

UTICA COLLEGE

For the Year Ended
May 31, 2007

FINANCIAL STATEMENTS

UTICA COLLEGE
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Independent Auditor's Report

Board of Trustees
Utica College

We have audited the accompanying statements of financial position of Utica College (a nonprofit organization) as of May 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utica College as of May 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

D'Arcangelo & Co., LLP

October 2, 2007

Utica, New York

UTICA COLLEGE
STATEMENTS OF FINANCIAL POSITION
May 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 89,539	\$ 1,991,405
Tuition and Fees Receivable, Net	2,626,844	3,556,937
Grants and Other Operating Receivables	1,130,200	611,481
Unconditional Promises to Give	57,680	95,018
Inventories	35,592	31,862
Other Deferred and Prepaids	<u>378,738</u>	<u>302,610</u>
Total Current Assets	<u>4,318,593</u>	<u>6,589,313</u>
Long-Term and Restricted Assets		
Restricted Cash - Construction	3,067,646	2,456,046
Deposits with Bond Trustees	3,421,693	6,709,206
Perkins and Gate Loans Receivable, Net	1,957,978	2,547,372
Unconditional Promises to Give	86,240	180,154
Other Receivable	350,000	0
Investments, at Market	<u>20,234,895</u>	<u>17,083,471</u>
Total Long-Term and Restricted Assets	<u>29,118,452</u>	<u>28,976,249</u>
Capital Related Assets		
Construction in Progress	5,942,912	611,134
Land, Buildings, and Equipment, Net	52,804,546	52,691,487
Bond Issuance Costs, Net	<u>1,142,146</u>	<u>1,402,852</u>
Total Capital Related Assets	<u>59,889,604</u>	<u>54,705,473</u>
Total Assets	<u>\$ 93,326,649</u>	<u>\$ 90,271,035</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 3,600,344	\$ 3,636,314
Deposits and Deferred Revenue	3,477,911	3,676,171
Current Portions of Long-Term Debt	<u>467,000</u>	<u>446,000</u>
Total Current Liabilities	<u>7,545,255</u>	<u>7,758,485</u>
Long-Term Liabilities		
Charitable Trust Obligations	290,645	301,527
Federal Student Loans Deferred	959,799	1,041,057
Bond Premium, Net	521,776	653,362
Postretirement Liabilities	5,295,517	4,997,019
Long-Term Debt	<u>34,740,368</u>	<u>35,207,367</u>
Total Long-Term Liabilities	<u>41,808,105</u>	<u>42,200,332</u>
Net Assets		
Unrestricted	20,272,525	21,283,421
Temporarily Restricted	13,472,217	9,494,465
Permanently Restricted	<u>10,228,547</u>	<u>9,534,332</u>
Total Net Assets	<u>43,973,289</u>	<u>40,312,218</u>
Total Liabilities and Net Assets	<u>\$ 93,326,649</u>	<u>\$ 90,271,035</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

UTICA COLLEGE
STATEMENTS OF ACTIVITIES
For the Year Ended May 31, 2007
(With Comparative Totals for the Year Ended May 31, 2006)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2007	2006
Revenue, Gains, and Other Support					
Tuition and Fees	\$ 53,466,000	\$ 0	\$ 0	\$ 53,466,000	\$ 51,615,304
Less: Scholarship Aid	<u>(19,411,095)</u>	<u>0</u>	<u>0</u>	<u>(19,411,095)</u>	<u>(18,431,514)</u>
Net Tuition and Fees	34,054,905	0	0	34,054,905	33,183,790
Government Grants and Contracts	3,353,942	0	0	3,353,942	2,618,473
Private Gifts and Grants	715,445	1,290,971	245,246	2,251,662	2,248,585
Investment Return	989,268	3,836,233	400,103	5,225,604	1,829,197
Change in Value of Annuity Obligations	0	0	(22,442)	(22,442)	(23,688)
Sales and Service of Auxiliary Enterprises	7,478,076	0	0	7,478,076	7,166,958
Other Sources	<u>742,776</u>	<u>0</u>	<u>0</u>	<u>742,776</u>	<u>690,273</u>
Total Revenue and Gains	47,334,412	5,127,204	622,907	53,084,523	47,713,588
Net Assets Released from Restrictions	<u>1,078,144</u>	<u>(1,149,452)</u>	<u>71,308</u>	<u>0</u>	<u>0</u>
Total Revenue, Gains, and Other Support	<u>48,412,556</u>	<u>3,977,752</u>	<u>694,215</u>	<u>53,084,523</u>	<u>47,713,588</u>
Expenses					
Educational and General					
Instructional and Research	17,765,473	0	0	17,765,473	17,077,393
Academic Support	4,760,836	0	0	4,760,836	5,172,810
Student Services	9,550,384	0	0	9,550,384	9,383,513
Institutional Support	<u>12,888,941</u>	<u>0</u>	<u>0</u>	<u>12,888,941</u>	<u>11,539,512</u>
Total Educational and General	44,965,634	0	0	44,965,634	43,173,228
Auxiliary Enterprises	<u>4,457,818</u>	<u>0</u>	<u>0</u>	<u>4,457,818</u>	<u>4,901,933</u>
Total Expenses	<u>49,423,452</u>	<u>0</u>	<u>0</u>	<u>49,423,452</u>	<u>48,075,161</u>
Increase (Decrease) in Net Assets	(1,010,896)	3,977,752	694,215	3,661,071	(361,573)
Net Assets, Beginning of Year	<u>21,283,421</u>	<u>9,494,465</u>	<u>9,534,332</u>	<u>40,312,218</u>	<u>40,673,791</u>
Net Assets, End of Year	<u>\$ 20,272,525</u>	<u>\$ 13,472,217</u>	<u>\$ 10,228,547</u>	<u>\$ 43,973,289</u>	<u>\$ 40,312,218</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

UTICA COLLEGE
STATEMENTS OF ACTIVITIES
For the Year Ended May 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2006</u>
Revenue, Gains, and Other Support				
Tuition and Fees	\$ 51,615,304	\$ 0	\$ 0	\$ 51,615,304
Less: Scholarship Aid	<u>(18,431,514)</u>	<u>0</u>	<u>0</u>	<u>(18,431,514)</u>
Net Tuition and Fees	33,183,790	0	0	33,183,790
Government Grants and Contracts	2,618,473	0	0	2,618,473
Private Gifts and Grants	613,972	1,343,106	291,507	2,248,585
Investment Return	602,260	1,141,040	85,897	1,829,197
Change in Value of Annuity Obligations	0	0	(23,688)	(23,688)
Sales and Service of Auxiliary Enterprises	7,166,958	0	0	7,166,958
Other Sources	<u>690,273</u>	<u>0</u>	<u>0</u>	<u>690,273</u>
Total Revenue and Gains	44,875,726	2,484,146	353,716	47,713,588
Net Assets Released from Restrictions	<u>866,853</u>	<u>(902,006)</u>	<u>35,153</u>	<u>0</u>
Total Revenue, Gains, and Other Support	<u>45,742,579</u>	<u>1,582,140</u>	<u>388,869</u>	<u>47,713,588</u>
Expenses				
Educational and General				
Instructional and Research	17,077,393	0	0	17,077,393
Academic Support	5,172,810	0	0	5,172,810
Student Services	9,383,513	0	0	9,383,513
Institutional Support	<u>11,539,512</u>	<u>0</u>	<u>0</u>	<u>11,539,512</u>
Total Educational and General	43,173,228	0	0	43,173,228
Auxiliary Enterprises	<u>4,901,933</u>	<u>0</u>	<u>0</u>	<u>4,901,933</u>
Total Expenses	<u>48,075,161</u>	<u>0</u>	<u>0</u>	<u>48,075,161</u>
Increase (Decrease) in Net Assets	(2,332,582)	1,582,140	388,869	(361,573)
Net Assets, Beginning of Year	<u>23,616,003</u>	<u>7,912,325</u>	<u>9,145,463</u>	<u>40,673,791</u>
Net Assets, End of Year	<u>\$ 21,283,421</u>	<u>\$ 9,494,465</u>	<u>\$ 9,534,332</u>	<u>\$ 40,312,218</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

UTICA COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows from (Used by) Operating Activities		
Increase (Decrease) in Net Assets	\$ 3,661,071	\$ (361,573)
Adjustments for Noncash Transactions		
Depreciation	2,666,707	3,392,749
Amortization of Bond Issuance Costs	79,986	169,802
Allowance for Uncollectibles	1,235,735	509,245
Gifts of Marketable Securities	(436,693)	(771,174)
Realized (Gain) on Long-Term Investments	(1,681,323)	(1,762,520)
Unrealized (Gain) Loss on Long-Term Investments	(2,440,762)	705,199
(Increase) Decrease in Assets		
Tuition and Fees Receivable	(305,642)	(673,414)
Grants and Other Operating Receivables	(518,719)	(351,184)
Unconditional Promises to Give	131,252	522,483
Inventories	(3,730)	5,464
Other Deferred and Prepaids	(76,128)	(9,671)
Perkins and Gate Loans Receivable	589,394	(520,153)
Restricted Cash - Construction	(611,600)	(2,176,903)
Other Receivable	(350,000)	0
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Liabilities	(35,970)	936,798
Deposits and Deferred Revenue	(198,260)	878,427
Charitable Trust Obligations	(10,882)	(10,462)
Federal Student Loans Deferred	(81,258)	(40,248)
Postretirement Liabilities	<u>298,498</u>	<u>506,680</u>
Net Cash Flows from Operating Activities	<u>1,911,676</u>	<u>949,545</u>
Cash Flows from (Used by) Investing Activities		
Purchases of Investments	(11,907)	(5,115,656)
Proceeds from Sales of Investments	1,943,657	7,530,696
Reinvested Interest and Dividends	(524,394)	(363,074)
Payments for Bond Issuance Costs	180,720	(1,140,105)
Payments for Capital Assets	(8,023,719)	(7,203,540)
Interest Charged to Construction	<u>(87,826)</u>	<u>0</u>
Net Cash (Used by) Investing Activities	<u>(6,523,469)</u>	<u>(6,291,679)</u>

(Continued)

The Accompanying Notes are an Integral Part of These Financial Statements.

UTICA COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2007 and 2006
(Continued)

	<u>2007</u>	<u>2006</u>
Cash Flows from (Used by) Financing Activities		
Repayment of Long-Term Debt	(446,000)	\$ (8,294,000)
Proceeds of Long-Term Debt	0	12,140,000
Bond Premium	(131,586)	154,997
Payments to Bond Trustee	(2,444,059)	(14,287,738)
Interest Earned by Bond Trustees	(253,536)	(194,954)
Proceeds from Bond Trustee	5,985,108	15,279,568
Proceeds from Line of Credit	1,050,000	0
Repayment of Line of Credit	<u>(1,050,000)</u>	<u>0</u>
Net Cash Flows from Financing Activities	<u>2,709,927</u>	<u>4,797,873</u>
 Net (Decrease) in Cash and Cash Equivalents	 (1,901,866)	 (544,261)
 Cash and Cash Equivalents, Beginning of Year	 <u>1,991,405</u>	 <u>2,535,666</u>
 Cash and Cash Equivalents, End of Year	 <u>\$ 89,539</u>	 <u>\$ 1,991,405</u>

Supplemental Cash Flow Disclosures

Cash Paid During the Year for		
Interest	<u>\$ 2,016,450</u>	<u>\$ 2,289,925</u>
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Utica College (the College), located in Utica, New York, was established in 1946 to educate undergraduate students, preparing them to achieve distinction in their chosen professions. The College offers four-year programs leading to the Bachelor of Arts or the Bachelor of Science degrees in a broad variety of majors in the liberal arts and sciences and in professional studies. In addition, the College offers several degrees for graduate programs. The College's main sources of revenue are derived from tuition and fees charged to students, government grants and contracts, and sales and services related to auxiliary enterprises.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These financial statements, presented on the accrual basis of accounting, have been prepared to focus on the College as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by reporting information regarding financial position and activities according to three classes: permanently restricted, temporarily restricted, or unrestricted.

Classification of Net Assets

The accompanying financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that are permanently maintained by the College. Generally, donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or may not be met by actions of the College and/or the passage of time.

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Contributions and Donations

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Income (losses) and realized and unrealized net gains (losses) on investments of endowment and similar funds are reported as follows:

- As increases (decreases) in permanently restricted net assets if the terms of the gift or the College Board's interpretation of relevant State law require that they be added to (subtracted from) the principal of the Permanent Endowment Fund;
- As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the use of income;
- As increases (decreases) in unrestricted net assets in all other cases.

Temporarily Restricted Net Assets

With respect to temporarily restricted net assets, the College follows the optional accounting policies as permitted by the various provisions of Statement of Financial Accounting Standards (SFAS) No. 116:

Release of Restriction of Net Assets - The College has adopted the provisions of SFAS No. 116 concerning the release from restrictions on temporarily restricted net assets upon the occurrence of an expense when both unrestricted and temporarily restricted net assets are available for that purpose.

Contributions With Restrictions Met in the Same Year - Contributions received with donor-imposed restrictions that are met in the same year are reported as revenues in the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Collections

Contributions of works of art, historical treasures, and similar assets held as part of a collection for education, research, or public exhibition rather than resale have been recognized as revenue at their estimated fair market value at the date of receipt based upon appraisals or similar valuations. Such items, along with purchased works of art, have been capitalized.

Auxiliary Enterprises

The College's auxiliary enterprises exist primarily to furnish goods and services to students, faculty, and staff. Managed as essentially self-supporting activities, the College's auxiliaries consist of residence halls and dining halls. Auxiliary enterprise revenues and expenses are reported in the statements of activities in unrestricted net assets.

Endowment Spending Rate Policy

The College's endowment fund investments are managed to achieve the maximum long-term total return. The College's Board of Trustees has authorized a policy permitting the use of total returns at a rate (spending rate) of up to 5.25% of the four-year average market value of the endowment portfolio on the last day of the preceding fiscal year for current operations. The remainder is retained to support operations of future years. This policy is designed to preserve the value of the portfolio in real terms (after inflation) and provide a predictable flow of funds to support operations.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. In addition, estimates and assumptions are used to determine disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used in the determination of allowance for doubtful accounts, depreciation, post retirement benefits, and certain accrued liabilities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits and certificates of deposit with original maturities less than 90 days, except that such investments purchased with endowment assets or deposits with trustees are classified as long-term investments.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

The inventory is recorded at stated value which approximates market.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair market values with gains and losses included in the Statement of Activities. Real estate holdings are recorded at appraised value. Certain parcels of donated land at May 31, 2006, are reported at \$1 plus related closing costs. The land was sold during the year ended May 31, 2007, and was recorded as support.

Capital Assets

Most Capital Assets are stated at cost if purchased or at fair value (on the date of receipt) if donated. Certain land and buildings were recorded at fair value on the date of transfer from a former affiliated entity. Depreciation is calculated using the straight-line method over estimated useful lives of assets as follows:

Land Improvements	5 to 20 Years
Buildings and Improvements	20 to 40 Years
Leasehold Improvements	20 Years
Equipment	5 to 8 Years
Library and Art Collections	10 to 100 Years
Other Capitalized Costs	10 Years

The College's capitalization policy requires that all donated or purchased property with a cost or fair market value exceeding \$1,000 is recorded as a capital asset.

Expense Allocation

Expenses are reported by functional classification which include instructional and research, academic support, student services, institutional support, and auxiliary enterprises. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Advertising

The College expenses the cost of advertising as it is incurred. Advertising expense for 2007 and 2006 were \$270,663 and \$217,845, respectively.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2007 and 2006

NOTE 2 TAXABLE STATUS

The College is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and utilizes May 31 as its fiscal year end. In addition, the College has been classified as an organization that is not a private foundation.

NOTE 3 RECEIVABLES

The tuition and fees and Perkins and Gate Loans receivables are presented in the statements of financial position at cost net of an allowance for uncollectible accounts. The College allows for estimated losses on accounts receivable based on prior bad debt experience and a review of existing receivables. The following is a summary of those receivables and their respective allowances as of May 31, 2007 and 2006:

	2007		
	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Tuition and Fees Receivable	\$ 4,847,804	\$(2,220,960)	\$ 2,626,844
Perkins and Gate Loans Receivable	\$ 2,177,837	\$ (219,859)	\$ 1,957,978
	2006		
	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Tuition and Fees Receivable	\$ 6,410,806	\$(2,853,869)	\$ 3,556,937
Perkins and Gate Loans Receivable	\$ 2,728,122	\$ (180,750)	\$ 2,547,372

During the years ended May 31, 2007 and 2006, the College recognized bad debt expense of \$1,235,735 and \$509,245, respectively, related to tuition and fees and Perkins and Gate Loans receivable. Accounts receivable are written off as they are deemed uncollectible by management. The College considers its other receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2007 and 2006

NOTE 4 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

Unconditional promises to give expected to be collected in:

	<u>2007</u>	<u>2006</u>
Less Than One Year	\$ 57,680	\$ 95,018
One to Five Years	75,219	162,055
More Than Five Years	<u>11,021</u>	<u>18,099</u>
Total Unconditional Promises to Give	<u>\$ 143,920</u>	<u>\$ 275,172</u>

The College considers all amounts to be fully collectible; accordingly, no allowance for doubtful accounts has been established. Promises to give expected to be received beyond one year have not been discounted due to immateriality.

NOTE 5 DEPOSITS WITH BOND TRUSTEES AND RESTRICTED CASH

Bond proceeds and related investment income not yet expended for new construction, and/or equipment purchases, and used to establish debt service funds are held on deposit with bond trustees. The College has entered into a financing agreement to finance construction projects and has deposited funds with trustees for such projects. Bond proceeds, including interest income in excess of construction costs are reserved for future debt service obligations. Additionally, under the financing agreement, deposits with bond trustees represent required reserves for debt service combined with earnings on such funds. At May 31, 2007 and 2006, the College maintained required debt service reserves of \$2,465,152 and \$2,388,531, respectively.

Deposits with bond trustees at May 31, 2007 and 2006, are comprised of cash and cash equivalents invested in interest-bearing accounts, and were \$3,421,693 and \$6,709,206, respectively.

Restricted cash of \$3,067,646 and \$2,456,046 at May 31, 2007 and 2006, respectively, consists of money held for construction costs as a result of the Capital Campaign.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2007 and 2006

NOTE 6 LONG-TERM INVESTMENTS

Investments at May 31, 2007 and 2006, are comprised of the following:

	2007		2006	
	Market	Cost	Market	Cost
Endowed Cash and Cash				
Equivalents	\$ 446,688	\$ 446,688	\$ 97,151	\$ 97,151
Corporate Equities	89,621	88,208	62,070	62,070
Mutual Funds	19,317,148	16,460,961	16,557,828	16,118,090
Life Insurance – Cash				
Surrender Value	381,438	323,093	352,792	317,347
Real Estate Holdings	<u>0</u>	<u>0</u>	<u>13,630</u>	<u>13,630</u>
Total	<u>\$ 20,234,895</u>	<u>\$ 17,318,950</u>	<u>\$ 17,083,471</u>	<u>\$ 16,608,288</u>

For the periods ended May 31, 2007 and 2006, the components of the College's investment return are as follows:

	2007	2006
Interest and Dividends	\$ 1,123,958	\$ 791,184
Net Realized Gain	1,681,323	1,762,520
Net Unrealized Gain (Loss)	2,440,762	(705,199)
Less: Investment Fees	<u>(20,439)</u>	<u>(19,308)</u>
Total Return on Investment	<u>\$ 5,225,604</u>	<u>\$ 1,829,197</u>

Certain parcels of donated land were reported at \$1 as of May 31, 2006, (along with any fees incurred that are associated with the property) and were recorded as support when the land was sold during the year ended May 31, 2007.

The Adirondack property was sold on September 29, 2006, for \$1,721,000, therefore, a realized gain of \$1,696,582 was recorded for the year ended May 31, 2007.

The Vero Beach Property, including dock rights, was sold on June 30, 2005, for \$2,500,000. A realized gain of \$1,350,560 was recorded for the year ended May 31, 2006.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2007 and 2006

NOTE 7 CHARITABLE REMAINDER TRUST

The College is the beneficiary of a charitable remainder trust which is administered by a third party. A charitable remainder trust provides for the payment of distributions to the donors' designated beneficiaries over the trust's term (designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the College's use. The portion of the trust attributable to the present value of the future benefits to be received by the College was recorded in the Statement of Activities as a temporarily restricted contribution in the period the trust was established. Net distributions for the years ended May 31, 2007 and 2006, totaled \$23,024 and \$23,850, respectively. Assets held in the charitable remainder trust totaled \$432,527 and \$396,988 at May 31, 2007 and 2006, respectively, and are reported at fair market value in the College's long-term investment on the Statements of Financial Position.

On an annual basis, the College revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$191,576 and \$199,172 at May 31, 2007 and 2006, respectively) is calculated using a discount rate of 6.4% and applicable mortality tables. The change in the present value of the estimated future payments of \$7,596 and \$7,537 for the years ended May 31, 2007 and 2006, are recorded in the Statements of Activities.

NOTE 8 CHARITABLE GIFT ANNUITY

In addition to a charitable remainder trust, the College also administers several charitable gift annuities. The gift annuities provide for distributions to the donors for the remainder of their lives. Upon the death of the donors, the remaining assets are available for College use, subject to donor restrictions, if any. At May 31, 2007 and 2006, the College's obligation on these annuities totaled \$99,069 and \$102,356, respectively. The obligations were calculated similar to the charitable remainder trust using discount rates varying from 3.8% to 6.0%. Distributions under these annuity arrangements were \$10,300 for each of the years ended May 31, 2007 and 2006, respectively.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2007 and 2006

NOTE 9 LAND, BUILDINGS, AND EQUIPMENT, NET AND CONSTRUCTION IN PROGRESS

A detail of the College's land, buildings, and equipment, net at May 31, 2007 and 2006, consisted of the following:

	<u>2007</u>	<u>2006</u>
Land	\$ 6,205,850	\$ 6,205,850
Land Improvements	3,441,702	3,177,168
Buildings and Improvements	48,255,507	46,991,205
Leasehold Improvements	868,480	812,292
Equipment	10,578,092	9,806,649
Library and Art Collections	7,903,870	7,480,355
Other Capitalized Costs	120,484	120,484
Accumulated Depreciation	<u>(24,569,439)</u>	<u>(21,902,516)</u>
Net Land, Buildings, and Equipment	<u>\$ 52,804,546</u>	<u>\$ 52,691,487</u>

Total depreciation for the years ended May 31, 2007 and 2006, was \$2,666,707 and \$3,392,749, respectively, and was allocated to the College's functional expense categories.

Construction in progress of \$5,942,912 and \$611,134 at May 31, 2007 and 2006, respectively, consists of costs related to the Science and Technology Center.

NOTE 10 BOND ISSUANCE COSTS

The College has incurred costs associated with the issuance of bonds. Such costs are deferred and amortized using the straight-line method over the life of related debt. Amortization expense of bond issuance costs was \$79,986 and \$169,802 for the years ended May 31, 2007 and 2006, respectively. Bond issuance costs net of accumulated amortization at May 31, 2007 and 2006, were as follows:

	<u>2007</u>	<u>2006</u>
Bond Issuance Costs	\$ 1,799,336	\$ 1,980,057
Accumulated Amortization	<u>(657,190)</u>	<u>(577,205)</u>
Bond Issuance Costs (Net)	<u>\$ 1,142,146</u>	<u>\$ 1,402,852</u>

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2007 and 2006

NOTE 11 REVOLVING LINE OF CREDIT

The College also has an unsecured \$4,000,000 revolving line of credit, bearing interest at a rate of 8.25% and 8% for the years ended May 31, 2007 and 2006, respectively. The College borrowed \$1,050,000 and \$0 against this line during the years ended May 31, 2007 and 2006, respectively. The College paid \$7,184 and \$0 in interest for the years ended May 31, 2007 and 2006, respectively. The College did not have an outstanding balance on its line of credit at May 31, 2007 and 2006.

NOTE 12 LONG-TERM DEBT

The College's outstanding debt at May 31, 2007 and 2006, consisted of the following:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>2007</u>	<u>2006</u>
Academic Building Bonds –				
1969	10/09	3.000%	\$ 162,368	\$ 213,367
Revenue Bonds – 1998	08/08	5.300%	320,000	470,000
Revenue Bonds – 1998	08/28	5.750%	7,005,000	7,005,000
Term Bond – 2001	12/11	6.375%	1,465,000	1,710,000
Term Bond – 2001	12/21	6.750%	4,815,000	4,815,000
Term Bond – 2001	12/31	6.850%	9,300,000	9,300,000
Term Bond – 2005 Series A	10/25	3.600%	4,110,000	4,110,000
Term Bond – 2005 Series B	10/34	2.720-		
		4.500%	<u>8,030,000</u>	<u>8,030,000</u>
			35,207,368	35,653,367
Current Maturities			<u>(467,000)</u>	<u>(446,000)</u>
Total Long-Term Debt			<u>\$ 34,740,368</u>	<u>\$ 35,207,367</u>

Based on current borrowing rates, the fair value of these notes approximates their carrying amounts.

The 1969 series bonds are secured by the revenues of the related project and all income and receipts earned on funds held by the trustee.

The 1998 series bonds are secured by all the monies and securities held by the trustees, a first mortgage lien on the facility, and a first priority security interest on the equipment, receipts, revenues, and income received by the College from the operations of the facility.

The 2001 series bonds are secured by a mortgage lien on and security interest in certain real property and buildings and structures located on its campus.

The 2005 series bonds are secured by a letter of credit with Citizens Bank in an amount equal to outstanding principal and thirty five days of interest at the maximum rate under the indenture agreement. The bonds are further secured by the monies and securities held by the trustees and accounts established under the indenture and investment earnings thereon.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2007 and 2006

NOTE 12 LONG-TERM DEBT (Continued)

Total interest expense incurred on Long-Term Debt was \$2,000,322 and \$2,351,428 for the years ended May 31, 2007 and 2006, respectively.

The various bonds are collateralized by the related property and equipment. The Academic Building Bonds and Revenue Bond agreement requires the establishment of a debt service reserve which is recorded in the Statement of Financial Position at year end. The College was in compliance with debt covenants at May 31, 2007 and 2006.

The future annual requirements to amortize long-term debt outstanding at May 31, 2007, are as follows:

Year Ending May 31,	Amount
2008	467,000
2009	494,000
2010	521,368
2011	610,000
2012	920,000
To Maturity	<u>32,195,000</u>
Total	<u>\$ 35,207,368</u>

Advance Refunding

On November 29, 2005, the College refunded and defeased in substance its outstanding 2004 Series bonds of \$7,840,000 with the Series 2005B bonds. All of the issuance costs were funded from the bond proceeds. The net proceeds of \$7,923,656, in addition to the 2004 Series bond reserve of \$639,209, were deposited into an irrevocable trust to provide funding for the debt service on the 2004 Series bonds to the call date in the year 2009. The excess costs of \$722,865 necessary to defease the 2004 Series bonds will be amortized over the remaining life of the bonds and are included in bond issuance costs.

NOTE 13 BOND PREMIUM

The College recognized bond premiums in conjunction with the sale of the Series 2005 and 2004 bonds. The bond premiums of \$521,776 and \$653,362 at May 31, 2007 and May 31, 2006, respectively, are being amortized as interest income over the life of the bonds.

NOTE 14 LEASE COMMITMENTS

On August 13, 1998, the College sold the Burrstone House Building to St. Luke's Memorial Hospital Center (Hospital). As a condition of the sale, the College is allowed to lease back space in the building for a period not to exceed 10 years. Under the agreement, the College or the Hospital can terminate the lease providing certain time restrictions are met.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2007 and 2006

NOTE 14 LEASE COMMITMENTS (Continued)

The lease agreement set forth monthly rent payments for the first five years of the lease based on 78% (the College's percent of square footage occupied) of the mortgage, land lease, and depreciation costs incurred by the Hospital. The next five years of the agreement are on an annual basis and are calculated using the same components as the first five years. Total lease expense was \$109,189 and \$174,564 for the years ended May 31, 2007 and 2006, respectively.

On May 11, 2001, the College entered into two lease agreements with the Upper Mohawk Valley Memorial Auditorium Authority (Authority) for the Utica Memorial Auditorium (Auditorium).

The first agreement provides for the College to lease the ice arena to facilitate its collegiate ice hockey program which began during the 2001-2002 academic year. The terms of the lease are for 10 years beginning October 1, 2001, with the ability to renew and terminate in accordance with the specifications outlined in the agreement. Rent is paid in the amount of \$95 per hour. The Authority reserves the right to increase this rate during the remaining years, not to exceed an increase of 10%, in any one year. The agreement also outlines terms for concessions and admissions. Facilities rental expense was \$69,758 and \$66,747 at May 31, 2007 and 2006, respectively.

A separate agreement with the Authority dated the same, is for a term of 20 years, beginning June 1, 2001, for \$10 annually. The College leases a parcel of land adjacent to the Auditorium which will be used to construct a locker room facility. The College is responsible for utilities and repairs for the locker room facility. The lease has certain options for renewal and termination as outlined in the agreement. Total capitalized leasehold improvements related to this project amounted to \$717,008 at May 31, 2007 and 2006.

NOTE 15 POSTRETIREMENT BENEFITS

The College sponsors two defined benefit postretirement plans which cover substantially all employees that attain the age of 55 years with one year of service. For new employees hired after May 31, 2004, an individual must be at least 55, with a minimum of 5 years of service and a minimum combination of service and age at retirement equaling at least 65. All employees aged 50 or older as of May 31, 2004, are exempt from this provision. Prior to February 1, 2007, the three postretirement plans offered were Blue PPO, Blue EPO, and Four Front Plans through Excellus Blue Cross Blue Shield. Effective February 1, 2007, the three postretirement plans offered are Blue PPO, Blue EPO, and High Deductible Health Plans through Excellus Blue Cross Blue Shield. For coverage after age 65, retirees are covered by the same medical plans provided for active employees (Blue PPO, Blue EPO, and the High Deductible Health Plans), with the option

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2007 and 2006

NOTE 15 POSTRETIREMENT BENEFITS (Continued)

to elect Medicare Advantage. These plans are contributory (effective January 1, 2006 the contributory portion is 17%) for retirees under age 65, and are noncontributory for those 65 through 69. Coverage under the health care plan ceases once a retiree reaches the age of 70 years. Retirees 70 or older may continue their coverage on a full payment basis. All retirees are provided life insurance benefits of \$3,000 which continue beyond the age of 70 until death of the retiree.

Upon Utica College becoming a separate fiscal entity, Syracuse University assumed the liability for all Utica College retirees as of that date. In accordance with the provisions of SFAS No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions," Utica College recognized the accrued postretirement benefit cost they had previously accrued as of June 30, 1995, while financially affiliated with Syracuse University, with the exception of the Accumulated Postretirement Benefit Obligation for retirees as of the date of separation.

Information with respect to the plans is as follows:

	<u>2007</u>	<u>2006</u>
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	\$ 7,489,008	\$ 8,127,115
Service Cost	296,648	317,352
Interest Cost	408,139	396,328
Plan Participant's Contributions	34,029	66,321
Amendments/Curtailments/Special Termination	(1,052,238)	0
Actuarial (Gain)	(211,713)	(926,475)
Benefits Paid	<u>(555,119)</u>	<u>(491,633)</u>
Benefit Obligation at End of Year	<u>\$ 6,408,754</u>	<u>\$ 7,489,008</u>
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	\$ 0	\$ 0
Employer Contribution	521,090	425,312
Plan Participant's Contributions	34,029	66,321
Benefits Paid	<u>(555,119)</u>	<u>(491,633)</u>
Fair Value of Plan Assets at Year End	<u>\$ 0</u>	<u>\$ 0</u>
Components of Prepaid/(Accrued) Benefit Cost		
Funded Status	\$ (6,408,754)	\$ (7,489,008)
Unrecognized Transition Obligation	0	0
Unrecognized Prior Service Cost	(315,493)	794,551
Unrecognized Actuarial Net Loss	<u>1,428,730</u>	<u>1,697,438</u>
(Accrued) Benefit Cost	<u>\$ (5,295,517)</u>	<u>\$ (4,997,019)</u>

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2007 and 2006

NOTE 15 POSTRETIREMENT BENEFITS (Continued)

	2007	2006
Components of Net Periodic Benefit Cost		
Service Cost	\$ 296,648	\$ 317,352
Interest Cost	408,139	396,328
Amortization of Gains and Losses	56,997	115,322
Amortization of Unrecognized Prior Service Cost	57,806	102,990
Net Periodic Postretirement Benefit Cost	\$ 819,590	\$ 931,992

The College expects to contribute \$513,375 to the plans, net of employee contributions for the year ending May 31, 2008.

The weighted average assumptions used to determine the benefit obligation and net benefit cost are as follows for the years ended May 31, 2007 and 2006:

	Discount Rate	
	2007	2006
Benefit Obligation	6.15%	6.07%
Net Periodic Benefit Cost	6.07%	5.25%

Estimated Future Benefit Payments

Shown below are expected benefit payments which reflect expected future service for the fiscal year:

	Gross Payments
2008	\$ 513,375
2009	\$ 548,410
2010	\$ 588,706
2011	\$ 586,609
2012	\$ 549,173
2013-2017	\$ 2,819,753

The assumed health care cost trend rate information is as follows:

Assumed pre-65 medical trend rates at May 31

Health care cost trend rate assumed for next year	9.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%
Year that the rate reaches the ultimate trend rate	2015

Assumed Post-65 medical trend rates at May 31

Health care cost trend rate assumed for next year	7.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%
Year that the rate reaches the ultimate trend rate	2015

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2007 and 2006

NOTE 15 POSTRETIREMENT BENEFITS (Continued)

Assumed Prescription Drug trend rates at May 31

Health care cost trend rate assumed for next year	12.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%
Year that the rate reaches the ultimate trend rate	2015

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in the health care cost trend rates would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest cost components	\$ 88,270	\$ (77,404)
Effect on postretirement benefit obligation	\$ 564,296	\$ (511,687)

Utica College has chosen not to apply for the Medicare Part D prescription drug federal subsidy. Therefore, the above disclosure does not reflect the impact of Medicare Part D. Authoritative guidance on Accounting for the Act's federal subsidy is pending and that guidance, when issued, could require changes to previously reported information.

The College measures the obligations and related asset values as of May 31 of each year.

NOTE 16 PENSION PLANS

The College participates in the Teachers' Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF) program. TIAA/CREF is a not-for-profit organization which provides benefits through annuity contracts. The retirement program is a defined contribution retirement plan.

The College contributes up to 11% of eligible employees' earnings to TIAA/CREF on an annual basis and for the years ended May 31, 2007 and 2006, the College's required contributions amounted to \$1,512,848 and \$1,400,468, respectively.

NOTE 17 RELATED PARTIES

The College conducts business with various vendors throughout the Greater Utica Area. Several of the College's vendors have principals or employees currently serving on its Board of Trustees. In accordance with College's by-laws, each vendor serving on the College's Board of Trustees is required to disclose the details of transactions and other business involvements with the College. Significant related party transactions for the year ended May 31, 2007, include certain lines of insurance coverage (approximately \$30,000), automobile sales, leases, or rentals and parts and service (approximately \$100,000), data processing and printing services (approximately \$95,000), janitorial, landscape, and building maintenance service (approximately \$2,300,000 annual contract), and gas purchases (approximately \$50,815).

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2007 and 2006

NOTE 18 AFFILIATED ORGANIZATIONS

Effective July 1, 1995, the College became a legally and fiscally independent institution of higher education. However, the College continues to be academically affiliated with Syracuse University.

NOTE 19 CONTINGENCIES

Federally funded financial aid programs are subject to special audit. Such audits could result in claims against the resources of the College. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 20 RESTRICTED NET ASSETS

The College's temporarily and permanently restricted net assets are comprised of the following at May 31, 2007 and 2006:

Temporarily Restricted Net Assets

	<u>2007</u>	<u>2006</u>
Campus Development	\$ 4,719,386	\$ 2,844,996
Faculty and Academic Program Development	649,752	729,622
Library	93,451	112,398
Scholarships	784,578	649,703
Endowment and Developing Endowment	<u>7,225,050</u>	<u>5,157,746</u>
Total	<u>\$ 13,472,217</u>	<u>\$ 9,494,465</u>

Permanently Restricted Net Assets

Endowment Funds	\$ 9,921,151	\$ 9,273,313
Life Income and Similar	<u>307,396</u>	<u>261,019</u>
Total	<u>\$ 10,228,547</u>	<u>\$ 9,534,332</u>