



UNIVERSITY OF NEW HAVEN

Auditors' Reports as Required by U.S. Office of
Management and Budget (OMB) Circular A-133 and
Government Auditing Standards and Related Information

Year ended June 30, 2011

UNIVERSITY OF NEW HAVEN

Auditors' Reports as Required by U.S. Office of
Management and Budget (OMB) Circular A-133 and
Government Auditing Standards and Related Information

Year ended June 30, 2011

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KPMG LLP
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Exhibit I

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Board of Governors
University of New Haven:

Compliance

We have audited University of New Haven's (the University) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* (Compliance Supplement) that could have a direct and material effect on its major federal program for the year ended June 30, 2011, except the requirements discussed in the second paragraph of this report. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We did not audit the University's compliance with the requirements governing maintaining contact with borrowers, and billing and collection procedures in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement. Those requirements govern functions performed by Campus Partners, Inc. Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. Campus Partners' compliance with the requirements governing the functions that it performs for the University for the year ended June 30, 2011 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of Campus Partners' compliance with such requirements.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements described in the Compliance Supplement that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.



Exhibit I

In our opinion, the University complied, in all material respects, with the compliance requirements referred to in the first paragraph above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Requirements governing maintaining contact with borrowers, and billing and collection procedures in the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement are performed by Campus Partners. Internal control over compliance relating to such functions for the year ended June 30, 2011 was reported on by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' testing of Campus Partners' internal control over compliance related to such functions.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the University's Board of Governors, and 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.

KPMG LLP

March 23, 2012



KPMG LLP
One Financial Plaza
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Exhibit II

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*

The Board of Governors
University of New Haven:

We have audited the financial statements of University of New Haven (the University) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 27, 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 Controls over Financial Reporting

Management of the college is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University'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 University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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



Exhibit II

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 management, the University's Board of Governors, and 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.

KPMG LLP

October 27, 2012

UNIVERSITY OF NEW HAVEN
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

(1) Summary of Auditors' Results***Financial Statements***

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported

Noncompliance material to the financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes x no

Identification of Major Programs

Name of federal program or cluster	CFDA number
Student Financial Assistance Cluster	(Various)
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<u> x </u> yes _____ no

(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

No matters reported.

UNIVERSITY OF NEW HAVEN
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

(3) Findings and Questioned Costs Relating to Federal Awards

No matters reported.

UNIVERSITY OF NEW HAVEN

**Financial Statements and Supplementary Information – Schedule
of Expenditures of Federal Awards**

Year ended June 30, 2011



KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

Exhibit IV

Independent Auditors' Report

The Board of Governors
University of New Haven:

We have audited the accompanying statements of financial position of University of New Haven (the University) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial position of University of New Haven as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards (Schedule I) for the year ended June 30, 2011 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

October 27, 2011

UNIVERSITY OF NEW HAVEN

Statement of Financial Position

June 30, 2011

(with comparative information as of June 30, 2010)

Assets	2011	2010
Cash and cash equivalents	\$ 37,592,695	23,899,226
Accounts and loans receivable, net (note 3)	7,953,877	7,820,847
Pledges receivable, net (note 4)	2,869,116	3,281,941
Other assets	1,851,854	2,639,047
Investments (note 5)	25,408,764	17,911,554
Investments held in trust by others (notes 5 and 9)	1,775,457	1,847,575
Deposits with bond trustee and restricted cash (note 5)	2,446,769	8,489,196
Investment in plant, net (note 7)	128,768,778	120,316,306
Total assets	<u>\$ 208,667,310</u>	<u>186,205,692</u>
Liabilities		
Accounts payable and accrued expenses	\$ 10,582,543	12,421,394
Deposits and deferred income	14,097,384	7,741,716
Bonds and notes payable (note 10)	84,321,302	85,550,300
Interest rate swap liability (notes 5 and 11)	10,457,511	12,999,742
Post-retirement healthcare obligation (note 15)	2,976,617	2,948,937
Government grants refundable	3,453,060	3,453,060
Total liabilities	<u>125,888,417</u>	<u>125,115,149</u>
Net Assets		
Unrestricted	61,082,753	36,916,908
Temporarily restricted (notes 9 and 13)	10,672,272	14,760,886
Permanently restricted (note 13)	11,023,868	9,412,749
Total net assets	<u>82,778,893</u>	<u>61,090,543</u>
Total liabilities and net assets	<u>\$ 208,667,310</u>	<u>186,205,692</u>

See accompanying notes to financial statements.

Exhibit IV
UNIVERSITY OF NEW HAVEN
Statement of Activities
Year ended June 30, 2011

(with comparative information for the year ended June 30, 2010)

	2011			2010 Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Operating activities:				
Revenues, gains, and other support:				
Tuition and fees	\$ 143,672,387	—	—	133,402,753
Residence and dining	28,323,545	—	—	28,311,710
Less scholarships and grants	(52,677,408)	—	—	(48,208,989)
Net student fees	119,318,524	—	—	113,505,474
Federal, state, and private grants and gifts	6,778,810	1,971,536	1,611,119	7,679,866
Endowment spending used in operations (note 5)	471,415	—	—	403,439
Interest income and other sources	2,742,049	269,658	—	2,278,643
Other auxiliary services	735,757	486	—	631,722
Net assets released from restrictions (note 14)	6,758,176	(6,758,176)	—	—
Total revenue from operations	136,804,731	(4,516,496)	1,611,119	124,499,144
Expenses:				
Instructional	45,120,322	—	—	44,961,827
Academic support	7,188,385	—	—	6,371,311
Student services	26,880,838	—	—	23,474,052
Institutional support	17,416,250	—	—	18,097,688
Residence and dining	21,858,123	—	—	21,181,294
Total expenses	118,463,918	—	—	114,086,172
Change in net assets from operations	18,340,813	(4,516,496)	1,611,119	10,412,972
Nonoperating activities:				
Net return on long-term investments, net of amounts used in operations (note 5)	3,282,802	—	—	567,171
Unrealized gains on investments held in trust by others (note 9)	—	427,882	—	60,175
Change in market value of interest rate swap (note 11)	2,542,230	—	—	(3,918,616)
Change in net assets	24,165,845	(4,088,614)	1,611,119	7,121,702
Net assets, beginning of year	36,916,908	14,760,886	9,412,749	53,968,841
Net assets, end of year	\$ 61,082,753	10,672,272	11,023,868	61,090,543

See accompanying notes to financial statements.

Exhibit IV**UNIVERSITY OF NEW HAVEN**

Statement of Cash Flows

Year ended June 30, 2011

(with comparative information for the year ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 21,688,350	7,121,702
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,997,611	7,547,019
Disposals of plant and equipment	—	(4,472)
Change in market value of interest rate swap	(2,542,230)	3,918,616
Net unrealized and realized gains on investments	(3,515,501)	(707,572)
Gains on investments held in trust by others	(427,882)	(49,879)
Contributions restricted for long-term investment	(1,611,119)	(1,185,387)
Change in accounts and pledges receivable	128,049	2,252,369
Change in other assets	299,608	(1,053,362)
Change in accounts payable and accrued expenses	(2,730,212)	703,389
Change in deposits and deferred income	6,355,668	5,110,063
Net cash provided by operating activities	<u>25,642,342</u>	<u>23,652,486</u>
Cash flows from investing activities:		
Purchases of plant and equipment	(15,456,223)	(18,236,508)
Proceeds from maturity and sale of investments	14,485,178	7,434,104
Purchases of investments	(17,494,430)	(11,913,348)
Proceeds from contributions restricted for long-term investment	1,611,119	1,185,387
Change in restricted cash and deposits with bond trustee	6,042,427	6,049,786
Decrease in loans receivable	153,056	115,713
Net cash used in investing activities	<u>(10,658,873)</u>	<u>(15,364,866)</u>
Cash flows from financing activities:		
Principal payments on bonds and notes payable	(1,245,000)	(1,200,000)
Bond issuance costs	(45,000)	(58,762)
Net cash used in financing activities	<u>(1,290,000)</u>	<u>(1,258,762)</u>
Net increase in cash and cash equivalents	13,693,469	7,028,858
Cash and cash equivalents at beginning of year	<u>23,899,226</u>	<u>16,870,368</u>
Cash and cash equivalents at end of year	<u>\$ 37,592,695</u>	<u>23,899,226</u>
Supplemental data:		
Interest paid	\$ 4,129,268	3,100,560
Noncash investing activity – change in accounts payable attributable to fixed assets	933,733	3,005,583

See accompanying notes to financial statements.

UNIVERSITY OF NEW HAVEN

Notes to Financial Statements

June 30, 2011

(with comparative information from June 30, 2010)

(1) Organization

The University of New Haven (the University) is a private, tax-exempt, nonprofit educational institution. The University was founded in 1920 and is located on 78 acres in suburban West Haven, Connecticut.

(2) Summary of Significant Accounting Policies

The significant accounting policies followed by the University are described below to enhance the usefulness of the financial statements to the reader.

(a) Basis of Presentation

The accompanying financial statements have been prepared using accrual accounting, and include the accounts of the University and the Henry C. Lee Institute.

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

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use, for general or specific purposes, all or part of the income and capital gains, if any, on related investments.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met by actions of the University and/or the passage of time.

Unrestricted net assets – Net assets not subject to donor-imposed restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-restricted purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Donor-restricted contributions, and any income earned on those contributions, whose restrictions are met in the same reporting period have been reported as unrestricted support in the statement of activities. Gifts of long-lived assets are considered unrestricted support.

The financial statements include certain prior year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2010 from which the summarized information was derived.

UNIVERSITY OF NEW HAVEN

Notes to Financial Statements

June 30, 2011

(with comparative information from June 30, 2010)

(b) Liquidity Information

In order to provide information about liquidity, assets have been sequenced in the statement of financial position according to their nearness to conversion to cash, and liabilities have been sequenced according to the nearness of their maturity and resulting use of cash.

(c) Contribution Revenue

The University reports contributions (including unconditional promises to give) as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions expected to be received after one year are discounted at an appropriate discount rate. The discount rate represents the risk-free rate in existence at the date of the gift. An allowance for uncollectible contributions is estimated based upon such factors as prior collection history, type of contribution and nature of fundraising activity.

(d) Cash Equivalents

The University considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents, except for cash held with investment managers for long-term investment.

(e) Investment in Plant

All plant assets are stated at cost except gifts in kind, which are recorded at their estimated fair value on the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Construction in progress is not depreciated until placed in service. When plant assets are retired or disposed of, the cost and related accumulated depreciation are removed and any resulting gain or loss is reflected in the statement of activities.

(f) Income Taxes

The University was granted an exempt status under the Internal Revenue Code (IRC) Section 501(a), as an organization described in Section 501(c)(3). Under IRC Section 501(a) the University is generally exempt from income taxes. The University believes it has taken no significant uncertain tax positions.

(g) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the program and supporting services benefited.

UNIVERSITY OF NEW HAVEN

Notes to Financial Statements

June 30, 2011

(with comparative information from June 30, 2010)

(h) 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.

(i) Fair Value of Financial Instruments

The fair value of investments, which is based upon quoted market prices, is disclosed in note 5. For all other financial instruments, the carrying amount as disclosed in the accompanying financial statements approximates fair value.

(3) Accounts and Loans Receivable

Accounts receivable consist of the following at June 30:

	2011	2010
Students	\$ 9,937,035	8,736,924
Grants	1,536,892	1,342,680
Others	281,804	820,582
Allowance for doubtful accounts	<u>(6,955,075)</u>	<u>(6,387,309)</u>
Net accounts receivable	<u>\$ 4,800,656</u>	<u>4,512,877</u>

Loans receivable consist of the following at June 30:

	2011	2010
Perkins loans	\$ 3,528,221	3,682,970
Allowance for doubtful accounts	<u>(375,000)</u>	<u>(375,000)</u>
Net loans receivable	<u>\$ 3,153,221</u>	<u>3,307,970</u>

UNIVERSITY OF NEW HAVEN

Notes to Financial Statements

June 30, 2011

(with comparative information from June 30, 2010)

(4) Pledges Receivable

Pledges receivable consist of the following unconditional promises to give as of June 30:

	2011	2010
Amounts due in:		
Less than one year	\$ 1,621,801	1,857,330
One to five years	1,700,148	1,664,044
Greater than five years	100,000	—
Charitable remainder trust (note 9)	259,030	586,369
	<hr/>	<hr/>
Gross pledges receivable	3,680,979	4,107,743
Less:		
Allowance for uncollectible pledges	(702,088)	(690,416)
Discount to present value	(109,775)	(135,386)
	<hr/>	<hr/>
Net pledges receivable	\$ 2,869,116	3,281,941
	<hr/> <hr/>	<hr/> <hr/>

Pledges recorded at June 30, 2011 and 2010 are discounted at rates ranging from 1.25% to 6.25%.

Fundraising expenses for the years ended June 30, 2011 and 2010 totaling \$1,326,174 and \$1,346,733, respectively, have been classified as institutional support expenses in the statement of activities.

(5) Fair Value

At June 30, 2011 and 2010, the carrying values of the University's cash and cash equivalents, receivables, other assets, accounts payable and accrued liabilities, and deposits and deferred revenues approximated their fair values. An approximate estimate of the fair values of student loan receivables administered by the University under federal government loan programs is not practical because the receivables can only be assigned to the U.S. government or its designees.

The investment objective of the University is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The University's investment strategy incorporates a diversified asset allocation approach that maintains, within defined limits, exposure to global equity and fixed income.

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments that are measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the University has the ability to access at measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

UNIVERSITY OF NEW HAVEN

Notes to Financial Statements

June 30, 2011

(with comparative information from June 30, 2010)

Level 3 inputs are unobservable inputs for the assets or liabilities. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Substantially all of the investments classified as Level 2 have been valued using Net Asset Value (NAV) as the practical expedient. Because of the use of NAV as a practical expedient to estimate fair value, the level in the fair value hierarchy in which each fund's fair value measurement is classified is based primarily on the University's ability to redeem its interest in the fund at or near the date of the statement of financial position.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2011 Total</u>	<u>Redemption or liquidation</u>	<u>Days' notice</u>
Assets:						
Investments:						
Cash and cash equivalents	\$ 1,028,394	—	—	1,028,394	Daily	1
Fixed income	—	7,288,753	—	7,288,753	Daily	1
Equities – US	13,113,964	1,872	—	13,115,836	Daily	1
Equities – Foreign	3,975,781	—	—	3,975,781	Daily	1
Total investments	<u>18,118,139</u>	<u>7,290,625</u>	<u>—</u>	<u>25,408,764</u>		
Other assets:						
Funds held by bond trustee	2,446,769	—	—	2,446,769	Daily	1
Investments held in trust by others	<u>—</u>	<u>—</u>	<u>1,775,457</u>	<u>1,775,457</u>	Not Applicable	Not Applicable
Total other assets	<u>2,446,769</u>	<u>—</u>	<u>1,775,457</u>	<u>4,222,226</u>		
Total assets	<u>\$ 20,564,908</u>	<u>7,290,625</u>	<u>1,775,457</u>	<u>29,630,990</u>		
Liabilities:						
Interest rate swap agreements	\$ <u>—</u>	<u>(10,457,511)</u>	<u>—</u>	<u>(10,457,511)</u>		
Total liabilities	<u>\$ <u>—</u></u>	<u>(10,457,511)</u>	<u>—</u>	<u>(10,457,511)</u>		

UNIVERSITY OF NEW HAVEN

Notes to Financial Statements

June 30, 2011

(with comparative information from June 30, 2010)

	Level 1	Level 2	Level 3	2010 Total	Redemption or liquidation	Days' notice
Assets:						
Investments:						
Cash and cash equivalents	\$ 593,068	—	—	593,068	Daily	1
Fixed income	—	6,274,522	—	6,274,522	Daily	1
Equities – US	8,641,850	2,197	—	8,644,047	Daily	1
Equities – Foreign	2,399,917	—	—	2,399,917	Daily	1
Total investments	11,634,835	6,276,719	—	17,911,554		
Other assets:						
Funds held by bond trustee	8,489,196	—	—	8,489,196	Daily	1
Investments held in trust by others	—	—	1,847,575	1,847,575	Not Applicable	Not Applicable
Total other assets	8,489,196	—	1,847,575	10,336,771		
Total assets	\$ 20,124,031	6,276,719	1,847,575	28,248,325		
Liabilities:						
Interest rate swap agreements	\$ —	(12,999,742)	—	(12,999,742)		
Total liabilities	\$ —	(12,999,742)	—	(12,999,742)		

The following table presents the University's activity for the fiscal year ended June 30, 2011 and June 30, 2010 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in the fair value hierarchy:

	Investments held in trust by others
Fair value at June 30, 2010	\$ 1,847,575
Dispositions	(500,000)
Unrealized gains	427,882
Fair value at June 30, 2011	\$ 1,775,457
	Investments held in trust by others
Fair value at June 30, 2009	\$ 1,787,400
Investment return	60,175
Fair value at June 30, 2010	\$ 1,847,575

UNIVERSITY OF NEW HAVEN

Notes to Financial Statements

June 30, 2011

(with comparative information from June 30, 2010)

The University's total return on its invested assets consists of the following components reported on the statement of activities:

	<u>2011</u>	<u>2010</u>
Investment income, net of investment expenses	\$ 238,716	263,038
Net realized and unrealized gains	<u>3,515,501</u>	<u>707,572</u>
Total return on investments	3,754,217	970,610
Endowment spending used in operations	<u>(471,415)</u>	<u>(403,439)</u>
Net return on long-term investments, net of amounts used in operations	<u>\$ 3,282,802</u>	<u>567,171</u>

(6) Endowment Funds

The University's endowment consists of 144 individual funds established for a variety of purposes, including both donor restricted endowment funds and funds designated by the University to function as endowments (quasi endowment). At June 30, 2011, the fair values of 5 endowment accounts were less than their original fair value (underwater) by a total of \$3,164.

The University manages its long-term investments to ensure that the future growth of the endowments are sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment for future generations.

The University's annual spending distribution is determined by applying a spending formula outlined in the Endowment Spending Policy. The actual endowment fund distribution shall be at an annual rate that is the lesser of the following:

1. Four and one-half (4.5%) based upon the twelve quarter moving average market value of the fund's value at the beginning of each quarter with a one-quarter lag, or
2. The annual yield (dividends and interest) as measured by the preceding fiscal year.

The University's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowment. The University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation are added to the fund.

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Notes to Financial Statements

June 30, 2011

(with comparative information from June 30, 2010)

The remaining portion of the donor-restricted endowment funds that are not classified as permanently restricted net assets, are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

Endowment net assets consisted of the following at June 30, 2011 and June 30, 2010:

		2011		
		Unrestricted	Temporarily restricted	Permanently restricted
				Total
Donor restricted	\$	(3,164)	5,818,202	10,454,156
Quasi (Board designated)		8,980,853	—	—
Total	\$	<u>8,977,689</u>	<u>5,818,202</u>	<u>10,454,156</u>
				<u>25,250,047</u>

		2010		
		Unrestricted	Temporarily restricted	Permanently restricted
				Total
Donor restricted	\$	(193,170)	3,381,033	8,822,104
Quasi (Board designated)		5,545,132	—	—
Total	\$	<u>5,351,962</u>	<u>3,381,033</u>	<u>8,822,104</u>
				<u>17,555,099</u>

Changes in endowment funds for the fiscal years ended June 30, 2011 and 2010 were as follows:

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Notes to Financial Statements

June 30, 2011

(with comparative information from June 30, 2010)

2011				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Balance, June 30, 2010	\$ 5,351,962	3,381,033	8,822,104	17,555,099
Investment return	81,607	194,778	—	276,385
Unrealized gains	1,267,969	2,242,391	—	3,510,360
Contributions	2,276,151	—	1,632,052	3,908,203
Balance, June 30, 2011	<u>\$ 8,977,689</u>	<u>5,818,202</u>	<u>10,454,156</u>	<u>25,250,047</u>

2010				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Balance, June 30, 2009	\$ 1,809,195	3,003,630	7,473,458	12,286,283
Investment return	119,530	134,422	—	253,952
Unrealized gains	459,982	242,981	—	702,963
Contributions	2,963,255	—	1,348,646	4,311,901
Balance, June 30, 2010	<u>\$ 5,351,962</u>	<u>3,381,033</u>	<u>8,822,104</u>	<u>17,555,099</u>

(7) Investment in Plant

Plant assets consist of the following at June 30:

	2011	2010	Estimated useful lives
Land	\$ 5,476,654	5,412,102	—
Land improvements	11,620,468	10,038,611	50 years
Buildings and building improvements	146,608,000	130,682,863	30 years
Furniture and equipment	47,144,209	44,764,385	3-10 years
Construction in progress	5,382,508	8,943,923	—
	<u>216,231,839</u>	<u>199,841,884</u>	
Less accumulated depreciation	<u>(87,463,061)</u>	<u>(79,525,578)</u>	
	<u>\$ 128,768,778</u>	<u>120,316,306</u>	

Depreciation expense for the years ended June 30, 2011 and 2010 amounted to \$7,937,483 and \$7,494,380, respectively.

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Notes to Financial Statements

June 30, 2011

(with comparative information from June 30, 2010)

(8) Leases

The University has entered into operating lease agreements to rent property for office space and for off campus residences. These lease agreements have varying remaining terms until fiscal year 2015.

In fiscal year 2003, the University signed two leases with Acorn Property Management (Acorn) for the leasing of grounds and a residence hall that Acorn constructed. The principal owner of Acorn was formerly a trustee of the University. The initial leasing term is eight years. During the lease term, the average annual commitment is \$859,375. The lease has a renewal option in which the University can extend the lease for an additional seven years and five additional renewal options of five years each.

The approximate future minimum rental commitments under operating lease agreements are as follows:

Year ending June 30:	
2012	\$ 3,408,644
2013	2,018,695
2014	1,816,231
2015	<u>1,830,973</u>
Total required minimum lease payments	<u>\$ 9,074,543</u>

Rent expense for the years ended June 30, 2011 and 2010 was \$3,615,877 and \$3,708,663, respectively.

(9) Investments Held in Trust by Others

The University is the sole beneficiary of a charitable trust (\$1,775,457 and \$1,847,575 at June 30, 2011 and 2010, respectively) of which the University is not the trustee. The trust is time restricted. The University's beneficial interest in the trust is recognized as a temporarily restricted net asset. Distributions are reflected as reductions in the beneficial interest of the trust and as reclassifications from temporarily restricted to unrestricted net assets.

The University is the sole beneficiary of a charitable remainder trust payable to the University in fiscal 2013. The University is also a beneficiary of a share of a charitable lead annuity trust payable to the University over a 10-year term ending in April 2014. The assets of the trusts are recorded as temporarily and permanently restricted pledges receivable, respectively, at the present value of estimated future payments, as disclosed in note 4.

The University is named as a beneficiary of a charitable remainder trust. Under the trust agreement, distributions for the benefit of the primary beneficiaries may include the expenditure of principal causing the remainder amount the University expects to receive to be undeterminable. As a result, the trust has not been recorded in the University's financial statements.

UNIVERSITY OF NEW HAVEN

Notes to Financial Statements

June 30, 2011

(with comparative information from June 30, 2010)

(10) Bonds and Notes Payable

The following is a summary of bonds and notes payable at June 30:

	<u>2011</u>	<u>2010</u>
Connecticut Health and Education Facilities Authority (CHEFA):		
Series E bonds, issued in August 2005 with variable interest, based on 70% of 1M LIBOR plus 1.40%, LIBOR plus 1.40%, 1.534% at June 30, 2011, and an interest rate swap based on 1M LIBOR vs. fixed rate of 3.425%; interest expense was \$1,137,600 for the fiscal year. Principal payments are made in monthly installments ranging from \$27,083 to \$155,000, through 2035.	\$ 24,370,000	25,105,000
Series G bonds, issued in August 2006 with variable interest, based on 68% of 3M LIBOR plus 1.44%, 1.613% at June 30, 2011, and an interest rate swap based on 3M LIBOR vs. fixed rate of 3.96%; interest expense was \$751,090 for the fiscal year. Principal payments are made in monthly installments ranging from \$20,000 to \$61,666, through 2036.	14,370,000	14,880,000
Series H bonds, issued in July 2008 with variable interest, \$46,000,000 based on 68% of 3M LIBOR plus 1.44%, 1.613% at June 30, 2011, and two interest rate swap agreements based on 3M LIBOR vs. fixed rate of 3.605% and 3.638% on \$42,000,000 and \$4,000,000 respectively; interest expense was \$2,240,176 for the fiscal year. Principal payments are made in monthly installments ranging from \$73,333 to \$228,333 through 2038.	46,000,000	46,000,000
Bonds payable	84,740,000	85,985,000
Unamortized bond discount	(418,698)	(434,700)
Bonds payable, net	<u>\$ 84,321,302</u>	<u>85,550,300</u>

In July 2008, the University issued \$46,000,000 of CHEFA Series H tax-exempt bonds. The proceeds were used to finance (a) the construction and equipping of a new student dormitory; and (b) paying capitalized interest with respect to the bonds; and (c) paying costs of issuance fees with respect to the bonds. The University incurred \$753,424 in costs associated with the new bonds which have been capitalized and will be amortized over the life of the bonds.

In August 2006, the University issued \$15,890,000 of CHEFA Series G tax-exempt bonds. The proceeds were used to finance (a) the construction and equipping of a new student recreation center; and (b) the defeasance of the prior issue Series F bonds; and (c) paying capitalized interest with respect to the bonds;

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Notes to Financial Statements

June 30, 2011

(with comparative information from June 30, 2010)

and (d) paying costs of issuance and credit enhancement fees with respect to the bonds. The University incurred \$492,480 in costs associated with the new bonds which have been capitalized and will be amortized over the life of the bonds.

In August 2005, the University issued \$27,460,000 of CHEFA Series E tax-exempt bonds and \$4,800,000 of CHEFA Series F taxable bonds. The proceeds were used to finance (a) deferred maintenance and various improvements to the University's campus, including classroom, lab, faculty office and residence hall renovations; and (b) the defeasance of the prior issue Series D bonds. The University incurred \$582,484 in costs associated with the new bonds which have been capitalized and will be amortized over the life of the bonds.

Under the bond agreement with CHEFA the University has agreed to certain financial covenants. The University has met its financial covenants as of June 30, 2011.

Substantially all property and equipment is pledged as collateral for the above notes. Additionally, the University has granted to CHEFA and the aforementioned bank a security interest in certain gross receipts, as defined, from annual student tuition and other dormitory fees.

The following is a schedule of debt maturities payable over the next five years and thereafter by the University:

Year ending June 30:	
2012	\$ 2,175,000
2013	2,260,000
2014	2,350,000
2015	2,450,000
2016	2,540,000
Thereafter	<u>72,965,000</u>
Total	<u>\$ 84,740,000</u>

UNIVERSITY OF NEW HAVEN

Notes to Financial Statements

June 30, 2011

(with comparative information from June 30, 2010)

(11) Interest Rate Swap

The University entered into interest rate swap agreements with a financial institution counterparty. The purpose of these agreements is to swap the variable rate on underlying debt for fixed rates. The University entered into the agreements to manage the risk associated with the cash flows attributable to interest payments on the debt and does not use such instruments for speculative purposes. The instruments fair value and changes therein must be measured in the University's net assets. The value of the swap instruments represents the estimated benefit or cost to the University to cancel the agreement at the reporting date, and is based on an option-pricing model that considers risks and market factors.

Trade date	Notional amount	Maturity	Series	Rate	Fair value at June 30	
					2011	2010
August 17, 2005	\$ 24,370,000	July 1, 2035	2005	3.425%	\$ (2,411,732)	(3,015,849)
August 28, 2006	14,370,000	July 1, 2036	2006	3.960	(2,165,405)	(2,592,254)
July 1, 2008	42,000,000	July 1, 2038	2008	3.605	(5,354,009)	(6,732,327)
July 1, 2008	4,000,000	July 1, 2038	2008	3.638	(526,365)	(659,312)
Total					\$ (10,457,511)	(12,999,742)

Subsequent to June 30, 2011, the financial markets in the United States have experienced significant turmoil. The University has, as part of its management of debt, entered into various swap agreements as previously discussed. The continued effectiveness of these swaps will be contingent upon the ability of the counterparty to meet its contractual obligations under these agreements.

(12) Pension Plan

The University maintains a defined contribution retirement program with Fidelity Brokerage Services LLC. The University generally contributes 7% of base salaries, as defined, for both exempt and nonexempt participating employees. Eligible employees may contribute a percentage of their annual compensation, pretax, subject to various restrictions within the Internal Revenue Code. Pension expense for the years ended June 30, 2011 and 2010 was \$3,305,495 and \$3,013,625, respectively.

UNIVERSITY OF NEW HAVEN

Notes to Financial Statements

June 30, 2011

(with comparative information from June 30, 2010)

(13) Temporarily and Permanently Restricted Net Assets

Restricted net assets as of June 30 consist of:

	<u>2011</u>	<u>2010</u>
Temporarily restricted net assets:		
Time restricted	\$ 3,096,577	3,050,709
Investments held in trust by others	1,775,457	1,847,575
Use restricted:		
Capital projects	4,717,114	9,291,464
Other	1,083,124	571,138
Total	<u>\$ 10,672,272</u>	<u>14,760,886</u>
Permanently restricted net assets:		
Scholarships	\$ 6,883,881	6,668,193
General University support	4,139,987	2,744,556
Total	<u>\$ 11,023,868</u>	<u>9,412,749</u>

(14) Net Assets Released from Restrictions

Temporarily restricted assets were released from donor restriction by incurring expenses satisfying the restricted purpose specified by the donor. For the years ended June 30, 2011 and 2010, temporarily restricted net assets were released as follows:

	<u>2011</u>	<u>2010</u>
Capital projects	\$ 5,553,628	1,772,526
Academic support	142,708	515,155
Student services/athletics	366,495	308,480
Institutional support	33,746	38,728
Instruction	396,603	56,644
Student aid	264,996	384,552
Total	<u>\$ 6,758,176</u>	<u>3,076,085</u>

UNIVERSITY OF NEW HAVEN

Notes to Financial Statements

June 30, 2011

(with comparative information from June 30, 2010)

(15) Postretirement Medical Benefits Plan

The University provides certain healthcare benefits, including medical care and prescription drug components, for certain of its retired employees. Information with respect to the plan is as follows:

	June 30	
	2011	2010
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 2,948,937	2,652,072
Interest cost	156,938	159,907
Assumption change (gains) losses	(68,789)	317,670
Experience losses	109,115	(13,587)
Benefits paid	(169,584)	(167,125)
Benefit obligation at end of year	<u>\$ 2,976,617</u>	<u>2,948,937</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ —	—
Employer contribution	169,584	167,125
Benefits paid	(169,584)	(167,125)
Fair value of plan assets at end of year	<u>\$ —</u>	<u>—</u>
Funded status	<u>\$ (2,976,617)</u>	<u>(2,948,937)</u>

	June 30	
	2011	2010
Discount rate used to value obligations	5.75%	5.50%
Weighted average health care cost trend:		
Initial trend rate:		
Pre-65	6.10	6.20
Post-65	6.10	6.20
Ultimate trend rate:		
Pre-65	4.70	4.70
Post-65	4.70	4.70
Year ultimate trend rate attained	2088	2088

	June 30	
	2011	2010
Components of net periodic postretirement benefit cost:		
Interest cost	\$ 156,938	159,907
Amortization of actuarial loss	19,557	3,630
Net periodic postretirement benefit cost	<u>\$ 176,495</u>	<u>163,537</u>

UNIVERSITY OF NEW HAVEN

Notes to Financial Statements

June 30, 2011

(with comparative information from June 30, 2010)

The assumed health care cost trend rate has a significant effect on the amounts reported. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	<u>2011</u>	<u>2010</u>
Impact of 1% increase in health care cost trend:		
On interest cost plus service cost during past year	\$ 19,290	17,859
On accumulated postretirement benefit obligation	354,931	359,932
Impact of 1% decrease in health care cost trend:		
On interest cost plus service cost during past year	(16,256)	(15,203)
On accumulated postretirement benefit obligation	(308,162)	(321,897)

Estimated future benefit payments, net of employee contributions, are as follows:

	<u>Estimated benefit payment</u>
Fiscal year:	
2012	\$ 197,000
2013	189,100
2014	188,000
2015	196,900
2016	205,800
2017 – 2021	1,117,200

The expected employer contribution for fiscal year 2012 is \$197,000.

(16) Commitments and Contingencies

The University participates in a number of federal programs that are subject to financial and compliance audits. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the University does not expect these amounts, if any, to be material to the financial statements.

The University is subject to certain legal proceedings and claims that arose in the ordinary course of its business. In the opinion of management, the amount of the ultimate liability with respect to those actions will not materially affect the University's financial position.

(17) Subsequent Events

The University considers events or transactions that occur after the balance sheet date, but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were issued on October 27, 2011 and subsequent events have been evaluated through that date.

UNIVERSITY OF NEW HAVEN
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

Schedule I

Federal grantor/pass-through grantor/program title	Federal CFDA number/ agency or pass-through number	Federal expenditures
Student Financial Aid Cluster:		
U.S. Department of Education:		
Federal Supplemental Educational Opportunity Grant Program	84.007	\$ 403,664
Federal Direct Loans (note 4)	84.268	44,742,354
Federal Work Study Program	84.033	354,595
Federal Perkins Loan Program (note 3)	84.038	273,289
Federal Pell Grant Program	84.063	4,675,628
Federal SMART Program	84.376	111,500
Federal Academic Competitiveness Grant	84.375	247,674
Total Student Financial Aid Cluster		<u>50,808,704</u>
Research and Development Cluster:		
United States Department of Homeland Security:		
Passed through the University of Maryland:		
Centers for Homeland Security	97.061 Subcontract #Z930201	139,756
National Science Foundation:		
Computer and Information Science and Engineering	47.070	44,029
United States Department of Education:		
Office of Postsecondary and Community Policing Grants	84.116Z	271,465
United States Department of Justice:		
Office of Justice Programs:		
Community Oriented Policing Services (COPS)		
Public Safety Partnership and Community Policing Grants	16.710	111,545
Bureau of Justice		
Congressionally Recommended Awards	16.753	5,200
Bureau of Justice		
Congressionally Recommended Awards	16.753	94,382
Pass Through University of Texas-El Paso-Community Oriented Policing Serices (COPS)		
Public Safety Partnership and Community Policing Grants	16.710	33,111
Total U.S. Department of Justice		<u>244,238</u>
United States Department of Energy:		
Renewable Energy Research and Development	81.087	154,191
United States Naval Research Laboratory:		
Basic and Applied Scientific Research	12.300	259,574
United States Department of Commerce/National Oceanic and Atmospheric Administration:		
Passed Through the University of Connecticut:		
Sea Grant Support	11.417	594
National Institute of Standards and Technology-		
Measurement and Engineering Research and Standards	11.609	13,100
Total U.S. Department of Commerce		<u>13,694</u>
NASA-National Space Grant College and Fellowship Program:		
Passed Through the University of Hartford		
Science	43.001	653
The Office of Drug Control Policy (ONDCP):		
Passed through the California Border Alliance Group (CBAC):		
HIDTA Grant: National Marijuana Initiative	18PSCP5052	17,442
Army Research Lab:		
Passed through Sam Houston State University:		
Basic Scientific Research	12.431	213,852
Passed through Sam Houston State University:		
Basic Scientific Research	12.431	183,239
Total Army Research Lab/Pass Through from SHSU:		<u>397,091</u>
Total Research and Development Cluster		<u>1,542,133</u>
		<u>\$ 52,350,837</u>

See accompanying notes to the schedule of expenditures of federal awards.

UNIVERSITY OF NEW HAVEN

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the expenditures of University of New Haven (the University) under programs of the federal government for the year ended June 30, 2011. Due to the fact the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, and revenues and expenses of the University.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the University, and agencies and departments of the federal government and all sub-awards to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

(3) Federal Perkins Loan Program

During the year ended June 30, 2011, \$272,000 in loans were advanced under the Federal Perkins Loan Program and the administrative cost allowance claimed was \$1,289. As of June 30, 2011, the loan balance receivable under the Perkins Loan Program was \$3,647,711.

(4) Federal Direct Loan Program

The amount of loans advanced during the year to students under the William D. Ford Federal Direct Loan Program (FDLP) was \$44,742,354.

With respect to the FDLP Program, the University is responsible only for the performance of certain administrative duties and, accordingly, these loans are not included in the University's financial statements. It is not practical to determine the balances of loans outstanding to students of the College under this program at June 30, 2011.