

**UTICA COLLEGE**

**Financial Statements as of  
May 31, 2011  
Together with  
Independent Auditors' Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

September 23, 2011

To the Board of Trustees of  
Utica College:

We have audited the accompanying statement of financial position of Utica College (a New York not-for-profit corporation) (the College) as of May 31, 2011, and the related statements of activities and change in net assets and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the College's 2010 financial statements and, in our report dated September 27, 2010, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 audit provides 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2011, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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# UTICA COLLEGE

## STATEMENT OF FINANCIAL POSITION

MAY 31, 2011

(With Comparative Totals for 2010)

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 11,478,496	\$ 5,824,483
Tuition and fees receivable, net	2,823,540	2,336,476
Grants and other operating receivables	571,361	746,704
Current portion of contributions receivable	165,643	33,385
Inventory	22,455	26,245
Prepaid expenses	<u>303,881</u>	<u>246,520</u>
Total current assets	<u>15,365,376</u>	<u>9,213,813</u>
NON-CURRENT ASSETS:		
Contributions receivable, net of current portion	11,024	11,024
Notes and loans receivable, net	690,666	834,438
Deposits held by bond trustees	3,824,622	3,896,689
Investments	21,355,551	18,592,566
Land, buildings, and equipment, net	60,769,927	62,646,493
Bond issuance costs, net	<u>497,702</u>	<u>397,398</u>
Total non-current assets	<u>87,149,492</u>	<u>86,378,608</u>
Total assets	<u>\$ 102,514,868</u>	<u>\$ 95,592,421</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 1,007,276	\$ 773,400
Accounts payable and accrued liabilities	4,363,199	4,016,363
Deposits and deferred revenue	6,125,162	4,374,322
Current portion of postretirement liability	<u>690,306</u>	<u>622,153</u>
Total current liabilities	<u>12,185,943</u>	<u>9,786,238</u>
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	36,538,667	37,746,757
Charitable trust obligations	275,890	287,473
Federal share of Perkins loan pool	820,472	846,158
Bond premiums, net	171,939	178,933
Postretirement liability, net of current portion	<u>8,322,823</u>	<u>7,462,326</u>
Total long-term liabilities	<u>46,129,791</u>	<u>46,521,647</u>
Total liabilities	<u>58,315,734</u>	<u>56,307,885</u>
NET ASSETS:		
Unrestricted	23,220,108	20,970,988
Temporarily restricted	8,799,025	6,494,669
Permanently restricted	<u>12,180,001</u>	<u>11,818,879</u>
Total net assets	<u>44,199,134</u>	<u>39,284,536</u>
Total liabilities and net assets	<u>\$ 102,514,868</u>	<u>\$ 95,592,421</u>

The accompanying notes are an integral part of these statements.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED MAY 31, 2011**  
(With Comparative Totals for 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2011	2010
<b>REVENUE AND SUPPORT:</b>					
Tuition and fees	\$ 72,735,477	\$ -	\$ -	\$ 72,735,477	\$ 66,786,639
Less: Scholarship aid	(25,640,581)	-	-	(25,640,581)	(23,336,515)
Net tuition and fees	47,094,896	-	-	47,094,896	43,450,124
Government grants and contracts	2,321,863	-	-	2,321,863	2,291,528
Private gifts and grants	839,593	1,434,118	264,425	2,538,136	2,091,076
Sales and services of auxiliary enterprises	9,238,634	-	-	9,238,634	8,660,125
Investment income allocated to operations	197,764	-	-	197,764	190,239
Other	1,210,745	-	-	1,210,745	993,551
Total revenue and support	60,903,495	1,434,118	264,425	62,602,038	57,676,643
Net assets released from restriction	1,670,277	(1,717,808)	47,531	-	-
Total operating revenue	62,573,772	(283,690)	311,956	62,602,038	57,676,643
<b>OPERATING EXPENSES:</b>					
Educational and general -					
Instructional and research	24,414,793	-	-	24,414,793	23,325,199
Academic support	6,284,010	-	-	6,284,010	5,562,960
Student services	10,753,904	-	-	10,753,904	10,159,827
Institutional support	14,872,572	-	-	14,872,572	14,706,004
Auxiliary enterprises	4,587,024	-	-	4,587,024	4,385,456
Total operating expenses	60,912,303	-	-	60,912,303	58,139,446
<b>SURPLUS (LOSS) FROM OPERATING ACTIVITIES</b>	1,661,469	(283,690)	311,956	1,689,735	(462,803)
<b>NON-OPERATING ACTIVITIES:</b>					
Investment gain, net of amounts allocated to operations	442,707	2,588,046	37,583	3,068,336	2,341,155
Change in value of annuity obligations	-	-	11,583	11,583	10,093
Change in funded status of postretirement benefit plan	144,944	-	-	144,944	(666,444)
Total non-operating activities	587,651	2,588,046	49,166	3,224,863	1,684,804
<b>CHANGE IN NET ASSETS</b>	2,249,120	2,304,356	361,122	4,914,598	1,222,001
<b>NET ASSETS - beginning of year</b>	20,970,988	6,494,669	11,818,879	39,284,536	38,062,535
<b>NET ASSETS - end of year</b>	\$ 23,220,108	\$ 8,799,025	\$ 12,180,001	\$ 44,199,134	\$ 39,284,536

The accompanying notes are an integral part of these statements.

# UTICA COLLEGE

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MAY 31, 2011

(With Comparative Totals for 2010)

	<u>2011</u>	<u>2010</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 4,914,598	\$ 1,222,001
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Provision for doubtful accounts	445,240	751,362
Gifts of marketable securities	(7,383)	(3,179)
Realized (gain) loss on sale of investments, net	18,254	(13,304)
Contributions received for long-term investment	(264,425)	(386,897)
Unrealized gain on investments, net	(2,733,027)	(1,793,140)
Change in funded status of postretirement benefit plan	(144,944)	666,444
Actuarial adjustment to charitable trust obligations	20,300	32,278
Depreciation and amortization	3,902,303	3,703,139
Amortization of bond issuance costs	49,696	125,100
Amortization of bond premiums	(6,994)	(79,672)
Changes in:		
Tuition and fees receivable, net	(932,304)	(743,164)
Grants and other operating receivables	175,343	(366,083)
Contributions receivable	(132,258)	22,156
Inventory	3,790	5,365
Prepaid expenses	(57,361)	(85,363)
Accounts payable and accrued liabilities	346,836	4,263
Deposits and deferred revenue	1,750,840	968,832
Postretirement liability	<u>1,073,594</u>	<u>780,063</u>
Net cash flow from operating activities	<u>8,422,098</u>	<u>4,810,201</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Collections of notes and loans receivable	143,772	712,629
Decrease (increase) in deposits held by bond trustees, net	72,067	(227,090)
Purchases of investments	(1,205,909)	(1,582,004)
Proceeds from sale of investments	1,165,080	1,272,169
Purchases of land, buildings, and equipment	<u>(2,025,737)</u>	<u>(930,223)</u>
Net cash flow from investing activities	<u>(1,850,727)</u>	<u>(754,519)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Payment of interest rate cap fee	(150,000)	-
Payment of bond issuance costs	-	(23,029)
Repayments on lines-of-credit, net	-	(1,100,000)
Repayment of long-term debt	(974,214)	(667,334)
Contributions received for long-term investment	264,425	386,897
Payment of charitable trust obligations	(31,883)	(42,371)
Decrease of federal share of Perkins loan pool	<u>(25,686)</u>	<u>(39,250)</u>
Net cash flow from financing activities	<u>(917,358)</u>	<u>(1,485,087)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	5,654,013	2,570,595
CASH AND CASH EQUIVALENTS - beginning of year	<u>5,824,483</u>	<u>3,253,888</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 11,478,496</u>	<u>\$ 5,824,483</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for -		
Interest	<u>\$ 2,000,784</u>	<u>\$ 2,275,809</u>
Income taxes	<u>\$ 840</u>	<u>\$ 648</u>

The accompanying notes are an integral part of these statements.

# UTICA COLLEGE

## NOTES TO FINANCIAL STATEMENTS MAY 31, 2011

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### 1. THE COLLEGE

Utica College (the College), located in Utica, New York, was established in 1946 to educate undergraduate students by 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 graduate degree programs and distance learning (online) programs at both the undergraduate and graduate level. 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.

Effective July 1, 1995, the College became a legally and fiscally independent institution of higher education. However, the College has maintained an academic relationship with Syracuse University whereby the College may continue to offer the Syracuse University undergraduate degree to students who entered the College in the years up to and including the fall 2010. Degree requirements must be completed no later than June 30, 2016 when the agreement expires.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements of the College have been prepared in conformity with accounting principles generally accepted in the United States.

#### **Financial Reporting**

The College classifies its activities into the following net asset categories:

- Unrestricted net assets are those assets that are available for use to support the operations of the College.
- Temporarily restricted net assets are those assets whose use by the College has been limited by donors by either a specific time or purpose restriction and also includes investment earnings on permanently restricted endowment funds not yet appropriated for expenditure by the Board of Trustees. When appropriation is made by the Board of Trustees or a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restriction.
- Permanently restricted net assets are those assets that have been restricted by donors to be maintained by the College in perpetuity.

#### **Revenue Recognition**

Revenue is reported as an increase 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 non-endowment 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. Contributions received with donor-imposed restrictions that are met in the same year are reported as revenues in the temporarily restricted net asset class.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Cash and Cash Equivalents**

Cash and cash equivalents include all cash on hand and in banks, which, at times, may exceed federally insured limits. The College considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The College has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

### **Tuition and Fees Receivable**

Net tuition and fees receivable represents amounts due from students related to tuition and fees. The College records an allowance for uncollectible accounts based on prior collection experience and a review of existing receivables. Accounts for which no payments have been received for a period of time, which varies by the nature of the receivable, are considered delinquent and written-off or sent to collections, as appropriate. Revenue from tuition and fees are recognized in the period that they are earned.

### **Grants and Other Operating Receivables**

Grants and other operating receivables represent amounts due from government and private funders. The College records an allowance for uncollectible accounts based on prior collection experience and a review of existing receivables. Accounts for which no payments have been received for a period of time, which varies by the nature of the receivable, are considered delinquent and written-off or sent to collections, as appropriate. There was no allowance for uncollectible accounts deemed necessary as of May 31, 2011 or 2010.

### **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.

### **Prepaid Expenses**

Prepaid expenses consist of amounts paid for expenses not yet incurred.

### **Notes and Loans Receivable**

Net notes and loans receivable represent Perkins loans receivable due from students.

The College evaluates individual student loans receivable for impairment on an as-needed basis, and any amounts deemed uncollectible based upon an assessment of the debtor's financial situation are immediately written-off to the allowance for doubtful accounts. Further, the College does not evaluate the credit quality of their student loans receivable after the initial approval and calculation of the loans.

In order to determine the collectability of notes and loans receivable, the College establishes an allowance for doubtful accounts by identifying specific loans receivable that are past due. Accounts for which no payments have been received for a period of time, which varies by the nature of the receivable, are considered delinquent and written-off or sent to collections, as appropriate.

### **Deposits Held by Bond Trustees**

Deposits held by bond trustees are invested in bank deposit accounts under the terms of the College's financing agreements. They are stated at cost, which approximates fair value and which, at times, may exceed federally insured limits. The College has not experienced any losses related to the bank deposit accounts and believes it is not exposed to any significant credit risk with respect to these balances.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Investments**

Investments consist of cash, equity securities, mutual funds, and a multi-asset fund that are stated at fair value, as well as the cash surrender value of life insurance policies that are stated at contract value, which approximates fair value.

Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the accompanying financial statements.

### **Endowment**

The College's endowment consists of investments that are managed to achieve a 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 calendar 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.

### **Fair Value Measurement**

The College uses various valuation techniques in determining fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the College. Unobservable inputs are inputs that reflect the College's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. These inputs are segregated into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities that the College has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the College in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Land, Buildings, and Equipment

Land, buildings, and equipment 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 the estimated useful lives of assets. Leasehold improvements are amortized over the shorter of the assets' estimated useful life or the remaining lease term. The College's estimated useful lives are 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 collection	10 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 be recorded as a capital asset.

Impairment losses are recognized when the carrying value of an asset exceeds its fair value. The College regularly assesses all of its long-lived assets for impairment and has determined that no impairment loss need be recognized in the periods reported.

### Bond Issuance Costs

Bond issuance costs represent the legal and administrative costs incurred during the process of issuing debt. The College amortizes such cost on a straight-line basis over the life of the related debt.

### 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.

### Deposits and Deferred Revenue

Deposits and deferred revenue are related principally to tuition and fees for the summer semester, room deposits, and credit balances in student accounts.

### Federal Share of Perkins Loan Pool

The federal share of Perkins loan pool represents funds received from the federal government to fund the Perkins loan program. These funds are ultimately due back to the federal government if the program were to cease.

### Auxiliary Enterprises

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

### Tax Status

The College has been recognized by the Internal Revenue Service as an organization exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The College has also been classified as an organization that is not a private foundation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Tax Status (Continued)

For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. As of May 31, 2011 and 2010, the College did not have liabilities for unrecognized tax benefits. The College files tax returns in the U.S. federal jurisdiction and New York State. The College is no longer subject to U.S. federal and state income tax examinations by tax authorities for fiscal years through 2007.

### 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

Advertising costs are expensed as incurred. Advertising expense for 2011 and 2010 was \$349,867 and \$186,119, respectively.

### Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended May 31, 2010, from which the summarized information was obtained.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## 3. NET ASSETS

The College's net assets consisted of the following at May 31:

	<u>2011</u>	<u>2010</u>
<b>Unrestricted</b>		
Unrestricted	\$ 20,413,603	\$ 18,475,329
Quasi-unrestricted endowment - principal	1,661,317	1,660,937
Unrestricted realized/unrealized gains	<u>1,145,188</u>	<u>834,722</u>
	<u>23,220,108</u>	<u>20,970,988</u>

### 3. NET ASSETS (Continued)

	<u>2011</u>	<u>2010</u>
<b>Temporarily Restricted</b>		
Restricted fund balance (from donor gifts and distributed endowment income):		
Campus development	676,680	184,972
Faculty and program development	1,447,778	1,269,510
Library	529,285	444,636
Scholarships	4,913,201	3,619,429
Prizes	46,913	37,100
Development endowment	145,181	127,542
Accumulated unappropriated earnings on permanently restricted endowment funds	407,630	132,812
Restricted - other	<u>632,357</u>	<u>678,668</u>
	<u>8,799,025</u>	<u>6,494,669</u>
<b>Permanently Restricted</b>		
Permanently restricted endowment principal	11,878,846	11,566,889
Annuity and life income	<u>301,155</u>	<u>251,990</u>
	<u>12,180,001</u>	<u>11,818,879</u>
	<u>\$ 44,199,134</u>	<u>\$ 39,284,536</u>

Net assets were released from restriction for the following purposes during the years ended May 31:

	<u>2011</u>	<u>2010</u>
Campus development	\$ 294,570	\$ 250,159
Faculty and program development	548,683	547,021
Library	25,547	25,000
Scholarships	797,999	769,801
Prizes	3,478	4,430
Reclassification to permanently restricted	<u>47,531</u>	<u>18,634</u>
	<u>\$ 1,717,808</u>	<u>\$ 1,615,045</u>

### 4. RECEIVABLES

#### Tuition and Fees Receivable

Net tuition and fees receivable consisted of the following at May 31:

	<u>2011</u>	<u>2010</u>
Student accounts receivable	\$ 4,579,474	\$ 4,049,379
Less: Allowance for doubtful accounts	<u>(1,755,934)</u>	<u>(1,712,903)</u>
	<u>\$ 2,823,540</u>	<u>\$ 2,336,476</u>

#### 4. RECEIVABLES (Continued)

##### Provision for Doubtful Accounts

During the years ended May 31, 2011 and 2010, respectively, the College recognized a provision for doubtful accounts relating to its tuition and fees receivable of \$445,240 and \$751,362, respectively.

##### Notes and Loans Receivable

The College participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government of approximately \$820,000 and \$846,000 at May 30, 2011 and 2010, respectively, are ultimately refundable to the government and are classified as liabilities in the statement of financial position. Outstanding loans canceled under the program result in a reduction of the funds available for loans and a decrease in the liability to the government.

Net notes and loans receivable consisted of the following at May 31:

	<u>2011</u>	<u>2010</u>
Perkins student loans receivable	\$ 842,360	\$ 1,010,636
Less: Allowance for doubtful accounts -		
Balance - June 1, 2010	(176,198)	(194,968)
Write-offs	<u>(24,504)</u>	<u>(18,770)</u>
Balance - May 31, 2011	<u>(151,694)</u>	<u>(176,198)</u>
Notes and loans receivable, net	<u>\$ 690,666</u>	<u>\$ 834,438</u>

At May 31, 2011, the Perkins student loans receivable aging was as follows:

	<u>Current</u>	<u>1 – 60 Days Past Due</u>	<u>61 – 90 Days Past Due</u>	<u>91+ Days Past Due</u>	<u>Total</u>
Perkins	\$ 657,092	\$ 1,808	\$ 880	\$ 182,580	\$ 842,360
Less:					
Allowance	<u>-</u>	<u>-</u>	<u>-</u>	<u>(151,694)</u>	<u>(151,694)</u>
	<u>\$ 657,092</u>	<u>\$ 1,808</u>	<u>\$ 880</u>	<u>\$ 30,886</u>	<u>\$ 690,666</u>

##### Contributions Receivable

The College is scheduled to receive payments of \$165,643 relating to outstanding contributions receivable during the year ended May 31, 2012. Contributions receivable of \$11,024 are scheduled for repayment in more than five years from May 31, 2011.

The College considers all contributions receivable to be fully collectible. As a result, the College has not established an allowance for uncollectible contributions.

## 5. DEPOSITS HELD BY BOND TRUSTEES

Under the terms of certain financing arrangements, the College is required to maintain various escrow accounts to ensure its future performance in accordance with certain contract terms.

These escrow accounts are held by bond trustees and totaled \$3,824,622 and \$3,896,689 at May 31, 2011 and 2010, respectively.

## 6. INVESTMENTS

### Composition

Investments consisted of the following at May 31:

	<u>2011</u>		<u>2010</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Cash and cash equivalents	\$ 229,188	\$ 229,188	\$ 99,315	\$ 99,315
Equity securities	58,942	54,828	49,527	49,527
Equity mutual funds	5,033,668	4,751,641	4,574,848	5,418,854
Fixed income mutual funds	5,327,494	5,024,682	4,453,915	4,273,654
Multi-asset fund	10,336,124	9,642,663	9,068,961	9,795,223
Life insurance - cash surrender value	<u>370,135</u>	<u>296,410</u>	<u>346,000</u>	<u>299,899</u>
	<u>\$ 21,355,551</u>	<u>\$ 19,999,412</u>	<u>\$ 18,592,566</u>	<u>\$ 19,936,472</u>

### Investment Gain

The College's investment gain consisted of the following for the years ended May 31:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 603,774	\$ 785,286
Net realized gain (loss)	(18,254)	13,304
Net unrealized gain	2,733,027	1,793,140
Investment management fees	<u>(52,447)</u>	<u>(60,336)</u>
	3,266,100	2,531,394
Less: Investment income allocated to operations	<u>(197,764)</u>	<u>(190,239)</u>
Investment gain, net of amounts allocated to operations	<u>\$ 3,068,336</u>	<u>\$ 2,341,155</u>

## 7. FAIR VALUE

### Investments

The following investments are measured at fair value on a recurring basis based on the following input levels at May 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 229,188	\$ -	\$ -	\$ 229,188
Equity securities	58,942	-	-	58,942
Equity mutual funds	5,033,668	-	-	5,033,668
Fixed income mutual funds	5,327,494	-	-	5,327,494
Multi-asset fund	<u>-</u>	<u>10,336,124</u>	<u>-</u>	<u>10,336,124</u>
	<u>\$ 10,649,292</u>	<u>\$ 10,336,124</u>	<u>\$ -</u>	<u>\$ 20,985,416</u>

The following investments are measured at fair value on a recurring basis based on the following input levels at May 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 99,315	\$ -	\$ -	\$ 99,315
Equity securities	49,527	-	-	49,527
Equity mutual funds	4,574,848	-	-	4,574,848
Fixed income mutual funds	4,453,915	-	-	4,453,915
Multi-asset fund	<u>-</u>	<u>9,068,961</u>	<u>-</u>	<u>9,068,961</u>
	<u>\$ 9,177,605</u>	<u>\$ 9,068,961</u>	<u>\$ -</u>	<u>\$ 18,246,566</u>

Fair value of the College's equity securities and mutual funds is determined based on quoted market prices. Fair value for the College's multi-asset fund is determined by the fund manager utilizing the fund's net asset value. The net asset value is calculated by taking the total value of the fund's assets, subtracting the fund's liabilities, and dividing the result by the number of fund shares outstanding.

The multi-asset fund is managed by The Investment Fund for Foundations. This fund seeks to achieve a total return that exceeds inflation plus 5% per annum by employing a globally diversified portfolio. Withdrawals from the fund are generally made on the next business day following the request; however, the fund reserves the right to delay payment for up to seven days.

### Long-Term Debt

The College believes that the carrying amount of long-term debt approximates fair value based on current rates at which the College could borrow funds with similar maturities.

## 8. CHARITABLE REMAINDER TRUST

The College is the beneficiary of a charitable remainder trust which is administered by a third-party; however the College holds the trust's assets. The 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 and change in net assets as a temporarily restricted contribution in the period the trust was established. Net distributions from the trust were \$18,746 and \$29,234 for the years ended May 31, 2011 and 2010, respectively. Assets held in the charitable remainder trust totaled \$343,350 and \$357,828 at May 31, 2011 and 2010, respectively, and are included the College's investments on the statement of financial position.

On an annual basis, the College revalues the liability related to the distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 6.4% and applicable mortality tables and was determined to be \$161,474 and \$168,836 at May 31, 2011 and 2010, respectively.

## 9. ENDOWMENT

The College's endowment consisted of the following at May 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted funds	\$ -	\$ 5,319,470	\$ 12,180,001	\$ 17,499,471
Board designated funds	<u>2,806,505</u>	<u>282,963</u>	<u>-</u>	<u>3,089,468</u>
	<u>\$ 2,806,505</u>	<u>\$ 5,602,433</u>	<u>\$ 12,180,001</u>	<u>\$ 20,588,939</u>

The College's endowment consisted of the following at May 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted funds	\$ -	\$ 3,418,804	\$ 11,818,879	\$ 15,237,683
Board designated funds	<u>2,495,659</u>	<u>284,072</u>	<u>-</u>	<u>2,779,731</u>
	<u>\$ 2,495,659</u>	<u>\$ 3,702,876</u>	<u>\$ 11,818,879</u>	<u>\$ 18,017,414</u>

## 9. ENDOWMENT (Continued)

The changes in the College's endowment consisted of the following for the years ended May 31, 2011 and 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets -				
June 1, 2009	\$ 2,243,277	\$ 2,421,469	\$ 11,368,205	\$ 16,032,951
Investment gains	180,915	1,281,407	35,050	1,497,372
Contributions	71,467	-	405,531	476,998
Change in value of annuity obligations	<u>-</u>	<u>-</u>	<u>10,093</u>	<u>10,093</u>
Endowment net assets -				
May 31, 2010	\$ 2,495,659	\$ 3,702,876	\$ 11,818,879	\$ 18,017,414
Investment gains	310,466	1,899,557	37,583	2,247,606
Contributions	380	-	311,956	312,336
Change in value of annuity obligations	<u>-</u>	<u>-</u>	<u>11,583</u>	<u>11,583</u>
Endowment net assets -				
May 31, 2011	<u>\$ 2,806,505</u>	<u>\$ 5,602,433</u>	<u>\$ 12,180,001</u>	<u>\$ 20,588,939</u>

Temporarily restricted funds include term endowments, unrestricted investment earnings on permanently restricted endowment funds not yet appropriated for expenditure by the Board of Trustees, as well as earnings on restricted endowment funds that have not been released.

### Interpretation of Relevant Law

The Board of Trustees of the College has interpreted the applicable provisions of New York Not-for-Profit Corporation Law (Corporation Law) to mean that the classification of appreciation on permanently restricted endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income (interest and dividends).

### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by New York Not-for-Profit Corporation Law. There were no deficiencies of this as of May 31, 2011.

### Return Objectives and Risk Parameters

The College's objective is to preserve the portfolio's purchasing power by earning a rate of return that is at least equivalent to the rate of inflation plus the spending rate. Thus, the long-term objective is to earn a return of at least the Consumer Price Index plus the College's spending rate. Success or failure in achieving this is evaluated over a ten to twenty year period.

### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places an emphasis on maintaining a balanced investment portfolio containing a mixture of equity and fixed income investments to achieve its long-term return objectives within prudent risk constraints.



## 9. ENDOWMENT (Continued)

### Spending Policy and How the Investment Objectives Relate to Spending Policy

The governing board of the College has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on permanently restricted endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income (interest and dividends).

New York Not-for-Profit Corporation Law was amended to add a new article known as the "Prudent Management of Institutional Funds Act," which became effective in September 2010. The implementation had no effect on the classifications of net assets previously recorded.

New York State law allows the Board of Trustees to expend net appreciation of endowment investments and, in certain circumstances, the gift principal. The Board of Trustees must consider the long and short-term needs of the College in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions when determining the amount to expend. The College believes that its total return spending policy meets New York State requirements.

## 10. CHARITABLE GIFT ANNUITIES

The College 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 the College's use, subject to donor restrictions, if any. At May 31, 2011 and 2010, the College's obligation related to these annuities was \$114,416 and \$118,637, respectively. These obligations were calculated using discount rates varying from 3.8% to 6.2%. Distributions under these annuity arrangements were \$13,137 for both of the years ended May 31, 2011 and 2010.

## 11. LAND, BUILDINGS, AND EQUIPMENT

The College's land, buildings, and equipment consisted of the following at May 31:

	<u>2011</u>	<u>2010</u>
Land	\$ 6,205,851	\$ 6,205,851
Land improvements	4,252,099	3,923,057
Buildings and improvements	64,699,684	64,102,687
Leasehold improvements	937,867	922,949
Equipment	14,398,373	13,674,434
Library collection	9,448,214	9,087,372
Other capitalized costs	<u>124,009</u>	<u>124,009</u>
	100,066,097	98,040,359
Less: Accumulated depreciation and amortization	<u>(39,296,170)</u>	<u>(35,393,866)</u>
	<u>\$ 60,769,927</u>	<u>\$ 62,646,493</u>

Total depreciation and amortization for the years ended May 31, 2011 and 2010 was \$3,902,303 and \$3,703,139, respectively.

## 12. BOND ISSUANCE COSTS

Net bond issuance costs consisted of the following at May 31:

	<u>2011</u>	<u>2010</u>
Bond issuance costs	\$ 2,228,384	\$ 2,078,384
Less: Accumulated amortization	<u>(1,730,682)</u>	<u>(1,680,986)</u>
	<u>\$ 497,702</u>	<u>\$ 397,398</u>

Amortization expense on the bond issuance costs was \$49,696 and \$125,100 for the years ended May 31, 2011 and 2010, respectively.

## 13. LINES-OF-CREDIT

The College has available an unsecured \$4,000,000 revolving line-of-credit with a bank through December 31, 2011. Amounts borrowed bear interest at the prime rate (3.25% at both May 31, 2011 and 2010). There were no amounts outstanding on this line-of-credit at May 31, 2011 or 2010.

The College also has available a \$3,000,000 non-revolving line-of-credit with a bank through January 2013. Amounts borrowed bear interest at 6.75%. There were no amounts outstanding on this line-of-credit at May 31, 2011 or 2010.

## 14. LONG-TERM DEBT

The College's long-term debt consisted of the following at May 31:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>2011</u>	<u>2010</u>
Revenue bonds - 1998	08/28	5.750%	\$ 6,645,000	\$ 6,830,000
Term bond - 2001	12/11	6.375%	330,000	640,000
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	Variable	4,110,000	4,110,000
Term bond - 2005 Series B	10/34	Variable	7,915,000	8,030,000
Mortgage	01/19	6.530%	4,430,943	4,512,694
Term note repaid in 2011			<u>-</u>	<u>282,463</u>
			37,545,943	38,520,157
Less: Current maturities			<u>(1,007,276)</u>	<u>(773,400)</u>
			<u>\$ 36,538,667</u>	<u>\$ 37,746,757</u>

The 1998 revenue 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 the College's campus.

#### 14. LONG-TERM DEBT (Continued)

The 2005 series bonds are secured by a letter of credit with Citizens Bank in an amount equal to the outstanding principal and (a) 2005 Series A - thirty-five days of interest at the maximum rate under the indenture agreement and (b) 2005 Series B - 183 days of interest. The bonds are further secured by the monies and securities held by the trustees and accounts established under the indenture and investment earnings thereon.

The 2005 Series A bonds were issued with a variable interest rate at inception. The 2005 Series B bonds were issued with an initial term rate of 4.50%. In October 2009, the College converted the Series B bonds to a variable rate. Interest payments are at a variable rate (.28% at May 31, 2011) as determined weekly by a Remarketing Agent based on the prevailing financial market conditions of comparable revenue bonds or securities.

The mortgage is secured by a mortgage lien on and security interest in certain real property and improvements located on the College's campus. Principal and interest payments are based on a 25-year amortization, with a balloon payment of approximately \$3,500,000 due in January 2019. Interest is fixed at a rate of 6.53% for the first five years and then adjusted and re-amortized at January 28, 2014. Prepayment fees are a percent of the outstanding balance and apply if refinanced with a different lending institution.

Total interest expense incurred on long-term debt was \$1,969,399 and \$2,164,314 for the years ended May 31, 2011 and 2010, respectively.

The College has certain financial debt covenants in connection with its long-term debt agreements. At May 31, 2011 and 2010, the College was in compliance with these covenants.

Scheduled maturities of long-term debt are as follows for the years ending May 31:

2012	\$ 1,007,276
2013	1,073,233
2014	1,129,597
2015	1,196,394
2016	1,248,656
Thereafter	<u>31,890,787</u>
	<u>\$ 37,545,943</u>

#### **Bond Premium**

The College recognized bond premiums in conjunction with the sale of the Series 2005 bonds. The bond premiums of \$171,939 and \$178,933 at May 31, 2011 and May 31, 2010, respectively, are being amortized as interest income over the life of the bonds.

#### 15. COMMITMENTS

##### **Lease Agreements**

In August 1998, the College sold the Burrstone House Building to St. Luke's Memorial Hospital Center (the Hospital). As a condition of the sale, the College was allowed to lease back space in the building for a period not to exceed 10 years, as specified in the initial lease agreement. A lease extension and modification agreement has extended the provisions of this lease for an additional five years through May 31, 2013. Under this agreement, the College or the Hospital can terminate the lease providing certain time restrictions are met.

## **15. COMMITMENTS (Continued)**

The lease agreement sets forth monthly rent payments, allocated based on percent of square footage occupied by the College (currently 75%), of the mortgage, land lease, and depreciation costs incurred by the Hospital offset by plant operation costs incurred by the College. Total lease expense was \$86,430 and \$80,150 for the years ended May 31, 2011 and 2010, 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 \$89,140 and \$89,369 for the years ended May 31, 2011 and 2010, 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 was 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. The College has capitalized leasehold improvements of \$717,008 relating to the locker room facility.

### **Asset Retirement Obligations**

Generally accepted accounting principles require that conditional asset retirement obligations meet the definition of liabilities and should be recognized when incurred if their fair values can be reasonably estimated. As of May 31, 2011 and 2010, the College had determined that no significant conditional asset retirement obligations existed. This determination was based on the College's assessment of expected renovations to affected buildings. Because these conditional obligations have indeterminate settlement dates, the College could not develop a reasonable estimate of their fair values. The College will continue to assess its ability to estimate fair values at each future reporting date. The related liability will be recognized once sufficient, additional information becomes available.

## **16. POSTRETIREMENT BENEFITS**

The College sponsors a defined benefit postretirement plan 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 age 50 or older as of May 31, 2004, are exempt from this provision. Three postretirement options offered are Blue PPO, Blue EPO, and High Deductible Health Plan 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 Plan), with the option 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.

**16. POSTRETIREMENT BENEFITS (Continued)**

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 ASC Section 715, "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.

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

**Funded Status**

Obligations and funded status of the plan is as follows:

	<u>2011</u>	<u>2010</u>
Projected benefit obligation	\$ 9,013,129	\$ 8,084,479
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status	<u>\$ (9,013,129)</u>	<u>\$ (8,084,479)</u>
Accumulated benefit obligation	\$ -	\$ -
Employer contributions	\$ 242,393	\$ 587,665
Plan participants' contributions	\$ 92,927	\$ 43,403
Benefits paid	\$ (335,320)	\$ (631,068)

**Financial Statement Recognition**

As of May 31, 2011 and 2010, the following amounts were recognized in the balance sheet:

	<u>2011</u>	<u>2010</u>
As a current liability	\$ (690,306)	\$ (622,153)
As a non-current liability	\$ (8,322,823)	\$ (7,462,326)

Amounts recognized in the statements of activities and change in net assets related to postretirement benefits consisted of the following:

	<u>2011</u>	<u>2010</u>
Net periodic benefit cost	\$ (1,073,594)	\$ (780,063)
Postretirement benefit related changes other than net periodic benefit cost	\$ 144,944	\$ (666,444)

As of May 31, 2011, the following items included in net assets had not yet been recognized as components of benefits expense:

	<u>Prior Service Credit</u>	<u>Net Loss</u>
Unrecognized amounts at May 31, 2011	\$ 1,562,454	\$ (3,750,284)
Expected amortization of unrecognized items in next year's expense	\$ 319,254	\$ (306,479)

**16. POSTRETIREMENT BENEFITS (Continued)**

**Assumptions**

Mortality assumptions were based on the RP-2000 Mortality Tables for male and females.

The effect of a one percentage point increase in each future year's assumed medical care cost trend rate, holding all other assumptions constant, would have resulted in an increase in the net periodic post-employment cost and accumulated benefit obligation of approximately \$732,000.

The effect of a one percentage point decrease in each future year's assumed medical care cost trend rate, holding all other assumptions constant, would have resulted in a decrease in the net periodic post-employment cost and accumulated benefit obligation of approximately \$678,000.

Weighted average assumptions used to determine benefit obligations at May 31 were as follows:

	<u>2011</u>	<u>2010</u>
Discount rate	5.47%	5.83%
Average annual increase in compensation	N/A	N/A
Expected long-term rate of return on plan assets	N/A	N/A

Assumed healthcare cost trend rates are as follows at May 31:

	<u>2011</u>	<u>2010</u>
<b>Pre-65 Medical Trend Rates</b>		
Healthcare cost trend rate assumed for next year	9.25%	10%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5%	5%
Year that the rate reaches the ultimate trend rate	2018	2018

**Post-65 Medical Trend Rates**

Healthcare cost trend rate assumed for next year	30%	30%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5%	5%
Year that the rate reaches the ultimate trend rate	2018	2018

**Prescription Drug Trend Rates**

Healthcare cost trend rate assumed for next year	8.25%	9%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5%	5%
Year that the rate reaches the ultimate trend rate	2018	2018

**Contributions**

The College expects to contribute \$690,306 to the plan during the year ending May 31, 2012.

**16. POSTRETIREMENT BENEFITS (Continued)**

**Estimated Future Benefit Payments**

Shown below are expected benefit payments which reflect expected future service for the years ending May 31:

2012	\$	690,306
2013	\$	738,387
2014	\$	842,932
2015	\$	910,606
2016	\$	889,784
Thereafter	\$	4,085,639

**17. PENSION PLAN**

The College contributes up to 11% of eligible employees' earnings to its defined contribution retirement plan on an annual basis. For the years ended May 31, 2011 and 2010, the College's required contributions amounted to \$1,770,519 and \$1,672,225, respectively.

**18. 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 the 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, 2011, include certain lines of insurance coverage of approximately \$404,000 and janitorial, landscape, and building maintenance service of approximately \$3,300,000 annual contract.

**19. FUNCTIONAL EXPENSES**

On a functional basis, the College's operating expenses were classified as follows for the years ended May 31:

	<u>2011</u>	<u>2010</u>
Program services	\$ 46,039,731	\$ 43,433,442
Management and general	12,588,920	12,362,629
Fundraising	<u>2,283,652</u>	<u>2,343,375</u>
	<u>\$ 60,912,303</u>	<u>\$ 58,139,446</u>

**20. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 23, 2011, which is the date the financial statements were issued.

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

September 23, 2011

To the Board of Trustees of  
Utica College:

We have audited the financial statements of Utica College (the College) as of and for the year ended May 31, 2011, and have issued our report thereon dated September 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

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

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

(Continued)

**Compliance and Other Matters**

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

We noted certain other matters that we reported to management of the College in a separate letter dated September 2011.

This report is intended solely for the information and use of management, the Board of Trustees, and others within Utica College and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.