

UTICA COLLEGE

For the Year Ended
May 31, 2005

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, 2005 and 2004, 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 the financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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, 2005 and 2004, and the changes in its net assets and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

D'Arcangelo + Co., LLP

August 8, 2005

Utica, New York

UTICA COLLEGE
STATEMENTS OF FINANCIAL POSITION
May 31, 2005 and 2004

	Assets	<u>2005</u>	<u>2004</u>
Current Assets			
Cash and Cash Equivalents		\$ 2,814,809	\$ 3,331,502
Tuition and Fees Receivable, Net		3,392,768	2,492,645
Grants and Other Operating Receivables		260,414	294,863
Unconditional Promises to Give		574,893	105,654
Inventories		37,328	36,424
Other Deferrred and Prepaids		<u>292,939</u>	<u>113,988</u>
Total Current Assets		<u>7,373,151</u>	<u>6,375,076</u>
Long-Term and Restricted Assets			
Deposits with Bond Trustees		7,506,082	3,670,008
Perkins and Gate Loans Receivable, Net		2,027,219	1,947,806
Unconditional Promises to Give		222,762	263,341
Investments, at Market		<u>17,306,824</u>	<u>14,178,430</u>
Total Long-Term and Restricted Assets		<u>27,062,887</u>	<u>20,059,585</u>
Capital Related Assets			
Land, Buildings, and Equipment, Net		49,491,830	44,638,293
Bond Issuance Costs, Net		<u>432,549</u>	<u>317,858</u>
Total Capital Related Assets		<u>49,924,379</u>	<u>44,956,151</u>
Total Assets		<u>\$ 84,360,417</u>	<u>\$ 71,390,812</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable and Accrued Liabilities		\$ 2,699,516	\$ 2,748,434
Deposits and Deferred Revenue		2,797,744	2,142,541
Current Portions of Long-Term Debt		454,000	638,000
Total Current Liabilities		<u>5,951,260</u>	<u>5,528,975</u>
Long-Term Liabilities			
Charitable Trust Obligations		311,989	319,568
Federal Student Loans Deferred		1,081,305	1,101,881
Postretirement Liabilities		4,490,339	3,951,837
Long-Term Debt		<u>31,851,733</u>	<u>23,932,368</u>
Total Long-Term Liabilities		<u>37,735,366</u>	<u>29,305,654</u>
Net Assets			
Unrestricted		23,616,003	23,416,076
Temporarily Restricted		7,912,325	4,966,501
Permanently Restricted		<u>9,145,463</u>	<u>8,173,606</u>
Total Net Assets		<u>40,673,791</u>	<u>36,556,183</u>
Total Liabilities and Net Assets		<u>\$ 84,360,417</u>	<u>\$ 71,390,812</u>

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

UTICA COLLEGE
STATEMENTS OF ACTIVITIES
For the Year Ended May 31, 2005
(With Comparative Totals for the Year Ended May 31, 2004)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2005	2004
Revenue, Gains, and Other Support					
Tuition and Fees	\$ 47,489,051	\$ 0	\$ 0	\$ 47,489,051	\$ 42,513,511
Less: Scholarship Aid	<u>(17,436,182)</u>	<u>0</u>	<u>0</u>	<u>(17,436,182)</u>	<u>(16,025,637)</u>
Net Tuition and Fees	30,052,869	0	0	30,052,869	26,487,874
Government Grants and Contracts	3,995,414	0	0	3,995,414	2,382,547
Private Gifts and Grants	520,781	1,475,160	877,032	2,872,973	1,036,809
Investment Return	744,030	2,248,146	39,008	3,031,184	1,948,524
Change in Value of Annuity Obligations	0	0	(26,588)	(26,588)	(21,702)
Sales and Service of Auxiliary Enterprises	6,649,560	0	0	6,649,560	6,180,821
Other Sources	<u>742,085</u>	<u>0</u>	<u>0</u>	<u>742,085</u>	<u>816,156</u>
Total Revenue and Gains	42,704,739	3,723,306	889,452	47,317,497	38,831,029
Net Assets Released from Restrictions	<u>695,077</u>	<u>(777,482)</u>	<u>82,405</u>	<u>0</u>	<u>0</u>
Total Revenue, Gains, and Other Support	<u>43,399,816</u>	<u>2,945,824</u>	<u>971,857</u>	<u>47,317,497</u>	<u>38,831,029</u>
Expenses					
Educational and General					
Instructional and Research	14,982,091	0	0	14,982,091	13,543,036
Academic Support	4,766,367	0	0	4,766,367	4,065,814
Student Services	8,345,714	0	0	8,345,714	7,358,895
Institutional Support	<u>10,771,253</u>	<u>0</u>	<u>0</u>	<u>10,771,253</u>	<u>9,623,510</u>
Total Educational and General	38,865,425	0	0	38,865,425	34,591,255
Auxiliary Enterprises	<u>4,334,464</u>	<u>0</u>	<u>0</u>	<u>4,334,464</u>	<u>4,352,852</u>
Total Expenses	<u>43,199,889</u>	<u>0</u>	<u>0</u>	<u>43,199,889</u>	<u>38,944,107</u>
Increase (Decrease) in Net Assets	199,927	2,945,824	971,857	4,117,608	(113,078)
Net Assets, Beginning of Year	<u>23,416,076</u>	<u>4,966,501</u>	<u>8,173,606</u>	<u>36,556,183</u>	<u>36,669,261</u>
Net Assets, End of Year	<u>\$ 23,616,003</u>	<u>\$ 7,912,325</u>	<u>\$ 9,145,463</u>	<u>\$ 40,673,791</u>	<u>\$ 36,556,183</u>

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

UTICA COLLEGE
STATEMENTS OF ACTIVITIES
For the Year Ended May 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2004</u>
Revenue, Gains, and Other Support				
Tuition and Fees	\$ 42,513,511	\$ 0	\$ 0	\$ 42,513,511
Less: Scholarship Aid	<u>(16,025,637)</u>	<u>0</u>	<u>0</u>	<u>(16,025,637)</u>
Net Tuition and Fees	26,487,874	0	0	26,487,874
Government Grants and Contracts	2,382,547	0	0	2,382,547
Private Gifts and Grants	431,235	409,687	195,887	1,036,809
Investment Return	1,028,671	888,498	31,355	1,948,524
Change in Value of Annuity Obligations	0	0	(21,702)	(21,702)
Sales and Service of Auxiliary Enterprises	6,180,821	0	0	6,180,821
Other Sources	<u>816,156</u>	<u>0</u>	<u>0</u>	<u>816,156</u>
Total Revenue and Gains	37,327,304	1,298,185	205,540	38,831,029
Net Assets Released from Restrictions	<u>736,847</u>	<u>(864,899)</u>	<u>128,052</u>	<u>0</u>
Total Revenue, Gains, and Other Support	<u>38,064,151</u>	<u>433,286</u>	<u>333,592</u>	<u>38,831,029</u>
Expenses				
Educational and General				
Instructional and Research	13,543,036	0	0	13,543,036
Academic Support	4,065,814	0	0	4,065,814
Student Services	7,358,895	0	0	7,358,895
Institutional Support	<u>9,623,510</u>	<u>0</u>	<u>0</u>	<u>9,623,510</u>
Total Educational and General	34,591,255	0	0	34,591,255
Auxiliary Enterprises	<u>4,352,852</u>	<u>0</u>	<u>0</u>	<u>4,352,852</u>
Total Expenses	<u>38,944,107</u>	<u>0</u>	<u>0</u>	<u>38,944,107</u>
Increase (Decrease) in Net Assets	(879,956)	433,286	333,592	(113,078)
Net Assets, Beginning of Year	<u>24,296,032</u>	<u>4,533,215</u>	<u>7,840,014</u>	<u>36,669,261</u>
Net Assets, End of Year	<u>\$ 23,416,076</u>	<u>\$ 4,966,501</u>	<u>\$ 8,173,606</u>	<u>\$ 36,556,183</u>

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

UTICA COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash Flows from (Used by) Operating Activities		
Increase (Decrease) in Net Assets	\$ 4,117,608	\$ (113,078)
Adjustments for Noncash Transactions		
Depreciation	2,879,783	2,531,344
Amortization of Bond Issuance Costs	79,986	79,986
Allowance for Uncollectibles	295,780	28,838
Gifts of Marketable Securities	(216,239)	(58,059)
Realized (Gain) on Long-Term Investments	(273,182)	(248,694)
Unrealized (Gain) Loss on Long-Term Investments	(2,166,433)	(1,212,937)
(Increase) Decrease in Assets		
Tuition and Fees Receivable	(1,144,314)	(528,894)
Grants and Other Operating Receivables	34,449	106,462
Unconditional Promises to Give	(428,660)	57,269
Inventories	(905)	12,254
Other Deferred and Prepaids	(178,951)	(35,274)
Perkins and Gate Loans Receivable	(131,002)	(246,554)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Liabilities	(48,918)	208,687
Deposits and Deferred Revenue	655,203	173,512
Charitable Trust Obligations	(7,579)	(10,221)
Federal Student Loans Deferred	(20,576)	(39,358)
Postretirement Benefits	538,502	581,710
Net Cash Flows from Operating Activities	<u>3,984,552</u>	<u>1,286,993</u>
Cash Flows from (Used by) Investing Activities		
Purchases of Investments	(898,477)	(113,589)
Proceeds from Sales of Investments	764,949	704,840
Reinvested Interest and Dividends	(339,012)	(290,941)
Payments for Bond Issuance Costs	(194,678)	0
Payments for Capital Assets	<u>(7,733,318)</u>	<u>(1,944,097)</u>
Net Cash (Used by) Investing Activities	<u>(8,400,536)</u>	<u>(1,643,787)</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, 2005 and 2004
(Continued)

	<u>2005</u>	<u>2004</u>
Cash Flows from (Used by) Financing Activities		
Repayment of Long-Term Debt	\$ (638,000)	\$ (396,000)
Proceeds of Long-Term Debt	8,373,365	0
Payments to Bond Trustee	(7,364,213)	(1,846,723)
Interest Earned by Bond Trustees	(144,038)	(254,540)
Proceeds from Bond Trustee	3,672,177	3,163,941
Proceeds from Line of Credit	1,111,000	1,000,000
Repayment of Line of Credit	<u>(1,111,000)</u>	<u>(1,000,000)</u>
Net Cash Flows from Financing Activities	<u>3,899,291</u>	<u>666,678</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (516,693)	 309,883
 Cash and Cash Equivalents, Beginning of Year	 <u>3,331,502</u>	 <u>3,021,619</u>
 Cash and Cash Equivalents, End of Year	 <u>\$ 2,814,809</u>	 <u>\$ 3,331,502</u>

Supplemental Cash Flow Disclosures

Cash Paid During the Year for		
Interest	<u>\$ 1,733,998</u>	<u>\$ 1,537,680</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

For the Year Ended May 31, 2005

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 source of revenue is derived from tuition and fees charged to students, government grants and contracts, and sale and service of auxiliary enterprises.

Basis of Presentation

The financial statements of the College, which have been prepared on the accrual basis of accounting, focus on the College as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. This has been accomplished by reporting information regarding financial position and activities according to three classes of net assets 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.

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.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

For the Year Ended May 31, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (subtracted) to 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 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.

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.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

For the Year Ended May 31, 2005

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

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.

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.

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 are reported at \$1 plus related closing costs and will be recorded as support when they are sold.

Capital Assets

Most Capital Assets are stated at cost if purchased or at fair value (on the date of donation) if donated. Certain land and buildings were recorded at fair value on the date of transfer from its affiliated entities. 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

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

For the Year Ended May 31, 2005

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

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 2005 and 2004 were \$212,300 and \$187,236, respectively.

Reclassification

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

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, 2005 and 2004:

	2005		
	Gross	Allowance	Net
Tuition and Fees Receivable	\$ 4,228,385	\$ 835,617	\$ 3,392,768
Perkins and Gate Loans Receivable	\$ 2,196,507	\$ 169,288	\$ 2,027,219

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

For the Year Ended May 31, 2005

NOTE 3 RECEIVABLES (Continued)

	<u>2004</u>		
	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Tuition and Fees Receivable	\$ 3,084,071	\$ 591,426	\$ 2,492,645
Perkins and Gate Loans Receivable	\$ 2,065,505	\$ 117,699	\$ 1,947,806

During the years ended May 31, 2005 and 2004, the College recognized bad debts expense of \$364,033 and \$165,865, respectively. The College considers its other receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

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>2005</u>	<u>2004</u>
Less Than One Year	\$ 574,893	\$ 105,654
One to Five Years	202,305	242,884
More Than Five Years	<u>20,457</u>	<u>20,457</u>
Total Unconditional Promises to Give	<u>\$ 797,655</u>	<u>\$ 368,995</u>

The College considers all amounts to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

NOTE 5 DEPOSITS WITH BOND TRUSTEES

Bond proceeds and related investment income not yet expended for new construction, 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, 2005 and 2004, the College maintained required debt service reserves of \$2,820,944 and \$2,426,642, respectively.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

For the Year Ended May 31, 2005

NOTE 5 DEPOSITS WITH BOND TRUSTEES (Continued)

Deposits with bond trustees at May 31, 2005 and 2004, are comprised of cash and cash equivalents invested in interest-bearing accounts, and were \$7,506,082 and \$3,670,008, respectively.

NOTE 6 LONG-TERM INVESTMENTS

Investments at May 31, 2005 and 2004, are comprised of the following:

	<u>2005</u>		<u>2004</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Cash and Cash Equivalents	\$ 687,939	\$ 687,939	\$ 275,227	\$ 275,227
U.S. Government and Agencies	44,075	39,588	44,162	39,588
Corporate Equities	216,138	200,428	215,043	192,313
Mutual Funds	14,007,092	14,217,889	12,665,214	13,685,330
Life Insurance	338,600	318,178	308,247	301,486
Real Estate Holdings	<u>2,012,980</u>	<u>662,420</u>	<u>670,537</u>	<u>670,537</u>
Total	<u>\$ 17,306,824</u>	<u>\$ 16,126,442</u>	<u>\$ 14,178,430</u>	<u>\$ 15,164,481</u>

For the periods ended May 31, 2005 and 2004, the components of the College's investment return are as follows:

	<u>2005</u>	<u>2004</u>
Interest and Dividends	\$ 606,894	\$ 513,234
Net Realized Gain	273,182	248,694
Net Unrealized Gain (Loss)	2,166,433	1,201,943
Less: Investment Fees	<u>(15,325)</u>	<u>(15,347)</u>
Total Return on Investment	<u>\$ 3,031,184</u>	<u>\$ 1,948,524</u>

Real estate holdings include property recorded at appraised values at the date of the gift. Certain parcels of donated land are reported at \$1 (along with any fees incurred that are associated with the property) and will be recorded as support when the land is sold. Appraised values of these properties are as follows:

	<u>2005</u>		<u>2004</u>	
	<u>Appraisal Amount</u>	<u>Recorded Amount</u>	<u>Appraisal Amount</u>	<u>Recorded Amount</u>
Vero Beach	\$ 2,000,000	\$ 2,000,000	\$ 649,440	\$ 649,440
Adirondack Property	2,994,600	12,980	2,994,600	12,980
White Lake	<u>0</u>	<u>0</u>	<u>425,000</u>	<u>8,117</u>
Total	<u>\$ 4,994,600</u>	<u>\$ 2,012,980</u>	<u>\$ 4,069,040</u>	<u>\$ 670,537</u>

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

For the Year Ended May 31, 2005

NOTE 6 LONG-TERM INVESTMENTS (Continued)

The Vero Beach property, including dock rights, was sold on June 30, 2005, for \$2,500,000, therefore, an unrealized gain of \$1,350,560 and an additional gift of \$500,000 was recorded at May 31, 2005.

NOTE 7 CHARITABLE REMAINDER TRUST

The College administers charitable remainder trusts. 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 trusts attributable to the present value of the future benefits to be received by the College is recorded in the Statement of Activities as a temporarily restricted contribution in the period the trusts are established. Net distributions for the years ended May 31, 2005 and 2004, totaled \$23,687 and \$22,409, respectively. Assets held in the charitable remainder trust totaled \$384,587 and \$380,947 at May 31, 2005 and 2004, respectively, and are reported at fair market value in the College's long-term investment on the Statement 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 (\$206,709 and \$211,211 at May 31, 2005 and 2004, 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 \$4,502 and \$7,171 for the years ended May 31, 2005 and 2004, are recorded in the Statement of Activities.

NOTE 8 CHARITABLE GIFT ANNUITY

In addition to a charitable remainder trust, the College also administers several charitable gift annuities. At May 31, 2005 and 2004, the College's obligation on these annuities totaled \$105,280 and \$108,357, 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 and \$9,514 during each of the years ended May 31, 2005 and 2004, respectively.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

For the Year Ended May 31, 2005

NOTE 9 CAPITAL ASSETS

A detail of the College's capital assets at May 31, 2005 and 2004, consisted of the following:

	<u>2005</u>	<u>2004</u>
Land	\$ 6,195,850	\$ 6,185,588
Land Improvements	2,701,824	2,148,832
Buildings and Improvements	42,328,026	37,767,446
Leasehold Improvements	789,519	768,900
Equipment	8,813,982	6,639,652
Library and Art Collections	7,051,912	6,637,374
Other Capitalized Costs	120,484	120,484
Accumulated Depreciation	<u>(18,509,767)</u>	<u>(15,629,983)</u>
Net Capital Assets	<u>\$ 49,491,830</u>	<u>\$ 44,638,293</u>

Total depreciation for the years ended May 31, 2005 and 2004, was \$2,879,783 and \$2,531,344, respectively, and was allocated to the College's functional expense categories.

NOTE 10 BOND ISSUANCE COSTS

The College has incurred costs associated with bond issues. Such costs are deferred and amortized over the life of the related debt. Bond issuance costs net of amortized expenses at May 31, 2005 and 2004, were \$432,549 and \$317,858, respectively. Total amortized expenses were \$79,986 for both years ended May 31, 2005 and 2004.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

For the Year Ended May 31, 2005

NOTE 11 LONG-TERM DEBT

The College's outstanding debt at May 31, 2005 and 2004, consisted of the following:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>2005</u>	<u>2004</u>
Bonds Payable				
Academic Building Bonds – 1969	10/09	3.000%	\$ 262,368	\$ 310,368
Revenue Bonds – 1998	08/08	5.300%	610,000	985,000
Revenue Bonds – 1998	08/28	5.750%	7,005,000	7,005,000
Term Bond – 2001	12/11	6.375%	1,940,000	2,155,000
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 – 2004	12/05	7.500%	35,000	0
Term Bond – 2004	12/14	6.875%	1,020,000	0
Term Bond – 2004	12/24	6.875%	2,315,000	0
Term Bond – 2004	12/34	6.875%	<u>4,505,000</u>	<u>0</u>
			31,807,368	24,570,368
Unamortized Bond Premium			<u>498,365</u>	<u>0</u>
Total General Obligation Debt			32,305,733	24,570,368
Current Maturities			<u>(454,000)</u>	<u>(638,000)</u>
Total Long-Term Debt			<u>\$ 31,851,733</u>	<u>\$ 23,932,368</u>

Total interest expense incurred on Long-Term Debt was \$1,433,128 and \$1,567,488 for the years ended May 31, 2005 and 2004, 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.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

For the Year Ended May 31, 2005

NOTE 11 LONG-TERM DEBT (Continued)

The future annual requirements to amortize long-term debt outstanding at May 31, 2005, are as follows:

Year Ending <u>May 31,</u>	<u>Amount</u>
2006	\$ 454,000
2007	446,000
2008	567,000
2009	599,000
2010	636,368
To Maturity	<u>29,105,000</u>
Total	<u>\$ 31,807,368</u>

Revolving Line of Credit

The College also has an unsecured \$1,250,000 revolving line of credit, bearing interest at a rate of 6% and 4% for the years ended May 31, 2005 and 2004, respectively. The College borrowed \$1,111,000 and \$1,000,000 against this line during the years ended May 31, 2005 and 2004, respectively. The College paid \$2,160 and \$1,210 in interest for the years ended May 31, 2005 and 2004, respectively. The College did not have an outstanding balance on its line of credit at May 31, 2005 and 2004.

NOTE 12 BOND PREMIUM

The College recorded a bond premium of \$498,365 at May 31, 2005 in conjunction with the sale of the series 2004 bonds. The bond premium will be amortized over the life of the bonds commencing in the year ending May 31, 2006.

NOTE 13 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.

The lease agreement set forth monthly rent payments for the first five years of the lease. 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 \$160,017 and \$168,709 for the years ended May 31, 2005 and 2004, respectively

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

For the Year Ended May 31, 2005

NOTE 13 LEASE COMMITMENTS (Continued)

Also, 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 \$54,915 and \$49,925 at May 31, 2005 and 2004, 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, 2005 and 2004.

NOTE 14 POSTRETIREMENT BENEFITS

The College sponsors two defined benefit postretirement plans which covers 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 will be exempt from this provision. The two postretirement plans offered are MVP PPO and MVP HMO. These plans are contributory (effective January 1, 2005 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 and continues 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 current Utica College retirees. 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 current retirees.

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

For the Year Ended May 31, 2005

NOTE 14 POSTRETIREMENT BENEFITS (Continued)

Information with respect to the plans is as follows:

	2005	2004
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	\$ 5,357,507	\$ 5,185,562
Service Cost	325,622	291,756
Interest Cost	367,501	291,258
Plan Participant's Contributions	44,671	39,452
Amendments/Curtailments/Special Termination	916,843	7,413
Actuarial (Gain)/Loss	1,445,005	(254,074)
Benefits Paid	<u>(330,034)</u>	<u>(203,860)</u>
Benefit Obligation at End of Year	<u>\$ 8,127,115</u>	<u>\$ 5,357,507</u>
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	\$ 0	\$ 0
Employer Contribution	285,363	164,408
Plan Participant's Contributions	44,671	39,452
Benefits Paid	<u>(330,034)</u>	<u>(203,860)</u>
Fair Value of Plan Assets at Year End	<u>\$ 0</u>	<u>\$ 0</u>
Components of Prepaid/(Accrued) Benefit Cost		
Funded Status	\$ (8,127,115)	\$ (5,357,507)
Unrecognized Transition Obligation	0	0
Unrecognized Prior Service Cost	897,541	31,682
Unrecognized Actuarial Net Gain/(Loss)	<u>2,739,235</u>	<u>1,373,988</u>
Prepaid/(Accrued) Benefit Cost	<u>\$ (4,490,339)</u>	<u>\$ (3,951,837)</u>
Components of Net Periodic Benefit Cost		
Service Cost	\$ 325,622	\$ 291,756
Interest Cost	367,501	291,258
Amortization of Gains and Losses	79,758	84,612
Amortization of Unrecognized Prior Service Cost	<u>50,984</u>	<u>78,492</u>
Net Periodic Postretirement Benefit Cost	<u>\$ 823,865</u>	<u>\$ 746,118</u>

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

For the Year Ended May 31, 2005

NOTE 14 POSTRETIREMENT BENEFITS (Continued)

The College expects to contribute \$460,652 to the plans, net of employee contributions for the year ending May 31, 2006.

The weighted average assumptions used to determine the benefit obligation and net benefit cost are as follows for the years ended May 31, 2005 and 2004:

	2005	2004
Benefit Obligation	5.25%	6.25%
Net Periodic Benefit Cost	6.25%	5.75%

Estimated Future Benefit Payments

Shown below are the expected gross benefit payments (including prescription drug benefits) which reflect expected future service for the fiscal year and the expected gross amount of Medicare subsidy receipts:

	Gross Payments	Subsidy Receipts
2006	\$ 467,936	\$ (7,284)
2007	\$ 528,893	\$ (24,123)
2008	\$ 581,806	\$ (34,664)
2009	\$ 606,437	\$ (38,506)
2010	\$ 689,408	\$ (48,100)
2011-2015	\$ 3,910,660	\$ (342,770)

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	10.0%
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 pre-65 medical trend rates at May 31

Health care cost trend rate assumed for next year	8.0%
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 pre-65 medical trend rates at May 31

Health care cost trend rate assumed for next year	14.0%
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

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

For the Year Ended May 31, 2005

NOTE 14 POSTRETIREMENT BENEFITS (Continued)

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:

	<u>1-Percentage Point Increase</u>	<u>1-Percentage Point Decrease</u>
Effect on total of service and interest cost components	\$ 91,299	\$ (80,390)
Effect on postretirement benefit obligation	\$ 813,324	\$ (734,984)

Utica College anticipates that they will qualify for the Medicare Part D prescription drug Federal subsidy, therefore, the above disclosure reflects, as of May 31, 2005, the future subsidy payments from Medicare, commencing in fiscal year 2006.

The reduction in the APBO for the subsidy related to benefits attributed to past service as of May 31, 2005 is \$684,681. As the impact of the subsidy was reflected May 31, 2005, there was no impact on the measurement of the net periodic postretirement benefit cost for fiscal year 2005.

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

NOTE 15 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, 2005 and 2004, the College's required contributions amounted to \$1,335,329 and \$1,325,161, respectively.

NOTE 16 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 include certain lines of insurance coverage (approximately \$417,000), and automobile sales, leases, or rentals and parts and service (approximately \$193,000).

UTICA COLLEGE

NOTES TO FINANCIAL STATEMENTS

For the Year Ended May 31, 2005

NOTE 17 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 18 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 19 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

The College's temporarily and permanently restricted net assets are comprised of the following at May 31, 2005 and 2004:

Temporarily Restricted Net Assets

	<u>2005</u>	<u>2004</u>
Campus Development	\$ 475,906	\$ 9,753
Faculty and Academic Program Development	549,680	528,350
Library	87,609	88,740
Scholarships	532,952	560,771
Endowment and Developing Endowment	<u>6,266,178</u>	<u>3,778,887</u>
Total	<u>\$ 7,912,325</u>	<u>\$ 4,966,501</u>

Permanently Restricted Net Assets

Endowment Funds	\$ 8,896,093	\$ 7,936,656
Life Income and Similar	<u>249,370</u>	<u>236,950</u>
Total	<u>\$ 9,145,463</u>	<u>\$ 8,173,606</u>