

**WHITWORTH UNIVERSITY
RETIREMENT PLAN**
Spokane, Washington

FINANCIAL STATEMENTS
Including Independent Auditors' Report

December 31, 2009 and 2008

**WHITWORTH UNIVERSITY
RETIREMENT PLAN**

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INDEPENDENT AUDITORS' REPORT

To the Plan Administrator
Whitworth University Retirement Plan
Spokane, Washington

We were engaged to audit the accompanying statement of net assets available for benefits of the Whitworth University Retirement Plan (the "Plan") as of December 31, 2009 and 2008 and the related statement of changes in net assets available for benefits for the year ended December 31, 2009, and the supplemental schedules listed in the accompanying table of contents. These financial statements and supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Note 3, which was certified by Principal Financial Group, the custodian of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the custodian holds Plan investment assets and executes investment transactions. The plan administrator has obtained a certification from the custodian, as of December 31, 2009 and 2008 and for the year ended December 31, 2009, that the information provided to the plan administrator by the custodian is complete and accurate.

As described in Note 8, the Plan has excluded from investments in the accompanying financial statements certain annuity and custodial accounts issued to current and former employees prior to January 1, 2009, as permitted by the Department of Labor's Field Assistance Bulletin No. 2009-02. Accounting principles generally accepted in the United States of America (US GAAP) require that these accounts and the related income and distributions be included in the accompanying financial statements. Management has not determined the impact of this departure from US GAAP, but estimates that it could be material to the financial statements.

Because of the significance of the information in the Plan's financial statements and supplemental schedules that we did not audit, we are unable to, and do not, express an opinion on the accompanying 2009 and 2008 financial statements and supplemental schedules taken as a whole.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
October 4, 2010

**WHITWORTH UNIVERSITY
RETIREMENT PLAN**

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
Investments		
Mutual funds, at fair value	\$ 20,957,377	\$ 6,529,403
Investment contract, at fair value	886,196	-
Total Investments, at fair value	<u>21,843,573</u>	<u>6,529,403</u>
Receivables		
College contribution receivable	-	136,676
Employee contribution receivable	-	147,741
Total Receivables	<u>-</u>	<u>284,417</u>
Net Assets Available for Benefits, at fair value	21,843,573	6,813,820
Adjustment from fair value to contract value for fully benefit responsive guaranteed investment contracts	<u>46,642</u>	<u>-</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 21,890,215</u>	<u>\$ 6,813,820</u>

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STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year Ended December 31, 2009

ADDITIONS

Additions to net assets attributed to

Investment income

Interest and dividend income \$ 456,257

Net appreciation in fair value of investments 3,689,584

Total investment income 4,145,841

Contributions

College contributions 1,804,016

Employee contributions 2,130,118

Employee contributions (rollover) 91,281

Total contributions 4,025,415

Transfers from other vendors 7,496,011

Total additions 15,667,267

DEDUCTIONS

Deductions from net assets attributed to

Benefits paid to participants 564,603

Administrative expenses 26,269

Total deductions 590,872

Net increase in net assets available for benefits 15,076,395

NET ASSETS AVAILABLE FOR BENEFITS -

Beginning of year 6,813,820

NET ASSETS AVAILABLE FOR BENEFITS -

End of year \$ 21,890,215

WHITWORTH UNIVERSITY RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

NOTE 1 - Description of the Plan

The following description of Whitworth University's Retirement Plan (the "Plan") provides only general information. Participants should refer to the Plan's summary plan description for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan established by Whitworth University (the "University") and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and the requirements of Section 403(b) of the Internal Revenue Code. The University is the sponsor and administrator of the Plan, and the custodian vendor reported on is Principal Financial Group. The Custodian manages the investments of the Plan as directed by the participants and provides recordkeeping services. A participant may direct employer and employee contributions to any combination of available investment options.

Beginning January 1, 2009, the Plan is subject to annual Form 5500 reporting, disclosure, and audit requirements under ERISA. Previously, the Plan was exempt from ERISA requirements for disclosure and plan audit.

Eligibility

Eligible employees who are regularly scheduled to work at least half-time for nine or more months during the plan year will be automatically enrolled in the Plan by the University for purposes of the mandatory salary reduction contribution, and are required to contribute 5% of their regular salary. Eligible employees who are subject to the mandatory salary reduction contribution must enter into a written voluntary salary reduction agreement with the University if they wish to contribute more than 5% of their regular salary.

Contributions

Each year, eligible employees contribute to the Plan on a tax-deferred basis, and under certain restrictions, up to 100% of their eligible pretax annual compensation to the Plan, not to exceed the maximum under Code Section 402(g). Any employee, who has completed 15 years of experience or has attained the age of 50, may be eligible to make additional catch up contributions. The University will make a contribution for each participant who is subject to the mandatory salary reduction contribution equal to 8% of his/her regular salary.

Participant Accounts

Each participant's account is credited with the participant's salary reduction contributions, rollover contributions and an allocation of the University's contributions and plan earning (net of administrative expenses). Allocations are based on the participant's number of shares.

Vesting

Participants are immediately 100% vested in their salary reduction and University contributions plus earnings.

Payment of Benefits

Benefits may be paid to the participant or designated beneficiary upon death, disability, retirement or termination of employment, as defined in the Plan agreement.

**WHITWORTH UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 - Description of the Plan (cont.)

Amendment and Termination of Plan

While it is expected that this plan will continue indefinitely, the University reserves the right to amend, modify or terminate the Plan, or to discontinue any further plan contributions or payments under the Plan, by resolution of the board, subject to the provisions of ERISA.

Participant Loans

Loans from the Plan are not available to participants.

Administrative Expenses

All reasonable plan administrative expenses including those involved in retaining necessary professional assistance may be paid from the assets of the Plan to the extent permitted by the participant's individual agreements. These expenses may be allocated to all plan participants, or for expenses directly related to one participant, charged against that participant's account balance. The University may, at its discretion, pay a portion or all of these expenses.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared on the accrual basis of accounting. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to use estimates and assumptions that affect the accompanying financial statements and disclosures. Actual results could differ from these estimates.

Investment Valuation and Income Recognition

The Plan's investments are valued at estimated fair value using quoted market prices. Insurance contracts that are fully benefit responsive are valued at contract value.

Net appreciation in fair value of investments included in the accompanying statement of changes in net assets available for benefits includes realized gains or losses from the sale of investments and unrealized appreciation or depreciation in fair value of investments. Net unrealized appreciation or depreciation in the fair value of investments represents the net change in the fair value of the investments held during the period. The net realized gains or losses on the sale of investments represent the difference between the sale proceeds and the fair value of the investment as of the beginning of the period or the cost of the investment if purchased during the year.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

Payment of Benefits

Benefits are recorded when paid.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 3 - Information Prepared and Certified by Principal Financial Group - Unaudited

The following information included in the accompanying financial statements and supplemental schedule was obtained from custodian data. Principal Financial Group, the custodian of the Plan, has certified that their information is complete and accurate.

Net assets available for benefits as of December 31:

	<u>2009</u>	<u>2008</u>
Registered Investment Companies		
Mutual funds - balanced	\$ 13,153,997	\$ 5,155,812
Mutual funds - fixed income	1,629,911	541,089
Mutual funds - equity	6,173,469	832,502
Insurance Company - guaranteed investment contract	<u>932,838</u>	<u>-</u>
 Total Investments	 <u>\$ 21,890,215</u>	 <u>\$ 6,529,403</u>

During the plan year ended December 31, 2009, the Plan's investments (including gains and losses on investments bought, sold, and held during the year) appreciated (depreciated) in value as follows:

	<u>2009</u>
Mutual funds	\$ 3,736,226
Guaranteed investment contract	<u>(46,642)</u>
Net Appreciation in Fair Value of Investments	3,689,584
Interest and dividends	<u>456,257</u>
 Net Investment Return	 <u>\$ 4,145,841</u>

Investments, in general, are subject to various risks, including credit, interest, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the statements of net assets available for benefits. Plan investments are not insured by FDIC or similar loss coverage.

The following investments represent 5% or more of the Plan's net assets available for benefits as of December 31:

	<u>2009</u>	<u>2008</u>
Princ Life Time 2010 R5 Fund	\$ 1,402,991	\$ 469,112
Princ Life Time 2015 R5 Fund	3,407,542	1,238,459
Princ Life Time 2020 R5 Fund	2,693,656	1,425,800
Princ Life Time 2025 R5 Fund	1,483,689	708,983
Princ Life Time 2030 R5 Fund	1,525,833	715,745
Am Fds EuroPacific Grth R4 Fund	1,965,538	-
PIMCO Total Return A Fund	<u>1,629,911</u>	<u>338,642</u>

**WHITWORTH UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 4 - Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1

These represent quoted prices in active markets for identical assets that a market participant can access at the measurement date. Exchange listed equity securities or exchange traded mutual fund shares are the best examples of Level 1 inputs.

Level 2

These are inputs that are observable either directly or indirectly. Examples would include matrix pricing used to value fixed-income securities or prices obtained for unregistered funds that do not trade in a public market.

Level 3

These are inputs that are not observable. These would reflect the reporting entity's own assumptions about assumptions used by market participants to value the investment. For example, contract values of investment contracts could be an example of a Level 3 input.

The plan sponsor is responsible for the determination of fair value. Accordingly, they perform periodic analysis on the prices received from the pricing services used to determine whether the prices are reasonable estimates of fair value. As a result of these reviews, the plan sponsor has not historically adjusted the prices obtained from the pricing services.

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy.

	December 31, 2009			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 20,957,377	\$ 20,957,377	\$ -	\$ -
Investment contract	886,196	-	-	886,196
Total	<u>\$ 21,843,573</u>	<u>\$ 20,957,377</u>	<u>\$ -</u>	<u>\$ 886,196</u>
	December 31, 2008			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 6,529,403	\$ 6,529,403	\$ -	\$ -
Investment contract	-	-	-	-
Total	<u>\$ 6,529,403</u>	<u>\$ 6,529,403</u>	<u>\$ -</u>	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 4 - Fair Value of Financial Instruments (cont.)

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

Mutual funds - Mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Investment contract - The Principal Fixed Income Guaranteed Option ("PFIGO") is a single group annuity contract with Principal Life Insurance Company (PFIC) with a fixed rate of interest. Fair value is considered book value less early withdrawal charges.

While the plan sponsor believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents a reconciliation of the financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2009:

	Beginning Balance	Net realized and unrealized gains (losses) included in change in net assets	Contributions and Interest Credited	Transfer in from Other Vendors and Purchases	Ending Balance
Investment contract	\$ -	\$ (46,642)	\$ 265,417	\$ 667,421	\$ 886,196

The amount of total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses relating to financial instruments still held at December 31, 2009.

\$ (46,642)

NOTE 5 - Investment Contract with Principal Life Insurance Company

The methodology for calculating the guaranteed minimum interest rate is defined in Article I, Section II of the contract under the term "Guaranteed Minimum Interest Rate." The methodology for calculating the interest crediting rate is defined in Article I, Section II of the contract under the term "Composite Crediting Rate." Under the terms of the existing contract, the composite crediting rate is currently reset on a semiannual basis and will never be less than the guaranteed minimum interest rate.

Changes in future interest crediting rates will not affect the amount reported as an adjustment from fair value to contract value on the statement of net assets available for benefits for the portion of net assets attributable to fully benefit-responsive investment contracts. Fair value is considered book value less early withdrawal charge.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5 - Investment Contract with Principal Life Insurance Company (cont.)

The PFIGO is a single group annuity contract with a fixed rate of interest. It is not a portfolio of contracts whose yields are based on changes in fair value of underlying assets as would be found in a Stable Value Fund. As a result, the average yield earned by the Plan is the interest credited on the group annuity contract. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value

The interest rate history for the contract is as follows:

December 1, 2008 - May 31, 2009	4.60%
June 1, 2009 - November 30, 2009	3.25%
December 1, 2009 - May 31, 2010	3.25%

The interest rate history summarized above is prior to any plan-level recordkeeping expenses being deducted. Any difference between the above summarized interest rates and the actual earned crediting rates for each plan participant would be due to the rate level service fee. The rate level service fee is a direct offset to the interest rates summarized above. See Article II of the service agreement for more information regarding the rate level service fee.

The Plan may transact according to the terms defined in the contract at any time. The terms and methods under which the contract may transact are defined in Article II (Deposits and Ownership – Vintages - Primary), Article IIA (Deposits and Ownership – Vintages - Subsequent), Article IIB (Vintages), Article III (Fees), Article IV (Benefits and Other Payments) and Article V (Limitations; Termination) in the contract.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (1) material plan amendments (including partial or complete termination of the Plan or merger of the Plan with another plan); (2) the failure of the Plan's trust to qualify for exemption from federal income taxes or any required prohibited exemption under ERISA; (3) changes in the Plan's prohibition on competing investment options; (4) the closing of a facility or other business unit of the plan sponsor or the bankruptcy of the plan sponsor. The plan administrator does not believe that the occurrence of any such event, which would limit the Plan's ability to transact at contract value with participants, is currently probable of occurring.

Article V of the contract defines the circumstances and amounts for which the contract may be terminated by the Plan. The issuer, PLIC, has the right to no longer receive deposits under Article VII, Section 3. However, the circumstances for termination of the contract are still subject to Article V.

NOTE 6 - Parties-in-Interest

Certain plan investments are shares of mutual funds managed by the Custodian as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. The investment in the PFIGO also qualifies as a party-in-interest transaction. Fees paid by the Plan for the investment management services amounted to \$26,269 and are party-in-interest transactions.

WHITWORTH UNIVERSITY RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

NOTE 7 - Tax Status

The Internal Revenue Service (IRS) has provided 403(b) plans relief from obtaining a determination letter until the revenue procedures are finalized and the IRS announces the date that it will start accepting applications. A written 403(b) plan adopted prior to December 31, 2009, that is intended to satisfy the requirements of Section 403(b) and the regulations, will have a remedial amendment period in which to amend the Plan to correct any form defects retroactive to January 1, 2010.

The University is not aware of any events that have occurred that might adversely affect the Plan from obtaining a qualified status. The Plan is required to operate in conformity with Section 403(b) of the Internal Revenue Code to obtain its qualification.

NOTE 8 - Allowable Excluded Investments

The Department of Labor's Field Assistance Bulletin No. 2009-02, *Annual Reporting Requirements for 403(b) Plans* allows a plan administrator of a 403(b) plan to exclude certain contracts and accounts from plan assets for purposes of ERISA's annual reporting and audit requirements under specified conditions. Therefore, effective January 1, 2009, the Plan has excluded from the investments in the accompanying statement of net assets available for benefits certain annuity and custodial accounts issued to current and former employees prior to January 1, 2009. The related investment income and distributions have also been excluded in the accompanying statement of changes in net assets available for benefits. These amounts relate to vendors other than Principal Financial Group to whom contributions were made prior to January 1, 2009. No contributions were made or allowed to vendors other than Principal Financial Group after January 1, 2009. The amount of these excluded annuity and custodial accounts and the related income and distributions has not been determined, but management estimates that they are material to the financial statements. Accounting principles generally accepted in the United States of America require that these excluded annuity and custodial accounts and the related income and distributions be included in the accompanying financial statements.

NOTE 9 - Prohibited Transactions

During 2009, the plan sponsor failed to remit certain employee contributions to the Plan on a timely basis, which is a prohibited transaction under ERISA. The plan sponsor has calculated the lost earnings to the participants and has contributed that amount to the Plan in order to correct the prohibited transactions.

NOTE 10 - Subsequent Events

The Organization has evaluated subsequent events through October 4, 2010 which is the date that the financial statements were approved and available to be issued.

SUPPLEMENTAL INFORMATION

**WHITWORTH UNIVERSITY
RETIREMENT PLAN**

Schedule H, line 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
Plan 1
EIN 91-0473310
December 31, 2009

(a)	(b)	(c)	(d)	(e)
Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost	Current Value	
Registered Investment Company				
*	Princor Financial Services	Prin LgCap S&P 500 Idx R5 Fund	**	\$ 517,061
*	Princor Financial Services	Prin MidCap S&P 400 Idx R5 Fund	**	326,802
*	Princor Financial Services	Prin SmCap S&P 600 Idx R5 Fund	**	285,117
*	Princor Financial Services	Prin LifeTime 2010 R5 Fund	**	1,402,991
*	Princor Financial Services	Prin LifeTime 2020 R5 Fund	**	2,693,656
*	Princor Financial Services	Prin LifeTime 2030 R5 Fund	**	1,525,833
*	Princor Financial Services	Prin LifeTime 2040 R5 Fund	**	568,251
*	Princor Financial Services	Prin LifeTime 2050 R5 Fund	**	245,572
*	Princor Financial Services	Prin LifeTime Str Inc R5 Fund	**	896,714
*	Princor Financial Services	Prin LifeTime 2015 R5 Fund	**	3,407,542
*	Princor Financial Services	Prin LifeTime 2025 R5 Fund	**	1,483,689
*	Princor Financial Services	Prin LifeTime 2035 R5 Fund	**	592,531
*	Princor Financial Services	Prin LifeTime 2045 R5 Fund	**	299,799
*	Princor Financial Services	Prin LifeTime 2055 R5 Fund	**	37,418
	American Funds	Am Fds EuroPacific Grth R4 Fund	**	1,965,538
	American Funds	Am Fds Grth of Am R4 Fund	**	979,944
	PIMCO Funds	PIMCO Total Return A Fund	**	1,629,911
	AIM Investments	AIM Real Estate A Fund	**	241,252
	JPMorgan Funds	JP Morgan Divers Md Cp Gr A Fd	**	17,047
	Eaton Vance	Eaton Vance Lq-Cap Value A Fd	**	1,046,474
	TIAA-CREF	TIAA-CREF Inst MdCp V1 Rtmt Fund	**	341,986
	TIAA-CREF	TIAA-CREF Instl Soc Ch Eq R Rd	**	25,959
	TIAA-CREF	TIAA-CREF Instl Gr&Inc Rtmt Fund	**	426,290
Insurance Company General				
*	Principal Life Insurance Company	Fixed Income Guaranteed Option	**	<u>932,838</u>
				<u>\$ 21,890,215</u>

* Represents a party-in-interest

** Cost omitted for participant directed investments

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SCHEDULE H, Line 4(a) - SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS

PLAN 001

EIN 91-0473310

Year Ended December 31, 2009

Total That Constitutes Nonexempt Prohibited Transactions

Participant Contributions Transferred Late to the Plan	Amount	Date	Withheld	Date	Remitted	Check Here if	Total That Constitutes Nonexempt Prohibited Transactions				Total Fully Corrected Under Voluntary Fiduciary Correction Program and PTE 2002-51	
							Late Participant Loan	Repayments are Included	Contributions are Corrected	Contributions Outside Voluntary Fiduciary Correction Program		Contributions Pending Correction in Voluntary Fiduciary Correction Program
	924.02	5/29/2009		6/12/2009								
	\$											\$ 924.02