

RHODE ISLAND COLLEGE
**(a Component Unit of the State of Rhode Island and
Providence Plantations)**

FINANCIAL STATEMENTS

JUNE 30, 2011

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Financial Statements

June 30, 2011 and 2010

C O N T E N T S

Independent Auditors' Report	1-2
Management Discussion and Analysis (Unaudited)	3-19
Financial Statements:	
Statements of Net Assets	20
Statements of Revenues, Expenses and Changes in Net Assets	21
Statements of Cash Flows	22-23
Notes to the Financial Statements	24-50
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51-52



INDEPENDENT AUDITORS' REPORT

To the Board of Governors for Higher Education
State of Rhode Island and Providence Plantations
Providence, Rhode Island

We have audited the accompanying statements of net assets of Rhode Island College (a component unit of the State of Rhode Island and Providence Plantations) (the "College") as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Rhode Island College Foundation as of June 30, 2011 and 2010 as discussed in Note 1. The financial statements of this component unit was audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the entity not audited by us included in the discretely presented component unit of the College is based solely upon the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Rhode Island College as of June 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, on our consideration of Rhode Island College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

O'Connor & Drew, P.C.

Certified Public Accountants

September 30, 2011

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited)

June 30, 2011 and 2010

Introduction

The following management discussion and analysis (MD&A) provides management's view of the financial position of Rhode Island College (RIC) as of June 30, 2011 and the results of operations for the year then ended, with selected comparative information for the years ended June 30, 2011 and 2010. The purpose of the MD&A is to assist readers in understanding the accompanying financial statements by providing an objective and understandable analysis of RIC's financial activities based on currently known facts, decisions, and conditions. This analysis has been prepared by management, which is responsible for the completeness and fairness of this information (which consists of highly summarized information and should be read in conjunction with RIC's financial statements and notes thereto that follow this section).

RIC, founded in 1854, is the oldest of the three public institutions of higher education that operate under the aegis of the Board of Governors for Higher Education. Its primary mission is to make its academic programs available to any qualified resident of Rhode Island who can benefit from its educational services. Out-of-state residents are also eligible for admission. RIC fulfills its educational mission by offering undergraduate programs in liberal arts and sciences, and in a variety of professional and pre-professional fields. RIC also offers a range of selected graduate programs in arts and sciences, education, and in areas of social, public and community service. RIC offers its academic programs to undergraduates of traditional age as well as to older students who often study and or work part-time while earning undergraduate or advanced degrees. The majority of students are from Rhode Island. RIC also contributes directly to the cultural life of the State through ongoing theatre and concert performances, art exhibits, lectures, and films, which are all open to the public.

RIC was established in 1854 as the Rhode Island Normal School, focusing on teacher education. Due to diminished state support, RIC was closed for a period between 1865 and 1869, when it reopened as the Rhode Island State Normal School. In 1920, the Normal School became the Rhode Island College of Education, offering a four-year program leading to the degree of Bachelor of Education. The graduate program originated in the early 1920s. During the 1958-59 academic year, RIC was relocated from the downtown location to its current 180-acre campus on the border of Providence and North Providence. In 1959, the mission of RIC was expanded to that of a general, comprehensive college. In 1960, the name of the institution was changed to Rhode Island College to reflect its expanded mission. RIC now serves over 9,000 students in a variety of courses and programs both on and off campus.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2011 and 2010

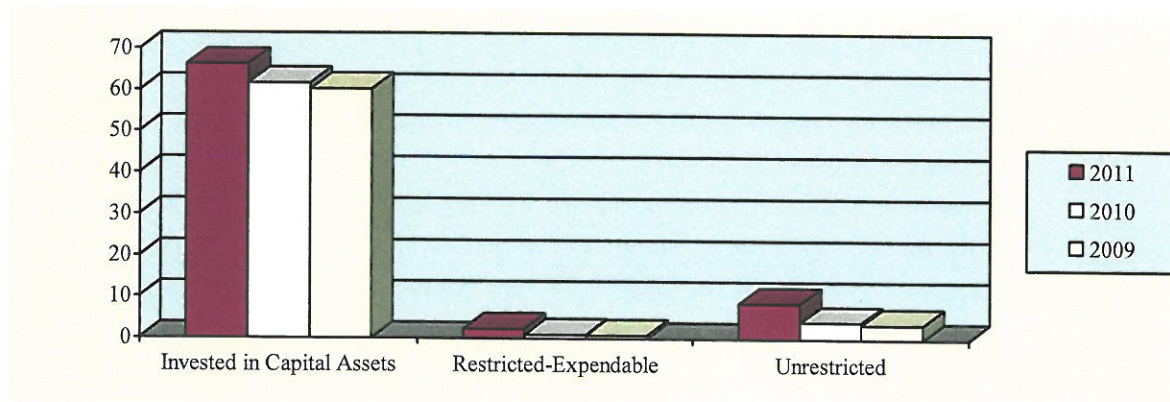
Introduction - Continued

RIC is part of the Rhode Island system of public higher education that includes the Community College of Rhode Island and the University of Rhode Island, with which matriculation agreements exist for student transfers within the system. The Board of Governors for Higher Education became the governing body for RIC in 1981.

Financial Highlights

RIC's financial position remained strong as of June 30, 2011. At June 30, 2011, RIC's assets of \$140.4 million exceeded its liabilities of \$63.2 million by \$77.2 million, an increase over the prior year of \$10.6 million. On June 30, 2010, RIC's assets of \$134.7 million exceeded its liabilities of \$68.1 million by \$66.6 million, an increase of \$2.0 million over the prior year.

The resulting net assets are summarized into the following categories (in \$ millions) for the fiscal years ended June 30, 2011, 2010, and 2009:



Restricted expendable net assets may be expended only for the purposes authorized by the creditor, grantor, or enabling legislator. Unrestricted net assets represent all other funds that do not meet the definition of Invested in Net Capital Assets or Restricted funds.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

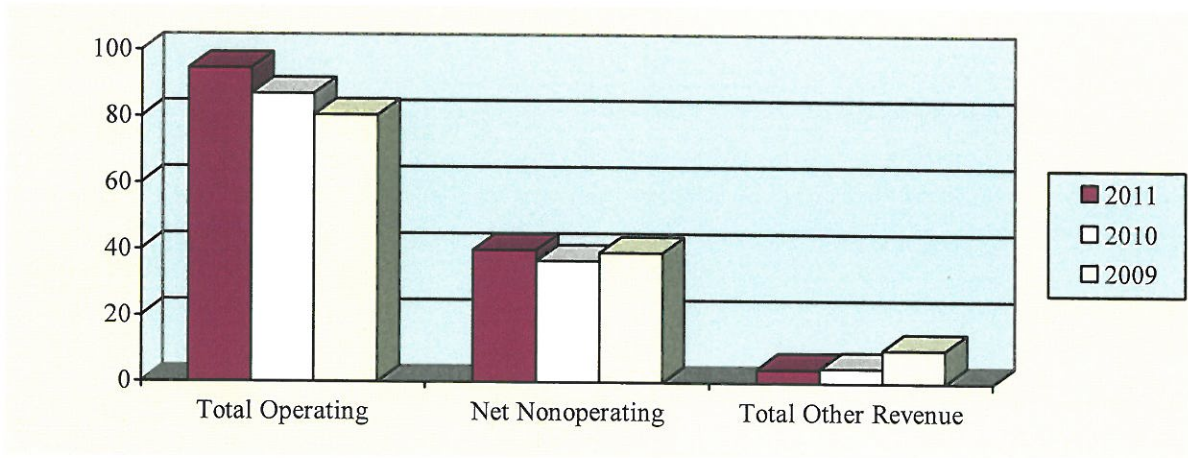
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2011 and 2010

Financial Highlights - Continued

Fiscal year 2011 operating revenues increased by 8.8%, or \$7.6 million. Expenses increased by 1.6%, or \$2.1 million. Fiscal year 2010 operating revenues increased by 8.1%, or \$6.5 million. Expenses increased by 4.0%, or \$4.9 million. Fiscal year 2009 operating revenues increased by 11.3%, or \$8.2 million. Expenses increased by 2.9%, or \$3.4 million.

The following chart provides a graphical breakdown of total revenues (in \$ millions) by category for the fiscal years ending June 30, 2011, 2010 and 2009:



Cash flow continued to be adequate for operations with a cash balance of \$22.4 million at June 30, 2011, and \$24.0 million at June 30, 2010 a decrease of \$ 1.6 million from the previous year.

Overview of the Financial Statements

The financial statements focus on RIC as a whole, rather than upon individual funds or activities, and have two primary components: 1) the financial statements and 2) the notes to the financial statements.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2011 and 2010

Overview of the Financial Statements - Continued

Rhode Island College Foundation (Foundation) is a legally separate tax-exempt component unit of Rhode Island College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to RIC in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of RIC. Although RIC does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of RIC by the donors. Because these resources held by the Foundation can only be used by or are for the benefit of RIC, the Foundation is considered a component unit of RIC and is discretely presented in RIC's financial statements.

Management's Discussion and Analysis is required to focus on RIC, not its component unit.

The Financial Statements

The financial statements are designed to provide readers with a broad overview of RIC's finances and are comprised of three basic statements. These statements present financial information in a form similar to that used by private institutions of higher education and corporations.

The *Statement of Net Assets* presents information on all of RIC's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of RIC is improving or deteriorating. Other factors are also relevant to assessing RIC's overall financial health. These include: the trend, quality, and retention and size of student enrollments; diversification of revenue streams; management of costs; and condition of facilities.

The *Statements of Revenues and Expenses and Changes in Net Assets* shows how RIC's net assets changed during the most recent fiscal year. This statement reports total operating revenues and expenses, nonoperating revenues and expenses, and capital additions and deletions. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g. the payment for accrued compensated absences, or the receipt of amounts due from students and others for services rendered).

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2011 and 2010

The Financial Statements - Continued

The *Statement of Cash Flows* is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g. tuition and fees) and disbursements (e.g. cash paid to employees for services).

The financial statements can be found on pages 20 to 23 of this report.

RIC reports its operations as a business-type activity using the economic measurement focus and full accrual basis of accounting. RIC is a component unit of the State of Rhode Island and Providence Plantations. Therefore, the results of RIC's operations, its net assets and its cash flows are also summarized in the State's Comprehensive Annual Financial Report in its government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. They also provide information regarding both the accounting policies and procedures RIC has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 24 to 50 of this report.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2011 and 2010

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of RIC's financial position. In the case of RIC, assets exceeded liabilities by \$77.2 million at the close of fiscal year 2011, an increase of \$10.6 million over fiscal year 2010, and assets exceeded liabilities by \$66.6 million at the close of fiscal year 2010, an increase of \$2.0 million over fiscal year 2009, as shown in the chart below:

Condensed Statement of Net Assets

(Dollars in millions)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets:			
Current assets	\$ 29.3	\$ 28.3	\$ 23.6
Noncurrent assets	<u>111.1</u>	<u>106.4</u>	<u>96.0</u>
Total assets	<u>\$ 140.4</u>	<u>\$ 134.7</u>	<u>\$ 119.6</u>
Liabilities:			
Current liabilities	\$ 19.9	\$ 20.3	\$ 18.1
Noncurrent liabilities	<u>43.3</u>	<u>47.8</u>	<u>36.9</u>
Total liabilities	<u>\$ 63.2</u>	<u>\$ 68.1</u>	<u>\$ 55.0</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 67.0	\$ 61.6	\$ 60.2
Restricted:			
Expendable	0.7	0.9	0.8
Unrestricted	<u>9.5</u>	<u>4.1</u>	<u>3.6</u>
Total net assets	<u>\$ 77.2</u>	<u>\$ 66.6</u>	<u>\$ 64.6</u>

The largest portion of RIC's net assets, \$67.0 million in fiscal year 2011 (\$61.6 million in fiscal year 2010), reflects its investment in capital assets (such as land, buildings, machinery, and equipment), less any related outstanding debt, including capital leases used to acquire those assets. RIC uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2011 and 2010

Financial Analysis - Continued

Although RIC's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also, in addition to the debt noted above, which is reflected in RIC's financial statements, the State of Rhode Island regularly provides financing for certain capital projects through the issuance of general obligation bonds and appropriations from the Rhode Island Capital Fund.

Additional financing for certain capital projects is provided by the issuance of revenue bonds by the Rhode Island Health and Educational Building Corporation, a quasi-public state agency.

The liabilities-to-assets ratio was 45.0% in fiscal year 2011 and 50.5% in fiscal year 2010. Bonds and notes payable at June 30, 2011 of \$21.9 million, accounts payable of \$7.4 million, compensated absences of \$5.9 million and due to State of Rhode Island of \$17.9 million are RIC's largest liabilities (\$22.4 million, \$8.8 million, \$5.7 million, and \$17.9 million, respectively, in fiscal year 2010).

In the spring of 2008 the College embarked on a feasibility study with the specific intent to comprehensively investigate design and construction opportunities, along with associated cost options, for the renovation of the Rhode Island College Recreation Center. In January of 2010 this in-depth study was submitted to the College for review. The data provided in the feasibility study concluded that a recreation center renovation was necessary in the immediate future. In February 2010 the College issued \$10,280,000 of general revenue bonds to fund the construction through the Rhode Island Higher Education Building Corporation. Construction is underway and as of June 30, 2011, \$903,154 has been spent on the project.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2011 and 2010

Financial Analysis - Continued

Condensed Statement of Revenues and Expenses

Years ended June 30, 2011, 2010 and 2009

(Dollars in millions)

	2011	2010	2009
Operating revenues:			
Tuition and fees	\$ 63.0	\$ 57.6	\$ 51.5
Auxiliary enterprises	18.4	18.2	17.3
Less scholarship allowances	(18.6)	(16.0)	(11.6)
Grants, contracts, and other	31.8	27.2	23.3
Total operating revenues	94.6	87.0	80.5
Operating expenses:			
Salaries and benefits	93.5	90.5	87.3
Scholarships, grants, and contracts	6.5	5.8	5.4
Utilities	3.1	3.9	3.7
Other expenses	18.9	20.3	19.6
Depreciation and amortization	6.1	5.5	5.1
Total operating expenses	128.1	126.0	121.1
Net operating loss	(33.5)	(39.0)	(40.6)
Nonoperating revenues (expenses):			
State appropriations	37.6	37.7	39.9
Other nonoperating revenues, net	2.3	(1.1)	(0.8)
Net nonoperating revenues	39.9	36.6	39.1
Loss before other revenues, expenses, gains, or losses	6.4	(2.4)	(1.5)
Capital appropriations	3.9	4.2	9.9
Capital gifts and grants	0.3	0.2	0.3
Total other revenues	4.2	4.4	10.2
Increase in net assets	\$ 10.6	\$ 2.0	\$ 8.7

RHODE ISLAND COLLEGE

(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2011 and 2010

Operating Revenues

Total operating revenues for fiscal year 2011 were \$94.6 million, an increase of \$7.6 million from the prior year. Total operating revenues for fiscal year 2010 were \$87.0 million, an increase of \$6.5 million from the prior year. The most significant sources of operating revenue for RIC are tuition and fees, grants and contracts, and auxiliary services. Significant changes in operating revenue resulted from:

- The Board of Governors raising fiscal year 2011 tuition and fees increased by 9.0% for in-state student, 9.0% for out-of-state students, 10.3% for in-state graduate students, and 8.8% for out-of-state graduate students.
- Grant, contracts and other revenues grew by \$4.6 million in fiscal year 2011 over 2010 due to increased federal and state grant activity.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2011 and 2010

Operating Revenues - Continued

The following summary shows major grant and contract expenses, including indirect cost charges, for the fiscal years ending June 30, 2011, 2010 and 2009 (\$ in thousands):

<u>Agency</u>	<u>Grant</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
RI Department of Education	RI Technical Assistance Project	\$ 579	\$ 605	\$ 916
RI Department of Children, Families	RI Child Welfare Institute	609	681	734
US Department of Education	Upward Bound	555	668	576
US Department of Education	Student Support Services	141	331	295
US Department of Health	University Center on Developmental Disabilities	519	571	521
RI Department of Education	Vision Services	1,337	1,119	1,107
RI Department of Education	Surrogate Parent	532	540	462
University of Rhode Island	INBRE	768	761	498
RI Department of Human Services	Early Intervention	509	490	421
RI Department of Children, Families	Positive Education Partnership	585	552	597
RI Office of Higher Education	No Child Left Behind Partnership	86	144	136
RI Department of Education	RI State Personnel Development	583	614	694
University of Rhode Island	Project RITES	595	399	83
University of Illinois	Establishing the Efficacy of the Special Friends Project	236	229	197
Workforce Partnership of Greater RI	W.I.A. - Title I	120	207	191
RI Department of Education	State Fiscal Stabilization Fund	2,858	38	—
RI Department of Labor & Training	Contextualized Learning	136	—	—
RI Department of Children, Families	System of Core/FCCP Training	110	—	—

RHODE ISLAND COLLEGE

(a Component Unit of the State of Rhode Island and Providence Plantations)

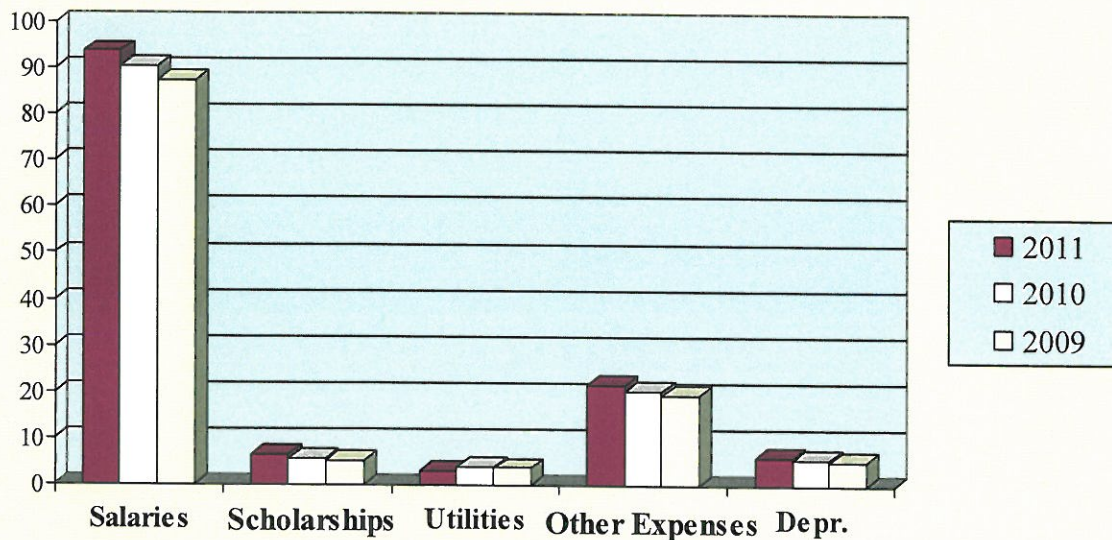
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2011 and 2010

Operating Expenses

Fiscal year 2011 operating expenses totaled \$128.0 million, an increase of \$2.1 million from the prior year. Fiscal year 2010 operating expenses totaled \$126.0 million, an increase of \$4.9 million from the prior year. Of this total, \$69.0 million or 53.9 % (\$65.7 million or 52.1% in 2010) was used for instruction, academic support, student support and scholarships. Depreciation and amortization expense totaled \$6.1 million in fiscal year 2011 and \$5.5 million in fiscal year 2010.

The following chart provides a graphical breakdown of significant operating categories of expenses (in \$ millions) for fiscal years ending June 30, 2011, 2010 and 2009:



RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2011 and 2010

Nonoperating Revenues and Expenses

Net nonoperating revenues for fiscal years 2011 and 2010 are \$39.9 and \$36.6 million, respectively, consisting of the state appropriations, gifts, and net investment earnings. These figures represent an increase of \$3.3 million and a decrease of \$2.5 million over the prior years, respectively.

Other

Capital appropriations of \$3.9 and \$4.3 million in fiscal years 2011 and 2010, respectively, represent funds to renovate the STEM Center as well as Rhode Island Capital Plan Funds utilized by RIC to construct or acquire capital assets.

Due to the nature of public higher education, institutions incur a loss from operations. State appropriations to RIC, reported as nonoperating revenue, are the primary resource for offsetting the loss from operations.

Capital Asset and Debt Administration

Capital Plan

The Rhode Island Board of Governors for Higher Education submits a running five-year capital improvement plan to the General Assembly and State Executive each year. The plan includes proposed capital asset protection projects for RIC. The fiscal year 2013-2017 plan for RIC totals \$205.9 and includes all projects underway and planned, whether funded or not. This plan forms the basis for discussions on funding the various projects from all available funding sources. During fiscal year 2011, RIC expended \$11.3 million on plant-related projects. RIC generally has funded its capital plans through a combination of funds received from College operations, State of Rhode Island Capital appropriation, and general obligation bonds. The execution of RIC's capital improvement plan is contingent upon approval and sufficient funding from the State.

RHODE ISLAND COLLEGE

(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2011 and 2010

Capital Asset and Debt Administration - Continued

Capital Plan - Continued

In October 2006, RIC, URI, and CCRI in collaboration with the Governor's Office and the Board of Governors for Higher Education submitted a proposal for supporting the creative use of technology in higher education in Rhode Island. This proposed plan seeks to integrate technology and education to improve the education of pre-service and in-service teachers in science, technology, engineering and mathematics (STEM). The proposal was approved on October 6, 2006 and provided for \$11.8 million in funding to be spent over a three-year period for the system. Rhode Island College's share of this funding is \$5.0 million. The STEM Resource Center will facilitate a resource network for in-service and pre-service teachers in Rhode Island. The remaining phases of the project are expected to be completed in 2011 and will renovate and furnish additional electronic instructional venues. RIC has received a total of \$5.0 million from these funds through 2011.

Capital Assets

At June 30, 2011, RIC had \$94.1 million invested in capital assets, net of accumulated depreciation of \$90.8 million. Included in RIC's capital assets is \$4.3 million in construction in progress. Depreciation charges totaled \$6.1 million for the current fiscal year, an increase of \$.6 million over the prior year. Legal title to all land and real estate assets is vested in the Rhode Island Board of Governors for Higher Education or the State of Rhode Island. A summary of the capital asset balances is displayed below:

Summary of Schedule of Net Capital Assets

(Dollars in millions)

	<u>2011</u>		<u>2010</u>		<u>2009</u>
Land and improvements	\$ 6.0	\$	6.5	\$	6.9
Construction in progress	4.3		2.2		9.5
Buildings and improvements	80.9		77.8		71.2
Furniture, fixtures, and equipment	5.7		5.5		4.0
Total	<u>\$ 96.9</u>	\$	<u>92.0</u>	\$	<u>91.6</u>

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2011 and 2010

Capital Asset and Debt Administration - Continued

Capital Assets - Continued

Major capital additions this year included:

- Improvements to Craig-Lee Hall - Roof \$139,700
- Improvements to Whipple Hall - Roof \$455,200
- STEM Center \$4.5 million
- Computers & Network upgrades \$642,000
- Recreational Center Renovations - \$903,200 construction in progress
- Donovan Dinning Center \$1.8 million
- Art Center - \$414,400 in construction in progress

RHODE ISLAND COLLEGE

(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2011 and 2010

Debt

At June 30, 2011 and 2010, RIC had \$21.9 and \$22.5 million in debt outstanding, a decrease of \$.6 and an increase of \$9.7 million from the prior years, respectively. The table below summarizes the types of debt instruments:

	June 30		
	(Dollars in millions)		
	2011	2010	2009
General obligation (Note Payable)	\$ 1.6	\$ 1.7	\$ 1.8
Revenue bonds	20.3	20.8	11.0
Total	\$ 21.9	\$ 22.5	\$ 12.8

Debt repayments made during the year were \$0.6 million.

In February 2010 the college issued \$10,280,000 of general revenue bonds to fund the renovations of the recreation center through the Rhode Island Higher Education Building Corporation.

In addition at June 30, 2011, RIC had a \$17.9 million obligation to repay the State for funds advanced to construct the new residence hall. This amount will be repaid over a nineteen-year period with interest.

RIC has no independent bonding authority. All bonds must be approved by and arranged through the Rhode Island Board of Governors for Higher Education. All general obligation and revenue bond related indebtedness is reflected on the financial accounts of the entity issuing the bonds. Board of Governors' revenue bonds and Rhode Island general obligation bonds are rated by Moody's and by Standard and Poor. More detailed information about RIC's long-term liabilities is presented in Note 7 to the financial statements.

Economic Factors that will Affect the Future

The seasonally adjusted unemployment rate for the State of Rhode Island, from which RIC primarily draws students, was 10.8% in June of 2011 which was a decrease compared to a 12.0% in June of 2010, according to the U.S. Bureau of Labor Statistics. This change compares to a 9.1% and a 9.5%, respectively, on a national level.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

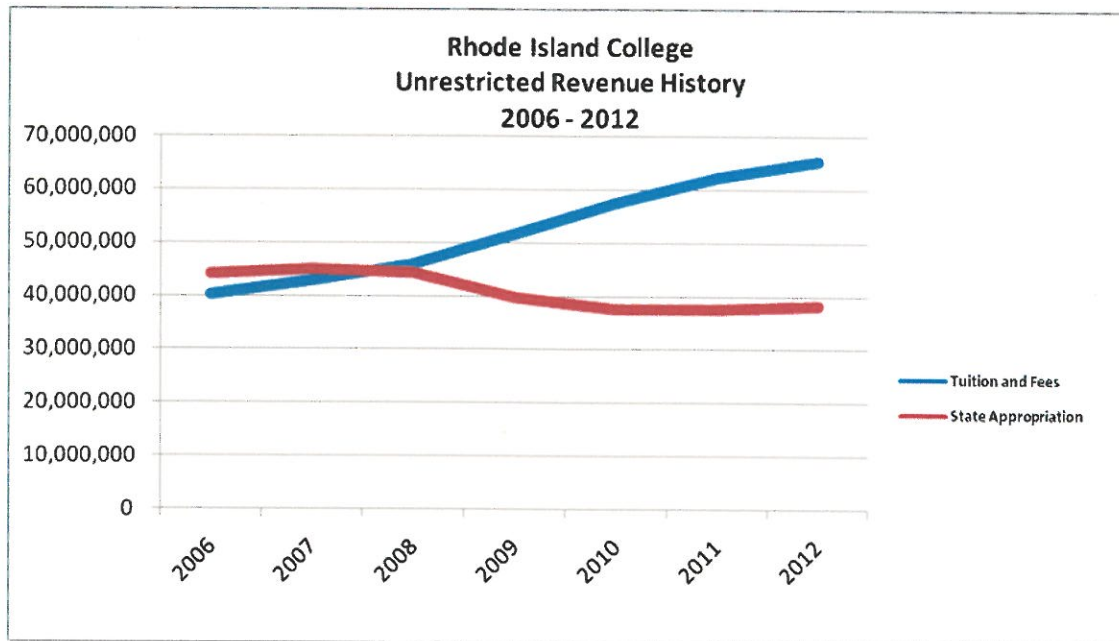
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2011 and 2010

Economic Factors that will Affect the Future - Continued

Historically, in times of economic slowdowns, public colleges/universities have experienced increases in their enrollments as unemployed and underemployed workers seek to update and upgrade their skills. RIC cannot predict the extent to which enrollment may vary in the current environment.

RIC submitted a balanced budget for fiscal year 2012. The State projects a significant budget shortfall in fiscal year 2013. The 2012 state appropriation of \$38,359,719 represents a \$792,204 increase over the 2011 appropriation and provides less than 40% of RIC's unrestricted funding.



To support its strategic priorities in this financially challenging environment, RIC and the Board of Governors have taken the following actions:

- Fiscal year 2012 tuition and fees were increased by 4.0% for in-state and out-of-state students, 4.1% for in-state graduate students, and 3.9% for out-of-state graduate students.
- RIC submitted a request to the Board of Governors for Higher Education for tuition and fee increases for fiscal year 2013 of 4.0% for in-state students and out-of-state students, 4.5% for in-state graduate students, and 4.0% for out-of-state graduate students.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2011 and 2010

Economic Factors that will Affect the Future - Continued

- Despite the reductions in state funding, RIC's current financial and capital plans indicate that the infusion of additional financial resources from the foregoing Board and management actions will enable it to maintain its present level of services. RIC has also attempted to maintain affordability by limiting the size of tuition and fee increases. It continues to rank well below its peer averages for tuition and fees. In academic year 2010-2011, RIC ranked fourth lowest in tuition and fees in its ten-member peer group.

	In-State Tuition and Fees
BUFFALO STATE (SUNY)	\$6,353
UNIVERSITY OF WISCONSIN-OSHKOSH	\$7,000
FROSTBURG STATE UNIVERSITY	\$7,128
RHODE ISLAND COLLEGE	\$7,268
BRIDGEWATER STATE COLLEGE	\$7,553
SALEM STATE COLLEGE	\$7,730
SAGINAW VALLEY STATE UNIVERSITY	\$7,815
CENTRAL CONNECTICUT STATE UNIV	\$8,055
WESTERN CONNECTICUT STATE UNIV	\$8,104
KEAN UNIVERSITY	\$10,200
WILLIAM PATERSON UNIVERSITY	\$11,464

Request for Information

This financial report is designed to provide a general overview of RIC's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Controller, Rhode Island College, 600 Mount Pleasant Avenue, Providence, Rhode Island 02908.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Statements of Net Assets

June 30, 2011 and 2010

	<u>Assets</u>		2011	2010
	2011	2010	Rhode Island	Rhode Island
	Rhode Island	Rhode Island	College	College
	College	College	Foundation	Foundation
Current Assets:				
Cash and equivalents (Note 2)	\$ 20,611,400	\$ 22,078,875	\$ 169,535	\$ 193,019
Cash held by State Treasurer (Notes 3 and 7)	1,624,675	1,657,243	-	-
Accounts receivable, net (Note 4)	4,333,817	3,973,683	95,529	93,770
Due from primary government (Note 7)	1,876,275	-	-	-
Due from related party	271,598	-	-	-
Inventory and other current assets	652,917	561,927	4,060	5,444
Current portion of pledges receivable	-	-	129,089	151,801
	-	-	-	-
Total Current Assets	29,370,682	28,271,728	398,213	444,034
Noncurrent Assets:				
Restricted cash and equivalents (Note 2)	137,044	253,231	-	-
Deposits with bond trustee - restricted	9,818,096	9,981,480	-	-
Pledges receivable	-	-	68,617	61,310
Deposits	-	11,318	1,500	1,000
Investments (Note 2)	-	-	21,012,779	17,544,481
Loans receivable, net (Note 5)	4,181,898	4,267,452	-	-
Restricted assets	-	-	785,968	698,210
Capital assets, net of accumulated depreciation (Note 6)	96,987,474	91,962,131	25,022	35,473
	-	-	-	-
Total Noncurrent Assets	111,124,512	106,475,612	21,893,886	18,340,474
Total Assets	\$ 140,495,194	\$ 134,747,340	\$ 22,292,099	\$ 18,784,508
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 7,438,824	\$ 8,828,513	\$ 120,583	\$ 229,579
Compensated absences (Note 7)	3,821,979	3,675,285	-	-
Student deposits and unearned revenues	1,871,824	1,816,105	1,500	-
Funds held for others	4,553,786	4,628,852	467,140	449,782
Current portion of bonds and note payable (Note 7)	730,035	582,040	3,657	3,143
Current portion of due to State of Rhode Island (Note 7)	1,555,965	756,316	-	-
Current portion of annuity payments payable	-	-	52,830	48,724
	-	-	-	-
Total Current Liabilities	19,972,413	20,287,111	645,710	731,228
Noncurrent Liabilities:				
Compensated absences (Note 7)	2,075,636	2,072,440	-	-
Note and bonds payable (Note 7)	21,142,982	21,873,016	5,650	9,286
Due to State of Rhode Island (Note 7)	16,365,088	17,164,737	-	-
Due to State of Rhode Island - OPEB (Notes 7 and 15)	-	763,905	-	-
Annuity payable	-	-	271,180	259,998
Grant refundable (Note 8)	3,690,710	3,786,965	-	-
Net OPEB obligation (Notes 7 and 15)	-	2,159,967	-	-
	-	-	-	-
Total Noncurrent Liabilities	43,274,416	47,821,030	276,830	269,284
Total Liabilities	\$ 63,246,829	\$ 68,108,141	\$ 922,540	\$ 1,000,512
Net Assets:				
Invested in capital assets, net of related debt	\$ 67,011,500	\$ 61,567,501	\$ 25,022	\$ 35,473
Restricted:				
Expendable (Note 9)	681,507	891,598	3,545,273	1,598,719
Nonexpendable	-	-	15,273,561	14,995,536
Unrestricted	9,555,358	4,180,100	2,525,703	1,154,268
	-	-	-	-
Total Net Assets	\$ 77,248,365	\$ 66,639,199	\$ 21,369,559	\$ 17,783,996

See accompanying notes to the financial statements.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Statements of Revenues, Expenses and Changes in Net Assets

For the Years ended June 30, 2011 and 2010

	2011 College	2010 College	2011 Rhode Island Foundation	2010 Rhode Island Foundation
Operating Revenues:				
Tuition and fees	\$ 62,981,170	\$ 57,550,970	\$ -	\$ -
Auxiliary enterprises	18,370,687	18,203,080	-	-
Less: scholarship allowances	<u>(18,588,038)</u>	<u>(15,999,184)</u>	-	-
Net Student Fees	62,763,819	59,754,866	-	-
Federal, state, local, and private grants and contracts	28,171,822	23,578,035	-	-
Sales and services of educational departments	<u>3,641,984</u>	<u>3,626,284</u>	-	-
Total Operating Revenues	<u>94,577,625</u>	<u>86,959,185</u>	-	-
Operating Expenses (Note 12):				
Instruction	41,754,526	40,096,253	-	-
Research	12,515,228	13,009,492	-	-
Academic support	12,855,885	12,258,597	-	-
Student services	7,909,256	7,503,820	-	-
Scholarships and fellowships	6,507,567	5,806,613	284,281	212,362
Public service	863,328	729,734	-	-
Operation and maintenance of plant	9,414,927	11,098,463	-	-
Institutional support	15,730,124	16,774,684	1,226,947	1,431,486
Depreciation and amortization	6,092,723	5,521,629	10,451	6,192
Auxiliary enterprises	<u>14,410,529</u>	<u>13,150,952</u>	-	-
Total Operating Expenses	<u>128,054,093</u>	<u>125,950,237</u>	<u>1,521,679</u>	<u>1,650,040</u>
Net operating loss	<u>(33,476,468)</u>	<u>(38,991,052)</u>	<u>(1,521,679)</u>	<u>(1,650,040)</u>
Nonoperating Revenues (Expenses):				
State appropriations (Note 13)	37,567,515	37,654,496	-	-
Gifts	-	-	2,426,814	2,229,240
Payments between the College and Foundation	465,282	298,034	(465,282)	(298,034)
Net investment income	119,830	172,475	3,453,350	1,352,252
Interest expense	(1,789,784)	(1,563,733)	-	-
Reversal of OPEB obligation (Note 7)	2,923,872	-	-	-
Other	<u>586,259</u>	<u>-</u>	<u>26,814</u>	<u>(418,341)</u>
Net Nonoperating Revenues	<u>39,872,974</u>	<u>36,561,272</u>	<u>5,441,696</u>	<u>2,865,117</u>
Increase (Decrease) in net assets before other revenues (expenses)	6,396,506	(2,429,780)	3,920,017	1,215,077
Other Revenues (Expenses):				
Capital appropriations (Note 13)	3,878,206	4,262,976	-	-
Capital gifts from Foundation	<u>334,454</u>	<u>170,935</u>	<u>(334,454)</u>	<u>(170,935)</u>
Increase in net assets	<u>10,609,166</u>	<u>2,004,131</u>	<u>3,585,563</u>	<u>1,044,142</u>
Net Assets, June 30, 2010	<u>66,639,199</u>	<u>64,635,068</u>	<u>17,783,996</u>	<u>16,739,854</u>
Net Assets, June 30, 2011	<u>\$ 77,248,365</u>	<u>\$ 66,639,199</u>	<u>\$ 21,369,559</u>	<u>\$ 17,783,996</u>

See accompanying notes to the financial statements.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Statements of Cash Flows

For the Years Ended June 30, 2011 and 2010

	<u>2011</u> <u>College</u>	<u>2010</u> <u>College</u>
Cash Flows from Operating Activities:		
Tuition, residence, dining and other student fees	\$ 62,956,001	\$ 59,350,871
Grants and contracts	27,713,951	23,566,217
Payments to suppliers	(22,832,987)	(22,371,154)
Payments to employees	(92,762,490)	(88,309,430)
Payments for scholarships, fellowships and sponsored programs	(6,507,567)	(5,806,613)
Loans to students	(403,999)	(458,944)
Collection of loans to students	489,553	478,227
Other receipts	<u>170,016</u>	<u>4,354,804</u>
Net Cash Used by Operating Activities	<u>(31,177,522)</u>	<u>(29,196,022)</u>
Cash Flows from Noncapital Financing Activities:		
State appropriations	37,567,515	37,654,496
Funds held for others	(75,067)	390,887
Other	597,577	-
Noncapital gifts and grants	<u>465,282</u>	<u>298,034</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>38,555,307</u>	<u>38,343,417</u>
Cash Flows from Capital and Related Financing Activities:		
Capital appropriations	3,878,206	4,262,976
Funds on deposit with bond trustee	163,384	298,520
Capital gifts and grants	334,454	170,935
Purchases of capital assets	(11,118,066)	(5,875,055)
Principal paid to State of Rhode Island and on note and bonds payable	(582,039)	(1,282,477)
Interest paid to State of Rhode Island and on note and bonds payable	<u>(1,789,784)</u>	<u>(1,563,732)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(9,113,845)</u>	<u>(3,988,833)</u>

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Statements of Cash Flows - Continued

For the Years Ended June 30, 2011 and 2009

	<u>2011</u> <u>College</u>	<u>2010</u> <u>College</u>
Cash Flows from Investing Activities:		
Interest on investments	\$ <u>119,830</u>	\$ <u>172,475</u>
Net Cash Provided by Investing Activities	<u>119,830</u>	<u>172,475</u>
Net Increase (Decrease) in Cash and Equivalents	(1,616,230)	5,331,037
Cash and Equivalents, Beginning of Year	<u>23,989,349</u>	<u>18,658,312</u>
Cash and Equivalents, End of Year	<u>\$ 22,373,119</u>	<u>\$ 23,989,349</u>
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:		
Net operating loss	\$ (33,476,468)	\$ (38,991,052)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Bad debts	1,463,768	1,216,522
Depreciation	6,092,723	5,521,629
Changes in assets and liabilities:		
Accounts receivable	(1,218,275)	(810,872)
Inventory and other current assets	(90,990)	210,989
Loans receivable	85,554	(15,283)
Accounts payable and accrued liabilities	(1,389,692)	1,919,682
Compensated absences	149,890	571,654
Due to State of Rhode Island - OPEB	-	477,915
Net OPEB obligation	-	953,460
Student deposits and unearned revenues	(917,757)	(285,232)
Grants refundable	<u>(1,876,275)</u>	<u>34,566</u>
Net Cash Used by Operating Activities	<u>\$ (31,177,522)</u>	<u>\$ (29,196,022)</u>
Non-Cash Transaction		
Reversal of OPEB Obligation (Note 7)	<u>\$ 2,923,872</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements

June 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies**

Organization

Rhode Island College (the "College"), founded in 1854, is a comprehensive public institution of higher education in the State of Rhode Island that offers undergraduate and graduate programs in the liberal arts and sciences and in a variety of professional fields. The College is supported by the State of Rhode Island as its only comprehensive college, and is part of the system of public higher education that includes the Community College of Rhode Island (CCRI) and the University of Rhode Island (URI), with which matriculation agreements exist for student transfer within the system.

The College, a component unit of the State of Rhode Island and Providence Plantations, is governed by the Rhode Island Board of Governors for Higher Education (the Board), a body politic and corporate established under Chapter 59 of Title 16 of the General Laws of Rhode Island. The Board consists of public members appointed by the Governor, the Chair of the Board of Regents for Elementary and Secondary Education, and the Chairs or designees of the Finance Committees of the House and Senate of the Rhode Island General Assembly.

The Rhode Island Office of Higher Education, which operates under the direction of the Commissioner of Higher Education, is the administrative and research arm of the Rhode Island Board of Governors for Higher Education (Board of Governors). The Board of Governors is not a department of state government but an independent public corporation vested with the responsibility of providing oversight for the system of public education in Rhode Island. This system consists of four entities: the University of Rhode Island, Rhode Island College, the Community College of Rhode Island and the Rhode Island Office of Higher Education.

Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The College has determined that it functions as a Business Type Activity, as defined by GASB. The effect of interfund activity has been eliminated from these financial statements.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies - Continued**

Basis of Presentation - Continued

The College's policies for defining operating activities in the statements of revenues, expenses and changes in net assets are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities in accordance with GASB Statement No. 35. These nonoperating activities include the College's operating and capital appropriations from the State of Rhode Island, net investment income, gifts, and interest expense.

The College has elected not to adopt the pronouncements issued by the Financial Accounting Standards Board (FASB) and related standards after November 30, 1989.

The accompanying statements of revenues and expenses, and statements of changes in net assets demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenue.

Rhode Island College Foundation (the "Foundation") is a legally separate tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources, received or held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used by, or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies - Continued**

Basis of Presentation - Continued

During the years ended June 30, 2011 and 2010, the Foundation distributed approximately \$800,000 and \$469,000, respectively, to the College for both restricted and unrestricted purposes. The Foundation is a private nonprofit organization that reports in accordance with standards of the Financial Accounting Standards Board (FASB), including ASC 958-205, Presentation of Financial Statements for Not-for-Profit Entities, and ASC 958-605, Revenue Recognition for Not-for-Profit Entities. Accordingly, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Complete financial statements for the Foundation can be obtained from: Office of the Controller, Rhode Island College, 600 Mount Pleasant Avenue, Providence, Rhode Island 02908.

Net Assets

Resources are classified for accounting purposes into the following four net asset categories:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and of outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.

Restricted – expendable: Net assets whose use is subject to externally imposed conditions that can be fulfilled by the actions of the College or by the passage of time.

Restricted – nonexpendable: Net assets subject to externally imposed conditions requiring the College to maintain them in perpetuity.

Unrestricted: All other categories of net assets: Unrestricted net assets may be designated by the College.

The College has adopted a policy of generally utilizing restricted-expendable funds, when available, prior to unrestricted funds.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies - Continued**

Cash and Equivalents

Cash and equivalents consist entirely of highly liquid debt instruments with an original maturity date of three months or less.

Inventories

Inventories are stated at the lower of cost (first-in, first-out and retail inventory methods) or market, and consist of dining center food supplies and bookstore items.

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost as of date of acquisition or, in the case of gifts, at fair value as of date of donation. In accordance with the Board's capitalization policy, all land is capitalized, regardless of value. Vehicles, equipment, computer software for internal use, and works of art and historical treasures with a unit cost of at least \$5,000 are capitalized. Building, leasehold and infrastructure improvements with a unit cost of \$50,000 or more are capitalized. Interest costs on debt related to capital assets are capitalized during the construction period and then depreciated over the life of the project. College capital assets, with the exception of land and construction in progress are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 50 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Compensated Absences and Salary Reduction Plan

Certain College employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and sick days allowable in accordance with the applicable union contract or in the case of nonunion personnel, according to State or College policy.

Amounts of vested and accumulated vacation and sick leave are reported as accrued compensation and benefits. Amounts are determined based upon the personal service rates in effect as of the balance sheet date. No liability is recorded for nonvesting accumulating rights to receive vacation and sick pay benefits.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies - Continued**

Compensated Absences and Salary Reduction Plan - Continued

Also reported as noncurrent liabilities are the remaining balances of employee salaries deferred under a Comprehensive Salary Reduction Plan adopted by the Board during fiscal years 1991 and 1992. Minor amounts attributable to a voluntary salary reduction program for fiscal year 1993, approved by the Board, are also included. These expenditures can be in the form of paid leave on a day-to-day basis, payment at the time of employee termination or retirement, or payment to an employee's estate in the event of death.

Post Employment Benefits

GASBS 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* requires governments to account for other postemployment benefits (OPEB) on the accrual basis, rather than pay as you go (cash basis). Furthermore, the determination of the OPEB liability is dependent upon the type of plan in which the employer participates. As described elsewhere in these financial statements, prior to the 2011 fiscal year, the College participated in plans classified as an agent multiple employer plan which requires that each participating employer have an actuarially prepared annual required contribution (ARC) and fund the plan accordingly. The ARC represented a level of funding that was projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a maximum of thirty years.

Effective July 1, 2011, the State of Rhode Island established an independent corporation titled the OPEB Board, to manage OPEB benefits for all state government employers. A separate legal OPEB entity classified as a cost-sharing multiple employer, as established by the State, assesses annually a contractual obligation based on the plan's parameters to each participating employer.

To the extent the employer does not pay the entire ARC or contractual obligation, they will have an OPEB related liability. However, in the case of a cost-sharing plan, the ultimate responsibility for OPEB liabilities remains with the OPEB entity.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies - Continued**

Health Insurance

The State offers one state paid health plan to each of its participating agencies, including the College. The premiums for these plans are divided among the agencies based upon their number of eligible employees. All employees share in healthcare costs. Employee co-pays range from 8% to 13% of healthcare premiums for nonclassified staff and from 8% to 25% for classified employees. The costs are automatically deducted through the payroll system on a bi-weekly basis. Amounts paid by the College for the 2011 and 2010 health premiums amounted to \$10,565,572 and \$8,812,855, respectively. Employee contributions for 2011 and 2010 were approximately \$1,509,000 and \$1,252,000, respectively

Assessed Fringe Benefit Administrative Fund

In July 2000, the State established the Assessed Fringe Benefit Administrative Fund. This fund is used to make all payments relating to workers' compensation charges, unemployment payments and payments to employees for unused vacation and sick leave at the time of retirement or termination from State service. The State funds this account by assessing a charge against the bi-weekly payrolls of all State agencies, including the College. The fringe benefit assessment rate for fiscal year 2011 was 4.00% for non-faculty and 3.46% for faculty and for 2010 was 3.97% for non-faculty and 2.57% for faculty, respectively. The assessed fringe benefit cost for the College for fiscal year 2011 and 2010 was approximately \$1,870,000 and \$1,618,000, respectively.

Student Deposits and Unearned Revenue

Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are deferred and are recorded as revenues as earned.

Student Fees

Student tuition, dining, residence, and other fees are presented net of scholarships applied to students' accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are reflected as expenses.

Tax Status

The College is a component unit of the State of Rhode Island and Providence Plantations and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

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 and disclosure 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.

Risk Management

The College is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment and employee health and life insurance claims.

The College is insured for general liability with policy limits of \$1 million per claim and \$3 million in the aggregate with a \$25,000 deductible as well as a \$25 million umbrella policy. Coverage under the General Liability Policy extends to employed health care providers, excluding physicians who have separate coverage. This policy does not apply to actions relating to federal/civil rights, eminent domain, and breach of contract. Such claims are insured under a separate policy for wrongful acts with limits of \$4 million per claim and \$4 million for the annual aggregate with a \$150,000 deductible. Crime coverage for College employees is carried with a limit of \$25 million and a deductible of \$75,000. The College also maintains an excess liability insurance policy with a limit of \$25 million.

Buildings and contents are insured against fire, theft, and natural disaster to the extent that losses exceed \$100,000 per incident and do not exceed \$535 million. A separate inland marine policy insures specifically listed high value property items such as computer equipment, valuable papers, fine arts, contractor's equipment, and miscellaneous property at various limits of insurance and deductibles.

All vehicles are owned by the State, which insures them for liability through an outside carrier. The policy is a loss retrospective program where premiums can be adjusted for claims incurred. Workers' compensation, unemployment, and employee health and life insurance claims are self-insured and managed by the State. The amounts of settlement have not exceeded insurance coverage in each of the past three years.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies - Continued**

Reclassification

Certain reclassifications have been made to the 2010 financial statements of the College and the Foundation to conform to the 2011 presentation.

New Governmental Accounting Pronouncements

GASBS 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is required for periods beginning after June 15, 2010 (fiscal year end June 2011). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The initial distinction that it makes is identifying amounts that are considered non-spendable. It also provides for additional classification as restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. This Statement had no impact on the financial statements.

GASBS 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for periods beginning after December 15, 2011, establishes accounting requirements for arrangements between a transferor and operator in which (a) the transferor conveys to the operator the right and related obligation to provide services through the use of infrastructure or other public asset in exchange for significant consideration and (b) the operator collects and is compensated by fees from third parties. This statement applies only to arrangements meeting specific criteria determining whether a transferor retains control over the public asset. Management has not completed its review of the affects of implementation on the financial statements.

GASBS 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements 14 and 34*, effective for periods beginning after June 15, 2012, modifies certain requirements for inclusion of component units in the financial reporting entity. Management of the College does not expect implementation to affect the financial statements.

GASBS 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011, provides financial reporting guidance. Deferred outflows are the consumption of net assets and deferred inflows are the acquisition of net assets, applicable to future reporting periods. Net position is identified by Concepts Statement No. 4 as the residual of all other elements presented in a statement of financial position and requires the incorporation of deferred outflows and inflows into

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies - Continued**

New Governmental Accounting Pronouncements - Continued

the required components of the residual measure and renaming that measure, known as net assets, as net position. Management is in the process of reviewing this statement and its potential affect upon their financial reporting but does not expect any material impact.

GASBS 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* - an amendment of GASB Statement 53, effective for periods beginning after June 15, 2011 provides clarification whether an effective hedging relationship continues after the replacement of the swap counterparty or swap counterparty's credit support provider and establishes criteria order to continue or discontinue hedge accounting and the resulting effects of recognition of the deferred outflows or inflows of resources as a component of investment income. Management expects this statement to have no affect on the financial statements.

Note 2 - **Cash, Equivalent and Investments**

Cash and Equivalent

The College's policy is in accordance with Chapter 35-10.1 of the Rhode Island General Laws dealing with the Public Finance, which states that any depository institution holding public deposits shall insure or pledge eligible collateral equal to one hundred percent with any time deposit with maturities greater than sixty days. If any depository institution does not meet its minimum capital standard as prescribed by its federal regulator they shall insure or pledge eligible collateral equal to one hundred percent of all public deposits. The College does not have a policy for custodial credit risk associated with deposits.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a) Uncollateralized,
- b) Collateralized with securities held by pledging financial institution, or
- c) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor government's name.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 2 - **Cash, Equivalents and Investments - Continued**

Cash and Equivalents - Continued

At June 30, 2011, the carrying amount of the College's cash deposits was \$20,748,444; the bank balance was \$22,542,345, deposits with the State of Rhode Island and other trustees were \$3,017,612 and cash on hand was \$7,794. At June 30, 2010, the carrying amount was \$22,332,106; the bank balance was \$22,542,345; deposits with the State and other trustees aggregated \$1,716,732.

Bank balances covered by federal depository insurance (FDIC) at June 30, 2011 and 2010 approximated \$380,064 and \$236,843, respectively. In addition, approximately \$22,162,000 and \$23,853,000, respectively, was collateralized with securities held by the pledging financial institution in the College's name. These balances reflect FDIC insurance and guarantee programs in effect at their respective periods.

Deposits with Bond Trustee - Restricted

The deposits with bond trustee are invested in money market funds with First American Treasury Obligation Fund. These funds are uninsured and fully collateralized with securities held by the pledging financial institution's trust department or agent as of June 30, 2011 and June 30, 2010, respectively.

Investments

The Rhode Island Board of Governors for Higher Education has a policy stressing preservation of principal and limiting deposits to federally insured and other financially secured accounts. The College predominantly invests in short to medium term cash and similar vehicles.

Foundation investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. The Foundation records purchased securities at quoted market value on the date of receipt. Other contributed assets are recorded at appraised value at the time of donation. Unrealized gains and losses are reflected in the statements of activities.

The Foundation pools the investments of its various funds. The income from such investments and the realized and unrealized gains and losses on the investments are allocated to the participating funds based on book value of the fund groups. The June 30, 2011 and 2010 investment portfolio concentrations are as follows:

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 2 - **Cash, Equivalents and Investments - Continued**

Investments - Continued

	Foundation 2011	
	Amount	Percentage
Common stocks	\$ 13,643,100	65%
Government securities	4,562,682	22%
Cash equivalents	2,806,997	13%
	\$ 21,012,779	100%

	Foundation 2010	
	Amount	Percentage
Common stocks	\$ 11,008,725	63%
Government securities	4,233,125	24
Cash equivalents	2,302,631	13
	\$ 17,544,481	100%

Restricted Cash

Restricted cash includes the following at June 30:

	College	
	2011	2010
Grant fund	\$ 41,730	\$ 194,000
Loan fund	95,314	67,418
Bonds with trustee	-	(8,187)
	\$ 137,044	\$ 253,231

Note 3 - **Cash Held by State Treasurer**

Accrued salaries and capital expenditures incurred, but not reimbursed by the State, to be funded from state-appropriated funds totaled \$1,456,144 and \$1,455,312 at June 30, 2011 and 2010, respectively. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College. In addition, the College has \$168,531 and \$201,931 on deposit with the State with respect to issuance of bonds on behalf of the College at June 30, 2011 and 2010, respectively.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 4 - **Accounts Receivable**

Accounts receivable, all of which are anticipated to be collected within one year, include the following at June 30:

	2011	2010
Student accounts receivable	\$ 3,224,485	\$ 2,358,658
Grants receivable	3,140,162	2,569,607
Other receivable	127,701	692,366
	6,492,348	5,620,631
Less: allowance for doubtful accounts	(2,158,531)	(1,646,948)
	\$ 4,333,817	\$ 3,973,683

Note 5 - **Loans Receivable**

Loans receivable include the following at June 30:

	2011	2010
Perkins loans receivable	\$ 5,335,829	\$ 5,389,541
Nursing loans receivable	36,352	36,996
	5,372,181	5,426,537
Less: allowance for doubtful accounts	(1,190,283)	(1,159,085)
	\$ 4,181,898	\$ 4,267,452

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 6 - **Capital Assets**

Capital assets of the College consist of the following at June 30:

	Estimated lives (in years)	2011					Ending balance
		Beginning balance	Additions	Retirements	Reclassifications		
Capital assets not depreciated:							
Construction in progress	—	\$ 2,151,520	\$ 3,748,318	\$ —	\$ (1,547,365)	\$	4,352,473
Land	—	2,230,968	—	—	—		2,230,968
Total not depreciated		<u>4,382,488</u>	<u>3,748,318</u>	<u>—</u>	<u>(1,547,365)</u>		<u>6,583,441</u>
Capital assets depreciated:							
Land improvements	15 – 25	8,699,229	—	—	—		8,699,229
Buildings, including improvements	10 – 30	140,983,173	6,076,013	—	1,547,365		148,606,551
Furnishings and equipment (including cost of capital leases)	5 – 15	22,605,305	1,293,735	—	—		23,899,040
Total depreciated		<u>172,287,707</u>	<u>7,369,748</u>	<u>—</u>	<u>1,547,365</u>		<u>181,204,820</u>
Total capital assets		<u>176,670,195</u>	<u>11,118,066</u>	<u>—</u>	<u>—</u>		<u>187,788,261</u>
Less: accumulated depreciation:							
Land improvements	—	4,424,890	450,156				4,875,046
Buildings and improvements	—	63,188,755	4,552,251				67,741,006
Furnishings and equipment	—	17,094,419	1,090,316				18,184,735
Total accumulated depreciation		<u>84,708,064</u>	<u>6,092,723</u>	<u>—</u>	<u>—</u>		<u>90,800,787</u>
Capital assets, net		<u>\$ 91,962,131</u>	<u>\$ 5,025,343</u>	<u>\$ —</u>	<u>\$ —</u>		<u>\$ 96,987,474</u>

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 6 - Capital Assets - Continued

Capital assets of the College consist of the following at June 30:

	Estimated lives (in years)	2010				Ending balance
		Beginning balance	Additions	Retirements	Reclassifications	
Capital assets not depreciated:						
Construction in progress	—	\$ 9,518,897	\$ 2,079,520	\$ —	\$ (9,446,897)	\$ 2,151,520
Land	—	2,230,968	—	—	—	2,230,968
Total not depreciated		<u>11,749,865</u>	<u>2,079,520</u>	<u>—</u>	<u>(9,446,897)</u>	<u>4,382,488</u>
Capital assets depreciated:						
Land improvements	15 – 25	8,652,029	47,200	—	—	8,699,229
Buildings, including improvements	10 – 30	130,256,801	1,791,918	—	8,934,454	140,983,173
Furnishings and equipment (including cost of capital leases)	5 – 15	20,136,445	1,956,417	—	512,443	22,605,305
Total depreciated		<u>159,045,275</u>	<u>3,795,535</u>	<u>—</u>	<u>9,446,897</u>	<u>172,287,707</u>
Total capital assets		<u>170,795,140</u>	<u>5,875,055</u>	<u>—</u>	<u>—</u>	<u>176,670,195</u>
Less: accumulated depreciation:						
Land improvements	—	3,962,180	462,710	—	—	4,424,890
Buildings and improvements	—	59,015,548	4,173,207	—	—	63,188,755
Furnishings and equipment	—	16,208,707	885,712	—	—	17,094,419
Total accumulated depreciation		<u>79,186,435</u>	<u>5,521,629</u>	<u>—</u>	<u>—</u>	<u>84,708,064</u>
Capital assets, net		<u>\$ 91,608,705</u>	<u>\$ 353,426</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 91,962,131</u>

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 7 - Long-Term Liabilities

Long-term liabilities consist of the following at June 30:

	2011				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Note and bonds payable:					
Note payable	\$ 1,695,857	\$ —	\$ 83,130	\$ 1,612,727	\$ 87,765
Revenue bonds payable	20,759,199	—	498,909	20,260,290	642,270
Total note and bonds payable	22,455,056	—	582,039	21,873,017	730,035
Other long-term liabilities:					
Due to State of Rhode Island	17,921,053	—	—	17,921,053	1,555,965
Due to State of Rhode Island-OPEB	763,905	—	763,905	—	—
Compensated absences	5,747,725	149,890	—	5,897,615	3,821,979
Net OPEB obligation	2,159,967	—	2,159,967	—	—
Total long-term liabilities	<u>\$ 49,047,706</u>	<u>\$ 149,890</u>	<u>\$ 3,505,911</u>	<u>\$ 45,691,685</u>	<u>\$ 6,107,979</u>
	2010				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Note and bonds payable:					
Note payable	\$ 1,774,597	\$ —	\$ 78,740	\$ 1,695,857	\$ 83,130
Revenue bonds payable	10,966,620	10,280,000	487,421	20,759,199	498,910
Total note and bonds payable	12,741,217	10,280,000	566,161	22,455,056	582,040
Other long-term liabilities:					
Due to State of Rhode Island	18,637,369	—	716,316	17,921,053	756,316
Due to State of Rhode Island-OPEB	351,126	412,779	—	763,905	—
Compensated absences	5,176,071	3,678,059	3,106,405	5,747,725	3,675,285
Net OPEB obligation	1,206,507	953,460	—	2,159,967	—
Total long-term liabilities	<u>\$ 38,112,290</u>	<u>\$ 15,324,298</u>	<u>\$ 4,388,882</u>	<u>\$ 49,047,706</u>	<u>\$ 5,013,641</u>

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 7 - Long-Term Liabilities - Continued

Bonds and Notes Payable

The following is a summary of the College's long-term debt at June 30:

	June 30	
	2011	2010
Rhode Island Health and Educational Building Corporation Higher Education Facility Revenue Bonds, Series 2010 A. The bonds original amount issued was \$10,280,000, carry interest rates ranging from 2.75%-5.00%. The bonds are due in varying annual installments from \$130,000-\$700,000, plus interest, through September 15, 2040.	\$ 10,280,000	\$ 10,280,000
Rhode Island Health and Educational Building Corporation Higher Education Facility Revenue Bonds, Series 2003 B. The bonds, original amount issued \$7,771,512, carry interest rates ranging from 4.40% to 5.625%. The bonds are due in varying annual installments from \$229,075 – \$587,125, plus interest, through September 15, 2023.	5,690,756	6,021,659
Rhode Island Health and Educational Building Corporation Higher Education Facility Revenue Bonds, Series 2005 E. The bonds original amount issued - was \$3,530,000, carry interest rates ranging from 3.50% - 4.50%. The bonds are due in varying annual installments from \$25,000 - \$230,000, plus interest, through September 15, 2030.	3,120,000	3,220,000
Rhode Island Health and Educational Building Corporation Higher Education Facility Revenue Bonds, Series 2003 C. The bonds original amount issued - was \$1,409,964, carry interest rates ranging from 4.40% - 5.625%. The bonds are due in varying annual installments from \$8,025 - \$117,165, plus interest, through September 15, 2023.	1,169,532	1,237,540
United States Department of Education Note Payable used to renovate and restore the Sylvan R. Forman Center. The note original amount issued \$2,561,000, carries an interest rate of 5.5% payable in level semi-annual installments of \$87,637 through February 1, 2024.	1,612,729	1,695,857
	\$ 21,873,017	\$ 22,455,056

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 7 - **Long-Term Liabilities - Continued**

Bonds and Notes Payable - Continued

The Series 2005 E and 2003 B bonds are collateralized by the revenues of the auxiliary enterprises operated under the authority of the Board of Governors. The Series 2010 A bonds are collateralized by fees generated by the related facilities.

Principal and interest on notes and bonds payable for the next five years and in subsequent five-year periods are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2012	\$ 730,035	\$ 979,231	\$ 1,709,266
2013	756,418	953,547	1,709,965
2014	784,942	926,421	1,711,363
2015	813,566	897,847	1,711,413
2016	846,958	866,502	1,713,460
2017-2021	4,812,498	3,899,561	8,712,059
2022-2026	4,493,600	2,574,597	7,068,197
2027-2031	2,990,000	1,816,672	4,806,672
2032-2036	2,475,000	1,119,413	3,594,413
2037-2041	3,170,000	411,625	3,581,625
	<u>\$ 21,873,017</u>	<u>\$ 14,445,416</u>	<u>\$ 36,318,433</u>

Interest expense for the years ended June 30, 2011 and 2010, was \$1,038,198 and \$704,365, respectively.

The State of Rhode Island has issued bonds for the development of certain College facilities. These bonds are not obligations of the College and, therefore, are not recorded as liabilities in the accompanying financial statements.

Related Party Transactions

As part of a \$30 million general obligation bond issuance authorized by the voters for the construction of a new residence hall, the College agreed to repay the State \$20 million. The residence hall was completed in September 2007, at which time the College commenced repayment over the remaining life of the bonds which bear interest at rates ranging from 3% to 5%. In addition, the \$10 million, for which the State remained as the primary obligor, was recorded as a capital appropriation by the College.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 7 - **Long-Term Liabilities - Continued**

Related Party Transactions - Continued

In August 2011, the College and the State of Rhode Island amended the Memorandum of Understanding dated August 1, 2006 regarding the repayment of a portion of the debt service for the General Obligation Bonds for fiscal year 2011. The parties agreed to amend the repayment schedule to have no payment from the College for fiscal year 2011 and for fiscal year 2012 to make the scheduled payment and an additional payment of \$756,316 for principal and \$859,368 for interest.

Principal and interest on bonds payable on the new residence hall for the next five years and in subsequent five-year periods are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2012	\$ 1,555,965	\$ 1,683,703	\$ 3,239,668
2013	842,982	787,335	1,630,317
2014	889,649	748,368	1,638,017
2015	936,316	705,310	1,641,626
2016	986,316	658,143	1,644,459
2017-2021	5,688,246	2,523,567	8,211,813
2022-2026	7,021,579	1,092,805	8,114,384
	<u>\$ 17,921,053</u>	<u>\$ 8,199,231</u>	<u>\$ 26,120,284</u>

Interest expense for the years ended June 30, 2011 and 2010 were \$859,368 and \$886,879, respectively.

In November 2006 the voters of Rhode Island approved the issuance of \$72.8 million of bonds and notes, including \$7.8 million for renovation of the former Department of Children, Youth, and Families Facilities at the College. As of June 30, 2011 and 2010, \$7,781,021 and \$7,744,530 in funding was received by the College, respectively.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 8 - **Grant Refundable**

The College participates in the Federal Perkins Loan and Nursing Loan programs. These programs are funded through a combination of federal and institutional resources. The portion of these programs that has been funded with federal funds is ultimately refundable back to the U.S. government upon the termination of the College's participation in the program.

Note 9 - **Restricted Net Assets**

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are composed of the following at June 30:

	2011	2010
Restricted – expendable:		
Retirement of general long-term debt	\$ —	\$ (9,239)
Renewal and replacements	92,463	319,481
College grant funds	354,513	360,948
Capital project programs	234,531	220,408
	\$ 681,507	\$ 891,598

Note 10 - **Unrestricted Net Assets**

The College's unrestricted net assets at June 30 represent goods and services that have not yet been received and normal working capital balances maintained for auxiliary enterprise and departmental activities.

Note 11 - **Contingencies**

Various lawsuits are pending or threatened against the College that arose from the ordinary course of operations. In the opinion of management, no litigation is now pending, or threatened that would materially affect the College's financial position.

RHODE ISLAND COLLEGE

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 11 - Contingencies - Continued

The College receives significant financial assistance from federal and state agencies in the form of grants. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the College. In the opinion of management such adjustments, if any, are not expected to materially affect the financial condition of the College.

Note 12 - Operating Expenses

The College's operating expenses, on a natural classification basis, are as follows for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Compensation and benefits	\$ 93,439,742	\$ 90,495,972
Supplies and services	22,014,061	24,126,023
Depreciation and amortization	6,092,723	5,521,629
Scholarships and fellowships	6,507,567	5,806,613
	<u>\$ 128,054,093</u>	<u>\$ 125,950,237</u>

Note 13 - State Appropriations

Direct Appropriations

Pursuant to the Rhode Island General Law 16-59-9, the legislative enacted budget reflects the budget passed by the General Assembly and signed by the Governor as well as any re-appropriations made by the Governor for fiscal year 2009. The Board reviews and approves the unrestricted and restricted budgets and makes recommendations to the Governor and General Assembly for revisions to the current year's budget and the ensuing year's budget for entities under its direction, including the College.

The original and supplemental budget requests to the Governor and General Assembly are acted upon by a vote of the Board. As part of the College's annual budget process for unrestricted and restricted funds, the Board allocates specific amounts in the budget which are allocated for the following categories: (1) salaries and wages, (2) operating expenditures, and (3) outlays for personnel costs, utilities, repairs, capital, and student aid, as well as the overall budget allocation.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 13 - **State Appropriations - Continued**

State Capital Plan Funds

The Rhode Island Capital Plan Fund was modeled on a financial technique originating in the State of Delaware. In fiscal year 2011, the State reserved 2.6% of its general revenues to fund a Budget Reserve and Cash Stabilization Fund. If the fund reaches a maximum threshold (4.2% of total resources in fiscal year 2011), the excess revenues are transferred to a Capital Plan Fund. This Capital Plan Fund is used for capital expenditures and for debt reduction. The technique is a “pay-as-you-go” process that avoids increasing the state’s debt burden. Higher education has received off-budget allocations through this program since fiscal 1995.

During fiscal years 2011 and 2010, the College expended \$1,181,039 and \$3,223,558, respectively, in state capital plan funds.

State Contributed Capital

In October 2006, the College, URI and CCRI in collaboration with the Governor’s Office, and the Board of Governors for Higher Education, submitted a proposal for supporting the creative use of technology in higher education in Rhode Island. This proposed plan seeks to integrate technology and education to improve the education of pre-service and in-service teachers in science, technology, engineering and mathematics (STEM). The proposal was approved on October 6, 2006 and provided \$11,750,000 in funding. The College’s share of this funding is \$5,000,000. During fiscal years 2011 and 2010, the College recorded approximately \$2,697,000 and \$1,039,000, respectively in these funds.

The College’s State appropriation is composed of the following at June 30:

	2011	2010
Direct appropriations	\$ 37,567,515	\$ 37,654,496
State capital plan funds	1,181,039	3,223,558
State contributed capital	2,697,166	1,039,418
	\$ 41,445,720	\$ 41,917,472

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 13 - **State Appropriations - Continued**

State Contributed Capital - Continued

In accordance with Rhode Island State law, unexpended capital plan appropriations lapse after June 30th of the fiscal year in which appropriated. Such funds may be applied for in the subsequent fiscal year.

Note 14 - **Pension and Retirement Plans**

Certain employees of the College (principally faculty and administrative personnel) are covered by individual annuity contracts under a defined contribution retirement plan, the Alternate Retirement Plan (ARP), which was established by the Rhode Island Board of Governors (Board) who is also responsible for amending it. Eligible employees who have reached the age of 30, and who have two years of service are required to participate in either the Teachers' Insurance and Annuity Association (TIAA), the Metropolitan Life Insurance Company, or Variable Annuity Life Insurance Company retirement plan. The Board establishes and amends contribution rates. Eligible employees must contribute at least 5% of their gross biweekly earnings. These contributions may be made on a pre-tax basis. These contributions amounted to \$1,738,890 and \$1,696,315 during fiscal years ending 2011 and 2010, respectively. The College contributes 9% of the employee's gross biweekly earnings. The total expenditures by the College for such annuity contracts amounted to approximately \$3,158,000 and \$3,053,000 during fiscal years ending 2011 and 2010, respectively.

Civil service personnel employed by the College participate in the Employees' Retirement System of the State of Rhode Island (the System), a multiple-employer, cost-sharing, defined benefit, public employee retirement system. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The level of benefits provided to state employees is established by Chapter 36-10 of the General Laws which is subject to amendment by the General Assembly.

The payroll expense of College employees covered by the System was approximately \$13,139,000 and \$13,293,000 for the years ended June 30, 2011 and 2010, respectively. The College's total payroll expense for the years ended June 30, 2011 and 2010 was approximately \$66,318,000 and \$64,148,000, respectively.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 14 - **Pension and Retirement Plans - Continued**

The employee contribution rate is set by general law and may be amended by the general assembly. The employer contribution rate is calculated by the System's actuary and approved by the System's Retirement Board annually.

Covered employees in the System were required to contribute 8.75% of salaries paid in 2011 and 2010, while the College was required to pay 20.78% and 21.61% of salaries paid for the years ending June 30, 2011 and 2010, respectively. In addition, the College is required to contribute 6.74% and 5.62% for post-retirement health benefits in 2011 and 2010, respectively. Employees contributed approximately \$1,150,000 and \$1,163,000 during the years ended June 30, 2011 and 2010, respectively. The College's contributions to the System for the years ended June 30, 2011, 2010 and 2009 were approximately \$2,730,000, \$2,762,000, and \$2,897,000, respectively, representing 100% of the required contribution for each of the three years.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained by writing to the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903.

Note 15 - **Other Post-Employment Benefits (OPEB)**

Rhode Island Retiree Health Care Benefit Plan (RIRHCBP)

Plan Description

Rhode Island College contributes (for certain employees) to the State Employees' defined benefit post-employment health care plan, a cost-sharing multiple employer plan administered through the Rhode Island State Employees' and Electing Teachers OPEB System (OPEB System). The State of Rhode Island OPEB Board (Board) was authorized, created and established under Chapter 36-12.1 of the RI General Laws. The Board was established to independently hold and administer, in trust, the funds of the OPEB system. The plan provides medical benefits to certain retired employees of participating employers including the College.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 15 - **Other Post-Employment Benefits (OPEB) - Continued**

Rhode Island Retiree Health Care Benefit Plan (RIRHCBP) - Continued

Plan Description - Continued

Pursuant to legislation enacted by the General Assembly, a trust was established in fiscal year 2011 to accumulate assets and pay benefits and other costs associated with the System.

Beginning with the fiscal year ended June 30, 2011, the OPEB system will issue a stand-alone financial report. A copy will be available at the web site of the Office of Accounts & Control-<http://controller.admin.ri.gov/Financial%20Reports/index.php>.

RIGL Sections 36-12.1, 36-12-2.2, and 36-12-4 govern the provisions of the OPEB System. The contribution requirements of plan members, the State, and other participating employers are established and may be amended by the General Assembly. Active employees make no contribution to the OPEB plan. Employees who retired after October 1, 2008 must contribute 20% of the annual estimated benefit cost (working rate) or annual premium for Medicare supplemental coverage. Employees retiring before October 1, 2008 have varying co-pay percentages ranging from 0% to 50% based on age and years of service at retirement. Further information about the contributions of plan members can be found in the financial report of the OPEB System.

Funding Policy

Effective in fiscal year 2011, all participating employers are required by law to fund the actuarially determined required contribution (ARC), which for fiscal year 2011 was 6.74% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The College's contribution to the plan for the year ended June 30, 2011 was approximately \$1,849,910. Prior to the creation of the OPEB trust in fiscal year 2011, the contributions to the plan were made on a pay as you go basis. For fiscal year 2010, the annual required contribution (ARC), as a percentage of covered payroll, for participating component units was the same for all active plan members, 9.21% of covered payroll. The College actually contributed 5.62% of annual covered payroll for fiscal 2010 or approximately \$2,762,000.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 15 - **Other Post-Employment Benefits (OPEB)**

Rhode Island Retiree Health Care Benefit Plan (RIRHCBP) - Continued

Funding Policy - Continued

In prior years, the College contributed to the State Employees' OPEB plan, which consistent with GASB 45 provisions, was administered as an agent multiple employer plan because no separate legal trust had been created. The transition by the State of its OPEB plan in fiscal 2011 to an OPEB Trust resulted in the State Employees' Plan being redefined as a cost-sharing multiple employer plan. In accordance with the requirements of GASB 45, the College's net OPEB obligation recorded in previous years has been reduced to zero.

Rhode Island Board of Governors for Higher Education Health Care Insurance Retirement Plan

Plan Description

The College contributes (for certain employees) to the Rhode Island Board of Governors for Higher Education (Board) health care insurance retirement program (Plan), medical coverage only, for eligible employees who participate in the Board's Alternate Retirement Plan (ARP) and per union contracts. The Board established a defined benefit healthcare plan effective July 1, 1998 for Office of Higher Education, University of Rhode Island (URI), Rhode Island College (RIC) and Community College of Rhode Island (CCRI). Pursuant to legislation enacted by the General Assembly, a trust was established in fiscal year 2011 to accumulate assets and pay benefits and other costs associated with the system. Upon creation of the trust in fiscal year 2011, the Board's ARP is considered a cost-sharing multiple employer plan. Rhode Island State law established the "Rhode Island State Employees' and Electing Teachers OPEB System" (OPEB System), as defined in G.L. 36-12.1-5, which will be managed by an OPEB Board for the purpose of providing and administering OPEB Benefits for retired employees of the State, includes the Board Plan.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 15 - **Other Post-Employment Benefits (OPEB) - Continued**

Rhode Island Board of Governors for Higher Education Health Care Insurance Retirement Plan - Continued

Plan Description - Continued

The State of Rhode Island OPEB Board (Board) was authorized, created and established under Chapter 36-12.1 of the RI General Laws. The Board was established to independently hold and administer, in trust, the funds of the OPEB System. The plan provides medical benefits to certain retired employees of participating employers including Rhode Island College.

Beginning with the fiscal year ended June 30, 2011, the OPEB System will issue a stand-alone financial report. A copy will be available at the web site of the State of Rhode Island Office of Accounts & Control - <http://controller.admin.ri.gov/Financial%20Reports/index.php>.

Funding Policy

RIGL Sections 36-12.1, 36-12-2.2, and 36-12-4 govern the provisions of the OPEB System. The contribution requirements of plan members and the College are established and may be amended by the Board. Effective in fiscal year 2011, all participating employers are required by law to fund the actuarially required contribution (ARC) which for fiscal year 2011 was 2.69% of payroll covered by the Board Plan. Active employees contribute 0.9% of payroll to the OPEB plan. Retired employees have varying co-pay percentages ranging from 0% to 50% based on age and years of service at retirement. Further information about the contributions of plan members can be found in the financial report of the OPEB System.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 15 - **Other Post-Employment Benefits (OPEB) - Continued**

Rhode Island Board of Governors for Higher Education Health Care Insurance Retirement Plan - Continued

Funding Policy - Continued

Rhode Island College's contribution to the plan for the year ended June 30, 2011 was \$918,131 and active employees contributed 0.9% of covered payroll, \$307,181. For fiscal year 2010, the College's contribution to the plan was \$440,856 and active employees contributed 0.9% of covered payroll, \$299,702. In fiscal 2010 the annual required contribution (ARC), which was actuarially determined, was \$1,394,316. In prior years, Rhode Island College contributed to the State Employees' OPEB plan, which consistent with GASB 45 provisions, was administered as an agent multiple employer plan because no separate legal trust had been created. The transition by the State of its OPEB plan in fiscal 2011 to an OPEB Trust resulted in the State Employees' Plan being redefined as a cost-sharing multiple employer plan. In accordance with the requirements of GASB 45, the component unit's net OPEB obligation recorded in previous years has been reduced to zero.

**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***



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Governors for Higher Education
State of Rhode Island and Providence Plantations
Providence, Rhode Island

We have audited the financial statements of Rhode Island College (the "College") as of and for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011, which included a reference to the report of the other auditors who audited the discretely presented component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our consideration of internal control over financial reporting and our test of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters did not include the discretely presented component unit audited by the other auditors referred to in the previous paragraph. The findings, if any, of the other auditors are not included herein.

Internal Control Over Financial Reporting

Management of Rhode Island College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Rhode Island 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 College'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rhode Island 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 matters that we reported to management of Rhode Island College in a separate letter dated September 30, 2011.

This report is intended solely for the information and use of the Board of Governors for Higher Education, management of Rhode Island College, the Office of the Rhode Island Auditor General, and federal awarding agencies and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.

O'Connor & Drew, P.C.
Certified Public Accountants

September 30, 2011