

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Fiscal Years Ended June 30, 2011 and 2010

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
 TABLE OF CONTENTS
 June 30, 2011 and 2010

| | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| | |
| BASIC FINANCIAL STATEMENTS | |
| Statements of Net Assets..... | 3 |
| Statements of Revenues, Expenses, and Changes in Net Assets..... | 4 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements | 6 |
| | |
| 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> | 22 |
| | |
| SUPPLEMENTARY INFORMATION | |
| Schedule of Expenditures of Federal Awards | 24 |
| Schedule of Operating Revenues, Expenses, and Changes in Net Assets..... | 25 |
| Schedule of Net Assets..... | 26 |
| Schedule of Changes in Net Assets..... | 27 |
| Schedule of Long-Term Debt..... | 28 |
| Schedule of Changes in Long-Term Debt..... | 29 |

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The College Crusade of Rhode Island
Providence, Rhode Island

We have audited the accompanying Statements of Net Assets of The College Crusade of Rhode Island, (the "Crusade") (A Component Unit of the State of Rhode Island) as of and for the fiscal years ended June 30, 2011 and 2010, and the related Statements of Revenues, Expenses, and Changes in Net Assets and Cash Flows for the fiscal years then ended. These financial statements are the responsibility of the Crusade's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 respective financial position of The College Crusade of Rhode Island as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Crusade is an independent 501(c)(3) not-for-profit corporation, with its own Board of Directors and control over its assets, which the State of Rhode Island treats as a discretely presented component unit for financial statement reporting purposes only.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2011, on our consideration of The College Crusade of Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The College Crusade of Rhode Island has omitted the Management Discussion and Analysis and Budgetary Comparison Schedule that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The College Crusade of Rhode Island's financial statements as a whole. The Supplementary Information on pages 24 through 29 is presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Expenditures of Federal Awards, Schedule of Operating Revenues, Expenses and Changes in Net Assets, Schedule of Net Assets, Schedule of Changes in Net Assets, Schedule of Long-Term Debt, and Schedule of Changes in Long-Term Debt are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

NADEN WADNER LLP

September 14, 2011

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
 STATEMENTS OF NET ASSETS
 June 30, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|---|---------------------|---------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash | \$ 282,532 | \$ 171,153 |
| Restricted cash | - | 4,358 |
| Investments | 6,509,688 | 5,274,876 |
| Prepaid rent | - | 15,399 |
| Interest receivable | 22,253 | 20,847 |
| Grants receivable | 268,520 | 433,983 |
| Other receivables | 2,311 | 2,583 |
| TOTAL CURRENT ASSETS | <u>7,085,304</u> | <u>5,923,199</u> |
| NON-CURRENT ASSETS | | |
| Net furniture and equipment | - | 1,099 |
| TOTAL NON-CURRENT ASSETS | <u>-</u> | <u>1,099</u> |
| TOTAL ASSETS | <u>7,085,304</u> | <u>5,924,298</u> |
| <u>LIABILITIES</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | 178,311 | 175,903 |
| Line of credit | 210,000 | 145,000 |
| Grants payable | 16,057 | 15,430 |
| Deferred revenue | 203,971 | 126,623 |
| Accrued scholarship costs | 484,854 | 393,755 |
| TOTAL CURRENT LIABILITIES | <u>1,093,193</u> | <u>856,711</u> |
| TOTAL LIABILITIES | <u>1,093,193</u> | <u>856,711</u> |
| <u>NET ASSETS</u> | | |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | - | 1,099 |
| Restricted | 2,059,857 | 1,894,755 |
| Unrestricted | 3,932,254 | 3,171,733 |
| TOTAL NET ASSETS | <u>\$ 5,992,111</u> | <u>\$ 5,067,587</u> |

The accompanying notes are an integral part of these financial statements.

THE COLLEGE CRUSADE OF RHODE ISLAND

(A Component Unit of the State of Rhode Island)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Fiscal Years Ended June 30, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|---|---------------------|---------------------|
| OPERATING REVENUES | | |
| Contributions | \$ 20,546 | \$ 23,973 |
| Grant - Carnegie | - | 74,213 |
| Grants - other | 3,009,904 | 2,857,089 |
| Interest and dividends | 167,681 | 132,732 |
| Net realized gain on investments | 185,825 | 86,306 |
| Net unrealized gain on investments | 809,306 | 336,331 |
| Miscellaneous income | 10,218 | 2,603 |
| In-kind support | <u>624,707</u> | <u>602,902</u> |
| TOTAL OPERATING REVENUES | <u>4,828,187</u> | <u>4,116,149</u> |
| OPERATING EXPENSES | | |
| Personnel costs | 2,445,587 | 2,139,037 |
| Carnegie grant expense | - | 66,128 |
| Other grant program expenses | 833,572 | 859,845 |
| Cost of scholarships | 524,283 | 230,312 |
| Training | 2,974 | 7,694 |
| Consultants | 16,234 | 3,355 |
| Printing | 33,480 | 24,092 |
| Advertising | 185,221 | 101,539 |
| Special events | 2,690 | 3,311 |
| Occupancy costs | 152,339 | 151,779 |
| Postage | 21,691 | 20,017 |
| Office expenses | 53,288 | 52,079 |
| Travel | 42,495 | 34,577 |
| Professional fees | 32,412 | 34,621 |
| Telephone | 12,618 | 12,785 |
| Insurance | 18,768 | 17,462 |
| Dues and subscriptions | 4,872 | 4,413 |
| Depreciation | 1,099 | 7,482 |
| Trustee fees | 36,965 | 30,120 |
| Other | 6,909 | 6,179 |
| Interest | <u>4,370</u> | <u>3,314</u> |
| TOTAL OPERATING EXPENSES | <u>4,431,867</u> | <u>3,810,141</u> |
| OPERATING INCOME | <u>396,320</u> | <u>306,008</u> |
| NON-OPERATING REVENUES | | |
| Operating transfers from primary government | <u>528,204</u> | <u>528,204</u> |
| TOTAL NON-OPERATING REVENUES | <u>528,204</u> | <u>528,204</u> |
| INCREASE IN NET ASSETS | 924,524 | 834,212 |
| NET ASSETS - July 1, | <u>5,067,587</u> | <u>4,233,375</u> |
| NET ASSETS - June 30, | <u>\$ 5,992,111</u> | <u>\$ 5,067,587</u> |

The accompanying notes are an integral part of these financial statements.

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
STATEMENTS OF CASH FLOWS
Fiscal Years Ended June 30, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|---------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Cash received from contributions | \$ 20,782 | \$ 25,831 |
| Cash received from grants - other | 3,252,715 | 3,089,521 |
| Cash received - miscellaneous | 13,081 | 2,710 |
| Cash payments for personnel costs | (2,421,977) | (2,130,643) |
| Cash payments for grants - Carnegie | - | (79,547) |
| Cash payments for grants - other | (406,534) | (338,231) |
| Cash payments for scholarships | (433,184) | (377,784) |
| Cash payments - miscellaneous | (437,660) | (395,214) |
| NET CASH USED BY OPERATING ACTIVITIES | <u>(412,777)</u> | <u>(203,357)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Cash received from interest and dividends | 166,275 | 126,619 |
| Net deposits from investments | (239,681) | (378,595) |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(73,406)</u> | <u>(251,976)</u> |
| <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u> | | |
| Operating transfers from primary government | 528,204 | 528,204 |
| Net proceeds (payments) on line-of-credit | 65,000 | (165,000) |
| NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES | <u>593,204</u> | <u>363,204</u> |
| NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH | 107,021 | (92,129) |
| CASH AND RESTRICTED CASH - July 1, | 175,511 | 267,640 |
| CASH AND RESTRICTED CASH - June 30, | <u>\$ 282,532</u> | <u>\$ 175,511</u> |
| <u>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:</u> | | |
| Operating income | \$ 396,320 | \$ 306,008 |
| <i>Adjustments to reconcile operating income to net cash used by operating activities:</i> | | |
| Depreciation | 1,099 | 7,482 |
| Interest and dividends | (166,275) | (126,619) |
| Net realized gain on investments | (185,825) | (86,306) |
| Net unrealized gain on investments | (809,306) | (336,331) |
| <i>(Increase) decrease in operating assets:</i> | | |
| Prepaid rent | 15,399 | 18,468 |
| Interest receivable | (1,406) | (6,113) |
| Grants receivable | 165,463 | 106,236 |
| Other receivables | 272 | 1,965 |
| <i>Increase (decrease) in operating liabilities:</i> | | |
| Accounts payable and accrued expenses | 2,408 | 20,373 |
| Grants payable | 627 | (13,031) |
| Deferred revenue | 77,348 | 51,983 |
| Accrued scholarship costs | 91,099 | (147,472) |
| TOTAL ADJUSTMENTS | <u>(809,097)</u> | <u>(509,365)</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u>\$ (412,777)</u> | <u>\$ (203,357)</u> |

The accompanying notes are an integral part of these financial statements.

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The College Crusade of Rhode Island (the “Crusade”) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below:

THE FINANCIAL REPORTING ENTITY

CRUSADE OPERATIONS

The Crusade is a Rhode Island non-profit corporation formed in November 1989 for the purpose of fostering the education of economically disadvantaged youth through Crusader support programs for parents and students along with student scholarship awards.

For financial statement reporting purposes, the Crusade has been determined to be a component unit of the State of Rhode Island (the State) based on the State’s financial support of the Crusade and the Crusade’s ability to potentially impose a moral financial burden or moral obligation on the State. However, the Crusade is an independent 501(c)(3) not-for-profit corporation with oversight by its own Board of Directors and control over its assets.

BASIS OF PRESENTATION

On July 1, 2002, the Crusade adopted the provisions of Governmental Accounting Standards Board Statement No. 34 “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”. Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt* – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any debt attributable to those assets. The Crusade had no such debt at June 30, 2011 and 2010. See Note 5 for more detail on capital assets.
- *Restricted* – This component of net assets consists of net assets used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Crusade’s restricted net assets are restricted by the GEARUP Scholarship Grant.
- *Unrestricted* – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

BASIS OF ACCOUNTING

The financial statements of the Crusade have been prepared on the accrual basis of accounting. 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 imposed by the provider have been met.

In accordance with SGAS No. 20, the Crusade has elected to apply the applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989: FASB Statements and Interpretations; APB Opinions and ARBS, unless these pronouncements conflict with or contradict GASB pronouncements.

CASH AND CASH EQUIVALENTS

The Crusade considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. For purposes of the statements of cash flows, none of the investments held in the Crusade's investment portfolio (Note 4) are included as cash and cash equivalents, regardless of the type of investment, as it is the Crusade's intention that the funds deposited in the investment account are not for current purposes. The Crusade had no cash equivalents at June 30, 2011 and 2010.

PLEDGES RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on these pledges is computed using a risk-free interest rate applicable to the year in which the promise is expected to be received. Amortization of the discount is netted against contribution revenue. Conditional promises to give are not recognized in revenue until such time as the conditions are substantially met. All pledges are expected to be received within one year.

INVESTMENTS

The Crusade's portfolio is managed by an outside investment manager who operates within the guidelines established by the Investment Committee of the Board of Directors. The Investment Committee has established and communicated to the investment manager policies relating to the nature of permitted investment instruments, diversification, and the use of derivatives.

All long-term investments have been reported in the financial statements at their current market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. The net increase (decrease) in realized and unrealized appreciation (depreciation) in the market value of such investments has been included in the statements of revenues, expenses, and changes in net assets.

Management is not aware of any derivative financial instruments through its investment managers' investment strategy and mutual fund investments. Derivatives, such as forward foreign currency contracts and futures, are used to hedge against foreign currency and price risk. Management has estimated that the risk, if any, associated with these derivatives is not material to the Crusade as of June 30, 2011 and 2010.

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

FURNITURE AND EQUIPMENT

Furniture and equipment is recorded at cost. Depreciation is provided using the straight-line method over estimated useful lives of respective assets. Useful lives of assets are as follows:

| <u>Asset Category</u> | <u>Estimated Useful Lives</u> | <u>Capitalization Threshold</u> |
|------------------------------|-------------------------------|---------------------------------|
| Office Furniture & Equipment | 5 years | \$2,000 |
| Computer Equipment | 3 years | \$3,000 |

CONTRIBUTED SERVICES

Unpaid volunteers have made contributions of their time to develop the Crusade's programs and to assist in registering students in these programs. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

INCOME TAXES

The Crusade is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Crusade operates in a manner consistent with their tax-exempt status at both the federal and state levels.

Authoritative guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Crusade's tax return to determine whether the tax positions are "more likely than not" to be sustained by the applicable tax authority. Tax positions not deemed to meet the "more likely than not" threshold would be recorded as a tax benefit or expense in the current year.

The Crusade annually files IRS Form 990 – *Return of Organization Exempt From Income Tax* reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities and the federal income tax returns for the years 2010, 2009 and 2008, are subject to examination by the IRS, generally for three years after they were filed. The Crusade currently has no tax examinations in progress.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

OPERATING REVENUES AND EXPENSES

Operating revenues and expenses are distinguished from non-operating items in the statements of revenues, expenses, and changes in net assets. Operating revenues and expenses result from providing services in connection with the Crusade's principal ongoing operations. Principal operating revenues of the Crusade are received through various grants. Operating expenses include grant program expenses, cost of scholarships, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The non-operating revenues of the Crusade are operating transfers from the State of Rhode Island.

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

ADVERTISING COSTS

The Crusade expenses advertising costs as they are incurred.

LIABILITY FOR COMPENSATED ABSENCES

Employees are allowed to accrue ten vacation days and thirty sick days. Employees are entitled to receive full pay for the number of vacation days accrued at the time of termination. Per the Crusade policy, employees' sick leave accrual does not vest and accordingly, employees may only utilize sick time when sick or when appropriately approved for personal reasons. Since the employees accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illness and such amounts can not be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

SUBSEQUENT EVENTS

The Crusade has evaluated subsequent events for recognition and disclosure through September 14, 2011, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

In accordance with R.I. Gen. Laws § 35-10.1-1, *et seq*, Rhode Island depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2011 and 2010, the Crusade had no deposits that were required to be collateralized.

The following summary presents the Crusade's deposits at June 30, 2011 and 2010. Category 1 includes deposits which are fully insured or collateralized with securities held by the Crusade or its agents in the Crusade's name. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the Crusade's name. Category 3 includes deposits that are not insured or collateralized.

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

| 2011 | | | |
|-----------------|-----------------------|-----------------------|-----------------------|
| | Category | | |
| | 1 | 2 | 3 |
| Demand Deposits | \$ 282,532 | \$ - | \$ - |
| TOTAL | <u>\$ 282,532</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | Bank Balance | Carrying Value |
| Demand Deposits | | \$ 308,876 | \$ 282,532 |
| TOTAL | | <u>\$ 308,876</u> | <u>\$ 282,532</u> |

| 2010 | | | |
|----------------------------------|-----------------------|-----------------------|-----------------------|
| | Category | | |
| | 1 | 2 | 3 |
| Demand Deposits | \$ 171,153 | \$ - | \$ - |
| Restricted Cash - Carnegie Grant | 4,358 | - | - |
| TOTAL | <u>\$ 175,511</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | Bank Balance | Carrying Value |
| Demand Deposits | | \$ 203,295 | \$ 171,153 |
| Restricted Cash - Carnegie Grant | | 4,358 | 4,358 |
| TOTAL | | <u>\$ 207,653</u> | <u>\$ 175,511</u> |

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the Crusade’s deposits may not be returned to it. The Crusade does not have a deposit policy for custodial credit risk. As of June 30, 2011, \$58,876 of the Crusade’s bank balance of \$308,876 was exposed to custodial credit risk. As of June 30, 2010, none of the Crusade’s bank balance of \$207,653 was exposed to custodial credit risk.

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011 and 2010

NOTE 3 – GRANTS RECEIVABLE

The following is a summary of grants receivable as of June 30, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|----------------------------|-----------------------|-----------------------|
| GEARUP Grant | \$ 263,391 | \$ 408,983 |
| Bank of America Foundation | - | 20,000 |
| Other | <u>5,129</u> | <u>5,000</u> |
| TOTAL | <u>\$ 268,520</u> | <u>\$ 433,983</u> |

Management believes, due to the nature of the grants receivable, the amounts are fully collectible.

NOTE 4 – INVESTMENTS

The Crusade's investments are categorized to give an indication of the level of risk assumed by the Crusade at year end. The categories are described as follows:

Category 1 – Insured, registered, or securities held by the Crusade or its agent in the Crusade's name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Crusade's name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty or its trust department or agent but not in the Crusade's name.

Investments are carried at fair value. All the Crusade's investments are Category 3, except for money market funds. At June 30, 2011 and 2010 investments consisted of the following:

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011 and 2010

| | 2011 | | | |
|------------------------------|---------------------|------------------------------|-------------------------------|---------------------|
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| | Money Market Funds | \$ 414,485 | \$ - | \$ - |
| Corporate Bonds | 376,195 | 10,190 | (4,535) | 381,850 |
| Corporate Agency Securities | 37,648 | 566 | (350) | 37,864 |
| U.S. Treasuries | 526,421 | 25,650 | (1,150) | 550,921 |
| Government Agency Securities | 328,792 | 32,118 | - | 360,910 |
| Preferred Stocks | 91,519 | 1,268 | - | 92,787 |
| Common Stocks | 3,680,225 | 1,085,963 | (95,317) | 4,670,871 |
| TOTAL | \$ 5,455,285 | \$ 1,155,755 | \$ (101,352) | \$ 6,509,688 |

| | 2010 | | | |
|------------------------------|---------------------|------------------------------|-------------------------------|---------------------|
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| | Money Market Funds | \$ 706,184 | \$ - | \$ - |
| Corporate Bonds | 364,808 | 16,353 | (92) | 381,069 |
| Corporate Agency Securities | 24,999 | 204 | - | 25,203 |
| U.S. Treasuries | 497,564 | 38,458 | - | 536,022 |
| Government Agency Securities | 429,976 | 34,610 | - | 464,586 |
| Common Stocks | 3,006,248 | 420,526 | (264,962) | 3,161,812 |
| TOTAL | \$ 5,029,779 | \$ 510,151 | \$ (265,054) | \$ 5,274,876 |

Gross gains of \$205,408 and gross losses of \$19,583 were realized on sales of investments during the fiscal year ended June 30, 2011 and gross gains of \$164,829 and gross losses of \$78,523 were realized on sales of investments during the fiscal year ended June 30, 2010.

The cost and fair value of corporate bonds, corporate agency, U.S. Treasuries, and government agency securities at June 30, 2011 and 2010 by maturity are as follows:

| | 2011 | | 2010 | |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Due within one year | \$ 330,290 | \$ 293,241 | \$ - | \$ - |
| Due after one through five years | 333,943 | 376,172 | 640,197 | 666,353 |
| Due after five through ten years | 247,174 | 271,896 | 247,174 | 275,941 |
| Due after ten years | 357,649 | 390,236 | 429,976 | 464,586 |
| TOTAL | \$ 1,269,056 | \$ 1,331,545 | \$ 1,317,347 | \$ 1,406,880 |

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011 and 2010

Gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position at June 30, 2011 and 2010 are as follows:

| | June 30, 2011 | | | |
|-------------------------|---------------------|---|------------------------|----------------------------|
| | Fair Value | Continuous Unrealized Losses Existing For: | | Total Unrealized Losses |
| | | Less Than 12 Months | More Than 12 Months | |
| <u>Debt securities:</u> | | | | |
| Corporate bonds | \$ 109,704 | \$ (4,535) | \$ - | \$ (4,535) |
| Government bonds | <u>149,264</u> | <u>(1,150)</u> | <u>-</u> | <u>(1,150)</u> |
| Total debt securities | <u>258,968</u> | <u>(5,685)</u> | <u>-</u> | <u>(5,685)</u> |
| Common Stocks | <u>667,278</u> | <u>(50,608)</u> | <u>(44,709)</u> | <u>(95,317)</u> |
| | <u>\$ 926,246</u> | <u>\$ (56,293)</u> | <u>\$ (44,709)</u> | <u>\$ (101,002)</u> |
| June 30, 2010 | | | | |
| | Fair Value | Continuous Unrealized Losses Existing For: | | Total Unrealized Losses |
| | | Less Than 12 Months | More Than 12 Months | |
| <u>Debt securities:</u> | | | | |
| Corporate bonds | \$ 38,586 | \$ (92) | \$ - | \$ (92) |
| Total debt securities | <u>38,586</u> | <u>(92)</u> | <u>-</u> | <u>(92)</u> |
| Common Stocks | <u>1,453,789</u> | <u>(139,296)</u> | <u>(125,666)</u> | <u>(264,962)</u> |
| | <u>\$ 1,492,375</u> | <u>\$ (139,388)</u> | <u>\$ (125,666)</u> | <u>\$ (265,054)</u> |

As of June 30, 2011, the Crusade's investment portfolio consisted of 67 individual securities diversified as follows: 5 U.S. Government and Federal agency securities, 6 corporate bonds, 2 corporate agency securities, 4 mortgage-backed securities, 2 preferred stocks and 48 common stocks.

Of the 67 individual securities, 3 common stocks had continuous unrealized losses existing for more than 12 months as of June 30, 2011.

As of June 30, 2010, the Crusade's investment portfolio consisted of 58 individual securities diversified as follows: 4 U.S. Government and Federal agency securities, 6 corporate bonds, 1 corporate agency security, 4 mortgage-backed securities, and 43 common stocks.

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011 and 2010

Of the 58 individual securities, 7 common stocks had continuous unrealized losses existing for more than 12 months as of June 30, 2010.

All of these securities are considered to be acceptable credit risks. Based upon an evaluation of the available evidence, including recent changes in market rates, credit rating information and information obtained from regulatory filings, management believes the decline in fair value for these securities is temporary. In addition, the Crusade has the intent and ability to hold these investment securities for a period of time sufficient to allow for an anticipated recovery.

No investments at June 30, 2011 and 2010 were considered “other-than-temporary” impaired.

As of June 30, 2011, the Crusade had the following fixed income investments:

| Investment | Maturity | Standard & Poor's Rating | Fair Value |
|------------------------------------|------------|-----------------------------|-------------------------|
| U.S. Treasury Notes | 1/31/2012 | AAA | \$ 112,961 |
| U.S. Treasury Notes | 2/15/2012 | AAA | 149,264 |
| Paccar, Inc. | 2/15/2012 | A+ | 31,016 |
| Kraft Foods, Inc. | 2/11/2013 | BBB- | 37,739 |
| American Express Credit Co. | 8/20/2013 | BBB+ | 127,995 |
| Staples, Inc. | 1/15/2014 | BBB | 35,715 |
| U.S. Treasury Notes | 2/15/2014 | AAA | 27,156 |
| Ford Motor Credit Co. | 6/1/2014 | BB- | 109,704 |
| Americredit Automobile Receivables | 3/9/2015 | AA | 25,565 |
| Americredit Automobile Receivables | 1/15/2016 | A | 12,298 |
| U.S. Treasury Notes | 11/15/2016 | AAA | 232,214 |
| McDonalds Corp | 3/1/2018 | A | 39,682 |
| GNMA PL#578181 | 1/15/2032 | Not Rated | 139,368 |
| GNMA PL#675373 | 5/15/2038 | Not Rated | 119,024 |
| GNMA PL#736558 | 2/15/2040 | Not Rated | 52,711 |
| GNMA PL#737377 | 3/15/2040 | Not Rated | 49,807 |
| U.S. Treasury Notes | 11/15/2040 | AAA | <u>29,326</u> |
| TOTAL | | | <u>\$ 1,331,545</u> |

As of June 30, 2011, the Crusade had no investments with exposure to foreign currency risk.

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

As of June 30, 2010, the Crusade had the following fixed income investments:

| Investment | Maturity | Standard & Poor's Rating | Fair Value |
|---------------------------------|------------|-----------------------------|---------------------|
| U.S. Treasury Notes | 1/31/2012 | AAA | \$ 117,412 |
| Paccar, Inc. | 2/15/2012 | A+ | 32,417 |
| U.S. Treasury Notes | 2/15/2012 | AAA | 155,343 |
| Ford Motor Credit Co., LLC | 6/1/2012 | B- | 102,976 |
| Kraft Foods, Inc. | 2/11/2013 | BBB- | 38,586 |
| American Express Credit Co. | 8/20/2013 | BBB+ | 130,204 |
| Staples, Inc. | 1/15/2014 | BBB | 36,800 |
| U.S. Treasury Notes | 2/15/2014 | AAA | 27,412 |
| American Automobile Receivables | 3/9/2015 | AA | 25,203 |
| U.S. Treasury Bonds | 11/15/2016 | AAA | 235,856 |
| McDonalds Corp | 3/1/2018 | A | 40,085 |
| GNMA PL#578181 | 1/15/1932 | Not Rated | 179,287 |
| GNMA PL#675373 | 5/15/1938 | Not Rated | 158,575 |
| GNMA PL#736558 | 2/15/1940 | Not Rated | 63,222 |
| GNMA PL#737377 | 3/15/1940 | Not Rated | <u>63,502</u> |
| TOTAL | | | <u>\$ 1,406,880</u> |

As of June 30, 2010, the Crusade had no investments with exposure to foreign currency risk.

Interest Rate Risk: The Crusade's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The Crusade's general investment policy is to apply the Prudent-Person Rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The Crusade's investment policy limits investments in bonds to be rated both investment grade ("BBB or Higher") and non-investment Grade ("BB or Lower") by a national recognized statistical rating organization provided an average rating of "A" or higher is maintained for the entire fixed income section.

Custodial Credit Risk: Custodial credit risk is risk that the Crusade will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. The Crusade's investment policy does not directly address custodial credit risk. As of June 30, 2011 and 2010, the Crusade had investments at fair value subject to custodial credit risk totaling \$6,509,688 and \$5,274,876, respectively.

Concentration of Credit Risk: The Crusade's investment policy requires, in an attempt to minimize the adverse effects of interest rate fluctuations, that the fixed-income section may not contain more than 10%, valued at cost, of a given issuer, except for U.S. Treasury and agency obligations. As of June 30, 2011, more than 5% of the Crusade's fixed income investments at fair value are in: U.S. Treasury Notes and

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

Bonds (41.4%), Government Agency Securities (27.1%), and Corporate Bonds (28.7%). As of June 30, 2010, more than 5% of the Crusade's fixed income investments at fair value are in: U.S. Treasury Notes and Bonds (38.1%), Government Agency Securities (33.0%), and Corporate Bonds (27.1%).

Foreign Currency Risk: The Crusade's investment policy does not limit foreign currency-denominated investments as a means of managing its exposure to fair value losses arising from foreign currency fluctuations.

NOTE 5 – NET FURNITURE AND EQUIPMENT

The summary of changes in furniture and equipment at June 30, 2011 is as follows:

| | Balance June 30, 2010 | Additions | Retirements | Balance June 30, 2011 |
|--------------------------------|--------------------------|-----------------|------------------|--------------------------|
| Cost | | | | |
| Office Equipment | \$ 166,475 | \$ - | \$ 12,497 | \$ 153,978 |
| Furniture | 57,811 | - | - | 57,811 |
| TOTAL COST | <u>224,286</u> | <u>\$ -</u> | <u>\$ 12,497</u> | <u>211,789</u> |
| Accumulated Depreciation | | | | |
| Office Equipment | 165,376 | 1,099 | 12,497 | 153,978 |
| Furniture | 57,811 | - | - | 57,811 |
| TOTAL ACCUMULATED DEPRECIATION | <u>223,187</u> | <u>\$ 1,099</u> | <u>\$ 12,497</u> | <u>211,789</u> |
| NET FURNITURE AND EQUIPMENT | <u>\$ 1,099</u> | | | <u>\$ -</u> |

The summary of changes in furniture and equipment at June 30, 2010 is as follows:

| | Balance June 30, 2009 | Additions | Retirements | Balance June 30, 2010 |
|--------------------------------|--------------------------|-----------------|-------------|--------------------------|
| Cost | | | | |
| Office Equipment | \$ 166,475 | \$ - | \$ - | \$ 166,475 |
| Furniture | 57,811 | - | - | 57,811 |
| TOTAL COST | <u>224,286</u> | <u>\$ -</u> | <u>\$ -</u> | <u>224,286</u> |
| Accumulated Depreciation | | | | |
| Office Equipment | 157,894 | 7,482 | - | 165,376 |
| Furniture | 57,811 | - | - | 57,811 |
| TOTAL ACCUMULATED DEPRECIATION | <u>215,705</u> | <u>\$ 7,482</u> | <u>\$ -</u> | <u>223,187</u> |
| NET FURNITURE AND EQUIPMENT | <u>\$ 8,581</u> | | | <u>\$ 1,099</u> |

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011 and 2010

NOTE 6 – CONTRIBUTIONS

Contributions are available for unrestricted use unless specifically restricted by the donor. The following is a summary of contributions for the year ended June 30, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|-----------------------|-----------------------|-----------------------|
| State of Rhode Island | \$ 528,204 | \$ 528,204 |
| Other | <u>20,546</u> | <u>23,973</u> |
| TOTAL | <u>\$ 548,750</u> | <u>\$ 552,177</u> |

The funds received from the State of Rhode Island are included as non-operating revenues in the statements of revenues, expenses, and changes in net assets.

NOTE 7 – IN-KIND SUPPORT

Schools and community centers, where services related to the federal grant programs are performed, donate personnel, certain program costs, and the use of space as in-kind support to the Crusade. The Crusade also received in-kind advertising services for the fiscal year ended June 30, 2011 and 2010, respectively.

For the fiscal years ended June 30, 2011 and 2010, the estimated value of in-kind support for donated personnel, certain program costs, and the use of space has been reflected in the accompanying statement of revenues, expenses, and changes in net assets as in-kind support services with a similar amount included in other grant program expense. For the fiscal year ended June 30, 2011 and 2010, the fair value of in-kind advertising services totaling \$180,489 and 95,950, respectively, was recognized as in-kind support services with a similar amount included in advertising expense.

NOTE 8 – OUTSIDE SCHOLARSHIP AGREEMENTS

The Crusade has obtained scholarship agreements from 62 colleges, universities and proprietary schools. The college and university scholarship agreements are tied to the Crusade Board authorized scholarship amount at the time of matriculation, currently \$3,000, except for the University of Rhode Island (URI) which is tied to the full tuition amount at the time of matriculation, currently \$9,824. The proprietary school scholarship agreements are tied to the Crusade Board authorized scholarship amount for the Community College of Rhode Island, at the time of matriculation, currently \$1,725.

The value of these scholarship agreements has not been recorded in the Crusade's financial statements since they are considered an intention to give rather than a legal obligation to give, final awards are received directly by the students and awards are considered highly contingent.

Management has estimated that the maximum value of these contingent scholarships, which may become available, to be approximately \$51.7M at June 30, 2011 and approximately \$55.0 M at June 30, 2010. In August 2008 The Higher Education Opportunity Act (Public Law 110-315) authorized GEAR UP grant recipients (which the Crusade is) to benchmark their scholarship award amount in FY 2011 to no less than

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

the minimum Pell grant threshold vs. the maximum Pell grant threshold as authorized in previous years, thus reducing the maximum value of these contingent scholarships. As noted above the University of Rhode Island donated scholarships are equivalent to their tuition value of \$9,824. The values used for the 2011 projected usage estimate is the Crusade's Board authorized scholarship amount for a two-year school at \$1,725 and an average award amount of \$6,412 (which is the average of the URI tuition of \$9,824 and the Crusade's Board authorized scholarship amount of \$3,000) for one and four-year schools. As of June 30, 2011 and 2010, management had projected that, of the total contingent scholarships approximately \$14.6M and approximately \$5.4M respectively, will likely be utilized over the life of the scholarship agreements. In December 2010, the Crusade completed an updated actuarial study factoring in actual experience as well as the changes in the federal GEAR UP regulations. The increase in the projected usage value is due to changes in the regulations that state all GEAR UP participants have up to six years to access their scholarship awards (previously the Crusade's requirement was one year) and no financial needs test will be applied (previously the Crusade's eligibility requirement was an Expected Family Contribution (EFC) of \$5,000 or less.)

NOTE 9 – PENSION PLAN

The Crusade established, and has the authority to amend, The College Crusade of Rhode Island Defined Contribution Retirement Plan on January 1, 1993, which covers substantially all employees. The Plan is administered by TIAA-CREF and allows tax-deferred employee contributions in accordance with Internal Revenue Code Section 403(b). Under the provisions of the plan beginning July 1, 2008, employees may defer 2% or 5% of their salary and the Crusade will match 2% or 5%, respectively. In fiscal year ending June 30, 2011 the Crusade matched the employee contribution. In fiscal year ending June 30, 2010 the Crusade did not match the employee contribution. However, employees were given an option in fiscal year 2010 to either receive a 3% raise or a 3% employer contribution into their 403(b) retirement fund. Employees may defer an additional percentage to a supplemental plan that is not matched by the Crusade. Participants are fully and immediately vested in plan contributions when they are made. Pension expense for the fiscal years ended June 30, 2011 and 2010 was \$52,497, and \$14,248 respectively, which is included in personnel costs.

NOTE 10 – ACCRUED SCHOLARSHIP COSTS

Through the accumulation of funds, the Crusade will award scholarships for undergraduate studies to eligible students. Scholarship awards are granted on a year-to-year basis. In the Crusade's sole judgment, if not enough money is available to meet all of the Crusade's current or future financial obligations, the Crusade's paid scholarships may be reduced as the Crusade deems appropriate, but not below the minimum Pell grant threshold.

The Crusade's scholarship amount to four year colleges and universities and proprietary schools for 2011 was tied to the Crusade Board authorized scholarship amount of \$3,000; in 2010 the scholarship amount was also tied to the Crusade Board's authorized scholarship amount of \$3,000. The Crusade's scholarship amount for two year colleges and the Community College of Rhode Island for 2011 was tied to the Crusade Board authorized scholarship amount at the time of matriculation, currently \$1,725; in 2010 the scholarship amount was also tied to the Crusade Board authorized amount at the time of matriculation of \$1,725.

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

As noted above in Note 8, the 2008 Higher Education Opportunity Act reduces the scholarship benchmark from maximum Pell to no less than minimum Pell grant threshold.

Management has developed, and regularly updates, comprehensive projections that account for numerous factors that might influence the Crusade's potential scholarship amount and adjusts the enrollment of new cohorts accordingly. Consistent with this, enrollment for new cohorts beginning with 2011 will be targeted at 500 as contrasted with 250 for 2007 – 2010; 500 from 1996 – 2006; and uncapped enrollment of approximately 3,500 in previous years. There were 412 and 301 new enrollments for the fiscal years ended June 30, 2011 and 2010, respectively. Factors that influence the potential scholarship include the number of these students who will continue in the program until they start college, and whether the student will choose to attend an in-state institution or an institution from which the Crusade has secured an agreement.

At June 30, 2011, the Crusade has committed \$484,854 toward scholarships for educational expenses during the 2011/2012 school year. This amount represents an average award of approximately \$1,828 per student to approximately 265 students. At June 30, 2010, the Crusade had committed \$393,755 toward educational expenses for tuition during the 2010/2011 school year. This amount represents an average award of approximately \$2,577 per student to approximately 154 students. As noted above, the 2008 Higher Education Opportunity Act allowed for these reductions in the scholarship amounts. The changes allowed by the Higher Education Opportunity Act provided the Crusade with much needed flexibility to manage scholarship costs and to extend future opportunities to newly enrolled cohorts.

At June 30, 2011, based on the updated actuarial study completed as of December 2010, the estimated value of the potential future scholarship costs through the year 2026 is estimated to range from \$1,000,000 to \$4,400,000. This estimate represents annual awards between \$555 and \$3,000 to approximately 571 presently enrolled eligible Crusaders. The actual cost will be determined on an annual basis predicated on the availability of funds and other factors. An additional 553 Crusaders may be eligible to receive scholarship awards through the Crusade's scholarship collaborative agreements.

At June 30, 2010, based on the actuarial study completed as of December 2008, the estimated value of the potential future scholarship costs through the year 2026 is estimated to range from \$1,900,000 to \$4,300,000. This estimate represents annual awards between \$1,176 and \$3,000 to approximately 578 presently enrolled eligible Crusaders. The actual cost will be determined on an annual basis predicated on the availability of funds and other factors. An additional 378 Crusaders may be eligible to receive scholarship awards through the Crusade's scholarship collaborative agreements.

NOTE 11 – OPERATING LEASE COMMITMENTS

On May 1, 2006, the Crusade extended the lease for office space under a noncancellable operating lease which expired on April 30, 2011. In conjunction with this lease extension, the Crusade also prepaid the remaining \$92,349 in build-out costs which had been previously included, pro-rata, in the monthly rent payments. These prepaid build-out costs, therefore, have been recorded as prepaid rent and have been amortized ratably over 60 months and have been fully amortized at June 30, 2011. The Crusade extended the lease operates in a month to month lease at \$9,334 per month.

Rent expense of \$127,406 and \$130,475, respectively, for the fiscal years ended June 30, 2011 and 2010 is included in occupancy costs. Rent expense totaling \$127,406 for the year ended June 30, 2011, is

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011 and 2010

comprised of \$109,307 rent for office space and \$2,700 rent for basement storage area and \$15,399 amortization of build-out costs.. Rent expense totaling \$130,475 for the fiscal year ended June 30, 2010, is comprised of \$109,307 rent for office space, \$2,700 rent for basement storage area, and \$18,468 amortization of build-out costs.

NOTE 12 – LINE OF CREDIT

The Crusade has a \$1,200,000 line of credit agreement with a financial institution. The line of credit provides the Crusade with cash flow for the GEARUP program until such time as the Crusade is reimbursed. Interest is payable monthly at the LIBOR daily floating rate plus 4.0% for the fiscal year ended June 30, 2011 and 2010, which was 4.19% and 4.34% at June 30, 2011 and 2010, respectively. The outstanding balance at June 30, 2011 and 2010 was \$210,000 and \$145,000, respectively, which is secured by the Crusade’s accounts receivable and equipment. Total interest expense for the fiscal years ended June 30, 2011 and 2010 was \$4,370 and \$3,314, respectively.

NOTE 13 – CARNEGIE GRANT

There was no activity in 2011 for the Carnegie Grant.

The Providence School Department received a grant from the Carnegie Corporation of New York related to its Schools for a New Society initiative. The Crusade served as the core partner and fiscal agent for the grant, which ended June 30, 2007. Although the grant period has expired, the Crusade had been granted a no cost extension on the use of the unexpended funds remaining as of June 30, 2009. During 2010, the Crusade acted as fiscal agent with Making Connections Providence, Woonsocket School Department, and Rhode Island Higher Education Assistance Authority continuing the work of the initiative. The Carnegie Grant provided \$7,936,500 over the original five year grant period and required a dollar for dollar match of new or redeployed public and private funds. The grant was used to transform the Providence high schools into a learning community where all students meet or exceed high academic standards and are prepared for success in life and the labor market.

During 2010, the grant revenue/expense was:

| | <u>2010</u> |
|--|----------------------|
| Providence Education Excellence Coalition | \$ 154 |
| Woonsocket Education Department | 46,628 |
| Rhode Island Higher Education Assistance Authority | 19,500 |
| Crusade | <u>7,931</u> |
| Total | <u>\$ 74,213</u> |

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011 and 2010

NOTE 14 – RESTRICTED NET ASSETS

The Crusade was the fiscal agent for grant funding received from the Carnegie Corporation of New York (Note 13). The funds from the Carnegie Grant were to be used by the Crusade for the community involvement aspect of the Providence High School Redesign Initiative. Grant funds were received by the Crusade on a predetermined funding schedule and were reserved as restricted cash and restricted net assets until grant expenses are paid. The Crusade had \$-0- and \$4,358 in both restricted cash and restricted net assets at June 30, 2011 and 2010, respectively, which was received from the Carnegie Corporation of New York.

The Crusade received funding from a GEARUP (Gaining Early Awareness & Readiness for Undergraduate Programs) grant during the fiscal years ended June 30, 2011 and 2010. GEARUP Grant funds were mainly received by the Crusade on a reimbursement basis; however, funding in the amount of \$562,337 and \$499,450 was received during the fiscal years ended June 30, 2011 and 2010, respectively, to pay for current and future scholarship costs. During the fiscal year ended June 30, 2011, the Crusade paid \$399,235 in eligible GEARUP scholarships, all of which was provided from the GEARUP Grant. For the fiscal year ended June 30, 2011, eligible GEARUP scholarships include scholarships for Community College of Rhode Island. During the fiscal year ended June 30, 2010, the Crusade paid \$274,169 in eligible GEARUP scholarships, all of which was provided from the GEARUP Grant.

The Crusade received donations from individual contributors totaling \$2,000 and \$25 during the fiscal years ended June 30, 2011 and 2010, respectively, to be used to support the scholarship program.

The following is a summary of Restricted Net Assets at June 30, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|----------------------------------|-------------------------|-------------------------|
| GEARUP Scholarship Grant | \$ 2,057,857 | \$ 1,894,730 |
| Individual Scholarship Donations | <u>2,000</u> | <u>25</u> |
| Total | <u>\$ 2,059,857</u> | <u>\$ 1,894,755</u> |

NOTE 15 – RELATED PARTY TRANSACTIONS

During fiscal year ended June 30, 2008, the President of IM*AJ Communications & Design, Inc. became a Board Member of the Crusade. The Crusade received public relations consulting services from IM*AJ Communications & Design, Inc., the total cost of which for the fiscal years ended June 30, 2011 and 2010 was \$2,032 and \$3,874 respectively.

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

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To the Board of Directors
The College Crusade of Rhode Island
Providence, Rhode Island

We have audited the financial statements of The College Crusade of Rhode Island (the "Crusade"), as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated September 14, 2011. 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.

Internal Control Over Financial Reporting

Management of the Crusade is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Crusade'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 Crusade's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Crusade'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected in 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 the Crusade'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*.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

NADEAN WADSWICK LLP

September 14, 2011

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2011

| Federal Grantor/Program Title/ Pass-Through Grantor | CFDA Number | Pass-Through Number | Federal Expenditures |
|---|----------------|------------------------|-------------------------|
| <u>U. S. Department of Education:</u> | | | |
| Gaining Early Awareness and Readiness for Undergraduate Programs Passed through the Rhode Island Office for Higher Education | 84.334 | 3410-50800 | \$ 2,079,451 |
| <u>U. S. Department of Agriculture:</u> | | | |
| Pathways to Success in Science and Technologies Passed through the University of Rhode Island | 10.500 | | <u>7,500</u> |
| TOTAL | | | <u>\$ 2,086,951</u> |

See Independent Auditors' Report.

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF OPERATING REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 Fiscal Year Ended June 30, 2011

| | ADMINISTRATIVE AND SUPPORT PROGRAMS | SCHOLARSHIP PROGRAM | TOTAL |
|---|---|------------------------|---------------------|
| OPERATING REVENUES | | | |
| Contributions | \$ 18,546 | \$ 2,000 | \$ 20,546 |
| Grants - other | 2,447,567 | 562,337 | 3,009,904 |
| Interest and dividends | 363 | 167,318 | 167,681 |
| Net realized gain on investments | - | 185,825 | 185,825 |
| Net unrealized gain on investments | | 809,306 | |
| Miscellaneous income | 10,218 | - | 10,218 |
| In-kind support | 624,707 | - | 624,707 |
| TOTAL OPERATING REVENUES | 3,101,401 | 1,726,786 | 4,018,881 |
| OPERATING EXPENSES | | | |
| Personnel costs | 2,437,686 | 7,901 | 2,445,587 |
| Other grant program expenses | 833,572 | - | 833,572 |
| Cost of scholarships | - | 524,283 | 524,283 |
| Training | 2,974 | - | 2,974 |
| Consultants | 16,234 | - | 16,234 |
| Printing | 33,370 | 110 | 33,480 |
| Advertising | 185,221 | - | 185,221 |
| Special events | 2,690 | - | 2,690 |
| Occupancy costs | 152,339 | - | 152,339 |
| Postage | 21,467 | 224 | 21,691 |
| Office expenses | 53,264 | 24 | 53,288 |
| Travel | 42,495 | - | 42,495 |
| Professional fees | 32,412 | - | 32,412 |
| Telephone | 12,618 | - | 12,618 |
| Insurance | 18,768 | - | 18,768 |
| Dues and subscriptions | 4,872 | - | 4,872 |
| Depreciation | 1,099 | - | 1,099 |
| Trustee fees | - | 36,965 | 36,965 |
| Other | 5,400 | 1,509 | 6,909 |
| Interest | 4,370 | - | 4,370 |
| TOTAL OPERATING EXPENSES | 3,860,851 | 571,016 | 4,431,867 |
| OPERATING INCOME (LOSS) | (759,450) | 1,155,770 | (412,986) |
| NON-OPERATING REVENUES | | | |
| Operating transfers from primary government | 528,204 | - | 528,204 |
| TOTAL NON-OPERATING REVENUES | 528,204 | - | 528,204 |
| INCREASE (DECREASE) IN NET ASSETS | (231,246) | 1,155,770 | 115,218 |
| NET ASSETS - July 1, 2010 | 544,466 | 4,523,121 | 5,067,587 |
| NET ASSETS - June 30, 2011 | \$ 313,220 | \$ 5,678,891 | \$ 5,182,805 |

See Independent Auditors' Report.

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
SUPPLEMENTARY INFORMATION
SCHEDULE OF NET ASSETS
Fiscal Year Ended June 30, 2011

Statement of Net Assets

Attachment B

Assets

Current Assets:

| | |
|--------------------------------|------------------|
| Cash and cash equivalents | \$ 282,532 |
| Investments | 4,283,011 |
| Receivables (net) | 293,084 |
| Restricted assets: | |
| Cash and cash equivalents | - |
| Investments | 2,226,677 |
| Receivables (net) | - |
| Other assets | - |
| Due from primary government | - |
| Due from other component units | - |
| Due from other governments | - |
| Inventories | - |
| Other assets | - |
| Total current assets | 7,085,304 |

Noncurrent Assets:

| | |
|------------------------------------|------------------|
| Investments | - |
| Receivables (net) | - |
| Restricted assets: | |
| Cash and cash equivalents | - |
| Investments | - |
| Receivables (net) | - |
| Other assets | - |
| Due from other component units | - |
| Capital assets - nondepreciable | - |
| Capital assets - depreciable (net) | - |
| Other assets, net of amortization | - |
| Total noncurrent assets | - |
| Total assets | 7,085,304 |

Liabilities

Current liabilities:

| | |
|-----------------------------------|------------------|
| Cash overdraft | - |
| Accounts payable | 178,311 |
| Due to primary government | - |
| Due to other component units | - |
| Due to other governments | - |
| Deferred revenue | 203,971 |
| Other liabilities | 710,911 |
| Current portion of long-term debt | - |
| Total current liabilities | 1,093,193 |

Noncurrent liabilities:

| | |
|-------------------------------------|----------|
| Due to primary government | - |
| Due to other governments | - |
| Due to other component units | - |
| Deferred revenue | - |
| Notes payable | - |
| Loans payable | - |
| Obligations under capital leases | - |
| Net OPEB obligation | - |
| Other liabilities | - |
| Compensated absences | - |
| Bonds payable | - |
| Total noncurrent liabilities | - |

Total liabilities **1,093,193**

Net assets

| | |
|---|---------------------|
| Invested in capital assets, net of related debt | - |
| Restricted for: | |
| Debt | - |
| Other | 2,059,857 |
| Other nonexpendable | - |
| Unrestricted | 3,932,254 |
| Total net assets | \$ 5,992,111 |

See Independent Auditors' Report.

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET ASSETS
 Fiscal Year Ended June 30, 2011

Statement of Changes in Net Assets

Attachment C

| | | |
|--|---------------------|---|
| Operating revenues: | | |
| Charges for services | \$ - | |
| Interest income on loans | - | |
| Investment income (net) | 809,306 | Net increase (decrease) in fair value of investments & investment income combined by Auditor General |
| Other operating income | 4,018,881 | |
| Total operating revenues | <u>4,828,187</u> | |
| Operating expenses: | | |
| Personal services | 2,445,587 | |
| Supplies, materials, and services | 53,288 | |
| Interest expense | 4,370 | |
| Grants, scholarships and contract programs | 1,357,855 | |
| Depreciation, depletion and amortization | 1,099 | |
| Other operating expenses | 569,668 | |
| Total operating expenses | <u>4,431,867</u> | |
| Operating income (loss) | <u>396,320</u> | |
| Nonoperating revenues (expenses): | | |
| Interest revenue | - | |
| Grants | - | |
| Payments from primary government | 528,204 | |
| Gain (loss) on sale of property | - | |
| Interest expense | - | |
| Investment income (net) | - | |
| Other nonoperating revenue (expenses) | - | |
| Total nonoperating revenue (expenses) | <u>528,204</u> | |
| Income (loss) before contributions | 924,524 | |
| Capital contributions | - | |
| Special items | - | |
| Extraordinary items | - | |
| Change in net assets | <u>924,524</u> | |
| Total net assets - beginning | <u>5,067,587</u> | |
| Total net assets - ending | <u>\$ 5,992,111</u> | |

See Independent Auditors' Report.

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 Fiscal Year Ended June 30, 2011

| Fiscal Year Ending June 30 | <u>Bonds Only</u> | |
|-------------------------------------|-----------------------|---------------------|
| | <u>Long-Term Debt</u> | <u>Attachment D</u> |
| | Principal | Interest |
| 2011 | \$ - | \$ - |
| 2012 | - | - |
| 2013 | - | - |
| 2014 | - | - |
| 2015 | - | - |
| 2016 - 2020 | - | - |
| 2021 - 2025 | - | - |
| 2026 - 2030 | - | - |
| 2031 - 2035 | - | - |
| 2036 - 2040 | - | - |
| 2041 - 2045 | - | - |
| 2046 - 2050 | - | - |
| 2051 - 2055 | - | - |
| | <u>\$ -</u> | <u>\$ -</u> |

See Independent Auditors' Report.

THE COLLEGE CRUSADE OF RHODE ISLAND
(A Component Unit of the State of Rhode Island)
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN LONG-TERM DEBT

Fiscal Year Ended June 30, 2011

Attachment E

Schedule of Changes in Long-Term Debt

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year | Amounts Due Thereafter |
|----------------------------------|----------------------|-----------|------------|-------------------|-----------------------------------|------------------------------|
| Bonds payable | \$ | | | \$ | | \$ |
| Net unamortized premium/discount | | | | 0 | | 0 |
| Deferred amount on refunding | | | | 0 | | 0 |
| Bonds payable: | 0 | 0 | 0 | 0 | 0 | 0 |
| Due to Primary Government | | | | 0 | | 0 |
| Notes Payable | | | | 0 | | 0 |
| Oligations under capital leases | | | | 0 | | 0 |
| Net OPEB obligation | | | | 0 | | 0 |
| Compensated absences | | | | 0 | | 0 |
| Included in other liabilities: | | | | | | |
| Arbitrage rebate | | | | 0 | | 0 |
| Pollution remediation | | | | 0 | | 0 |
| Items not listed above | | | | 0 | | 0 |
| Other liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 |