bonds, Series 2013 (the "Series 2013 Bonds" and collectively with the Series 2010A Bonds, the Series 2010B Bonds, the Series 2010D Bonds, the Series 2011 Bonds and the Series 2012 Bonds, the "Parity Bonds").

The proceeds of the Series 2014 Bonds will be used (1) to finance all or a portion of the costs of student housing improvements (the "Project") at Harding University, an independent four-year university located in Searcy, Arkansas (the "University"), which is owned and operated by Harding University, Inc., an Arkansas nonprofit corporation (the "Corporation"), (2) to pay costs of issuance and (3) to fund a debt service reserve. See **THE PROJECT** herein.

Pursuant to a Loan Agreement and Security Agreement dated as of August 1, 1993, as supplemented by a First Supplemental Loan Agreement and Security Agreement dated as of February 1, 1995, a Second Supplemental Loan Agreement and Security Agreement dated as of June 1, 1995, a Third Supplemental Loan Agreement and Security Agreement dated as of January 1, 1996, a Fourth Supplemental Loan Agreement and Security Agreement dated as of September 1, 1998, a Fifth Supplemental Loan Agreement and Security Agreement dated as of December 1, 1998, a Sixth Supplemental Loan Agreement and Security Agreement dated as of September 1, 1999, a Seventh Supplemental Loan Agreement and Security Agreement dated as of June 1, 2001, an Eighth Supplemental Loan Agreement and Security Agreement dated as of December 1, 2002, a Ninth Supplemental Loan Agreement and Security Agreement dated as of December 1, 2003, a Tenth Supplemental Loan Agreement and Security Agreement dated as of April 1, 2005, an Eleventh Supplemental Loan Agreement and Security Agreement dated as of February 1, 2010, a Twelfth Supplemental Loan Agreement and Security Agreement dated as of December 1, 2010, a Thirteenth Supplemental Loan Agreement and Security Agreement dated as of October 1, 2011, a Fourteenth Supplemental Loan Agreement and Security Agreement dated as of April 1, 2012, a Fifteenth Supplemental Loan Agreement and Security Agreement dated as of March 1, 2013, and a Sixteenth Supplemental Loan Agreement and Security Agreement dated as of December 1, 2014 (collectively, the "Loan Agreement"), between the Issuer and the Corporation, the Issuer is lending the proceeds of the Series 2014 Bonds to the Corporation in return for payments sufficient to pay the principal of and interest on the Series 2014 Bonds as and when the same become due and payable, to make any required deposits into the Debt Service Reserve Fund (hereinafter defined), and to pay the fees, charges and expenses of the Issuer and the Trustee. The obligations of the Corporation under the Loan Agreement are secured by a pledge of and lien on all student tuition and dormitory rentals received by the Corporation (the "Pledged Revenues"). Such Pledged Revenues are not presently the subject of any other pledge or lien. **The Series 2014 Bonds are not secured by a mortgage on or a security interest in any real and tangible personal property.**

The lien on Pledged Revenues securing the obligations of the Corporation with respect to the Series 2014 Bonds is on a parity with the lien securing the Parity Bonds. The final maturity date of the Series 2010A Bonds is October 1, 2021; the final maturity date of the Series 2010B Bonds is October 1, 2020; the final maturity date of the Series 2010D Bonds is October 1, 2025; the final maturity date of the Series 2011 Bonds is October 1, 2031; the final maturity date of the Series 2012 Bonds is October 1, 2031; and the final maturity date of the Series 2013 Bonds is October 1, 2032. See the caption **SECURITY FOR THE BONDS** herein.

The Indenture permits, under certain conditions, the issuance of additional bonds (the "Additional Bonds") by the Issuer which will rank on a parity with the Series 2014 Bonds and the Parity Bonds. The Parity Bonds, the Series 2014 Bonds and any subsequently issued Additional Bonds are collectively referred to herein as the "Bonds." See **THE SERIES 2014 BONDS**, **Additional Bonds**, herein.

Pursuant to the Indenture, all right, title and interest of the Issuer in and to the Loan Agreement (except for certain rights to indemnification and payment of expenses), including the Issuer's right to receive payments and the pledge of the Pledged Revenues, are assigned to the Trustee to secure the payment of the Bonds.

The Bonds are limited obligations of the Issuer. Neither the City, the State nor any political subdivision thereof shall in any event be liable for the payment of the principal of or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever which may be undertaken by the Corporation. None of the Bonds or any of the agreements or obligations of the Corporation shall be construed to constitute an indebtedness, liability, general or moral obligation, pledge of the faith, loan of credit, or charge against the taxing power of the City, the State or any political subdivision thereof within the meaning of any constitutional or statutory provision. The Issuer has no taxing power.

This Official Statement contains descriptions of, among other matters, the Series 2014 Bonds, the Project, the Corporation, the University, the Indenture, the Loan Agreement and the Continuing Disclosure Agreement (as hereinafter defined). Such descriptions and information do not purport to be comprehensive or definitive. Definitions of certain words and terms used in this Official Statement are set forth in Appendix A hereto. All references herein to the Indenture, the Loan Agreement and the Continuing Disclosure Agreement are qualified in their entirety by reference to such documents, and references herein to the Series 2014 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of such documents may be obtained from Bond Counsel.

THE SERIES 2014 BONDS

General Description

The Series 2014 Bonds are issuable only as fully registered bonds in denominations of $5,000 and integral multiples thereof. Each Series 2014 Bond shall be dated December 1, 2014, and shall bear interest from December 1, 2014 or, if authenticated on an interest payment date, from such date, payable semiannually on April 1 and October 1 of each year, commencing April 1, 2015.

BancorpSouth Bank, in the City of Stuttgart, Arkansas, is trustee, bond registrar and paying agent for the Series 2014 Bonds (the "Trustee"). Co-Trustees may be appointed, and the Trustee may resign or be removed or replaced in accordance with the Indenture.

Extraordinary Redemption

Partial Redemption. (a) The Series 2014 Bonds will be redeemable in part, in inverse order of maturity, less than all of the Series 2014 Bonds in any maturity to be selected by lot in such manner as the Trustee shall determine, at one hundred percent (100%) of the principal amount thereof plus accrued interest to the redemption date, on any interest payment date from the proceeds of any insurance or condemnation award resulting from the damage or destruction of the University or any portion thereof by fire or other casualty, or from the taking by condemnation by any governmental body or by any person, firm or corporation acting under governmental authority, of title to or any interest in, or the temporary use of, the University or any portion thereof; provided, however, that the Corporation shall furnish to the Issuer and the Trustee a certificate stating that the portion of the University so damaged or destroyed or taken is not essential to the use or possession of the University by the Corporation or that the University has been repaired, restored, modified or improved to enable the University to operate as designed.

(b) The Series 2014 Bonds will be redeemable in part, in inverse order of maturity, less than all of the Series 2014 Bonds in any maturity to be selected by lot in such manner as the Trustee shall determine, at one hundred percent (100%) of the principal amount thereof plus accrued interest to the redemption date, on any interest payment date from unexpended proceeds of the Series 2014 Bonds not needed for the intended purposes.

Redemption in Whole. The Series 2014 Bonds will be redeemable in whole on any interest payment date, at one hundred percent (100%) of the principal amount thereof plus accrued interest to the redemption date, upon the exercise by the Corporation of its option to prepay the amounts payable under the Loan Agreement prior to the full payment of the Series 2014 Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) if any of the following events shall have occurred:

(a) The University shall have been damaged or destroyed (i) to such extent that it cannot be reasonably restored within a period of six (6) months to the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that the Corporation is thereby prevented, in the Corporation's judgment, from carrying on its normal operations at the University for a period of six (6) months or more, or (iii) to such extent that the cost of restoration thereof would exceed the Net Proceeds of the insurance required to be carried with respect to the University under the Loan Agreement;

(b) Title to, or the temporary use for a period of six (6) months or more of all or substantially all of the University, or such part thereof as shall, materially interfere, in the Corporation's judgment, with the operation of the University for the purpose for which the University is designed, shall have been taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority (including such a taking or takings as results in the Corporation being thereby prevented from carrying on its normal operations at the University for a period of six (6) months or more); or

(c) As a result of any changes in the Constitution of the State or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Corporation in good faith, the Loan Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in the Loan Agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the Corporation in respect to the University, including, without limitation, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Loan Agreement.

Mandatory Sinking Fund Redemption

The Series 2014 Bonds maturing on October 1, 2029 and October 1, 2034 are subject to mandatory sinking fund redemption to satisfy the sinking fund installments required by the Indenture, such redemption to be by lot in such manner as the Trustee shall determine, on each October 1 in the years and amounts set forth in the following table, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, as follows:

Series 2014 Bonds Maturing October 1, 2029

Years	Principal Amount
2025	$325,000
2026	335,000
2027	345,000
2028	355,000
2029 (maturity)	370,000

Series 2014 Bonds Maturing October 1, 2034

Years	Principal Amount
2030	$380,000
2031	395,000
2032	410,000
2033	425,000
2034 (maturity)	440,000

The principal amount of the Series 2014 Bonds to be retired pursuant to the sinking fund provisions may, at the option of the Corporation, be reduced by the principal amount of any such Series 2014 Bonds which at least forty-five (45) days prior to such redemption:

(1) have been delivered to the Trustee for cancellation, or

(2) have been purchased or redeemed (other than through operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against such mandatory redemption requirement.

Optional Redemption

The Series 2014 Bonds are subject to redemption at the option of Issuer (which option shall be exercised only as directed by the Corporation) on and after April 1, 2020 in whole or in part at any time, at a redemption price equal to the principal amount being redeemed, plus accrued interest to the date of redemption. If fewer than all of the Series 2014 Bonds shall be called for redemption, the particular maturities of the Series 2014 Bonds to be redeemed shall be selected by the Issuer in its discretion. If fewer than all of the Series 2014 Bonds of any one maturity shall be called for redemption, the particular Series 2014 Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

Notice and Effect of Redemption

Any notice of call for redemption will be given by the Trustee by first class mail, postage prepaid, to each registered owner of the Series 2014 Bonds to be redeemed, at least thirty (30) days but not more than sixty (60) days before the redemption date. In no case will the failure to give such notice by mailing, or any defect therein, affect the validity of any proceeding for the redemption of any Series 2014 Bond or portion thereof with respect to which no such failure has occurred.

No further interest shall accrue on the principal of any Series 2014 Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Trustee.

While the Series 2014 Bonds are being held by DTC under the book-entry system, notice of redemption will be sent only to DTC. See **BOOK-ENTRY ONLY SYSTEM** herein.

Additional Bonds

So long as the Loan Agreement is in effect and there is no event of default existing under the Loan Agreement or the Indenture, one or more series of Additional Bonds may be issued to pay (i) the costs of completing the acquisition, improving and equipping of the University, (ii) the costs of making certain substitutions, additions, modifications and improvements in, on or to the University, (iii) the costs of refunding, to the extent permitted by law, any Outstanding Bonds, and (iv) the costs of the issuance and sale of the Additional Bonds and capitalized interest and certain other costs. Any such Additional Bonds shall be payable solely from the amounts derived from the Loan Agreement.

The Additional Bonds shall be delivered to the Trustee only upon the filing of certain documents with the Trustee, including (i) a supplemental indenture and an amendment to the Loan Agreement, (ii) a written opinion of nationally recognized bond counsel to the effect that the issuance of Additional Bonds and the execution thereof have been duly authorized, all conditions precedent to the delivery thereof have been fulfilled, and the exemption from federal income tax of the interest on the Parity Bonds, the Series 2014 Bonds and any Additional Bonds theretofore issued will not be affected by the issuance of any such Additional Bonds, (iii) a written order to the Trustee from the Issuer to authenticate and deliver the Additional Bonds, and (iv) (a) if the Additional Bonds are to be issued to construct additional capital improvements to the University, a written opinion of an Accountant that the Pledged Revenues collected by the Corporation in the Fiscal Year immediately prior to the Fiscal Year in which the Additional Bonds are proposed to be issued were at least 125% of the maximum Annual Debt Service on Outstanding Bonds plus the Additional Bonds proposed to be issued, or that Adjusted Pledged Revenues (being Pledged Revenues adjusted for student tuition and dormitory rental increases adopted prior to issuance of such Additional Bonds) collected by the Corporation in the Fiscal Year immediately prior to the Fiscal Year in which the Additional Bonds are proposed to be issued would have been at least 125% of the maximum Annual Debt Service on Outstanding Bonds, plus the Additional Bonds proposed to be issued, and (b) if the Additional Bonds are to be issued to refund any series of Bonds Outstanding, a written opinion of an Accountant that the tests set forth in (a) above have been satisfied or that Annual Debt Service on the Additional Bonds proposed to be issued does not exceed Annual Debt Service on Bonds which would have been Outstanding had the same not been refunded. Each series of Additional Bonds shall be equally and ratably secured under the Indenture with the Parity Bonds, the Series 2014 Bonds and all other series of Additional Bonds, without preference, priority or distinction of any Bonds over any other thereof. The Corporation may issue junior lien debt so long as any lien on Pledged Revenues is expressly subordinate to that lien securing the Bonds.

SECURITY FOR THE BONDS

General

The Series 2014 Bonds will be special and limited obligations of the Issuer and will be payable from certain amounts payable by the Corporation to the Issuer under the Loan Agreement and certain other available moneys specified in the Indenture (except to the extent paid out of moneys attributable to the proceeds derived from the sale of the Series 2014 Bonds and income from the investment thereof). Under the Indenture, the Issuer will pledge and assign all of its right, title and interest in and to the Loan Agreement and all revenues and receipts payable thereunder (other than certain indemnification rights and rights to receive certain fees and expenses by the Issuer) to the Trustee for the benefit of the owners of the Series 2014 Bonds. The Series 2014 Bonds are not secured by a mortgage on or a security interest in any real and tangible personal property.

The Series 2014 Bonds are not an obligation, general or special debt, liability or moral obligation of the City, the State or any political subdivision thereof, and neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Series 2014 Bonds. The Series 2014 Bonds are not a general obligation of the Issuer (which has no taxing power and receives no funds from any governmental body), but are limited and special revenue obligations of the Issuer payable solely from the revenues and properties pledged therefor in the Indenture. No covenant, stipulation, obligation or agreement contained in the Indenture or in the Series 2014 Bonds shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future trustee, officer, agent or employee of the Issuer in his or her individual capacity. Neither the City, the State nor any political subdivision thereof shall be liable for the performance of any agreement or covenant of any kind which may be undertaken by the Issuer, and no breach by the Issuer of any agreement or covenant shall create any obligation upon the City, the State or any political subdivision thereof.

Pledged Revenues

The Corporation, pursuant to the Loan Agreement, has pledged all student tuition and dormitory rentals received by the Corporation to the repayment of the principal of and interest on the Bonds, the maintenance of the Debt Service Reserve Fund at the required level, and the payment of fees and expenses of the Trustee for the Bonds. Pursuant to the Loan Agreement, the Corporation is obligated to make monthly payments from Pledged Revenues to the Trustee in amounts sufficient to meet the Corporation's obligations under the Loan Agreement. If an Event of Default occurs or exists under the Indenture, the Trustee may elect to receive all Pledged Revenues until such time as the Event of Default has been cured, including re-establishment of the Debt Service Reserve Fund to the required level. The security interest in the Pledged Revenues may be subject to limitation or rights of other parties imposed by statute or court order and to the requirements that appropriate filings be made from time to time to maintain the protection of the security interest.

Parity Bonds

The Series 2014 Bonds shall be secured on a parity basis with $1,860,000 outstanding principal amount of the Series 2010A Bonds, with $4,995,000 outstanding principal amount of the Series 2010B Bonds, with $3,310,000 outstanding principal amount of the Series 2010D Bonds, with $7,495,000 outstanding principal amount of the Series 2011 Bonds, with $6,130,000 outstanding principal amount of the Series 2012 Bonds and with $5,945,000 outstanding principal amount of the Series 2013 Bonds.

Rate Covenant

In the Loan Agreement, the Corporation has agreed that it will fix, maintain and charge tuition and dormitory rentals for use of the University and for services provided by the University such that Pledged Revenues in each Fiscal Year will not be less than 125% of the maximum Annual Debt Service on Outstanding Bonds in any Fiscal Year thereafter.

Debt Service Reserve Fund

There will be deposited from proceeds of the Series 2014 Bonds into the Series 2014 Account of the Debt Service Reserve Fund the sum of $225,264.38. The Debt Service Reserve Fund will be maintained in an amount equal to the lesser of (i) five percent (5%) of the initial principal amount of each series of Bonds, or (ii) fifty percent (50%) of the maximum Annual Debt Service on each series of Bonds Outstanding.

BOOK-ENTRY ONLY SYSTEM

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2014 Bond certificate for each maturity will be issued in the principal amount of the maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with

DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Closing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2014 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent only to Cede & Co. If fewer than all of the Series 2014 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Series 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2014 Bonds are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2014 Bonds will be printed and delivered.

The information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Underwriter nor the Issuer make any representation or warranty regarding the accuracy or completeness thereof.

So long as the Series 2014 Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Series 2014 Bonds for all purposes under the Indenture, including receipt of all principal of and interest on the Series 2014 Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Indenture. The Issuer and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2014 Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to owners of Series 2014 Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Series 2014 Bonds.

CONTINUING DISCLOSURE

The Issuer has determined that no financial or operating data concerning the Issuer is material to an evaluation of the offering of the Series 2014 Bonds or to any decision to purchase, hold or sell the Series 2014 Bonds, and the Issuer will not provide any such information. The Corporation has undertaken all responsibility for any continuing disclosure to Bondholders as described below, and the Issuer shall have no liability to the Bondholders or any other person with respect to SEC Rule 15c2-12.

The Corporation has covenanted for the benefit of holders and beneficial owners of the Series 2014 Bonds to provide certain financial information and operating data relating to the Corporation by not later than 180 days following the end of the Corporation's fiscal year (the "Annual Report"), commencing with the Annual Report for the Corporation's fiscal year ending June 30, 2015, and to provide notices of the occurrence of certain enumerated events. Each Annual Report shall be filed by the Trustee on behalf of the Corporation with the Municipal Securities Rulemaking Board. The notices of material events will be filed by the Trustee on behalf of the Corporation with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below under the caption **SUMMARY OF PORTIONS OF THE CONTINUING DISCLOSURE AGREEMENT**. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5). The Corporation has not, in the previous five years, failed to comply, in all material respects, with its obligations under continuing disclosure agreements to which it is a party.

THE ISSUER

The City of Searcy, Arkansas (Harding University and Harding Place) Public Educational and Residential Housing Facilities Board (the "Issuer") was created by Ordinance No. 88-19 of the City Council of City of Searcy, Arkansas, adopted August 17, 1988, as amended by Ordinance No. 95-16, adopted June 13, 1995 (collectively, the "Ordinance"), and pursuant to the Act. The Issuer is authorized by the Ordinance and the Act to own, acquire, construct, reconstruct, extend, equip, improve, sell, lease, contract concerning or otherwise deal in or dispose of educational facilities and residential housing and related facilities for elderly persons, or any interest therein (including leasehold interests and mortgages).

The Issuer is authorized to issue revenue bonds from time to time and to use the proceeds to finance or refinance its authorized functions.

The Issuer consists of five persons serving staggered terms of up to five years each. The initial members of the Issuer were appointed in the Ordinance creating the Issuer. Successor members were previously elected by the remaining members of the Issuer. Due to a change in legislation, successor members are now appointed by the Mayor and confirmed by the City Council of the City. Members are eligible to succeed themselves. The current members of the Issuer, the years in which their terms expire and their principal occupations are as follows:

Name	Term Expires	Principal Occupation
Justin Lawson	August 17, 2015	Banker
Donnie Miller	August 17, 2016	Banker
Patrick Stegall	August 17, 2017	Banker
Charles Green	August 17, 2018	Banker
Susannah Streit	August 17, 2019	Attorney

THE PROJECT

Proceeds of the Series 2014 Bonds will be used to provide all or a portion of the funds necessary to finance the Project on the Harding University campus in Searcy, Arkansas. The Project will include approximately 36 new student apartments to be housed in approximately 8 buildings, including related site preparation, utility improvements and parking.

The proceeds of the Series 2014 Bonds will also be used to pay costs of issuing the Series 2014 Bonds and to make a deposit to the Debt Service Reserve Fund.

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SOURCES AND USES OF FUNDS

The principal amount of the Series 2014 Bonds are expected to be expended as follows:

Sources of Funds

Principal Amount of the Series 2014 Bonds	$6,605,000
Net Original Issue Discount	(68,883)
Total:	$6,536,117

Uses of Funds

Cost of Project	$6,201,454
Debt Service Reserve Fund Deposit	225,264
Costs of Issuance	45,000
Underwriter's Discount	64,399
Total:	$6,536,117

SUMMARY OF ENROLLMENTS AND STUDENT REVENUES

The Pledged Revenues which secure the repayment of the Series 2014 Bonds consist of student tuition and dormitory rentals received by the Corporation. The University operates on a fiscal year commencing July 1 and ending June 30 of the following year. Students attend the University for yearly terms which are currently divided into two semesters. Semesters generally commence during the months of August and January. Set forth below is historical data for the University regarding enrollment and student revenues.

Fiscal Year	Enrollment[(1)]	Student Revenues[(2)]	Dormitory Revenues[(3)]	Total Student & Dormitory Revenues
2013-14	4,981	$69,942,083	$11,594,275	$81,536,358
2012-13	4,970	65,102,582	10,966,195	76,068,777
2011-12	4,935	61,096,083	9,725,024	70,821,107
2010-11	4,774	56,005,052	9,772,588	65,777,640
2009-10	4,610	51,835,440	9,370,764	61,206,204

[(1)]On a full-time equivalent basis.
[(2)]Net of student aid granted by the University.
[(3)]Includes all housing revenues received by the Corporation.

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The following table lists tuition charges and average dormitory rental rates for students at the University for the years indicated:

Fiscal Year	Student Tuition*	Dormitory Rentals*
2014-15	$17,040	$3,290
2013-14	15,720	3,202
2012-13	15,240	3,042
2011-12	14,610	2,988
2010-11	13,990	2,934

*Per year.

THE CORPORATION AND UNIVERSITY

General

The Corporation is an Arkansas nonprofit corporation incorporated in 1934, which owns and operates the University. The University, which was founded in 1924, is composed of the Colleges of Allied Health, Arts and Humanities, Bible and Ministry, Business Administration, Education, Nursing, Pharmacy and Sciences; and, located in Memphis, Tennessee, the Graduate School of Theology. The University has graduate programs in Business, Education, Ministry, Marriage and Family Therapy. Mental Health Counseling, Physician Assistant Studies, Professional School Counseling and Speech-Language Pathology; and professional practice doctorate programs in Pharmacy and Physical Therapy; The University is accredited by the North Central Association of Colleges and Secondary Schools.

Location and Facilities

The University is located in Searcy, Arkansas, a city situated approximately 50 miles northeast of Little Rock, Arkansas and 105 miles west of Memphis, Tennessee. The City had a population of 22,858 persons according to the 2010 census, and is the seat of government of White County, Arkansas. The City is reached by U.S. Highway 67 from the north and south and by U.S. Highway 64 from the east and west. The nearest commercial passenger air service is in Little Rock, but the City is served by commercial bus lines and has a small airport.

The University's campus, which occupies approximately 350 acres east of the downtown area of the City, includes 50 buildings with their equipment and educational facilities valued at an estimated $205,222,334 as of June 30, 2014. The Corporation also owns approximately 858 acres of unimproved property which is currently used as farm land. In addition, the Corporation owns Camp Tahkodah, which is located approximately 40 miles from the University in Batesville, Arkansas. This facility contains approximately 1,300 acres and is used by various campus groups for retreats.

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Governing Body

The Corporation is governed by a Board of Trustees currently composed of 24 members, plus four senior board members. The members are appointed for six-year, staggered terms. The President of the University serves as an ex-officio member.

The current members of the Board of Trustees, the years in which their terms expire, and their principal occupations are as follows:

Name	Occupation	Term Expires
Bruce McLarty	President, Harding University	ex officio
D. Bruce Binkley	T.D. Williamson, Inc.	2017
Craig Cheatham	President/CFO, The Realty Alliance Incorporated	2020
Jimmy Cone, Treasurer	James H. Cone, Inc.	2020
Bob Diles	Retired President, Central Arkansas Christian School	2016
Harrell Freeman, Secretary	Retired, Director, TWL Foundation	2018
Charles Ganus	Retired, Murco Petroleum Limited	2016
Richard Gibson	Gibson Merchandise Group, Inc.	2016
Roosevelt Harris	Retired, Vistakon, Division of J & J Vision Care	2020
Jim Holsombake	Jim Holsombake Construction Company, Inc.	2018
Michael Justus	Physician, Searcy Medical Center	2020
Jerry Morgan	Attorney, Burdett, Morgan, Williamson, & Boykin, L.L.P	2019
Lundy Neely	President and CEO, Crown Solutions Co. LLC	2020
Roy Reaves, Chairman	Retired, Liberty Bank of Arkansas	2019
Harold Redd	Minister, Midtown Church of Christ	2016
John D. Reese	World Bible School	2017
Harry Risinger	Retired, Smith Barney, Inc.	2015
John Simmons	Physician - CORE Physicians LLC	2019
Becky Tubb	Homemaker	2015
David Waldron	Waldron Enterprises	2016
Bob Walker, Vice Chairman	Physician, Surgical Associates of North Alabama	2019
Suzanne Waller	Homemaker	2015
Joe Wild	Judge	2017
Howard Wright	Senior Minister, Camp Creek Church of Christ	2020

Senior Board (Non-Voting)

Bob Brackett	Brackett Family Limited Partnership
Russ Burcham	Retired Dentist
Mel Gardner	Retired, Trinkote Industrial Finishes, Inc.
Don Shores	Retired owner, Shores Hardware

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Business Transactions with Members of Board of Trustees. The Corporation has from time to time invested certain of its funds with, and procured goods and services from, institutions and corporations affiliated with or controlled by various members of the Board of Trustees. In the opinion of management of the Corporation, fees and compensation paid to such persons as a result of such business transactions, along with the other material terms and conditions of agreements or arrangements with such persons, have been no less favorable to the Corporation than those which would have been obtained in transactions with unrelated or unaffiliated persons. The Board of Trustees has adopted a conflict of interest policy. The Corporation intends to continue to engage in business transactions with members of its Board of Trustees, and their affiliated firms and institutions, where the Corporation has a need for services offered by any such persons or firms, and where the terms and conditions of such services and the compensation paid therefore are in the best interest of the Corporation, are fair and reasonable to the Corporation or there is no other reasonable source of the services available to the Corporation.

Administration

Set forth below are the names, titles and selected biographical data on the principal members of the administrative staff of the University.

President. Bruce McLarty, D. Min., 57 years of age, formerly Vice President for Spiritual Life, Harding University. Became President in June, 2013.

Senior Vice President. James W. Carr, Ph.D., 66 years of age, formerly Associate Dean of Admissions at Florida State University. Became Executive Vice President in August, 1989.

Executive Vice President. David W. Collins, Ed.D., 44 years of age, formerly Vice President of Student Life and Dean of Students, Harding University. Became Executive Vice President in June, 2013.

Vice President for Finance and CFO. Mel Sansom, Ph.D., 52 years of age, formerly Controller for Hamilton Medical Center, Dalton, Georgia. Became chief financial officer in July, 2002.

Vice President for Academic Affairs, Larry R. Long, Ph.D., 64 years of age, formerly Associate Vice President for Academic Affairs and Dean of the College of Arts and Humanities, Harding University. Became chief academic officer in June, 2004.

Vice President for Information Technology Services. Keith A. Cronk, B.A., 59 years of age, formerly Manager of Corporate and International Services, University of South Queensland. Became Chief Information Officer in August, 2001.

Students

Although approximately 28.4% of the University's students enrolled in the 2014-15 academic year are Arkansas residents, the University enrolls students from 49 states and 44 foreign countries. Approximately 8.1% of the students enrolled in the 2014-15 academic year are from White County and approximately 6.3% are from foreign countries.

Entrance requirements for unconditional acceptance are as follows: Minimum SAT of 900 or ACT of 19, high school grade point average of at least 3.0 and written references.

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The following table lists average ACT scores of freshmen enrolled at the University for the last five academic years:

Year	Average ACT Scores
2014-15	25.0
2013-14	25.0
2012-13	24.9
2011-12	24.7
2010-11	24.8

Academic Programs

The University is offering the following majors for the 2014-15 academic year:

COLLEGE OF ALLIED HEALTH

BACHELOR OF ARTS:

Communication Sciences and Disorders

MASTER OF SCIENCE:

Physician Assisted Studies
Speech-Language Pathology

DOCTOR OF PHYSICAL THERAPY

COLLEGE OF ARTS AND HUMANITIES

BACHELOR OF ARTS:

Advertising
Art
Broadcast Journalism
Electronic Media Production
English
French
History
Humanities
International Studies
Journalism
Legal Studies
Music
Oral Communication
Political Science
Public Relations
Social Science
Spanish
Theater

BACHELOR OF FINE ARTS:

Graphics Design
Painting
Three Dimensional Design

BACHELOR OF MUSIC EDUCATION:

Instrumental
Vocal

BACHELOR OF SCIENCE:

Art Therapy
Interior Design
Public Administration
Web Design and Interactive Media

COLLEGE OF BIBLE AND MINISTRY

MASTER OF MINISTRY

MASTER OF SCIENCE IN MARRIAGE AND FAMILY THERAPY

MASTER OF SCIENCE IN MENTAL HEALTH COUNSELING

BACHELOR OF ARTS:

- Bible and Religion
- Bible and Religion for Women
- Biblical Languages
- Christian Education
- Missions
- Leadership and Ministry
- Preaching
- Religious Education
- Youth and Family Ministry

BACHELOR OF BIBLE AND MINISTRY

COLLEGE OF BUSINESS ADMINISTRATION

MASTER OF BUSINESS ADMINISTRATION

BACHELOR OF BUSINESS ADMINISTRATION:

- Accounting
- Economics
- Finance
- Global Economic Development
- Health Care Management
- International Business
- Management
- Management Information Systems
- Marketing
- Professional Sales

COLLEGE OF EDUCATION

DOCTOR OF EDUCATION IN EDUCATIONAL LEADERSHIP P-20

MASTER OF ARTS IN TEACHING

MASTER OF EDUCATION IN ADVANCED STUDIES IN TEACHING AND LEARNING

MASTER OF EDUCATION IN EDUCATIONAL LEADERSHIP

MASTER OF EDUCATION IN ELEMENTARY EDUCATION

MASTER OF EDUCATION IN READING

MASTER OF EDUCATION IN EARLY CHILDHOOD

MASTER OF EDUCATION IN SECONDARY EDUCATION

EDUCATIONAL SPECIALIST IN EDUCATIONAL LEADERSHIP

EDUCATIONAL SPECIALIST IN PROFESSIONAL COUNSELING: CLINICAL AND SCHOOL

MASTER OF SCIENCE IN EDUCATION

MASTER OF SCIENCE IN EDUCATION TECHNOLOGY

MASTER OF SCIENCE IN PROFESSIONAL COUNSELING: CLINICAL AND SCHOOL

BACHELOR OF ARTS:

Early Childhood P-4
Middle Childhood/Early Adolescence Math/Science 4-8
Middle Childhood/Early Adolescence English/Language Arts/Social Science 4-8

COLLEGE OF NURSING

BACHELOR OF SCIENCE IN NURSING

COLLEGE OF PHARMACY

DOCTOR OF PHARMACY

COLLEGE OF SCIENCES

BACHELOR OF ARTS:

- Biology
- Computer Science
- Health Sciences
- Kinesiology
- Mathematics
- Physical Science
- Preprofessional Health Sciences
- Psychology

BACHELOR OF SCIENCE:

- Athletic Training
- Biochemistry
- Biochemistry and Molecular Biology
- Biology
- Biomedical Engineering
- Chemistry
- Child Development
- Child Life Specialist
- Computer Engineering
- Computer Science
- Criminal Justice
- Dietetics
- Electrical Engineering
- Exercise Science
- Family and Consumer Sciences
- Family and Consumer Sciences Education
- Family Life Education
- Fashion Merchandising
- Interiors Merchandising
- Health Sciences
- Health and Kinesiology
- Mathematics
- Mechanical Engineering
- Physics
- Software Development
- Sport and Recreation Management

BACHELOR OF SOCIAL WORK

BACHELOR OF SCIENCE IN MEDICAL TECHNOLOGY

OTHER

BACHELOR OF ARTS:

- General Studies
- Interdisciplinary Studies

GRADUATE SCHOOL OF THEOLOGY - MEMPHIS, TN

DOCTOR OF MINISTRY

MASTER OF ARTS

MASTER OF ARTS IN COUNSELING

MASTER OF ARTS IN CHRISTIAN MINISTRY

MASTER OF DIVINITY

Employees

As of September, 2014, the Corporation employed 871 non-student full-time equivalent employees. A breakdown of the non-student full-time equivalent employees, by area of service, is as follows:

Area of Service	Number of Full-Time Equivalents
Administration	267
Faculty	365
Non-Professional	
Secretarial and Clerical	179
Technical/Skilled	52
Maintenance	8
Total:	871

Student Financial Aid

Approximately 91% of the University's undergraduate student body receives assistance from federal, state, college or private sources. The majority of students eligible for financial aid receive an "aid package" consisting of grants, loans and work assistance which supplements each family's contribution to the student's total educational expenses. A student's financial need and a particular program's funding level are reviewed in conjunction with the student's academic and personal records as the basis for determining the combination of aid forms offered.

The following table presents the sources of student financial aid for the Fiscal Years indicated:

	2009-10	2010-11	2011-12	2012-13	2013-14
Federal & Private Loans	$42,690,959	$47,463,268	$51,275,834	$51,345,628	$51,730,715
Federal & State Grants and Scholarships*	7,390,482	10,014,453	9,469,704	9,395,621	9,091,655
Harding University Grants and Scholarships	26,511,017	29,247,133	31,525,788	32,301,210	33,306,604
Harding University Loans	248,285	246,494	173,313	176,532	135,337
Work Study (institution)	2,638,786	2,629,567	2,808,034	3,101,195	2,631,044
Totals	$79,479,529	$89,600,915	$95,252,673	$96,320,186	$96,895,355

*Includes Nursing Loans, Perkins Loans, Supplemental Education Opportunity Grants, Work Study Program, Pell Grants, and State Scholarships.

Endowment

Set forth below is information concerning the restricted endowment funds of the Corporation. **The Bonds are not secured by any security interest in the Corporation's endowment funds or the interest earnings thereon.**

Date	Fair Value	Percent Increase (Decrease) Over Previous Year
06/30/14	$117,046,106	11.3%
06/30/13	105,172,399	5.9
06/30/12	99,287,179	(2.5)
06/30/11	101,881,096	15.7
06/30/10	88,034,672	7.7

Affiliates

Harding Place, Inc., an Arkansas nonprofit corporation ("Harding Place"), is the only affiliate of the Corporation. Harding Place was formed for the purposes of owning and operating a retirement center near the University. The Board of Trustees of the Corporation appoints the Board of Directors of Harding Place. The Corporation and Harding Place share common personnel. Additionally, Harding Place employs Beacon Communities (formerly Capital Senior Living, Inc.) to manage the property on behalf of Harding Place. The retirement center was financed with the proceeds of the Issuer's Capital Improvement Revenue Bonds, Series 1996B and refinanced by the Issuer's Refunding Revenue Bonds, Series 2010C (the "Harding Place Bonds"). The Harding Place Bonds are the primary obligation of Harding Place and are guaranteed by the Corporation.

Financial Statements

The Corporation maintains its financial records on the basis of a fiscal year ending June 30. Set forth in Appendix B to this Official Statement are the consolidated financial statements of the Corporation and its affiliate, Harding Place, for the two fiscal years ended June 30, 2014 and 2013, which have been audited by Mallory & Associates, Certified Public Accountants. The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The notes set forth in Appendix B are an integral part of the financial statements, and the statements and notes should be read in their entirety.

Notes, Mortgages and Guarantees

The Corporation is a guarantor of the Harding Place Bonds that are in the outstanding principal amount of $4,420,000. The Harding Place Bonds have a final maturity of August 1, 2029 and are the primary obligation of Harding Place, an affiliate of the Corporation. The obligations of the Corporation as guarantor are not secured by the Pledged Revenues. The Corporation is also obligated under various notes, mortgages and leases, some of which are secured and some of which are not secured. The guarantees and other obligations of the Corporation in connection with the other indebtedness are not secured by the Pledged Revenues.

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DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements on the Series 2014 Bonds for each year ending June 30:

Year Ending June 30	Principal	Interest	Total Debt Service
2015	--	$ 63,509.58	$ 63,509.58
2016	$ 260,000	189,228.76	449,228.76
2017	260,000	185,978.76	445,978.76
2018	265,000	181,378.76	446,378.76
2019	270,000	176,028.76	446,028.76
2020	280,000	170,528.76	450,528.76
2021	285,000	164,878.76	449,878.76
2022	290,000	158,766.26	448,766.26
2023	295,000	151,742.51	446,742.51
2024	305,000	143,787.51	448,787.51
2025	315,000	135,065.63	450,065.63
2026	325,000	125,256.25	450,256.25
2027	335,000	114,531.25	449,531.25
2028	345,000	103,481.25	448,481.25
2029	355,000	92,106.25	447,106.25
2030	370,000	80,325.00	450,325.00
2031	380,000	67,425.00	447,425.00
2032	395,000	53,378.13	448,378.13
2033	410,000	38,787.51	448,787.51
2034	425,000	23,653.13	448,653.13
2035	440,000	7,975.00	447,975.00
TOTALS	$6,605,000	$2,427,812.82	$9,032,812.82

[Remainder of page intentionally left blank.]

The following table sets forth the amounts required to pay scheduled principal, mandatory sinking fund payments and interest on the Series 2014 Bonds and the Parity Bonds during the Fiscal Years indicated:

Fiscal Year Ending June 30	Series 2014 Bonds	Parity Bonds	Total Debt Service
2015	$ 63,509.58	$ 461,552.52	$ 525,062.10
2016	449,228.76	3,473,915.66	3,923,144.42
2017	445,978.76	3,417,341.28	3,863,320.04
2018	446,378.76	3,384,843.78	3,831,222.54
2019	446,028.76	3,366,911.28	3,812,940.04
2020	450,528.76	2,974,666.28	3,425,195.04
2021	449,878.76	2,957,895.03	3,407,773.79
2022	448,766.26	2,341,825.03	2,790,591.29
2023	446,742.51	1,683,195.03	2,129,937.54
2024	448,787.51	1,681,966.28	2,130,753.79
2025	450,065.63	1,677,514.40	2,127,580.03
2026	450,256.25	1,679,440.02	2,129,696.27
2027	449,531.25	1,311,122.52	1,760,653.77
2028	448,481.25	1,317,876.27	1,766,357.52
2029	447,106.25	1,317,267.52	1,764,373.77
2030	450,325.00	1,314,018.14	1,764,343.14
2031	447,425.00	1,317,750.01	1,765,175.01
2032	448,378.13	1,314,085.63	1,762,463.76
2033	448,787.51	427,087.50	875,875.01
2034	448,653.13	--	448,653.13
2035	447,975.00	--	447,975.00
			-
TOTALS	$9,032,812.82	$37,420,274.18	$46,453,087.00

ESTIMATED DEBT SERVICE COVERAGE

From Pledged Revenues. Set forth below is estimated debt coverage information on the Parity Bonds and the Series 2014 Bonds based on Pledged Revenues.

	Fiscal Year Ended June 30, 2014
Total Pledged Revenues	$81,536,358
Maximum Annual Debt Service on the Parity Bonds and the Series 2014 Bonds [1]	3,923,144
Coverage[2]	20.78x

(1) Assumes retirement at maturity and pursuant to mandatory sinking fund redemption as described under **DEBT SERVICE REQUIREMENTS**.
(2) The Series 2014 Bonds are being issued on a parity basis with the Parity Bonds. See the caption **SECURITY FOR THE BONDS** herein.

From Change in Net Assets from University Operations. Set forth below is the estimated debt service coverage on the Parity Bonds and the Series 2014 Bonds for the Fiscal Year ended June 30, 2014, as set forth in the audited consolidated financial statements attached hereto as Appendix B.

University Operating Revenues (Unrestricted)	$116,646,847	
University Operating Expenses (Unrestricted)	(110,558,624)	
Change in Net Assets from University Unrestricted Operations		$ 6,088,223
Plus: Depreciation		10,050,190
Available for Debt Service		$16,138,413
Maximum Annual Debt Service on the Parity Bonds and the Series 2014 Bonds (1)		3,923,144
Coverage (2)		4.11x

______

(1) Assumes retirement at maturity and pursuant to mandatory sinking fund redemption as described under **DEBT SERVICE REQUIREMENTS**.
(2) The Series 2014 Bonds are being issued on a parity basis with the Parity Bonds. See the caption **SECURITY FOR THE BONDS** herein.

In addition to Operating Revenues and Operating Expenses, the Corporation had Other Revenues and Expenses during its Fiscal Year ended June 30, 2014 as shown in its Consolidated Statements of Activities for the Years Ended June 30, 2014 and 2013.

SUMMARY OF PORTIONS OF THE LOAN AGREEMENT

The following is a summary, which does not purport to be comprehensive and definitive, of certain provisions of the Loan Agreement.

Issuance of the Series 2014 Bonds

Pursuant to the Loan Agreement, the Issuer agrees to issue the Series 2014 Bonds to provide all or a portion of funds for the Cost of the Project. An amount equal to the accrued interest, if any, to be paid for the Series 2014 Bonds shall be deposited in the Bond Fund, an amount not exceeding 2% of the issue price of the Series 2014 Bonds shall be deposited in the Issuance Cost Fund, an amount equal to the Debt Service Reserve Requirement with respect to the Series 2014 Bonds shall be deposited in the Debt Service Reserve Fund, and the balance of the proceeds from the sale of the Series 2014 Bonds shall be deposited in the Project Fund.

Modification of the Project

The Corporation agrees to maintain plans and specifications for the Project. The Corporation may make any changes in or modifications to the plans and specifications, and may make any deletions from or substitutions or additions to the Project without the prior consent of the Issuer or the Trustee, so long as such changes or modifications in the plans and specifications, or deletions from or substitutions or additions to the Project, do not materially alter the size, scope or character of the Project, impair the structural integrity and utility of the Project or the University, or violate the requirements of any governmental authority. If any such changes or modifications in the plans and specifications, or if any such deletions from or substitutions or additions to the Project, materially alter the size, scope or character of the Project or impair the structural integrity and utility of the Project or the University then, in such event, no such changes, modifications, substitutions, deletions or additions shall be made without the express written consent of the Trustee and the Issuer. No changes or modifications in the plans and specifications and no deletions from or substitutions or additions to the Project may be made without prior approval of the contractor's sureties if required by the terms of any indemnity bond. The Corporation covenants and agrees that no changes, modifications, substitutions, deletions or additions shall be made with respect to the Project (a) if such change disqualifies the Project under the Act or would adversely and materially affect the Pledged Revenues of the Corporation, and (b) unless there shall be on deposit with the Trustee adequate moneys available therefor or the Corporation deposits in the Project Fund adequate moneys to pay any additional Cost of the Project resulting therefrom, or there shall have been deposited in the Project Fund the net proceeds of Additional Bonds, which proceeds are adequate therefor.

Disbursements From the Project Fund

Pursuant to the terms of the Indenture, the Issuer has authorized and directed the Trustee to make payments from the Project Fund to reimburse the Corporation for any Cost of the Project (other than Issuance Costs) paid by it, upon receipt of requisitions as specified in the Agreement.

In the event moneys in the Project Fund are not sufficient to pay the Cost of the Project in full, the Corporation agrees to pay that portion of the Cost of the Project in excess of the moneys available therefor in the Project Fund.

Term of Loan Agreement

The term of the Loan Agreement commenced as of August 1, 1993 and, unless sooner terminated as provided in the Loan Agreement, shall expire on October 1, 2034, or on the date that all of the Bonds and all fees and charges of the Issuer and the Trustee have been fully paid or provision made for such payment, whichever is later; provided, however, that the Loan Agreement may be terminated prior to such date if the Corporation exercises its option to prepay the amounts payable under the Loan Agreement pursuant to the terms thereof (see the caption **SUMMARY OF PORTIONS OF THE LOAN AGREEMENT, Options and Obligations to Prepay**).

The Corporation has agreed to pay to the Issuer during the term of the Loan Agreement on or before the first day of each month, a sum equal to one-sixth (1/6) of the next installment of interest on the Bonds, plus one-twelfth (1/12) of the next installment of principal of the Bonds and on or before one (1) Business Day prior to any interest payment date for the Bonds, such being April 1 and October 1 of each year, or any other date fixed for the redemption of any or all of the Bonds pursuant to the Indenture, a sum which, together with other moneys available therefor in the Bond Fund, will enable the Trustee to pay the amount payable on such date as principal of (whether at maturity or upon redemption or acceleration or otherwise) and interest on the Bonds as provided in the Indenture. In addition, the Corporation shall pay the fees and expenses of the Trustee and the fees and expenses of the Issuer.

The Corporation will also pay, in twelve (12) equal monthly installments, the amount, if any, required to be deposited to cure a deficiency in the Debt Service Reserve Fund in order to cause the amount on deposit therein to equal the Debt Service Reserve Requirement.

The obligation of the Corporation to make payments is absolute and unconditional, and in the event the Corporation should fail to make any payments, the item or installment so in default shall continue as an obligation of the Corporation until the amount in default shall have been fully paid, and the Corporation agrees to pay the same with interest thereon, to the extent permitted by law.

Taxes and Governmental and Utility Charges

The Corporation agrees to pay or cause to be paid during the Term of the Agreement all taxes and governmental charges of any kind lawfully assessed or levied upon the University or any part thereof (including any taxes levied against the University which, if not paid, will become a charge on the receipts from the University prior to or on a parity with the charge thereon and the pledge or assignment thereof to be created and made in the Indenture, or a lien against the Pledged Revenues or any interest therein prior to or on a parity with the lien of the Loan Agreement); all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the University; and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the University, provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Corporation shall be obligated to pay only such installments as are required to be paid during the Term of the Loan Agreement.

The Corporation may, at the Corporation's expense and in the Corporation's name, in good faith, contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless by such nonpayment the security afforded pursuant to the Loan Agreement will be materially endangered or the University or any part thereof will be subject to loss or forfeiture, in which event such taxes, assessments or charges shall be paid forthwith.

Maintenance and Modification of University

The Corporation agrees that at all times during the Term of the Loan Agreement it will, at its own expense, maintain, preserve and keep the University, or cause the University to be maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and that the Corporation will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals deemed proper and necessary by it.

In addition, the Corporation shall have the privilege of remodeling the University or making substitutions, additions, modifications and improvements to the University from time to time as the Corporation, in its sole discretion, may deem to be desirable for its use for such purposes as are permitted by the Act, the costs of which remodeling, substitutions, additions, modifications and improvements shall be paid by the Corporation; provided, however, that such remodeling, substitutions, modifications and improvements shall not interfere with the operation of the University or in any way damage the University, and provided that the University, as remodeled, improved or altered, upon completion of such remodeling, substitutions, modifications and improvements shall be of a value not less than the value of the University immediately prior to the remodeling or the making of substitutions, modifications and improvements. The Corporation will not permit any mechanic's or other lien to be established or remain against the University for labor or materials furnished in connection with any remodeling, substitutions, additions, modifications, improvements, repairs, renewals or replacements, provided that the Corporation may in good faith contest any such lien and not pay the same unless by such nonpayment the lien of the Loan Agreement as to the Pledged Revenues and the Indenture as to the payments will be materially endangered or the University or any part thereof will be subject to loss or forfeiture, in which event the Corporation shall promptly pay and cause to be satisfied and discharged all such unpaid items.

Insurance

The Corporation agrees to insure or cause to be insured the University against loss or damage of the kinds usually insured against by companies similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the State, with uniform standard coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at that time in use in the State, in amounts that are not less than the full insurable value (as that term is defined in the Loan Agreement) of the University, and with such deductible provisions as are customarily included by companies similarly situated, or at the option of the Corporation any lesser amount which is equal to or greater than the amount of all of the Bonds then Outstanding. Alternatively, the Corporation may insure such property under a blanket insurance policy or policies which cover not only such property but other properties.

Notwithstanding the foregoing paragraph, if the Corporation shall insure similar properties by self-insurance, the Corporation, at its election, may insure the University partially or wholly by means of an adequate self-insurance fund set aside and maintained out of its earnings, or in conjunction with other companies through an insurance trust or other arrangements.

The Corporation also agrees to carry public liability insurance with respect to the University with one or more reputable insurance companies in minimum amounts of $500,000 for the death or personal injury to one person and $1,000,000 for personal injury or death for each occurrence in connection with the University and $500,000 for property damage for any occurrence in connection with the University.

Damage, Destruction and Condemnation

Unless the Corporation shall have exercised its option to prepay the amounts payable under the Agreement pursuant to certain provisions of the Loan Agreement (see the caption **SUMMARY OF PORTIONS OF THE LOAN AGREEMENT, Options and Obligations to Prepay),** if the University or any portion thereof is destroyed in whole or in part or is damaged by fire or other casualty, or title to or any interest in, or the temporary use of, the University or any portion thereof shall be taken under the exercise of the power of eminent domain, the Corporation shall be obligated to continue to pay the amounts specified in the Loan Agreement.

Prior to the Completion Date, the Issuer, the Trustee and the Corporation will cause the Net Proceeds of any insurance proceeds or any condemnation award resulting from any of the foregoing events to be deposited in the Project Fund and to be disbursed therefrom as provided in the Loan Agreement and the Indenture. Subsequent to the Completion Date, the Issuer, the Trustee and the Corporation will cause the Net Proceeds of any insurance proceeds or any condemnation award resulting from any of the foregoing events to be deposited in a separate trust fund, provided that Net Proceeds in an amount less than $100,000 shall be paid directly to the Corporation. All Net Proceeds shall be applied in one or more of the following ways as directed by the Corporation:

(1) To the prompt repair, restoration, modification or improvement of the University by the Corporation; or

(2) To the redemption of the Bonds, provided that no part of the Net Proceeds may be applied for such redemption unless:

(a) all of the Bonds are to be redeemed in accordance with the Indenture, upon the prepayment of the amounts payable under the Loan Agreement, or

(b) if less than all of the Bonds are to be redeemed, the Corporation shall furnish to the Issuer and the Trustee an acceptable certificate stating (i) that the portion of the University that was damaged or destroyed or was taken by such condemnation proceedings is not essential to the use or possession of the University by the Corporation or (ii) that the University has been repaired, restored, modified or improved to enable the University to operate as designed.

In the event the Net Proceeds are insufficient, the Corporation will nonetheless complete the work and will pay any cost in excess of the amount of the Net Proceeds.

Any balance of the Net Proceeds deposited in the separate trust fund and remaining after the repair, restoration, modification or improvement has been completed shall be transferred (i) to the Bond Fund, or (ii) if the Bonds have been fully paid (or provisions for payment thereof have been made in accordance with the provisions of the Indenture), the balance shall be paid to the Corporation.

Removals from University; Gifts

The Corporation may not dispose of its cash or demolish, remove or dispose of any real property, structures, furnishings, machinery, equipment or other improvements now or hereafter existing as part of the University, except as stated below:

(a) The Corporation, free of any obligation to make any replacement thereof, may demolish, remove or dispose of any real property, structure, furnishing, machinery, equipment or other improvement now or hereafter existing as part of the University, and may make any donation, gift or transfer of its cash without fair and adequate consideration or compensation, to any individual, partnership, corporation or other entity provided the net book value of all such demolitions and removals plus the donations, gifts or transfers of cash made pursuant to this provision during any Fiscal Year shall not exceed 15% of the total assets of the Corporation as shown on its books as of the beginning of such Fiscal Year. The net proceeds, if any, arising from any such actions shall first be used to make up any Bond Fund deficiencies, and then may be used by the Corporation as it shall in its sole discretion determine.

(b) Except as provided in (a) above, if the Corporation in its sole discretion determines that (i) any real property, structure, furnishing, machinery, equipment or other improvement now or hereafter constituting a part of the University has become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, or its disposal as hereinafter provided is in the best interests of operation of the University, or (ii) a donation, gift or transfer of its cash to another entity is desirable, the Corporation may give written notice thereof to the Trustee, and then demolish or remove such property from the University, and may, to the extent permitted by law, sell, trade-in, exchange or otherwise dispose of same, in whole or in part, or may donate, give away or transfer such cash provided that either:

(1) The Corporation shall, at its own cost and expense, acquire, construct or install replacement or substitute real property, structures, furnishings, machinery, equipment or other improvements having a usefulness, as determined by the Corporation, to the operations of the Corporation (but not necessarily the same function) at least equal to the usefulness, prior to demolition, removal or disposal of the property demolished, removed or disposed of; or

(2) The Corporation shall demolish, remove or dispose of any such property from time to time at its own cost and expense, without any obligation on the part of the Corporation to provide any property in replacement of or substitution for that demolished, removed or disposed of, or may donate, give away or transfer such cash upon the following terms and conditions:

(i) prior to such demolition, removal, disposal, donation, gift or transfer, the Corporation must give to the Trustee written notice thereof setting forth a brief description of the property to be demolished, removed or disposed of and the net book value thereof as shown on the books of the Corporation or the amount of cash to be donated, given away or transferred; and

(ii) the Corporation must submit to the Trustee a certificate of its chief executive officer and its chief financial officer and acceptable to the Trustee determining that the property to be demolished, removed or disposed of has become obsolete, inadequate, worn out, unsuitable, undesirable or unnecessary or its disposal is in the best interests of the Corporation's operation of University and that its demolition, removal or disposal will not impair the structural soundness, efficiency or economic value of the University and to the effect that the demolition, removal or disposal of the property to be demolished, removed or disposed of, or the donation, gift or transfer of cash will not cause the Pledged Revenues available for debt service on the Bonds in the Fiscal Year following the Fiscal Year in which the demolition, removal or disposal of such property occurs to be less than 125% of the maximum Annual Debt Service on the Bonds for any subsequent Fiscal Year.

Covenants of the Corporation

The Corporation covenants as follows:

(1) The Corporation shall furnish to the Trustee the following information, and shall furnish to any owner of the Bonds who shall have requested in writing items (a) and (b) below:

(a) Within one hundred twenty (120) days after the end of the preceding Fiscal Year, an audit report covering the operations of the Corporation, which include the statement of financial position of the Corporation and the related statements of activities and cash flows for the year ended that date, reported on by independent public accountants.

(b) Upon request, copies of all such regular or periodic reports which are available for public inspection and which the Corporation may be required to file with any federal or state department, bureau, commission or agency.

(c) Within one hundred twenty (120) days after the end of the preceding Fiscal Year, a certification that the Corporation is in compliance with all covenants and agreements made by the Corporation and contained in the Loan Agreement.

(2) The Corporation agrees to fix, maintain and charge tuition and dormitory rentals for use of the University and for services provided by the University such that Pledged Revenues in each Fiscal Year will not be less than 125% of the maximum Annual Debt Service on all Outstanding Bonds in any Fiscal Year thereafter.

(3) The Corporation agrees that during the Term of the Loan Agreement it will maintain its corporate existence, will continue to be a nonprofit corporation in good standing in the State, will not dissolve or otherwise dispose of all or substantially all of its assets, and will not consolidate with or merge into another legal entity or permit one or more other legal entities to consolidate with or merge into it, provided that the Corporation may, without violating the foregoing, consolidate with or merge into another legal entity, or permit one or more legal entities to consolidate with or merge into it, or sell or otherwise transfer to another legal entity all or substantially all of its assets as an entirety and thereafter dissolve, provided (i) that the surviving, resulting or transferee legal entity, as the case may be, shall have

a fund balance (excluding restricted fund balances), as determined in accordance with generally accepted accounting principles, immediately subsequent to such acquisition, consolidation, merger or transfer equal to at least that of the Corporation immediately prior to such acquisition, consolidation, merger or transfer, (ii) that such acquisition, consolidation, merger or transfer will not affect the tax-exempt status of the interest on the Bonds; and (iii) that if the surviving, resulting or transferee legal entity, as the case may be, is not the Corporation, then such legal entity shall be a legal entity organized and existing under the laws of one of the states of the United States of America, shall be qualified to do business in the State, shall be a Tax-Exempt Organization, and shall assume all of the obligations of the Corporation under the Loan Agreement, in which event the Issuer shall release the Corporation in writing, concurrently with and contingent upon such acquisition, consolidation, merger or transfer, and the Trustee shall be furnished a certificate from the chief financial officer of the Corporation stating that in the opinion of such officer none of the covenants contained in the Loan Agreement will be violated as a result of such acquisition, consolidation, merger or transfer.

Security Interest in the Pledged Revenues

The Corporation grants to the Trustee a security interest in the Pledged Revenues in order to secure payment of principal of and interest on the Bonds. The Corporation agrees that in the event of a Default under the Loan Agreement and acceleration of payment of the Bonds by the Trustee pursuant to the Indenture, the Trustee may foreclose its security interest in the Pledged Revenues and cause the Corporation to pay any Pledged Revenues directly to the Trustee and use any proceeds therefrom for payment of principal of and interest on the Bonds irrespective of any other remedies exercised by the Issuer or the Trustee. The security interest in the Pledged Revenues shall remain in effect until the Corporation shall have satisfied its obligations under the Loan Agreement, at which time the Issuer will cause the execution and delivery to the Corporation of such documents as shall be necessary to effect or evidence the termination of such security interest. Notwithstanding the security interest in the Pledged Revenues granted in the Loan Agreement, the Corporation shall have the right, so long as it is not in default under the Loan Agreement, to use Pledged Revenues for any proper corporate purpose to the extent not prohibited or restricted by the terms of the Loan Agreement.

Leasing and Operating Contracts

The Corporation may lease any part of the University financed or refinanced with the proceeds of the Bonds or contract for the performance by others of operations or services of or in connection with any part of the University financed or refinanced with the proceeds of the Bonds for any lawful purpose which is consistent with the requirements of the Act, provided that (a) such lease or operating contract shall not be inconsistent with the provisions of the Loan Agreement or the Indenture and (b) the Corporation shall remain fully obligated and responsible under the provisions of the Loan Agreement to the same extent as if such lease or operating contract had not been executed. In addition, each such lease or contract shall be expressly conditional upon an opinion of Bond Counsel acceptable to Trustee that the exclusion from gross income of the interest on the Bonds shall not be adversely affected by such lease or contract.

Defaults

The Loan Agreement provides that any one or more of the following events will constitute a "Default":

(a) Failure by the Corporation to pay the amounts required to be paid under the Loan Agreement relating to the payment of the principal of and interest on the Bonds as the same become due, at the times specified therein;

(b) Failure by the Corporation to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in paragraph (a) above, for a period of thirty (30) Business Days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Corporation by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Corporation within the applicable period and diligently pursued until the default is corrected; or

(c) Certain events of bankruptcy, dissolution, liquidation or reorganization by the Corporation.

The Corporation will not be deemed to be in default under paragraph (b) above if due to force majeure, as defined in the Loan Agreement, it is unable in whole or in part to carry out any agreement in the Loan Agreement, other than the agreement to pay taxes and other governmental charges, to carry insurance and to maintain the University.

Remedies

Whenever any Default under the Loan Agreement shall have happened and be continuing, the Issuer (or the Trustee pursuant to the assignment of rights and remedies contained in the Indenture) may take one or any combination of the following remedial steps:

(1) By written notice to the Corporation, declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity (as provided in the Indenture) or otherwise, to be immediately due and payable as liquidated damages and not as a penalty;

(2) Have reasonable access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Corporation during regular business hours of the Corporation if reasonably necessary in the opinion of the Trustee;

(3) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Corporation under the Loan Agreement; and/or

(4) Proceed by appropriate judicial action to foreclose the security interest in the Pledged Revenues.

Any amounts collected pursuant to action taken upon the happening of an event of default shall be paid into the Bond Fund.

Options and Obligations to Prepay

The Corporation has the option to terminate the Term of the Loan Agreement at any time prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture). The Corporation may terminate the Term of the Loan Agreement (i) by paying to the Trustee an amount which, when added to the amount on deposit and available in the Bond Fund, will be sufficient to pay, retire and redeem all the Outstanding Bonds in accordance with the provisions of the Indenture (including, without limiting the generality of the foregoing, principal and interest to maturity or applicable redemption date, as the case may be, and expenses of redemption and the Trustee's and Paying Agents' fees and expenses), and, in case of redemption, by making arrangements satisfactory to the Trustee for the giving of the required notice of redemption, and (ii) by giving the Issuer notice in writing of such termination, and such termination shall forthwith become effective.

The Corporation also has the option to prepay the amounts payable under the Loan Agreement upon the occurrence of any of the events described under **THE SERIES 2014 BONDS**, **Extraordinary Redemption**. In such a case, the prepayment amount shall be the sum of the following:

(1) An amount of money which, when added to the amount then on deposit and available in the Bond Fund, will be sufficient to retire and redeem all the Outstanding Bonds on the earliest possible redemption date after notice as provided in the Indenture, including, without limitation, the principal amount thereof, all interest to accrue to said redemption date, and expenses, plus

(2) An amount of money equal to the Trustee's and Paying Agents' fees and expenses under the Indenture accrued and to accrue until such final payment and redemption of the Bonds, plus

(3) An amount of money equal to the Issuer's fees and expenses under the Loan Agreement accrued and to accrue until such final payment and redemption of the Bonds.

Investment of Moneys

The Trustee shall, without further direction, continuously invest and reinvest moneys held for the credit of the Debt Service Reserve Fund in Permitted Investments maturing not later than seven years from the date of investment. Moneys held for the credit of any other fund or account created in the Indenture shall, to the extent practicable, be invested and reinvested in Permitted Investments which shall mature not later than the date or dates on which the money held for credit of the particular fund shall be required for the purposes intended. The Trustee shall so invest and reinvest pursuant to instructions from the Corporation. The Trustee shall determine the fair market value of the investments in each fund or account at least annually.

The obligations so purchased as an investment of moneys in any such fund or account shall be deemed at all times a part of such fund.

The Trustee may make any and all such investments through its own investment department or the investment department of any bank or trust company under common control with the Trustee. The Issuer shall have no responsibility for control of or directing such investments and shall not be held accountable for any losses resulting from any such investments. All such investments shall at all times be a part of the fund (the Bond Fund, the Debt Service Reserve Fund, the Project Fund or such other fund, as the case may be) from which the moneys used to acquire such investments shall have come, and all losses on such investments shall be charged against such fund. All income and profits on such investments shall be credited to the Earnings Fund.

SUMMARY OF PORTIONS OF THE INDENTURE

The following is a summary, which does not purport to be comprehensive and definitive, of certain provisions of the Indenture.

Assignment and Security

Pursuant to the Indenture, the Issuer's interest in the Loan Agreement and all amounts payable by the Corporation to the Issuer under the Loan Agreement (other than certain indemnification rights and certain fees and expenses of the Issuer) are assigned to the Trustee by the Issuer to secure the payment of the principal of and interest on the Bonds.

Application of Bond Fund

The Bond Fund, into which the payments made pursuant to the Loan Agreement and certain other amounts specified in the Indenture will be deposited, will be maintained with the Trustee. Moneys in the Bond Fund shall be used for the payment of the principal of and interest on the Bonds.

Application of Project Fund

The balance of the proceeds from the sale of the Series 2014 Bonds, after making the required deposits in the Bond Fund, Debt Service Reserve Fund and Issuance Cost Fund, shall be deposited in the Project Fund. Moneys in the Project Fund shall be used solely for the payment of Costs of the Project.

Repayment to Corporation

Any amounts remaining in the Bond Fund, the Debt Service Reserve Fund, the Project Fund or any other fund created under the Indenture after payment in full of the principal of and interest on the Bonds, the fees, charges and expenses of the Trustee, the amounts constituting "excess investment earnings" required to be rebated to the United States, and all other amounts required to be paid under the Indenture, shall be paid to the Corporation.

Investment

Any moneys held as part of the Bond Fund, Debt Service Reserve Fund, the Project Fund or any other fund created under the Indenture shall be invested and reinvested as provided in the Loan Agreement (see the caption **SUMMARY OF PORTIONS OF THE LOAN AGREEMENT, Investment of Moneys).**

Discharge of Lien

The lien of the Indenture shall be discharged if:

(1) The principal of and interest due or to become due on the Bonds at the time and in the manner stipulated therein have been paid or provision for payment has otherwise been made to or for the owners of the Bonds;

(2) There shall be no Default in any of the covenants and promises in the Bonds and in the Indenture; and

(3) The Issuer shall cause to be paid to the Trustee and any Paying Agents all sums of money due or to become due according to the provisions of the Indenture.

Any Bond shall be deemed to be paid when (a) payment of the principal of such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment and/or (2) Governmental Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the Trustee's satisfaction. At such time as a Bond shall be deemed to be paid as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Governmental Obligations.

Notwithstanding the foregoing, no deposit under clause (a)(ii) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until (a) proper notice of redemption of such Bonds shall have been previously given in accordance with the Indenture or, in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, until the Corporation shall have given the Trustee on behalf of the Issuer, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the owners of the Bonds in accordance with the requirements of the Indenture, that the deposit required by (a)(ii) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of said Bonds, plus interest thereon to the due date thereof; or (b) the maturity of such Bonds.

The Issuer and the Trustee have agreed that no deposit will be made or accepted under the Indenture and no use made of any such deposit which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code.

Defaults and Remedies

Any of the following events will constitute a Default under the Indenture:

(1) Default in the due and punctual payment of interest on any Bond;

(2) Default in the due and punctual payment of the principal of any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;

(3) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in the Indenture or in the Bonds and failure to remedy the same after notice as provided in the Indenture; or

(4) The occurrence of a "Default" under the Loan Agreement (see the caption **SUMMARY OF PORTIONS OF THE LOAN AGREEMENT, Defaults).**

In the event of a Default, the Trustee may, and at the written request of Bondowners of not less than 25% in principal amount of Bonds Outstanding shall, by written notice to the Issuer and to the Corporation, declare the Bonds to be immediately due and payable, whereupon they shall, without further action, become and be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding. Upon any such declaration of acceleration, the Trustee shall immediately declare an amount equal to all amounts then due and payable on the Bonds to be immediately due and payable under the Loan Agreement.

The Trustee may also or as an alternative pursue any available remedy by suit at law or in equity to enforce the payment of the principal of and interest on the Bonds then Outstanding.

Waiver of Event of Default

The Trustee may waive any Default under the Indenture and its consequences and rescind any declaration of acceleration of principal, and shall do so upon the written request of the owners of (1) more than two-thirds (2/3) in aggregate principal amount of all the Bonds then Outstanding in respect of which Default in the payment of principal or interest, or both, exists or (2) more than two-thirds (2/3) in aggregate principal amount of all Bonds then Outstanding in the case of any other Default; provided, however, that there may not be waived any Default in the payment of the principal of or interest on any Outstanding Bonds unless prior to such waiver or rescission all arrearages of principal and interest (other than principal of or interest on the Bonds which became due and payable by declaration of acceleration), with interest to the extent permitted by law at the Late Payment Rate on overdue installments, and all expenses of the Trustee in connection with such Default shall have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee, and the owners of the Bonds shall be restored to their former positions and rights under the Indenture, but no such waiver or rescission shall extend to any subsequent or other Default or impair any right consequent thereon.

Supplemental Indentures

The Issuer and the Trustee may enter into indentures supplemental to the Indenture without notice to or the approval of the owners of the Bonds for any one or more of the following purposes:

(1) To cure any ambiguity or formal defect or omission in the Indenture;

(2) To grant to or confer upon the Trustee for the benefit of the owners of the Bonds any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the owners of the Bonds or the Trustee;

(3) To subject to the lien of the Indenture additional revenues, properties or collateral;

(4) To modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute then in effect, or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America;

(5) To provide for the issuance of Additional Bonds pursuant to the provisions of the Indenture;

(6) To evidence the appointment of a separate Trustee or a Co-Trustee or the succession of a new Trustee under the Indenture; or

(7) To make such additions, deletions or modifications as may be necessary to assure compliance with Section 145 of the Code relating to qualified 501(c)(3) obligations, Section 148(f) of the Code relating to required rebate of excess investment earnings to the United States, or otherwise as may be necessary to assure exemption from federal income taxation of interest on the Bonds.

Exclusive of supplemental indentures for the purposes set forth in the previous paragraph, the consent of owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then Outstanding is required to approve any supplemental indenture, except no supplemental indentures shall permit without the consent of owners of all Bonds Outstanding (1) an extension of the maturity of the principal of or the interest on any Bond issued under the Indenture, (2) a reduction in the principal amount of any Bond or the rate of interest thereon, (3) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (4) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indentures or any modification or waiver of the provisions of the Loan Agreement, (5) the creation of any lien ranking prior to or on a parity with the lien of the Indenture or the trust estate, or any part thereof, except as permitted by the Indenture, or (6) the deprivation of the owner of any Outstanding Bond of the lien of the Indenture.

No supplemental indenture will become effective unless and until the Corporation shall have consented to the execution and delivery thereof.

Amendments to the Loan Agreement

Except as otherwise provided in the Loan Agreement or the Indenture, no amendment, change or modification of the Loan Agreement is permissible without the written consent of the Trustee. Pursuant to the provisions of the Indenture, the consent of the owners of at least two-thirds (2/3) of the principal amount of all Bonds then Outstanding is also required for any such amendment, change or modification of the Loan Agreement, except for amendments, changes or modifications required (i) by the provisions of the Loan Agreement or the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) to more precisely identify the University or substitute or to add additional improvements or equipment to the University in accordance with the provisions of the Loan Agreement, (iv) to enter into an indenture or indentures supplemental to the Indenture as provided in the Indenture, (v) to provide for the issuance of Additional Bonds for the purposes set forth in the Loan Agreement and in accordance with the provisions of the Indenture, (vi) to make such additions, deletions or modifications as may be necessary to assure compliance with Section 145 of the Code relating to qualified 501(c)(3) obligations, Section 148(f) of the Code relating to required rebate of excess investment earnings to the United States, or otherwise as may be necessary to assure exemption from federal income taxation of interest on the Bonds, or (vii) in connection with any other change which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the owners of the Bonds. However, the consent of the owners of all Bonds Outstanding is required for any amendment, change, or modification of the Loan Agreement that would permit the termination or cancellation of the Loan Agreement or a reduction in or a postponement of the payments under the Loan Agreement or any change in the provisions relating to the payment thereunder.

SUMMARY OF PORTIONS OF THE CONTINUING DISCLOSURE AGREEMENT

The following statements are brief summaries of certain provisions of the Continuing Disclosure Agreement. The statements do not purport to be complete, and reference is made to the Continuing Disclosure Agreement, copies of which are available for examination at the offices of the Corporation, for a full statement thereof.

Purpose of the Agreement

The Continuing Disclosure Agreement is executed and delivered by the Corporation and the Trustee for the benefit of the Beneficial Owners of the Series 2014 Bonds and in order to assist the Original Purchaser in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Definitions

In addition to the definitions set forth in Appendix A hereto, the following capitalized terms shall have the following meanings when used under this caption **SUMMARY OF PORTIONS OF THE CONTINUING DISCLOSURE AGREEMENT:**

"Annual Report" shall mean any Annual Report provided by the Corporation, as described hereinafter under the subheading "Provision of Annual Reports."

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or dispose of ownership of, any Series 2014 Bonds (including persons holding Series 2014 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2014 Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the Vice President of Finance and CFO of the Corporation or his or her designee, or such other person as the Corporation shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent under the Continuing Disclosure Agreement, or any successor Dissemination Agent designated in writing by the Corporation and which has filed with the Trustee a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Listed Events" shall mean any of the events listed hereinafter under the subheading **Reporting of Significant Events.**

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Original Purchaser" shall mean Stephens Inc., the original underwriter of the Series 2014 Bonds required to comply with the Rule in connection with the offering of the Series 2014 Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Reports

The Corporation shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Corporation's Fiscal Year (presently ending on June 30 in each year), commencing with the Fiscal Year ending June 30, 2015, provide to the MSRB, through its continuing disclosure service portal provided through EMMA at www.emma.msrb.org or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Corporation shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the Corporation may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within thirty (30) days after receipt thereof by the Corporation. If the Corporation's fiscal year changes, it shall give notice of such change in the manner as for a Listed Event.

Content of Annual Reports

The Annual Report shall contain or include by reference the following:

(i) The following general categories of financial information and operating data with respect to the Corporation for the prior Fiscal Year:

(a) Enrollment figures, student revenues, dormitory revenues, student tuition charges and dormitory rentals, as set forth under the caption **SUMMARY OF ENROLLMENTS AND STUDENT REVENUES** in the Official Statement;

(b) Information regarding the sources of student financial aid, as set forth under the caption **THE CORPORATION AND UNIVERSITY, Student Financial Aid**, in the Official Statement; and

(c) Information regarding the Corporation’s restricted endowment funds, as set forth under the caption **THE CORPORATION AND UNIVERSITY, Endowment**, in the Official Statement. Any information regarding the Corporation’s restricted endowment funds in an Annual Report should include a statement to the effect that the Series 2014 Bonds are not secured by any security interest in such funds or the interest earnings thereon; and

(ii) The Corporation’s audited financial statements for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles ("GAAP") as promulgated by the Financial Accounting Standards Board ("FASB"), as in effect from time to time. If the Corporation’s audited financial statements are not available by the time its Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement for the Series 2014 Bonds, and the audited financial statements shall be filed in the same manner as such Annual Report when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Corporation is an "obligated person" (as defined by the Rule), which have been filed with the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Corporation shall clearly identify each such other document so included by reference.

Reporting of Significant Events

(a) The Corporation shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2014 Bonds:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults, if material.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.

7. Modifications to rights of security holders, if material.

8. Bond calls (excluding mandatory sinking fund redemptions), if material.

9. Defeasances and tender offers.

10. Release, substitution, or sale of property securing repayment of the securities, if material.

11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the obligated person.

13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Corporation promptly notify the Trustee in writing whether or not to report the event pursuant to Subsection (e) below.

(c) After the occurrence of a Listed Event, the Corporation shall as soon as possible determine if such event must be reported. The Corporation shall make such determination in a timely manner which will allow the Trustee to file the notice within the time prescribed by Subsection (e).

(d) If the Corporation has determined that the occurrence of a Listed Event must be reported under applicable federal securities laws, the Corporation shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence as provided in Subsection (e) below.

(e) If the Trustee has been instructed by the Corporation to report the occurrence of a Listed Event, the Trustee shall file, in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at www.emma.msrb.org, or any other similar system that is acceptable to the Securities and Exchange Commission, and the Corporation. Notwithstanding the foregoing, notice of Listed Events described in Subsections (a)(8) and (9) above need not be given any earlier than the notice (if any) of the underlying event is given to the Bondholders of affected Series 2014 Bonds pursuant to the Indenture. Each notice of the occurrence of a Listed Event shall be captioned "Notice of Material Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Termination of Reporting Obligation

The obligations of the Corporation under the Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2014 Bonds. If the Corporation's obligations under the Loan Agreement are assumed in full by some other entity, such entity shall be responsible for compliance with the Continuing Disclosure Agreement in the same manner as if it were the Corporation, and the Corporation shall have no further responsibility thereunder. If such termination or substitution occurs prior to the final maturity of the Series 2014 Bonds, the Corporation shall give notice of such termination or substitution in the same manner as for a Listed Event.

Dissemination Agent

The Corporation may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. A Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Corporation pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent for the Corporation. The Trustee shall be the initial Dissemination Agent.

Amendment; Waiver

Notwithstanding any other provision of the Continuing Disclosure Agreement, the Corporation and the Trustee may amend the Continuing Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Corporation), and any provision of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If such amendment or waiver relates to the provisions requiring the filing of Annual Reports by certain dates, the content of Annual Reports, or the Listed Events to be reported, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an "Obligated Person" (as defined in the Rule) with respect to the Series 2014 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2014 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstance; and

(c) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Bondowners, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Series 2014 Bondholders or the Beneficial Owners of the Series 2014 Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the Corporation shall describe such amendment or waiver in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented with respect to the Corporation. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form, and also, if feasible, in quantitative form) between the financial statements prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information

Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the Corporation from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the Corporation chooses to include any information in any Annual

Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by the Continuing Disclosure Agreement, the Corporation shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default

In the event of a failure of the Corporation or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee may (and, at the request of the Original Purchaser or the Bondowners of at least 25% aggregate principal amount of Outstanding Series 2014 Bonds, shall), or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Corporation or the Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a Default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Corporation or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties, Immunities and Liabilities of Trustee and Dissemination Agent

The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the Corporation agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties under the Continuing Disclosure Agreement, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. Such indemnification obligations of the Corporation shall survive resignation or removal of the Dissemination Agent and payment of the Series 2014 Bonds.

UNDERWRITING

Under a bond purchase agreement entered into by and among the Issuer, the Corporation and the Underwriter, the Series 2014 Bonds are being purchased at a price of $6,471,717.95 (principal amount less $68,883.30 of net original issue discount less $64,398.75 of Underwriter's discount) plus accrued interest, for reoffering by the Underwriter. The bond purchase agreement provides that the Underwriter will purchase all of the Series 2014 Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2014 Bonds is subject to various conditions contained in the bond purchase agreement, including the absence of pending or threatened litigation questioning the validity of the Series 2014 Bonds or any proceedings in connection with the issuance thereof and the absence of material adverse changes in the financial or business condition of the Corporation.

The Underwriter intends to offer the Series 2014 Bonds to the public initially at the offering prices set forth on the cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2014 Bonds to the public. The Underwriter may offer and sell Series 2014 Bonds to certain dealers (including dealers depositing Series 2014 Bonds into investment trusts) at prices lower than the public offering price.

The Corporation has agreed to indemnify the Underwriter and the Issuer against certain civil liabilities in connection with the offering and sale of the Series 2014 Bonds, including certain liabilities under federal securities laws.

TAX EXEMPTION

In the opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, assuming compliance with the Issuer's and the Corporation's covenants in the Loan Agreement and with the provisions of the Indenture relating to arbitrage, the use of the University and the use of proceeds of the Series 2014 Bonds, interest on the Series 2014 Bonds: (a) is excludable from gross income for federal income tax purposes; and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. Failure to comply with certain of the Issuer's and the Corporation's covenants in the Loan Agreement and the Indenture could cause the interest on the Series 2014 Bonds to be included in gross income retroactive to the date of issuance of the Series 2014 Bonds. The Issuer and the Corporation have covenanted to comply with all such requirements. Bond Counsel is also of the opinion that the Series 2014 Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Although Bond Counsel has rendered an opinion that interest on the Series 2014 Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Series 2014 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Series 2014 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, or certain recipients of Social Security or Railroad Retirement benefits, are advised to consult their tax advisors as to the tax consequences of purchasing, holding or selling the Series 2014 Bonds.

As shown on the front cover of this Official Statement, certain of the Series 2014 Bonds are being sold at an original issue discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth on the cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption, or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield of maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of the Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

As shown on the front cover of this Official Statement certain of the Series 2014 Bonds are being sold at an original issue premium (the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of a Premium Bond callable prior to its maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of a Premium Bond should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Current or future legislative proposals, if enacted into law, may cause interest on the Series 2014 Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Series 2014 Bonds from realizing the full current benefit of the tax status of such interest. Recent legislative proposals include provisions that would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain taxpayers. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Series 2014 Bonds. Prospective purchasers of the Series 2014 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Series 2014 Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

State Taxes

Bond Counsel is of the opinion that, under existing law, the Series 2014 Bonds and interest thereon are exempt from all Arkansas state, county and municipal taxes.

LEGAL MATTERS

Legal Opinions

Legal matters incident to the authorization and issuance of the Series 2014 Bonds are subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, whose approving opinion will be delivered with the Series 2014 Bonds. Certain matters will be passed upon for the Corporation by Donald E. Kee, Esq.

Litigation

There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Series 2014 Bonds, or questioning or affecting the legality of the Series 2014 Bonds or the proceedings and authority under which the Series 2014 Bonds are to be issued, or questioning the right of the Issuer to enter into the Indenture and the Loan Agreement or to issue the Series 2014 Bonds. In addition there is no litigation currently pending, or to management's knowledge threatened, against the Corporation or its properties.

EXPERTS

The consolidated financial statements of the Corporation and its affiliate, Harding Place, included in Appendix B to this Official Statement have been examined by Mallory & Associates, Certified Public Accountants, Little Rock, Arkansas, for the periods indicated in their report thereon. The consolidated financial statements examined by Mallory & Associates have been included in reliance on their report given on their authority as experts in accounting and auditing.

MISCELLANEOUS

The Corporation has furnished the information in this Official Statement relating to its operations and the University. The Underwriter has furnished the information in this Official Statement with respect to the public offering price of the Series 2014 Bonds and the information under the caption **UNDERWRITING**.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The information contained in this Official Statement has been taken from sources considered to be reliable, but is not guaranteed. To the best of the knowledge of the undersigned this Official Statement does not include any untrue statement of a material fact; nor does it omit the statement of any material fact required to be stated herein, or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Official Statement has been duly authorized by the Issuer and the Corporation.

CITY OF SEARCY, ARKANSAS (HARDING UNIVERSITY AND HARDING PLACE) PUBLIC EDUCATIONAL AND RESIDENTIAL HOUSING FACILITIES BOARD

By: /s/ Donald F. Miller
Chairman

HARDING UNIVERSITY, INC.

By: /s/ Bruce McLarty
President

APPENDIX A

DEFINITIONS OF CERTAIN TERMS

The following are definitions of some of the words and terms used in this Official Statement:

"Accountant" or "Accountants" shall mean an independent certified public accountant or a firm of independent certified public accountants to whom the Trustee makes no reasonable objection.

"Act" shall mean the "Public Facilities Boards Act," Arkansas Code Annotated Sections 14-137-101 *et seq.* (Repl. 1998; Supp. 2013), and all acts supplemental thereto or amendatory thereof.

"Additional Bonds" shall mean Bonds authorized to be issued by the Issuer (other than the Parity Bonds and the Series 2014 Bonds) on a parity with the Parity Bonds and the Series 2014 Bonds pursuant to the provisions of the Indenture.

"Annual Debt Service" shall mean for any Fiscal Year as applied to any Outstanding Bonds, the sum of all amounts required to pay principal (at maturity or upon mandatory redemption) and interest due in such Fiscal Year on all Bonds Outstanding. "Annual Debt Service" with respect to any specified type of obligation for any Fiscal Year shall mean the sum of all amounts required to pay principal (at maturity or upon mandatory redemption) and interest due in such Fiscal Year on all of the specified type of obligation.

"Bond Fund" shall mean the Bond Fund created pursuant to the Indenture.

"Bondowner" or "owner of the Bonds" means the Registered Owner of any Bond.

"Bonds" means the Parity Bonds, the Series 2014 Bonds and any Additional Bonds.

"Business Day" means a day on which banking business is transacted, but not including any day on which banks are authorized to be closed, in the city in which the Trustee has its principal corporate trust office.

"Code" means the Internal Revenue Code of 1986, as amended, and regulations of the United States Treasury Department promulgated thereunder.

"Completion Date" means the date of completion of the acquisition, construction and equipping of the Project, as that date shall be certified as provided in the Loan Agreement.

"Continuing Disclosure Agreement" shall mean that certain Continuing Disclosure Agreement dated December 1, 2014 between the Corporation and the Trustee, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Corporation" means (i) Harding University, Inc., a nonprofit corporation described in Section 501(c)(3) of the Code and exempt from federal income taxation under Section 501(a) of the Code, and (ii) any surviving, resulting or transferee entity as provided in the Loan Agreement.

"Cost of the Project" means, with respect to the Project, all costs and items permitted to be financed under the provisions of the Act, including but not limited to: (i) the cost of the acquisition of all land, rights-of-way, options to purchase land, easements, leasehold estates in land, and interests of all kinds in land related to the Project; (ii) the cost of the acquisition, construction, repair, renovation, remodeling or improvements to all buildings and structures to be used as or in conjunction with the Project; (iii) the cost of site preparation, including the cost of demolishing or removing any buildings or structures the removal of which is necessary or incident to providing the Project; (iv) the cost of architectural, engineering, legal and related services; the cost of the preparation of plans, specifications, studies, surveys and estimates of cost and of revenue; and all other expenses necessary or incident to planning, providing or determining the feasibility and practicability of the Project; (v) the cost of all machinery, equipment, furnishings and facilities necessary or incident to the equipping of the Project so that it may be placed in operation; (vi) the cost of financing charges and interest prior to the Completion Date and for a maximum of six months after the Completion Date; (vii) Issuance Costs; and (viii) all direct and indirect costs of the Issuer incurred in connection with providing the Project, including, without limitation, reasonable sums to reimburse the Issuer for time spent by its agents or employees with respect to providing the Project and the financing thereof.

"Debt Service Reserve Fund" shall mean the Debt Service Reserve Fund created pursuant to the Indenture.

"Debt Service Reserve Requirement" shall mean, with respect to each series of Bonds, a sum equal to the lesser of (i) 5% of the initial stated principal amount of each series of Bonds, or (ii) 50% of the maximum Annual Debt Service for the then current or any succeeding Fiscal Year with respect to each series of Bonds at the time Outstanding.

"Fiscal Year" shall mean the year ending June 30.

"Governmental Obligations" shall mean direct obligations of (including obligations issued or held in book entry form on the books of the Department of Treasury of the United States of America), or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

"Indenture" means the Indenture of Trust dated as of August 1, 1993, as supplemented by a First Supplemental Indenture of Trust dated as of February 1, 1995, as supplemented by a Second Supplemental Indenture of Trust dated as of June 1, 1995, as supplemented by a Third Supplemental Indenture of Trust dated as of January 1, 1996, as supplemented by a Fourth Supplemental Indenture of Trust dated as of September 1, 1998, as supplemented by a Fifth Supplemental Indenture of Trust dated as of December 1, 1998, as supplemented by a Sixth Supplemental Indenture of Trust dated as of September 1, 1999, as supplemented by a Seventh Supplemental Indenture of Trust dated as of June 1, 2001, as supplemented by an Eighth Supplemental Indenture of Trust dated as of December 1, 2002, as supplemented by a Ninth Supplemental Indenture of Trust dated as of December 1, 2003, as supplemented by a Tenth Supplemental Indenture of Trust dated as of April 1, 2005, as supplemented by an Eleventh Supplemental Indenture of Trust dated as of February 1, 2010, as supplemented by a Twelfth Supplemental Indenture of Trust dated as of December 1, 2010, as supplemented by a Thirteenth Supplemental Indenture of Trust dated as of October 1, 2011, as supplemented by a Fourteenth Supplemental Indenture of Trust dated as of April 1, 2012, as supplemented by a Fifteenth Supplemental Indenture of Trust dated as of March 1, 2013, and as supplemented by a Sixteenth Supplemental Indenture of Trust dated as of December 1, 2014, between the Issuer and the Trustee, pursuant to which the Bonds are authorized to be issued, and any further amendments and supplements thereto.

"Issuance Costs" means all costs and expenses of issuance of the Series 2014 Bonds.

"Issuer" shall mean the City of Searcy, Arkansas (Harding University and Harding Place) Public Educational and Residential Housing Facilities Board, a body politic and corporate and a public instrumentality under the Act and ordinances of the City of Searcy, Arkansas.

"Late Payment Rate" means (i) with respect to the Bondowners, the applicable rate of interest payable on the Bonds, and (ii) for all other purposes, five and one-half percent (5.50%) per annum with respect to payments related to the Series 2010A Bonds and the Series 2010B Bonds, five and three-fourths percent (5.75%) per annum with respect to payments related to the Series 2010D Bonds, five percent (5%) per annum with respect to payments related to the Series 2011 Bonds, the Series 2012

Bonds, the Series 2013 Bonds and the Series 2014 Bonds or such other rate as shall be determined with respect to a series of Additional Bonds.

"Loan Agreement" shall mean the Loan Agreement and Security Agreement dated as of August 1, 1993, by and between the Issuer and the Corporation, as from time to time supplemented and amended, including the First Supplemental Loan Agreement and Security Agreement dated as of February 1, 1995, the Second Supplemental Loan Agreement and Security Agreement dated as of June 1, 1995, the Third Supplemental Loan Agreement and Security Agreement dated as of January 1, 1996, the Fourth Supplemental Loan Agreement and Security Agreement dated as of September 1, 1998, the Fifth Supplemental Loan Agreement and Security Agreement dated as of December 1, 1998, the Sixth Supplemental Loan Agreement and Security Agreement dated as of September 1, 1999, the Seventh Supplemental Loan Agreement and Security Agreement dated as of June 1, 2001, the Eighth Supplemental Loan Agreement and Security Agreement dated as of December 1, 2002, the Ninth Supplemental Loan Agreement and Security Agreement dated as of December 1, 2003, the Tenth Supplemental Loan Agreement and Security Agreement dated as of April 1, 2005, the Eleventh Supplemental Loan Agreement and Security Agreement dated as of February 1, 2010, the Twelfth Supplemental Loan Agreement and Security Agreement dated as of December 1, 2010, the Thirteenth Supplemental Loan Agreement and Security Agreement dated as of October 1, 2011, the Fourteenth Supplemental Loan Agreement and Security Agreement dated as of April 1, 2012, the Fifteenth Supplemental Loan Agreement and Security Agreement dated as of March 1, 2013, and the Sixteenth Supplemental Loan Agreement and Security Agreement dated as of December 1, 2014.

"Net Proceeds" means, with respect to any insurance proceeds from policies required by the Loan Agreement or any condemnation award, the amount of proceeds or award remaining after deducting from the gross proceeds or award or sale price all expenses (including attorneys' fees) incurred in the collection of such proceeds or award.

"Outstanding" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except: (a) Bonds canceled after purchase in the open market because of payment at, or redemption prior to, maturity; (b) Bonds paid or deemed to be paid pursuant to the Indenture; (c) Bonds canceled after exchanges or transfers pursuant to the Indenture; and (d) Bonds in lieu of which others have been issued, authenticated and delivered pursuant to the Indenture.

"Parity Bonds" means the Series 2010A Bonds, the Series 2010B Bonds, the Series 2010D Bonds, the Series 2011 Bonds, the Series 2012 Bonds and the Series 2013 Bonds, which bonds are on a parity with the lien securing the Series 2014 Bonds.

"Paying Agent" or "Paying Agents" means the Trustee and such financial institutions as are appointed additional Paying Agents pursuant to the Indenture.

"Permitted Encumbrances" means, as of any particular time, (i) liens for taxes and assessments not then delinquent or which the Corporation may, pursuant to the provisions of the Loan Agreement, permit to remain unpaid, (ii) the Loan Agreement, the Indenture and any financing statements naming the Issuer or the Corporation as debtor and naming the Trustee or the Issuer as secured party filed to perfect the security interests granted by the Loan Agreement or the Indenture, (iii) utility, access and other easements and rights-of-way, restrictions and exceptions that the Corporation certifies will not interfere with or impair the University, and (iv) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property similar in character to the University and as do not, in the opinion of independent counsel, materially impair the property affected thereby.

"Permitted Investments" means:

(i) Governmental Obligations;

(ii) Bonds, debentures or notes or other evidence of indebtedness payable in cash issued by any one or a combination of any of the following federal agencies whose obligations represent full faith and credit of the United States of America: Export Import Bank of the United States, Federal Financing Bank, Farmers Home Administration, Federal Housing Administration, Maritime Administration, Public Housing Authority or Government National Mortgage Association;

(iii) certificates of deposit properly secured at all times by collateral security described in (i) and (ii) above (such agreements are only acceptable with commercial banks, savings and loan associations and mutual savings banks); and

(iv) the following investments fully insured by the Federal Deposit Insurance Corporation: (a) certificates of deposit, (b) savings accounts, (c) deposit accounts or (d) depository receipts of a bank.

"Pledged Revenues" means all student tuition, fees and dormitory rentals received by the Corporation.

"Project" means (i) the property which is described generally in Exhibit A to the Sixteenth Supplemental Loan Agreement and Security Agreement and which is required or permitted to be acquired, constructed, furnished and equipped with the proceeds of the sale of the Series 2014 Bonds or the proceeds of any payment by Corporation pursuant to the provisions of the Loan Agreement, and (ii) any item of machinery, equipment or other tangible property acquired in substitution for, or as a renewal or replacement of, or a modification or improvement to, any property described in (i) above, pursuant to the provisions of the Loan Agreement.

"Project Fund" shall mean the Project Fund created pursuant to the Indenture.

"Record Date" means that date which is fifteen (15) days next preceding any interest payment date or redemption date of such Bond.

"Registered Owner" means the person or persons in whose name or names a Bond shall be registered on the books of the Issuer kept by the Trustee for that purpose in accordance with provisions of the Indenture.

"Series 2010A Bonds" means the $6,315,000 original aggregate principal amount of the Issuer's Revenue Bonds, Refunding Series 2010A, issued pursuant to the Indenture.

"Series 2010B Bonds" means the $7,875,000 original aggregate principal amount of the Issuer's Revenue Bonds, Refunding and Capital Improvement Series 2010B, issued pursuant to the Indenture.

"Series 2010D Bonds" means the $4,280,000 original aggregate principal amount of the Issuer's Capital Improvement Revenue Bonds, Series 2010D, issued pursuant to the Indenture.

"Series 2011 Bonds" means the $8,500,000 original aggregate principal amount of the Issuer's Capital Improvement Revenue Bonds, Series 2011, issued pursuant to the Indenture.

"Series 2012 Bonds" means the $7,470,000 original aggregate principal amount of the Issuer's Refunding and Capital Improvement Revenue Bonds, Series 2012, issued pursuant to the Indenture.

"Series 2013 Bonds" means the $6,455,000 original aggregate principal amount of the Issuer's Capital Improvement Revenue Bonds, Series 2013, issued pursuant to the Indenture.

"Series 2014 Bonds" means the $6,605,000 original aggregate principal amount of the Issuer's Capital Improvement Revenue Bonds, Series 2014, being issued pursuant to the Indenture.

"Tax-Exempt Organization" means a nonprofit corporation organized and existing under the laws of one of the states of the United States which is an organization described in Section 501(c)(3) of the Code, exempt from federal income taxes under Section 501(a) of the Code or any successor provision of similar import hereafter enacted.

"Term of the Loan Agreement" means the term of the Loan Agreement as specified in the Loan Agreement.

"Trustee" means BancorpSouth Bank, in Stuttgart, Arkansas, and its successors and any entity resulting from or surviving any conversion, sale, transfer, consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee under the Indenture.

"Trust Estate" means the property conveyed to the Trustee pursuant to the Granting Clauses of the Indenture.

"University" means the four-year, degree-granting institution of post-secondary education operated by the Corporation in the City of Searcy, Arkansas under the name "Harding University."

APPENDIX B

Audited Consolidated Financial Statements

of the Corporation

for the Fiscal Years Ended June 30, 2014 and 2013

HARDING UNIVERSITY, INC.

SEARCY, ARKANSAS

JUNE 30, 2014 and 2013

HARDING UNIVERSITY, INC.
Searcy, Arkansas
June 30, 2014 and 2013

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Mallory & Associates | Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Harding University, Inc.
Searcy, Arkansas

Report on the Financial Statements

We have audited the accompanying consolidated statements of Harding University, Inc. (a non-profit organization) and affiliate, Harding Place, Inc., which comprise of the consolidated statements of financial position as of June 30, 2014 and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Harding Place, Inc. were not required to be and were not audited in accordance with *Governmental Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Harding University, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of Harding University, Inc. as of June 30, 2013 and we expressed an unqualified audit opinion on those audited financial statements in our report dated October 2, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2014 on our consideration of Harding University, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harding University, Inc.'s internal control over financial reporting and compliance.

Mallory & Associates

Little Rock, Arkansas
October 2, 2014

Mallory & Associates
Certified Public Accountants

HARDING UNIVERSITY, INC.
Consolidated Statements of Financial Position
June 30, 2014 and 2013

Assets	2014	2013
Cash and cash equivalents	$ 1,910,013	$ 1,064,995
Deposits with trustee	4,771,773	6,453,923
Accounts, notes, and interest receivable, less allowance for bad debts of $2,376,705 and $2,227,786	11,814,648	11,786,176
Inventories	2,291,411	2,138,017
Prepaid expenses and other assets	1,547,975	1,521,529
Unconditional promises to give	9,165,863	12,218,762
Investments - marketable securities	73,451,301	67,835,731
Investments - managed funds, real estate and other, less accumulated depreciation	50,658,203	47,180,171
Contributions and beneficial interests receivable from split-interest agreements	262,281	236,675
Property and equipment, less accumulated depreciation	205,222,334	202,200,575
Total assets	$ 361,095,802	$ 352,636,554
Liabilities		
Accounts payable	$ 1,902,219	$ 2,704,253
Payroll deductions payable	1,956,391	1,792,716
Accrued liabilities	2,774,518	3,060,468
Deposits and other liabilities	1,243,800	1,307,249
Deferred revenue	4,933,485	5,266,352
Reserve for split-interest liabilities	6,601,870	6,663,282
Notes payable	27,278,809	30,098,643
Refundable grants	6,414,683	6,414,683
Leases payable	1,000,539	929,830
Bonds payable	37,260,000	40,290,000
Total liabilities	91,366,314	98,527,476
Net Assets		
Unrestricted	145,514,484	136,134,222
Temporarily restricted	27,108,336	24,078,514
Permanently restricted	97,106,668	93,896,342
Total net assets	269,729,488	254,109,078
Total liabilities and net assets	$ 361,095,802	$ 352,636,554

See Accompanying Notes to the Financial Statements

HARDING UNIVERSITY, INC.
Consolidated Statements of Activities
Years Ended June 30, 2014 and 2013

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined	Totals
University Operating Revenues					
Tuition and fees	$ 98,973,389	$	$	$ 98,973,389	$ 92,578,451
Student aid	(29,031,306)			(29,031,306)	(27,475,869)
Net tuition and fees	69,942,083	-	-	69,942,083	65,102,582
Room and board	21,579,466			21,579,466	20,683,934
Contributions (including pledges)	1,433,431	4,602,994	3,010,308	9,046,733	11,341,525
Net assets released from restrictions	7,470,790	(7,470,790)		-	-
Grants	1,955,572			1,955,572	2,061,382
Endowment and other investment income distributed	5,831,621			5,831,621	5,439,105
Auxiliary services	5,471,860			5,471,860	5,252,302
Sales and services	1,483,728			1,483,728	1,331,289
Other income	1,478,296			1,478,296	1,358,885
Total operating revenues	116,646,847	(2,867,796)	3,010,308	116,789,359	112,571,004
University Operating Expenses					
Instruction	43,179,728			43,179,728	42,463,986
Room and board	11,803,361			11,803,361	11,402,076
Auxiliary services	4,969,096			4,969,096	4,829,617
Public service	1,494,610			1,494,610	1,168,442
Academic support	6,576,051			6,576,051	6,340,337
Management and general	12,063,904			12,063,904	11,674,042
Student services	10,819,438			10,819,438	10,002,642
Maintenance and plant operations	9,069,546			9,069,546	8,673,755
Investment expense	532,700			532,700	526,884
Depreciation	10,050,190			10,050,190	9,303,198
Total operating expenses	110,558,624	-	-	110,558,624	106,384,979
Change in Net Assets from University Operations	6,088,223	(2,867,796)	3,010,308	6,230,735	6,186,025
Other Revenues and Expenses					
Harding Academy operations	122,299			122,299	112,635
Harding Place operations	(5,816)			(5,816)	(207,310)
Net loss on property disposals	(433,531)			(433,531)	(642,061)
Net gains and investment income, less distributions	3,609,087	6,084,682	454,017	10,147,786	4,692,240
Actuarial adjustment to split-interest agreements	-	(187,064)	(253,999)	(441,063)	14,321
Total other revenues and expenses	3,292,039	5,897,618	200,018	9,389,675	3,969,825
Change in net assets	9,380,262	3,029,822	3,210,326	15,620,410	10,155,850
Net assets at beginning of year	136,134,222	24,078,514	93,896,342	254,109,078	243,953,228
Net assets at end of year	$ 145,514,484	$ 27,108,336	$ 97,106,668	$ 269,729,488	$ 254,109,078

See Accompanying Notes to the Financial Statements.

HARDING UNIVERSITY, INC.
Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 15,620,410	$ 10,155,850
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,253,012	9,491,398
Loss on disposal of property and equipment	433,531	642,061
(Increase) decrease in assets:		
Deposits with trustee	1,682,150	3,244,231
Accounts and notes receivable	(389,426)	640,629
Inventories	(153,394)	66,062
Prepaid expenses and other assets	(26,446)	147,043
Unconditional promises to give	3,052,899	(442,388)
Increase (decrease) in liabilities:		
Accounts payable	(1,202,983)	(2,387,373)
Payroll deductions payable	163,675	159,698
Accrued liabilities	(285,950)	318,273
Deposits and other liabilities	(63,449)	17,175
Deferred revenue	(332,867)	(285,676)
Actuarial adjustment to split-interest agreements	441,063	(288)
Contributions restricted for investments	(3,067,868)	(1,775,867)
Interest and dividends restricted for reinvestment	(232,974)	(257,867)
Net realized and unrealized gains on investments	(12,241,111)	(7,368,298)
Net cash provided by operating activities	13,650,272	12,364,663
Cash flows from investing activities		
Purchase of property and equipment	(13,217,247)	(26,932,591)
Sale of property and equipment	25,678	5,043
Decrease in student loans receivable	360,954	315,618
Net investments sold	3,755,849	3,642,684
Net cash used by investing activities	(9,074,766)	(22,969,246)
Cash flows from financing activities		
Contributions restricted for investments	3,067,868	1,775,867
Payments to annuitants	(732,447)	(799,301)
Increase in split-interest liability from new gifts	232,083	442,688
Increase (decrease) in unsecured long-term lines of credit	1,300,000	(5,700,000)
Proceeds from long-term debt	-	21,455,000
Payments on long-term debt	(7,597,992)	(6,754,112)
Net cash (used) provided by financing activities	(3,730,488)	10,420,142
Net increase (decrease) in cash	845,018	(184,441)
Cash at beginning of year	1,064,995	1,249,436
Cash at end of year	$ 1,910,013	$ 1,064,995
Supplemental Information:		
Interest expense paid	$ 2,021,541	$ 1,748,726
Capital lease obligation incurred for equipment	518,867	748,684
Financing capital obligations through trade accounts payable	400,949	756,424

See Accompanying Notes to the Financial Statements.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF THE INSTITUTION

The corporation is an Arkansas non-profit corporation incorporated in 1934, which owns and operates Harding University (the University). The University, which was founded in 1924, is composed of the College of Allied Health, College of Arts and Humanities; College of Bible and Ministry; Paul R. Carter College of Business Administration; Cannon-Clary College of Education; Honors College, Carr College of Nursing, College of Pharmacy, and College of Sciences; graduate programs in Business, Education, Marriage and Family Therapy, Mental Health Counseling, Ministry, Physician Assistant Studies, Professional School Counseling, Speech-Language Pathology; professional practice doctoral degrees in Pharmacy and Physical Therapy; a doctorate in Educational Leadership; and, located in Memphis, Tennessee, the Harding School of Theology; and Harding Academy in Searcy. The University is accredited by the Higher Learning Commission and is a member of the North Central Association. Its affiliate, Harding Place, Inc., is a separately incorporated retirement center.

The main University campus is located in Searcy, Arkansas and occupies approximately 350 acres east of the downtown area. The University is governed by the Board of Trustees, currently composed of twenty-one members. The members are appointed for six-year staggered terms.

SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying financial statements and notes reflect the consolidation of Harding University, Inc. and its affiliate, Harding Place, Inc. (Retirement Center). The University's Board of Trustees appoints Harding Place's Board of Directors. They also share interrelated directors/trustees and common personnel. The University has an economic interest in Harding Place, Inc. due to its guarantee of the Series 2010C Bonds for Harding Place, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting: The financial statements of the University have been prepared using the accrual basis of accounting, and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation: Net assets, revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of such assets permit the University to use all or part of the income earned from those assets.

Changes in Net Assets from Operations are summarized as follows:

	Harding University	Harding Academy	Harding Place	Total 2014	Total 2013
Revenues	$ 116,789,359	$ 4,748,574	$ 2,135,609	$ 123,673,542	$ 118,922,529
Expenses	(110,558,624)	(4,626,275)	(2,141,425)	(117,326,324)	(112,831,179)
Changes in net assets from operations	$ 6,230,735	$ 122,299	$ (5,816)	$ 6,347,218	$ 6,091,350

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Reclassifications: Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Cash and Cash Equivalents: The University considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. Certificates of deposit are considered to be cash if interest penalties for early withdrawal are not material. The University considers all cash and cash equivalents held in brokerage accounts to be investments. The University maintains separate cash accounts as required by grantors, contributors or regulatory authorities.

Accounts and Notes Receivable: Accounts and notes receivable are carried at unpaid principal balances, less an allowance for bad debts. Management's periodic evaluation of the adequacy of the allowance is based on Perkins and Nursing loan program requirements, the University's past loan loss experience, specific impaired notes, adverse situations that may affect the borrower's ability to repay, and current economic conditions. Accounts and notes are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms.

The University's policy is to charge off any note or portion thereof when the note is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition or for other reasons. Interest on notes is recognized over the term of the note and is calculated using the simple-interest method on principal amounts outstanding. However, interest on notes is no longer accrued once management believes, after considering economic conditions, business conditions and collection efforts, that the notes are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off by a reduction to interest income. Interest income on nonaccrual notes is recognized only to the extent cash payments are received.

Contributions and Promises to Give: Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the contributions are recognized. 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 after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible promises to give is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Investments: The University carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. The University carries its real estate investments at the fair market value of the interests as of the dates the interests were donated to the University, except when a permanent decline in value has occurred at which time the carrying value is written down to fair market value. Income and realized and unrealized gains and losses on investments of endowments and similar funds are reported as changes in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund; as changes in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income or if the funds have not been appropriated for use in operations; and as changes in unrestricted net assets in all other cases.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories: Inventories are stated at the lower of cost or market, with cost determined on the first-in, first-out method. Inventories primarily consist of textbooks, other bookstore merchandise and maintenance supplies.

Property and Equipment: Based on the prior implementation of a pronouncement, buildings obtained prior to July 1, 1991 are valued at ninety percent of insured value. Property and equipment obtained July 1, 1991 and forward are stated at cost for property and equipment purchased by the University, and at market value as of the date of the gift for donated property and equipment. Acquisitions of property and equipment in excess of $1,000 and expenditures over $1,000 that materially prolong the useful lives of assets are capitalized. Depreciation of property and equipment is computed using the straight-line method at rates based upon estimated useful lives.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as allowances for uncollectible accounts, unconditional promises to give, and useful lives of depreciable assets.

Derivative Financial Instruments: The University makes limited use of derivative instruments for the purpose of managing interest rate risks. Interest rate swap agreements are used to convert the University's floating rate long-term debt to a fixed rate. The differentials paid or received on interest rate swap agreements are accrued and recognized as adjustments to interest expense; gains and losses realized upon settlement of these agreements are deferred until the underlying hedged instrument is settled.

Expense Allocation: The costs of providing various programs and other expenses have been summarized in the statements of activities. Interest expense of $1,993,781 and $1,845,740 for the years ended June 30, 2014 and 2013, respectively, has been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific program or supporting service, but provide for the overall support and direction of the University.

Fund-Raising Expense: The University incurred expenses for fund-raising of $1,833,122 and $1,839,091 for the years ended June 30, 2014 and 2013, respectively. These amounts are included in the management and general expenses in the accompanying statements of activities.

Income Tax Status: The University is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the University's tax-exempt purpose is subject to taxation as unrelated business income. No income taxes were paid for the years ended June 30, 2014 and 2013. As of June 30, 2014, the University had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. With few exceptions, the University is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2010.

Concentration of Credit Risk: Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash deposits and accounts receivables. The University's policy states that, whenever significant deposits are made, checks are written or funds are transferred within 24 hours. The University's uninsured cash balances were $1,930,766 and $2,118,889 as of June 30, 2014 and 2013, respectively. Concentrations of credit risk with respect to trade receivables are limited due to the large number of students comprising the University's student base and their dispersion across different geographic areas.

Contingencies: In the normal course of operations, the University is named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the University's financial position, results of operations, or cash flows.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash, cash equivalents, short-term unconditional promises to give, notes receivable from university loan programs and notes payable: The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

Short-term and endowment investments: The fair values of investments are based on quoted market prices for those or similar investments.

Long-term unconditional promises to give: The fair values of promises to give that are due in more than one year are estimated by discounting the future cash flows using a current risk-free rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection period.

U.S. government loan funds: These loans are reported at the principal balances owed. Estimates of the fair value of the loans to students under U.S. government refundable grants are not made because the notes receivable are not marketable and can only be assigned to the U.S. government or its designees.

NOTE 2 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are summarized as follows:

	2014	2013
Gross unconditional promises to give	$ 10,848,596	$ 14,809,337
Present value adjustment	(155,319)	(289,217)
Allowance for uncollectibles	(1,527,414)	(2,301,358)
Net unconditional promises to give	$ 9,165,863	$ 12,218,762
Amounts due in:		
Less than one year	$ 1,484,007	$ 1,010,175
One to five years	7,655,353	10,986,515
More than five years	26,503	222,072
Total	$ 9,165,863	$ 12,218,762

Gross related party unconditional promises to give as of June 30, 2014 and 2013 were $1,228,159 and $2,065,625, with a present value adjustment of $17,584 and $32,413 and an allowance of $290,891 and $558,201, respectively.

NOTE 3 RETURN ON INVESTMENTS

The investment return is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
Interest, dividends, and other investment income	$ 59,449	$ 2,779,572	$ 232,974	$ 3,071,995	$ 2,597,819
Royalty and rent income	670,635	-	159,994	830,629	386,580
Net realized and unrealized gains on investments carried at fair value	4,786,589	6,421,651	45,415	11,253,655	6,521,486
Net unrealized gains on split-interest agreements	-	807,494	15,634	823,128	625,460
Total return on investments	5,516,673	10,008,717	454,017	15,979,407	10,131,345
Endowment and other investment income distributed	(1,907,586)	(3,924,035)	-	(5,831,621)	(5,439,105)
Net gains and investment income less distributions	$ 3,609,087	$ 6,084,682	$ 454,017	$ 10,147,786	$ 4,692,240

NOTE 4 INVESTMENTS

MARKETABLE SECURITIES

Investments in marketable securities are stated at fair value and are summarized as follows:

	2014	2013
Brokerage cash accounts	$ 8,797,350	$ 4,642,326
Equity mutual funds and master limited partnerships	14,878,430	15,398,453
Equity index and exchange traded funds	18,019,106	23,285,911
Bond index and exchange traded funds	1,358,876	1,624,458
Bond mutual funds	20,400,302	18,971,304
Individual bonds	989,307	1,045,252
Individual stocks	6,392,390	518,831
Split-interest agreements	2,390,880	2,139,546
Cash surrender value of life insurance policies	224,660	209,650
Total	$ 73,451,301	$ 67,835,731

NOTE 4 INVESTMENTS (Continued)

MANAGED FUNDS, REAL ESTATE AND OTHER

Advisor managed funds consist of securities traded on national securities exchanges, securities traded on over-the-counter markets, unlisted securities and other assets. Listed securities for which sales are reported are valued at their closing sale price on the valuation date. Listed securities for which no sales are reported are valued at the average of the most recent bid and asked prices. Unlisted securities and other assets for which market quotations are not readily available are valued at their fair value, as determined by the investment advisor.

Real estate is recorded at cost less accumulated depreciation of $748,906 and $643,527 at June 30, 2014 and 2013, respectively. Depreciation is computed using the straight-line method, at rates based upon estimated useful lives.

Other investments consist primarily of notes receivable from the University held by trusts in which the University serves as trustee.

Investments in managed funds, real estate and other are summarized as follows:

	2014	2013
Investments in managed funds	$ 40,883,040	$ 38,012,100
Investments in real estate	8,842,827	8,235,735
Other	932,336	932,336
Total	$ 50,658,203	$ 47,180,171

NOTE 5 SPLIT-INTEREST AGREEMENTS

The University administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term. The term is either a set number of years or the designated beneficiary's lifetime. At the end of the trust's term, the remaining assets are available for the University's use, based on its ownership percentage. The portion of the trust attributable to the present value of the future benefits to be received by the University is recorded in the statements of activities as a temporarily or permanently restricted contribution in the period in which the trust is established.

Assets held for split-interest agreements totaled $9,494,978 and $8,584,660 as of June 30, 2014 and 2013. Of these, $3,164,285 and $2,928,172 as of June 30, 2014 and 2013, respectively, are held in charitable remainder trusts in which the University is trustee; $6,035,393 and $5,361,188 as of June 30, 2014 and 2013, respectively, are held for charitable gift annuity agreements; and $295,300 as of June 30, 2014 and 2013 is held for life income agreements.

The reserve for split-interest liabilities of $6,601,870 and $6,663,282 as of June 30, 2014 and 2013, respectively, includes the present value of estimated future payments to beneficiaries. This liability to make distributions is adjusted annually based upon actuarial assumptions. The University's actuarial liability at June 30, 2014 and 2013, on annuities obtained since January 1, 1994, was $4,563,065 and $4,671,470, respectively. The University maintains cash and marketable securities to cover these required reserves and other annuity reserves in the amounts of $6,035,393 and $5,361,188 at June 30, 2014 and 2013, respectively.

Contributions and beneficial interests receivable from split-interest agreements include investments held by third-party trustees, discounted to present value, in which the University has a beneficial interest. The present values were based on donor life expectancies and the use of discount rates ranging from 6.7% to 8.2%. The amounts of the discount were $178,999 and $176,888 as of June 30, 2014 and 2013, respectively. The University reported contributions in the year the individual trusts were established for the portion of the trust attributable to the present value of the future benefits to be received.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2014	2013
Land	$ 9,808,450	$ 9,632,701
Land improvements	27,973,834	25,941,343
Buildings	250,711,123	237,188,261
Equipment	45,260,695	41,723,938
Library books	11,161,935	10,885,758
Construction in progress	4,043,095	13,965,114
	348,959,132	339,337,115
Accumulated depreciation	(143,736,798)	(137,136,540)
Total	$ 205,222,334	$ 202,200,575

NOTE 7 RETIREMENT PLAN

The University's retirement plan is with Teachers Insurance and Annuity Association and College Retirement Equity Fund. All employees are eligible to participate through elective deferrals from the first day of employment. The University will begin matching contributions up to a maximum of 10% of the employee's eligible compensation for employees who have met the service requirement of working a minimum of 1,000 hours in a twelve month period from the date of hire. Years of service with any organization that maintains a 403(b) retirement plan or a teaching institution will satisfy the service requirement. University contributions totaled $3,036,527 and $2,908,619 for the years ended June 30, 2014 and 2013, respectively.

The University has a 457(b) plan to cover the University's contributions to highly compensated employees (HCE), as defined by the IRS. The University contributes a maximum of 10% of the HCE gross salary. University contributions totaled $103,643 and $72,983 for the years ended June 30, 2014 and 2013, respectively.

NOTE 8 WORKERS' COMPENSATION

The University is self-insured for workers' compensation up to the first $400,000 per occurrence. The University has a certificate of deposit in the amount of $200,000 as part of an agreement with the Workers' Compensation Commission.

NOTE 9 SELF-INSURED HEALTH INSURANCE

The University provides its employees and their dependents with subsidized comprehensive health care coverage. A portion of that coverage is self-insured by the University. Under the insurance policy with HCC Life Insurance Company, the University's liability for plan participants is limited to $150,000 per individual, per plan year. Retirees have the option of continued coverage with Medicare paying primary on all claims and a $30,000 cumulative limit. After the $30,000 cumulative limit is satisfied, retiree coverage is limited to $3,500 pharmaceutical and $1,500 medical per year. Currently, the University contributes to the retiree coverage. This policy is reviewed annually and there is no guarantee of continuance.

The health care plan's aggregate exposure for medical and pharmaceutical claims was $6,969,666 and $7,095,588 for the years ended June 30, 2014 and 2013, respectively. Total health care claims beyond the aggregate exposure would be reimbursed by HCC Life Insurance Company. The medical and pharmaceutical claims totaled $4,560,444 and $4,568,747 for the years ended June 30, 2014 and 2013, respectively.

NOTE 10 RELATED PARTY TRANSACTIONS

The University enters into transactions with related parties after determination that the transaction meets the requirements of its Conflict of Interest Policy. Among those requirements are that the transaction is in the best interest of the University, the transaction is fair and reasonable, or there is no other source of the goods arising under the arrangement available.

Construction Contract Costs: The University recorded construction payments on contracts with James H. Cone, Inc. of $2,068,092 and $13,527,901 during the years ended June 30, 2014 and 2013, respectively. The majority owner is a member of the Board of Trustees.

Financial Institutions: The Chancellor of the University is a minority shareholder and a member of the Board of Directors of First Security Bank. At June 30, 2014 and 2013, the University had cash and money market deposits with First Security Bank in the amount of $1,100,231 and $1,683,896, respectively, and an available line of credit in the amount of $13,500,000 in both years with an outstanding balance of $0 in both years.

A member of the Board of Trustees of the University was an executive officer and minority shareholder of Liberty Bank of Arkansas which merged with Centennial Bank (Home Bancshares, Inc.) October 23, 2013. The University had money market deposits with Liberty/Centennial Bank in the amount of $27,069 and $177,609 as of June 30, 2014 and 2013, respectively, and an available line of credit in the amount of $5,000,000 in both years with an outstanding balance of $0 in both years.

NOTE 11 NOTES AND LEASES

Leases payable consist of secured debt of $1,000,539 and $929,830 at June 30, 2014 and 2013, respectively, with interest rates ranging from 2.67% to 5.79%, payable over four years, and secured by network and computer equipment. Leased assets included in equipment totaled $2,115,839 and $2,196,067 less accumulated depreciation of $1,114,486 and $1,266,754 at June 30, 2014 and 2013, respectively.

Notes payable total $27,278,809 and $30,098,643 at June 30, 2014 and 2013, respectively, and consist of unsecured debt of $14,478,809 and $18,598,643 at June 30, 2014 and 2013, respectively, with interest rates ranging from 0% to 7.86% and payment terms ranging from on demand to 13 years. In addition, the University has unsecured long-term line of credit agreements. These agreements have maximum available lines of credit totaling $55,000,000, of which $12,800,000 and $11,500,000 were outstanding as of June 30, 2014 and 2013, respectively. Maturities for the lines of credit range from 13 to 28 months as of June 30, 2014, and from 13 to 24 months as of June 30, 2013. Interest is payable at variable rates based on LIBOR or prime and ranged from 2.85% to 4.25% and 2.95% to 4.25% as of June 30, 2014 and 2013, respectively.

Notes payable includes derivative transactions in the form of variable-rate notes payable. It is the University's objective to limit the interest rate variability on a portion of its debt. Accordingly, the University entered into a four year fixed rate single currency swap agreement with Regions Bank on January 13, 2011. The University exchanged $5,000,000 of a variable rate loan for a four-year rate swap loan at a fixed rate of 3.98%. The University makes interest payments based on the agreed upon variable rate and refunds or charges are determined by the difference in the variable rate and the fixed rate of 3.98%. Note balances were $1,250,000 and $2,500,000 at June 30, 2014 and 2013, respectively.

The University entered into a five year fixed rate single currency swap agreement with Regions Bank on October 17, 2012. The University exchanged $6,600,000 of a variable rate loan for a five-year rate swap loan at the fixed rate of 3.10%. The University makes interest payments based on the agreed upon variable rate and refunds or charges are determined by the difference in the variable rate and the fixed rate of 3.10%. Note balances were $4,400,000 and $5,720,000 at June 30, 2014 and 2013, respectively.

NOTE 11 NOTES AND LEASES (Continued)

The University entered into a ten year fixed rate single currency swap agreement with Regions Bank on October 17, 2012. The University exchanged $3,100,000 of a variable rate loan for a ten-year rate swap loan at the fixed rate of 4.18%. The University makes interest payments based on the agreed upon variable rate and refunds or charges are determined by the difference in the variable rate and the fixed rate of 4.18%. Note balances were $2,583,333 and $2,893,333 at June 30, 2014 and 2013, respectively.

The University entered into a second five year fixed rate single currency swap agreement with Regions Bank on May 23, 2013. The University exchanged $5,300,000 of a variable rate loan for a five-year rate swap loan at the fixed rate of 3.22%. The University makes interest payments based on the agreed upon variable rate and refunds or charges are determined by the difference in the variable rate and the fixed rate of 3.22%. Note balances were $4,151,667 and $5,211,667 at June 30, 2014 and 2013, respectively.

The University is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreements. However, the University does not anticipate nonperformance by the counterparties.

Five-year aggregate maturities of the preceding notes and leases are summarized as follows:

	Notes	Leases
June 30, 2015	$ 5,259,774	$ 444,048
June 30, 2016	15,674,291	325,683
June 30, 2017	2,789,739	167,913
June 30, 2018	1,811,701	62,895
June 30, 2019	392,921	-
June 30, 2020 and following	1,350,383	-
Total maturities outstanding	$ 27,278,809	$ 1,000,539

The University leases space for educational studies in two locations in Arkansas. Facilities leased in North Little Rock are under a five-year lease with an option to purchase. This lease expires on July 31, 2018 and has an annual increase of 3%. The University leases one facility in Searcy. This lease expires on November 30, 2015. This lease does not include an annual increase in rate, but does include an automatic one-year renewal period. Lease expense was $161,808 and $422,381 for the years ended June 30, 2014 and 2013, respectively.

Future minimum payments are as follows:

June 30, 2015	$ 103,753
June 30, 2016	94,575
June 30, 2017	88,824
June 30, 2018	91,537
June 30, 2019	7,647
Total	$ 386,336

NOTE 12 BONDS PAYABLE

Series 2010A, Public Educational and Residential Housing Facilities Board Refunding Revenue Bonds dated February 1, 2010, were issued in the original amount of $6,315,000 to discharge the lien of the Bond Indenture securing the Series 2001 and 2003 Bonds. The obligations of the University under the Series 2010A Bonds are secured by a pledge and lien on all student tuition and dormitory rentals. The Series 2010A Bonds bear interest ranging from 2% to 3.95%, with principal maturities that begin October 1, 2010 and end October 1, 2021. Interest is payable April 1 and October 1 of each year. The principal balances were $2,505,000 and $3,490,000 at June 30, 2014 and 2013, respectively.

Series 2010B, Public Educational and Residential Housing Facilities Board Refunding and Capital Improvement Revenue Bonds dated February 1, 2010, were issued in the original amount of $7,875,000 to discharge the lien of the Bond Indenture securing the Series 1998B and to renovate a women's dormitory. The obligations of the University under the Series 2010B Bonds are secured by a pledge and lien on all student tuition and dormitory rentals. The Series 2010B Bonds bear interest ranging from 2% to 3.85%, with principal maturities that begin October 1, 2010 and end October 1, 2020. Interest is payable April 1 and October 1 of each year. The principal balances were $5,885,000 and $6,400,000 at June 30, 2014 and 2013, respectively.

Series 2010C, Public Educational and Residential Housing Facilities Board Refunding Revenue Bonds dated June 15, 2010, were issued in the original amount of $5,405,000 to discharge the lien of the Bond Indenture securing the 2004 Bonds. Harding Place, Inc. is the primary obligator of the Series 2010C Bonds. The obligations of Harding Place, Inc. under the Series 2010C Bonds are secured by a pledge of certain revenues and other amounts of Harding Place, Inc. and by a mortgage and security interest in the facility. The obligation of the University under its guarantee is unsecured. The Series 2010C Bonds bear interest ranging from 2.0% to 4.25%, with principal maturities that begin August 1, 2010 and end August 1, 2029. Interest is payable February 1 and August 1 of each year. The principal balances were $4,650,000 and $4,870,000 at June 30, 2014 and 2013, respectively.

Series 2010D, Public Educational and Residential Housing Facilities Board Capital Improvement Revenue Bonds dated December 1, 2010, were issued in the original amount of $4,280,000 to renovate a women's dormitory. The obligations of the University under the Series 2010D Bonds are secured by a pledge and lien on all student tuition and dormitory rentals. The Series 2010D Bonds bear interest ranging from 2.0% to 4.25%, with principal maturities that begin October 1, 2011 and end October 1, 2025. Interest is payable April 1 and October 1 of each year. The principal balances were $3,560,000 and $3,805,000 at June 30, 2014 and 2013, respectively.

Series 2011, Public Educational and Residential Housing Facilities Board Capital Improvement Revenue Bonds dated October 1, 2011, were issued in the original amount of $8,500,000 to finance the construction and equipping of student apartment buildings. The obligations of the University under the Series 2011 Bonds are secured by a pledge and lien on all student tuition and dormitory rentals. The Series 2011 Bonds bear interest ranging from 2.0% to 4.3%, with principal maturities that begin October 1, 2012 and end October 1, 2031. Interest is payable April 1 and October 1 of each year. The principal balances were $7,835,000 and $8,170,000 at June 30, 2014 and 2013, respectively.

Series 2012, Public Educational and Residential Housing Facilities Board Refunding Revenue and Capital Improvement Bonds dated April 1, 2012, were issued in the original amount of $7,470,000 to discharge the lien of the Bond Indenture securing the Series 2005 Bonds and to finance the construction and equipping of student apartment buildings. The obligations of the University under the Series 2012 Bonds are secured by a pledge and lien on all student tuition and dormitory rentals. The Series 2012 Bonds bear interest ranging from 1.0% to 3.875%, with principal maturities that begin October 1, 2012 and end October 1, 2031. Interest is payable April 1 and October 1 of each year. The principal balances were $6,615,000 and $7,100,000 at June 30, 2014 and 2013, respectively.

NOTE 12 BONDS PAYABLE (continued)

Series 2013, Public Educational and Residential Housing Facilities Board Capital Improvement Revenue Bonds dated March 1, 2013, were issued in the original amount of $6,455,000 to finance the construction and equipping of student apartment buildings and to renovate a men's dormitory. The obligations of the University under the Series 2013 Bonds are secured by a pledge and lien on all student tuition and dormitory rentals. The Series 2013 Bonds bear interest ranging from 1.0% to 3.375%, with principal maturities that begin October 1, 2013 and end October 1, 2032. Interest is payable April 1 and October 1 of each year. The principal balances were $6,210,000 and $6,455,000 at June 30, 2014 and 2013, respectively.

BOND MATURITIES

Five-year aggregate maturities of bonds payable (including sinking fund requirements) are summarized as follows:

June 30, 2015	$ 3,105,000
June 30, 2016	2,815,000
June 30, 2017	2,825,000
June 30, 2018	2,865,000
June 30, 2019	2,930,000
June 30, 2020 and following	22,720,000
Total bonds payable	$ 37,260,000

The bonds contain various covenants. Management is not aware of any violations of the debt covenants.

NOTE 13 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	2014	2013
Unconditional promises to give expected in future periods	$ 9,056,482	$ 12,051,821
Cumulative net gains, losses and distributions	11,400,887	6,294,702
Harding School of Theology	49,831	43,333
Education	1,016,500	848,833
Scholarships	1,075,916	1,124,683
Campaigns	350,135	315,165
Extracurricular activities	98,360	73,636
Annuity/life income	4,060,225	3,326,341
Total	$ 27,108,336	$ 24,078,514

NOTE 14 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to:

	2014	2013
Unconditional promises to give expected in future periods	$ 109,381	$ 166,941
Education	50,696,131	48,925,341
Scholarships	40,203,544	38,731,803
Campaigns	2,924,422	2,915,122
Loans	3,173,190	3,157,135
Total	$ 97,106,668	$ 93,896,342

NOTE 15 FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses presented by functional classification for all operations including Harding Academy and Harding Place after allocation of depreciation, maintenance and plant operations are as follows:

	2014	2013
Instruction	$ 54,345,181	$ 53,169,074
Room and board	15,205,349	14,568,193
Auxiliary services	8,465,625	8,128,734
Public service	1,593,547	1,445,741
Academic support	8,069,751	7,723,546
Management and general	13,727,284	13,311,783
Student services	15,386,887	13,957,224
Investment expense	532,700	526,884
Total	$ 117,326,324	$ 112,831,179

NOTE 16 ENDOWMENT INVESTMENT AND SPENDING POLICIES

The University's endowment consists of approximately 482 individual funds established primarily for education and scholarships. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments.

The University follows the Uniform Prudent Management of Institutional Funds Act and its own governing documents. For endowment purposes, earnings include both realized and unrealized income. The majority of University donors have not placed permanent restrictions on the investment income or net appreciation resulting from the donor-restricted endowment funds.

The Board of Trustees, on the advice of legal counsel, has determined that the majority of the University's contributions are subject to the terms of the University's governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the University. Under the terms of the University's governing documents, the Board of Trustees has the ability to distribute as much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. All contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

NOTE 16 ENDOWMENT INVESTMENT AND SPENDING POLICIES (continued)

The University has adopted investment and spending polices, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long term. The University's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 7.5%, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places an emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk parameters. In order to maximize return on idle cash held by the endowment fund, the University may borrow idle cash during times when material differences exist between money market rates earned by the endowment fund and the University's lowest line of credit rate. The University may borrow, on a revolving basis, endowment cash with interest at the rate of the University's lowest line of credit. The University borrowed $4,500,000 and $0 from the endowment fund as of June 30, 2014 and 2013, respectively.

The spending policy determines the amount of money annually distributed from the University's various endowed funds, for grant making and administration. The current spending policy is to distribute, for operating use, 5% of the fair value of the endowment funds as of December 31 of the previous year. Accordingly, over the long term, the University expects its current spending policy to allow its endowment assets to grow at an average rate of 2.5% annually. This is consistent with the University's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of June 30, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor restricted endowment funds	$ -	$ 347,218	$ 94,558,673	$ 94,905,891
Board designated endowment funds	11,428,754	-	-	11,428,754
Cumulative net gains, losses and distributions	(1,168,290)	11,400,887	478,864	10,711,461
Total funds	$ 10,260,464	$ 11,748,105	$ 95,037,537	$ 117,046,106

Changes in endowment net assets as of June 30, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 6,663,503	$ 6,614,377	$ 91,894,519	$ 105,172,399
Contributions and life income maturities	-	-	2,731,464	2,731,464
Investment income	307,965	2,608,569	159,994	3,076,528
Net gains and investment expenses	4,459,363	6,421,651	251,560	11,132,574
Distributions for operations	(1,170,367)	(3,896,492)	-	(5,066,859)
Endowment net assets, end of year	$ 10,260,464	$ 11,748,105	$ 95,037,537	$ 117,046,106

NOTE 16 ENDOWMENT INVESTMENT AND SPENDING POLICIES (Continued)

Endowment net asset composition by type of fund as of June 30, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor restricted endowment funds	$ -	$ 319,675	$ 91,667,214	$ 91,986,889
Board designated endowment funds	11,376,852	-	-	11,376,852
Cumulative net gains, losses and distributions	(4,713,349)	6,294,702	227,305	1,808,658
Total funds	$ 6,663,503	$ 6,614,377	$ 91,894,519	$ 105,172,399

Changes in endowment net assets as of June 30, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 4,099,111	$ 5,249,866	$ 89,938,202	$ 99,287,179
Contributions and life income maturities	177,068	-	1,796,252	1,973,320
Investment income	228,706	1,888,721	59,788	2,177,215
Net gains and investment expenses	5,337,463	1,015,714	100,277	6,453,454
Distributions for operations	(3,178,845)	(1,539,924)	-	(4,718,769)
Endowment net assets, end of year	$ 6,663,503	$ 6,614,377	$ 91,894,519	$ 105,172,399

NOTE 17 FAIR VALUE MEASUREMENTS

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, a three-tier hierarchy was established to distinguish between various types of inputs used in determining the value of the University's investments and liabilities. The inputs are summarized in three levels:

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets and liabilities Level 1 inputs include publicly traded securities and mutual funds. Variations of these instruments do not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available.

Level 2 Inputs: Quoted prices for similar assets or liabilities in active markets Level 2 inputs include quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Assets in this category generally include real estate and certain equity instruments. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

Level 3 Inputs: Unobservable inputs for the valuation of the asset or liability Level 3 inputs include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. Assets in this category generally include hedge funds of funds, private equity funds, managed long/short funds, privately held stock, other similar assets, and mineral interests. These financial instruments have inputs that cannot be validated by readily determinable market data.

NOTE 17 FAIR VALUE MEASUREMENTS (Continued)

The University's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

The schedule below classifies the University's assets and liabilities as of June 30, 2014 carried at fair value based upon the three-tier hierarchy:

	June 30, 2014	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Certificate of Deposit	$ 210,817	$ -	$ 210,817	$ -
Investments - marketable securities:				
Brokerage cash accounts	$ 8,797,350	$ 8,797,350	$ -	$ -
Equity mutual funds and master limited partnerships	14,878,430	14,878,430	-	-
Equity index and exchange traded funds	18,019,106	18,019,106	-	-
Bond index and exchange traded funds	1,358,876	1,358,876	-	-
Bond mutual funds	20,400,302	20,400,302	-	-
Individual bonds	989,307	989,307	-	-
Individual stocks	6,392,390	6,392,390	-	-
Split-interest agreements	2,390,880	2,390,880	-	-
Cash surrender value of life insurance policies	224,660	-	224,660	-
Total investments - marketable securities	$ 73,451,301	$ 73,226,641	$ 224,660	$ -
Investments - managed funds, real estate and other, less accumulated depreciation:				
Investment partnerships managed by third parties	$ 40,883,040	$ 6,200,597	$ 2,463,958	$ 32,218,485
Real estate and mineral interests	8,842,827	-	6,713,855	2,128,972
Notes receivable	778,627	-	778,627	-
Artwork	153,709	-	-	153,709
Total investments - managed funds, real estate and other, less accumulated depreciation	$ 50,658,203	$ 6,200,597	$ 9,956,440	$ 34,501,166
Liabilities				
Interest rate swap	$ 42,421	$ -	$ 42,421	$ -

NOTE 17 FAIR VALUE MEASUREMENTS (Continued)

The schedule below classifies the University's assets and liabilities as of June 30, 2013 carried at fair value based upon the three-tier hierarchy:

	June 30, 2013	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Certificate of Deposit	$ 210,555	$ -	$ 210,555	$ -
Investments - marketable securities:				
Brokerage cash accounts	$ 4,642,326	$ 4,642,326	$ -	$ -
Equity mutual funds and master limited partnerships	15,398,453	15,398,453	-	-
Equity index and exchange traded funds	23,285,911	23,285,911	-	-
Bond index and exchange traded funds	1,624,458	1,624,458	-	-
Bond mutual funds	18,971,304	18,971,304	-	-
Individual bonds	1,045,252	1,045,252	-	-
Individual stocks	518,831	518,831	-	-
Split-interest agreements	2,139,546	2,139,546	-	-
Cash surrender value of life insurance policies	209,650	-	209,650	-
Total investments - marketable securities	$ 67,835,731	$ 67,626,081	$ 209,650	$ -
Investments - managed funds, real estate and other, less accumulated depreciation:				
Investment partnerships managed by third parties	$ 38,012,100	$ 4,267,820	$ 2,706,771	$ 31,037,509
Real estate and mineral interests	8,235,735	-	6,235,455	2,000,280
Notes receivable	778,627	-	778,627	-
Artwork	153,709	-	-	153,709
Total investments - managed funds, real estate and other, less accumulated depreciation	$ 47,180,171	$ 4,267,820	$ 9,720,853	$ 33,191,498
Liabilities				
Interest rate swap	$ 49,077	$ -	$ 49,077	$ -

NOTE 17 FAIR VALUE MEASUREMENTS (Continued)

The schedule below summarizes the investment activity for the items which have been classified as Level 3 assets for the year ending June 30, 2014:

	Hedge Funds of Funds	Private Equity	Artwork and Mineral Interests	Total Level 3 Assets
Beginning balance	$ 15,202,084	$ 15,835,425	$ 2,153,989	$ 33,191,498
Gains	1,517,859	2,368,692	128,692	4,015,243
Distributions	-	(1,806,523)	-	(1,806,523)
Redemptions	(2,210,999)	(935,440)	-	(3,146,439)
Purchases	2,080,000	167,387	-	2,247,387
Ending balance	$ 16,588,944	$ 15,629,541	$ 2,282,681	$ 34,501,166

The schedule below summarizes the investment activity for the items which have been classified as Level 3 assets for the year ending June 30, 2013:

	Hedge Funds of Funds	Private Equity	Artwork and Mineral Interests	Total Level 3 Assets
Beginning balance	$ 8,644,421	$ 12,227,728	$ 2,305,418	$ 23,177,567
Gains (losses)	809,482	1,550,306	(151,429)	2,208,359
Distributions	-	(2,197,792)	-	(2,197,792)
Redemptions	(1,136,819)	(78,532)	-	(1,215,351)
Purchases	6,885,000	4,333,715	-	11,218,715
Ending balance	$ 15,202,084	$ 15,835,425	$ 2,153,989	$ 33,191,498

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents, accounts receivable, and net advances on lines of credit: The carrying amounts approximate fair value because of the short maturity of these instruments.

Unconditional promises to give: The carrying amount approximates fair value as determined by discounting pledges at an appropriate discount rate commensurate with the risks involved.

Investments: The carrying amounts of money market funds, mutual funds, and marketable securities approximate fair value based on quoted market prices. The fair value of private equity instruments are determined in good faith by third party fund managers based on estimates of the underlying investments and appropriate market indices. The fair value of real estate is based on independent appraisals. The fair value of mineral interests is based on independent reserve analysis as well as internal analysis using management's knowledge of the properties.

Reserve for split-interest liabilities: The carrying amounts approximate fair value based on the discounted value of expected future cash flows.

NOTE 17 FAIR VALUE MEASUREMENTS (Continued)

The University diversifies its investments both by asset class and within asset classes. As a general practice, all investments of the University are managed by external investment management firms on the advice of independent investment advisers.

Investments classified within Level 2 and Level 3 include alternative strategies, private equity funds and mineral interests. These investments are reported at their net asset values as calculated by the investment managers or calculated value for mineral interests.

Investments that calculate net asset per share: Those Level 2 and Level 3 investments that are reported based on net asset values as calculated by the investment managers, and their related redemption terms are as follows, as of June 30, 2014:

	Fair Value	Redemption Frequency	Redemption Notice Period
Level 2:			
Private equity (a)	$ 2,463,958	Not eligible	
Level 3:			
Alternative strategies:			
Equity long/short (b)	4,789,191	Monthly-Quarterly	30-45 days
Global opportunities (c)	5,347,352	Quarterly	30-90 days
Multi-strategy (d)	4,654,782	Monthly-Quarterly	45-90 days
Distressed (e)	1,797,619	Quarterly	45 days
Private equity:			
Private equity (f)	15,629,541	Not eligible	
Total level 3	32,218,485		
Total investments valued using net asset value	$ 34,682,443		

Those Level 2 and Level 3 investments that are reported based on net asset values as calculated by the investment managers, and their related redemption terms are as follows, as of June 30, 2013:

	Fair Value	Redemption Frequency	Redemption Notice Period
Level 2:			
Private equity (a)	$ 2,706,771	Not eligible	
Level 3:			
Alternative strategies:			
Equity long/short (b)	5,934,857	Monthly-Quarterly	30-45 days
Global opportunities (c)	4,812,802	Quarterly	30-90 days
Multi-strategy (d)	2,855,920	Monthly-Quarterly	90 days
Distressed (e)	1,598,505	Quarterly	45 days
Private equity:			
Private equity (f)	15,835,425	Not eligible	
Total level 3	31,037,509		
Total investments valued using net asset value	$ 33,744,280		

NOTE 17 FAIR VALUE MEASUREMENTS (Continued)

(a) Private equity Level 2 funds include real estate investments in domestic real estate assets and corporate real estate. They also include public and private real estate companies with strong real estate fundamentals. These investments cannot be redeemed. The fair values of the investments in this class have been estimated using the net asset value of the interest in partners' capital. Upon termination of the partnership, investments in the funds are liquidated and distributed.

(b) Equity long/short funds include investments in hedge funds that typically combine core long holdings of equities and some short sales of stock, stock index options or other derivative instruments. The portfolios generally have a net long position. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

(c) Global opportunities funds include investments in a wide range of instruments such as debt securities and obligations, bank loans, listed and unlisted equities, currencies, commodities, futures, options, warrants, swaps and other derivative instruments. These types of investments engage in short sales. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

(d) Multi-strategy funds invest in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' portfolios for this class include investments in funds of funds, public and private equity and fixed income, long-term and short-term equities and credit. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

(e) Distressed funds include investments in securities of companies experiencing or that are expected to experience financial or operational difficulties. The typical distressed situation involves a corporate reorganization, bankruptcy, distressed sale or other corporate restructuring. These investments may include bank debt, corporate bonds, trade claims, common stock and/or warrants. The fair values of the investments in this class are often uncertain and variable, principally because market participants may be forced to engage in transactions for other than economic or profit-oriented reasons.

(f) Private equity Level 3 funds include several funds that invest primarily in strategies and markets that demonstrate the potential to produce attractive returns due to market inefficiencies and/or companies with a strong potential for change. These investments cannot be redeemed. Upon termination of the partnerships, distributions will be made through the liquidation of the underlying assets.

Quantitative information about significant unobservable inputs used in Level 3 Fair Value Measurements:
The fair values of Level 3 mineral interests are estimated based on discounted future values of revenues. Fair value is established by estimating 60 months of future revenues, based on historical collections by individual oil and gas wells, applying a discount rate to those future revenues to arrive at a current estimated value, with consideration given to the current fair market value of producing acreage in the county in which those assets exist. The estimated fair value of mineral interests using this method totaled $2,128,972 and $2,000,280 as of June 30, 2014 and 2013, respectively.

NOTE 18 CONDITIONAL PROMISES TO GIVE

The University had promises to give in the amount of $839,821 and $970,140 at June 30, 2014 and 2013, respectively from vendors, conditioned upon purchasing their products or services over a ten to fifteen year period ending in 2023.

NOTE 19 COMMITMENT

The University has an agreement with a food service provider whereby the provider paid for certain remodeling and renovations of the University's dining facility in the amount of $2,314,604. Under a twelve-year service agreement ending in 2015, a pro rata portion of the amount expended on remodeling and renovations would be returned to the food service provider in the event of early termination.

NOTE 20 EVALUATION OF SUBSEQUENT EVENTS

The University has evaluated subsequent events through October 2, 2014, the date which the financial statements were available to be issued.

HARDING UNIVERSITY, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
MAJOR PROGRAMS		
Department of Education		
Direct Program:		
Student Financial Assistance Programs:		
Federal Pell Grant	84.063	$ 4,903,999
Federal Work Study	84.033	393,701
Federal Supplemental Educational Opportunity Grant	84.007	107,250
Federal Perkins Loan Program	84.038	-
TEACH Grant	84.379	617,829
TRIO:		
McNair Post Baccalaureate Achievement	84.217A	193,518
Student Support Services	84.042A	350,141
Upward Bound	84.047A	251,203
Total Major Programs		6,817,641
OTHER FEDERAL AWARDS		
Department of Computer Science		
Pass-through University of Alabama:		
U.S. Department of Transportation	20.234	20,457
U.S. Department of Transportation	20.607	13,192
U.S. Department of Transportation	20.616	25,227
U.S. Department of Transportation	20.237	5,970
U.S. Department of Transportation	20.610	7,017
National Highway Traffic Safety Administration	20.609	133,828
Department of Education		
Pass-through Arkansas Department of Higher Education:		
Improving Teacher Quality State Grants	84.367B	26,954
Department of Health and Human Services		
Pass-through from University of Arkansas for Medical Sciences:		
Biomedical Research & Research Training	93.859	9,580
Pass-through from University of Arkansas/Division of Child and Family Services/Arkansas Department of Health and Human Services:		
Title IV-E	93.658	89,016
National Aeronautics and Space Administration		
Pass-through from Arkansas Space Grant Consortium Office/ UALR Graduate Institute of Technology:		
NASA National Space Grant College and Fellowship Program	43.001	53,541
National Science Foundation		
Collaborative Research	47.070	18,655
Total Non-major Programs		403,437
Total Federal Assistance		$ 7,221,078

HARDING UNIVERSITY, INC.
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2014

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Harding University, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B: Harding University, Inc. administers the following federal loan programs:

	CFDA Number		Outstanding Balance at June 30, 2014
Federal Perkins Loan Program	84.038	$	6,149,804
Nursing Student Loan Program	93.364		264,879
Total		$	6,414,683

Total expenditures and disbursements of the Perkins Loan Program are identified below. The schedule on the prior page shows only the additional federal dollars placed into the program during the year. The disbursements shown below include additional federal dollars and administrative costs.

	CFDA Number		Disbursements
Federal Perkins Loan Program	84.038	$	-

During the fiscal year ended June 30, 2014, the University processed the following amount of loans under the Federal Direct Student Loan Program. This program includes student and parent loans for both undergraduate and graduate students.

	CFDA Number		Amount Authorized
Federal Direct Student Loans	84.268	$	47,244,609
Total		$	47,244,609

HARDING UNIVERSITY, INC.
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2014

SUMMARY OF AUDITOR'S RESULTS

1. **The auditor's report expresses an unqualified opinion on the financial statements of Harding University, Inc.**

2. **No instances of noncompliance material to the financial statements of Harding University, Inc., which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.**

3. **The auditor's report on compliance for the major federal award programs for Harding University, Inc. expresses an unqualified opinion on all major federal programs.**

4. **No audit findings relative to the major federal award programs for Harding University, Inc. were found.**

5. **The programs tested as major programs included:**

Student Financial Assistance Programs Cluster	**84.063**
	84.033
	84.007
	84.038
	93.364
	84.268
	84.379
TRIO Cluster	**84.217A**
	84.042A
	84.047A

6. **The threshold used for distinguishing between Type A and B programs was $300,000.**

7. **Harding University, Inc. did qualify as a low-risk auditee.**

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

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

To the Board of Trustees of
Harding University, Inc.
Searcy, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Harding University, Inc. (a non-profit organization) and affiliate, Harding Place, Inc., which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2014. The financial statements of Harding Place, Inc. were not required to be and were not audited in accordance with *Governmental Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harding University, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harding University, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the organization's internal control on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mallory & Associates

Little Rock, Arkansas
October 2, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees of
Harding University, Inc.
Searcy, Arkansas

Report on Compliance for Each Major Federal Program
We have audited Harding University, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Harding University Inc.'s major federal programs for the year ended June 30, 2014. Harding University Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of Harding University, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements, referred to above that could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about Harding University, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However our audit does not provide a legal determination on Harding University, Inc.'s compliance.

Opinion on Each Major Federal Program
In our opinion, Harding University, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance
Management of Harding University, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Harding University, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Harding University, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mallory & Associates

Little Rock, Arkansas
October 2, 2014

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**INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION**

**To the Board of Trustees of
Harding University, Inc.
Searcy, Arkansas**

Our report on our audit of the basic financial statements of Harding University, Inc. for June 30, 2014 appears on pages 1-2. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information presented on pages 33-42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Mallory & Associates

**Little Rock, Arkansas
October 2, 2014**

**Mallory & Associates
Certified Public Accountants**

HARDING UNIVERSITY, INC.
Schedules of University Operating Activities
Years Ended June 30, 2014 and 2013

	2014	2013	Percent Increase (Decrease)
University Operating Revenues			
Tuition and fees			
Tuition	$ 91,408,331	$ 85,484,055	6.93 %
Student aid	(29,031,306)	(27,475,869)	(5.66)
Technology and academic enrichment fees	2,822,764	2,620,029	7.74
Class fees	1,198,798	1,107,490	8.24
International program fees	2,219,207	2,304,484	(3.70)
Other fees	1,324,289	1,062,393	24.65
Total net tuition and fees	$ 69,942,083	$ 65,102,582	7.43 %
Student aid			
Academic scholarships	$ 14,495,790	$ 13,478,865	7.54 %
Athletic scholarships	2,355,095	2,087,734	12.81
Center for Advanced Ministry Training scholarships	533,327	620,579	(14.06)
Christian school/university staff discounts	622,682	609,608	2.14
Departmental scholarships	770,471	819,633	(6.00)
Externally funded scholarships	2,124,293	2,032,822	4.50
Foreign student discounts	264,566	292,639	(9.59)
Graduate education scholarships	2,641,667	2,870,113	(7.96)
Ministers' child discounts	601,939	614,127	(1.98)
Need based scholarships	652,185	582,942	11.88
School of Theology - Memphis scholarships	654,813	545,079	20.13
Stephens scholarships	365,803	356,264	2.68
Walton program	1,985,778	1,800,895	10.27
Degree completion program discounts	478,226	294,531	62.37
Other scholarships	484,671	470,038	3.11
Total student aid	$ 29,031,306	$ 27,475,869	5.66 %
Room and board			
Student dormitory housing	$ 9,663,188	$ 9,184,488	5.21 %
Student apartments	1,931,087	1,781,707	8.38
Food service	9,770,204	9,510,340	2.73
Rental property	214,987	207,399	3.66
Total room and board	$ 21,579,466	$ 20,683,934	4.33 %
Contributions (including pledges)			
Unrestricted contributions	$ 1,433,431	$ 4,547,820	(68.48) %
Contributions with time or purpose restriction	4,602,994	5,014,946	(8.21)
Contributions to endowment	3,010,308	1,778,759	69.24
Total contributions (including pledges)	$ 9,046,733	$ 11,341,525	(20.23) %
Grants			
Work study and federal administrative fees	$ 445,323	$ 384,679	15.76 %
Social Work grant	89,016	96,307	(7.57)
Student Support Services	322,695	320,435	0.71
Upward Bound	251,203	299,145	(16.03)
McNair grant	193,518	243,402	(20.49)
Educational grants	331,301	321,343	3.10
Research grants	322,516	396,071	(18.57)
Total grants	$ 1,955,572	$ 2,061,382	(5.13) %

- Unaudited -

HARDING UNIVERSITY, INC.
Schedules of University Operating Activities
Years Ended June 30, 2014 and 2013
(Continued)

	2014	2013	Percent Increase (Decrease)
University Operating Revenues (continued)			
Endowment and other investment income distributed			
Endowment distributions	$ 5,039,985	$ 4,724,569	6.68 %
Interest and dividends	323,492	247,136	30.90
Endowment income to cover investment expenses	468,144	467,400	0.16
Total endowment and other investment income distributed	$ 5,831,621	$ 5,439,105	7.22 %
Auxiliary services			
Bookstores	$ 4,059,407	$ 3,907,992	3.87 %
Camp Tahkodah	330,979	335,605	(1.38)
Heritage Inn	433,394	366,353	18.30
Coin operated laundry	52,165	58,504	(10.84)
Harding Press	595,915	583,848	2.07
Total auxiliary services	$ 5,471,860	$ 5,252,302	4.18 %
Sales and services			
Communications Department	$ 26,482	$ 31,263	(15.29) %
Education Media Center	43,076	49,230	(12.50)
Uplift	236,812	264,958	(10.62)
American Studies Institute	263,531	233,719	12.76
Church and Family Institute	51,869	47,124	10.07
Student Association	61,623	89,206	(30.92)
Athletics	106,048	103,043	2.92
Physician Assistant Medical Clinic	106,048	65,387	62.19
Spring Sing	157,574	129,770	21.43
Theatre	107,648	130,186	(17.31)
Miscellaneous	323,017	187,403	72.36
Total sales and services	$ 1,483,728	$ 1,331,289	11.45 %
Other income			
Post Office	$ 57,717	$ 53,570	7.74 %
Traffic fines	122,244	110,351	10.78
Jr. Scholars program	167,659	166,832	0.50
Transportation	72,856	81,705	(10.83)
Travel Services	41,877	36,567	14.52
Rents and royalties	58,628	56,890	3.06
Bison Daze	40,325	42,722	(5.61)
Miscellaneous	916,990	810,248	13.17
Total other income	$ 1,478,296	$ 1,358,885	8.79 %

HARDING UNIVERSITY, INC.
Schedules of University Operating Activities
Years Ended June 30, 2014 and 2013
(Continued)

	2014	2013	Percent Increase (Decrease)
University Operating Expenses			
Instruction			
Faculty salaries	$ 18,753,538	$ 18,319,459	2.37 %
Faculty fringes	3,617,875	3,627,508	(0.27)
Faculty Educational Assistance	252,779	258,900	(2.36)
College of Arts and Humanities	1,499,877	1,282,918	16.91
College of Bible and Ministry	1,923,943	1,658,083	16.03
College of Business Administration	511,198	511,391	(0.04)
College of Education	813,493	753,836	7.91
College of Nursing	344,326	323,311	6.50
College of Pharmacy	3,643,662	3,598,253	1.26
College of Sciences	866,066	905,490	(4.35)
Communication Science and Disorders	255,727	229,496	11.43
Physician Assistant program	1,174,411	1,135,537	3.42
Physician Assistant Medical Clinic	212,897	172,726	23.26
Physical Therapy program	1,270,299	1,205,501	5.38
Degree completion program	221,247	245,090	(9.73)
Bentonville, Little Rock and Paragould Centers	508,758	563,729	(9.75)
School of Theology - Memphis	610,021	685,234	(10.98)
Mid-South Professional Center - Memphis	170,730	161,030	6.02
International programs	3,025,575	3,240,009	(6.62)
Upward Bound	250,448	297,622	(15.85)
Social Work grant	89,415	96,306	(7.16)
Educational grants	339,487	330,579	2.69
Research grants	307,484	366,400	(16.08)
General instructional	385,958	339,154	13.80
Interest allocation	324,449	250,438	29.55
Employee tuition discounts	1,806,065	1,905,986	(5.24)
Total instruction	$ 43,179,728	$ 42,463,986	1.69 %
Room and board			
Student housing	$ 4,775,528	$ 4,513,363	5.81 %
Food service	6,870,602	6,783,808	1.28
Rental property	27,195	28,334	(4.02)
Employee tuition discounts	130,036	76,571	69.82
Total room and board	$ 11,803,361	$ 11,402,076	3.52 %

- Unaudited -

HARDING UNIVERSITY, INC.
Schedules of University Operating Activities
Years Ended June 30, 2014 and 2013
(Continued)

University Operating Expenses (continued)	2014	2013	Percent Increase (Decrease)
Auxiliary services			
Bookstores	$ 3,548,506	$ 3,453,727	2.74 %
Camp Tahkodah	342,294	309,165	10.72
Heritage Inn	379,616	373,735	1.57
Coin laundry	21,018	21,991	(4.42)
Harding Press	618,989	614,632	0.71
Employee tuition discounts	58,673	56,367	4.09
Total auxiliary services	$ 4,969,096	$ 4,829,617	2.89 %
Public service			
American Studies Institute	$ 689,129	$ 623,649	10.50 %
Church Relations	552,926	392,054	41.03
Learn to Swim program	43,007	48,357	(11.06)
Christian Service Committee awards	150,990	73,546	100+
Clifton Ganus Foundation II awards	20,063	23,859	(15.91)
Employee tuition discounts	38,495	6,977	100+
Total public service	$ 1,494,610	$ 1,168,442	27.91 %
Academic support			
Vice-President for Academic Affairs	$ 784,002	$ 766,659	2.26 %
Dean of Arts and Humanities	58,840	53,428	10.13
Dean of Bible and Ministry	43,894	86,252	(49.11)
Dean of Business	225,355	216,624	4.03
Dean of Education	210,482	218,518	(3.68)
Dean of Graduate Education	107,226	107,137	0.08
Dean of Nursing	250,300	250,395	(0.04)
Dean of Pharmacy	530,963	528,383	0.49
Dean of Science	177,490	186,080	(4.62)
Dean of Allied Health	82,548	64,757	27.47
Center for Health Sciences	41,468	42,263	(1.88)
Library	1,191,422	1,132,248	5.23
Academic advising	95,174	81,414	16.90
Academic Resource Center	65,039	54,624	19.07
Educational Media Center	268,007	282,038	(4.97)
AudioWorks	55,062	54,475	1.08
Belden Center for Private Enterprise	155,090	153,760	0.86
Campus VideoWorks	161,203	137,049	17.62
Center for Learning Technology	135,706	128,802	5.36
E-Learning	482,783	479,787	0.62
Classroom technology	344,320	352,712	(2.38)
International programs	146,977	133,607	10.01
School of Theology - Memphis	549,686	438,116	25.47
Walton program	106,379	105,357	0.97
Employee tuition discounts	306,635	285,852	7.27
Total academic support	$ 6,576,051	$ 6,340,337	3.72 %

- Unaudited -

HARDING UNIVERSITY, INC.
Schedules of University Operating Activities
Years Ended June 30, 2014 and 2013
(Continued)

University Operating Expenses (continued)	2014	2013	Percent Increase (Decrease)
Management and general			
President	$ 643,126	$ 581,376	10.62 %
Chancellor	234,557	63,810	100.00+
Vice-President of Finance	188,533	175,775	7.26
Finance and Budget Office	578,870	556,447	4.03
Insurance	390,640	358,735	8.89
Director of Travel	77,382	79,315	(2.44)
Chief Information Officer	187,975	175,948	6.84
Business Office	484,560	496,934	(2.49)
Human Resources	287,194	301,308	(4.68)
Advancement	1,621,813	1,660,014	(2.30)
Legal Affairs	55,157	44,767	23.21
Alumni	281,745	238,769	18.00
Public Relations	1,138,976	1,025,644	11.05
Transportation	362,485	367,357	(1.33)
General institutional support	923,513	908,878	1.61
Information Technology	2,844,426	2,710,595	4.94
International programs	862,617	902,463	(4.42)
Center for Advanced Ministry Training	106,244	107,073	(0.77)
School of Theology - Memphis	240,478	235,968	1.91
Employee tuition discounts	553,613	682,866	(18.93)
Total management and general	$ 12,063,904	$ 11,674,042	3.34 %
Student services			
Executive VP and Senior VP	$ 424,733	$ 298,713	42.19 %
Office of Vice-President of Spiritual Life	-	124,040	(100.00)
Assistant Vice-President for Student Affairs	1,045,711	1,120,675	(6.69)
Registrar	453,427	423,644	7.03
Admissions	2,182,281	2,123,227	2.78
Pharmacy admissions	110,650	111,013	(0.33)
Chinese Student Services	406,464	214,187	100+
Counseling Center	209,535	224,984	(6.87)
Health Center	149,046	139,747	6.65
Multicultural Student Services and Impact	116,773	120,803	(3.34)
Post Office	355,644	332,927	6.82
Career and Student Success Center	426,706	299,153	42.64
Student Support Services	322,151	315,156	2.22
McNair grant	197,833	240,905	(17.88)
Testing Office	98,836	101,715	(2.83)
Student Financial Services	609,826	576,421	5.80
Intercollegiate athletics	2,162,169	1,862,883	16.07
Intramural athletics	65,971	51,950	26.99
Spring Sing	170,302	154,834	9.99
Student Association	267,899	275,667	(2.82)
Spring break campaigns	333,651	276,818	20.53
School of Theology - Memphis	223,020	211,696	5.35
Interest allocation	117,235	116,818	0.36
Employee tuition discounts	369,575	284,666	29.83
Total student services	$ 10,819,438	$ 10,002,642	8.17 %

- Unaudited -

HARDING UNIVERSITY, INC.
Schedules of University Operating Activities
Years Ended June 30, 2014 and 2013
(Continued)

	2014	2013	Percent Increase (Decrease)
University Operating Expenses (continued)			
Maintenance and plant operations			
Administrative	$ 282,757	$ 271,672	4.08 %
Custodial Services	1,656,227	1,589,263	4.21
Maintenance of property and plant	3,328,407	3,262,248	2.03
Public Safety	870,375	839,001	3.74
Utilities	1,876,694	1,786,891	5.03
International programs - maintenance and utilities	479,739	458,736	4.58
Insurance	393,991	321,173	22.67
Employee tuition discounts	181,356	144,771	25.27
Total maintenance and plant operations	$ 9,069,546	$ 8,673,755	4.56 %
Investment expense			
Collection of student loans	$ 238,281	$ 242,305	(1.66) %
Endowment and annuity management	257,098	247,940	3.69
Real estate expenses	37,321	36,639	1.86
Total investment expense	$ 532,700	$ 526,884	1.10 %
Depreciation			
Buildings and improvements	$ 5,876,788	$ 5,316,158	10.55 %
Equipment	3,832,194	3,635,992	5.40
Library books	341,208	351,048	(2.80)
Total depreciation	$ 10,050,190	$ 9,303,198	8.03 %

HARDING UNIVERSITY, INC.
Schedules of Operations for Room and Board and Auxiliary Services
Years Ended June 30, 2014 and 2013

	2014		
	Revenue	Expense	Net Income
Room and board			
Student housing	$ 11,594,275	$ 4,905,564	$ 6,688,711
Food service	9,770,204	6,870,602	2,899,602
Rental property	214,987	27,195	187,792
Total room and board	$ 21,579,466	$ 11,803,361	$ 9,776,105

	2013		
	Revenue	Expense	Net Income
Room and board			
Student housing	$ 10,966,195	$ 4,589,934	$ 6,376,261
Food service	9,510,340	6,783,808	2,726,532
Rental property	207,399	28,334	179,065
Total room and board	$ 20,683,934	$ 11,402,076	$ 9,281,858

	2014		
	Revenue	Expense	Net Income
Auxiliary services			
Bookstores	$ 4,059,407	$ 3,548,506	$ 510,901
Camp Tahkodah	330,979	342,294	(11,315)
Heritage Inn	433,394	379,616	53,778
Coin laundry	52,165	21,018	31,147
Harding Press	595,915	618,989	(23,074)
Employee tuition discounts	-	58,673	(58,673)
Total auxiliary services	$ 5,471,860	$ 4,969,096	$ 502,764

	2013		
	Revenue	Expense	Net Income
Auxiliary services			
Bookstores	$ 3,907,992	$ 3,453,727	$ 454,265
Camp Tahkodah	335,605	309,165	26,440
Heritage Inn	366,353	373,735	(7,382)
Coin laundry	58,504	21,991	36,513
Harding Press	583,848	614,632	(30,784)
Employee tuition discounts	-	56,367	(56,367)
Total auxiliary services	$ 5,252,302	$ 4,829,617	$ 422,685

- Unaudited -

HARDING UNIVERSITY, INC.
Summaries of Other Scholastic Activities
Years Ended June 30, 2014 and 2013

	2014	2013	Percent Favorable (Unfavorable)
Harding Academy			
Tuition and fees	$ 4,784,938	$ 4,570,170	4.70 %
Scholarships	(189,431)	(180,542)	(4.92)
Net tuition and fees	4,595,507	4,389,628	4.69
Contributions	71,201	107,501	(33.77)
Other income	81,918	94,115	(12.96)
Total revenues	4,748,626	4,591,244	3.43
Salaries and fringes	(3,081,872)	(3,009,735)	(2.40)
Employee tuition discounts	(739,179)	(662,070)	(11.65)
Other direct expenses	(582,835)	(584,381)	0.26
Revenues in excess of direct expenses	344,740	335,058	(2.89)
Indirect expenses	(222,441)	(222,423)	(0.01)
Revenues in excess of expenses	$ 122,299	$ 112,635	8.58 %

NOTE: Indirect expense includes allocations for management and general expenses, maintenance, utilities, security and interest expense.

	2014	2013	Percent Favorable (Unfavorable)
International programs			
Tuition and technology fees	$ 2,532,933	$ 2,363,434	7.17 %
Scholarships	(738,820)	(689,408)	(7.17)
Net tuition and technology fees	1,794,113	1,674,026	7.17
Travel and other program fees	2,219,207	2,304,484	(3.70)
Room and board	1,230,728	1,265,203	(2.72)
Gifts and other income	52,129	58,527	(10.93)
Total revenues	5,296,177	5,302,240	(0.11)
Instruction	(3,025,575)	(3,240,009)	6.62
Room and board	(1,104,214)	(1,072,381)	(2.97)
Academic support	(146,977)	(133,607)	(10.01)
Management and general	(862,617)	(902,463)	4.42
Maintenance and plant operations	(479,739)	(458,736)	(4.58)
Tuition discounts	(3,025)	-	-
Total expenses	(5,622,147)	(5,807,196)	
Expenses in excess of revenues	$ (325,970)	$ (504,956)	35.45 %

NOTE: Does not include allocation for management and general expenses, academic support, student services or depreciation. Scholarships are estimated based on 30% of tuition.

HARDING UNIVERSITY, INC.
Summaries of Other Scholastic Activities
Years Ended June 30, 2014 and 2013
(Continued)

	2014	2013	Percent Favorable (Unfavorable)
School of Theology - Memphis (HST)			
Tuition, fees and other	$ 1,320,313	$ 1,218,472	8.36 %
Scholarships	(654,813)	(545,079)	(20.13)
Net tuition, fees and other	665,500	673,393	(1.17)
Endowment income	395,690	378,634	4.50
Contributions	448,712	505,709	(11.27)
Total revenues	1,509,902	1,557,736	(3.07)
Instruction	(610,021)	(685,234)	10.98
Student housing	(73,107)	(43,384)	(68.51)
Academic support	(549,686)	(438,116)	(25.47)
Management and general	(240,478)	(235,968)	(1.91)
Student services	(223,020)	(211,696)	(5.35)
Maintenance and plant operations	(260,053)	(213,142)	(22.01)
Employee tuition discounts	(95,203)	(76,681)	(24.15)
Total expenses	(2,051,568)	(1,904,221)	(7.74)
Expenses in excess of revenues	$ (541,666)	$ (346,485)	(56.33) %
Mid-South Professional Center (MSPC)*			
Tuition, fees and other	$ 336,072	$ 302,275	11.18 %
Scholarships	(148,692)	(135,745)	(9.54)
Net tuition, fees and other	187,380	166,530	12.52
Instruction	(170,755)	(167,387)	(2.01)
Excess (deficit) of revenues over expenses	$ 16,625	$ (857)	100.00+ %
Total Memphis Location (HST and MSPC)	$ (525,041)	$ (347,342)	(51.16) %
Northwest Arkansas Professional Center*			
Tuition, fees and other	$ 2,484,540	$ 1,624,524	52.94 %
40% Teacher discount	(586,462)	(397,183)	(47.66)
Degree completion scholarships	(338,066)	(206,556)	(63.67)
Net tuition, fees and other	1,560,012	1,020,785	52.82
Instruction	(1,265,542)	(908,201)	(39.35)
Tuition discounts	(19,844)	(14,267)	(39.09)
Revenues in excess of expenses	$ 274,626	$ 98,317	100.00+ %

*NOTE: Does not include allocation for management and general expenses, academic support or student services. Salaries and fringes have been estimated based on class hours taught at the Northwest Arkansas Professional Center, using an average salary and 28% for fringe benefits.

HARDING UNIVERSITY, INC.
Summaries of Other Scholastic Activities
Years Ended June 30, 2014 and 2013
(Continued)

	2014	2013	Percent Favorable (Unfavorable)
Pharmacy			
Tuition, fees and other	$ 7,519,030	$ 7,118,111	5.63 %
Scholarships	(39,984)	(30,000)	(33.28)
Net tuition, fees and other	7,479,046	7,088,111	5.52
Instruction	(3,660,257)	(3,606,133)	(1.50)
Academic support	(530,963)	(528,383)	(0.49)
Student Services	(110,650)	(111,013)	0.33
Employee tuition discounts	(103,782)	(122,368)	15.19
Revenues in excess of expenses	$ 3,073,394	$ 2,720,214	12.98 %
Physical Therapy			
Tuition, fees and other	$ 2,543,733	$ 1,710,412	48.72 %
Instruction and other	(1,179,505)	(1,205,501)	2.16
Employee tuition discounts	(54,419)	(32,236)	(68.81)
Revenues in excess of expenses	$ 1,309,809	$ 472,675	100.00+ %
Physician Assistant			
Tuition, fees and other	$ 2,697,744	$ 2,444,482	10.36 %
Instruction and other	(1,386,787)	(1,311,683)	(5.73)
Employee tuition discounts	(31,940)	(37,808)	15.52
Revenues in excess of expenses	$ 1,279,017	$ 1,094,991	16.81 %

NOTE: Does not include allocation for management and general expenses, maintenance, academic support, student services, depreciation, or interest related to construction of facilities.