



Roger Williams University Bristol, RI

NEASC 5th Year Interim Report

January 2012

**Report to the
Commission on Higher Education
New England Association of Schools and Colleges**

Appendix A

Affirmation of Compliance with Federal Regulations Relating to Title IV



NEW ENGLAND ASSOCIATION OF SCHOOLS AND COLLEGES
COMMISSION ON INSTITUTIONS OF HIGHER EDUCATION

209 Burlington Road, Bedford, MA 01730

Voice: (781) 271-0022

Fax: (781) 271-0950

Web: <http://cihe.neasc.org>

AFFIRMATION OF COMPLIANCE WITH FEDERAL REGULATIONS RELATING TO TITLE IV

Periodically, member institutions are asked to affirm their compliance with federal requirements relating to Title IV program participation, including relevant requirements of the Higher Education Opportunity Act.

1. **Credit Hour:** Federal regulation defines a credit hour as an amount of work represented in intended learning outcomes and verified by evidence of student achievement that is an institutional established equivalence that reasonably approximates not less than: (1) One hour of classroom or direct faculty instruction and a minimum of two hours of out of class student work each week for approximately fifteen weeks for one semester or trimester hour of credit, or ten to twelve weeks for one quarter hour of credit, or the equivalent amount of work over a different amount of time; or (2) At least an equivalent amount of work as required in paragraph (1) of this definition for other academic activities as established by the institution including laboratory work, internships, practica, studio work, and other academic work leading to the award of credit hours. (CIHE Policy 111. See also *Standards for Accreditation* 4.34.)

URL	RWU credit hours conforms to the Federal definition; a formal statement articulating the instructional and out-of-class time constituting a credit hour will be included in the next catalog.
Print Publications	

2. **Credit Transfer Policies.** The institution's policy on transfer of credit is publicly disclosed through its website and other relevant publications. The institution includes a statement of its criteria for transfer of credit earned at another institution of higher education along with a list of institutions with which it has articulation agreements. (CIHE Policy 95. See also *Standards for Accreditation* 4.44 and 10.5.)

URL	http://www.rwu.edu/about/university-offices/registrar/transfer-credit-information
Print Publications	University Catalog page 72

3. **Student Complaints.** "Policies on student rights and responsibilities, including grievance procedures, are clearly stated, well publicized and readily available, and fairly and consistently administered." (*Standards for Accreditation* 6.18, 10.5, and 11.8.)

URL	rwu.edu/studentlife/studentaffairs/policies/handbook
Print Publications	Student handbook

4. **Distance and Correspondence Education: Verification of Student Identity:** If the institution offers distance education or correspondence education, it has processes in place to establish that the student who registers in a distance education or correspondence education course or program is the same student who participates in and completes the program and receives the academic credit. . . . The institution protects student privacy and notifies students at the time of registration or enrollment of any projected additional student charges associated with the verification of student identity. (CIHE Policy 95. See also *Standards for Accreditation* 4.42.)

Method(s) used for verification	Through photo identification (see attached form)
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5. **FOR COMPREHENSIVE EVALUATIONS ONLY: Public Notification of an Evaluation Visit and Opportunity for Public Comment:** The institution has made an appropriate and timely effort to notify the public of an upcoming comprehensive evaluation and to solicit comments. (CIHE Policy 77.)

URL	
Print Publications	

The undersigned affirms that _____ (institution name) meets the above federal requirements relating to Title IV program participation, including those enumerated above.

Chief Executive Officer:

Date:

01/30/12

Student Verification / Authentication

Federal law requires colleges and universities that offer courses or programs through distance education to have processes in place to verify or authenticate that the student who registers in a course or program is the same student who participates in, completes, and receives academic credit for, the course or program.

To meet its federal law obligations Roger Williams University ("University") requires that you, among other requirements, provide a photograph of yourself for identification verification in order to take online classes. In addition, students enrolled in a University online course must access the course through a computer that has video and audio transmission capability. If you choose not to provide the photograph in the format required and/or you do not have access to a computer with video/audio transmission capability you will be unable to take online classes at the University.

Your photograph must comply with the following requirements:

- Be in a JPEG format;
- Be recent (i.e. have been taken within the past 90 days);
- Be of good quality for identification purposes (i.e. not out of focus); and
- You should not be wearing a hat or sunglasses in the photograph.

Please indicate below your current status and election as it relates to having a computer with video and audio transmission capability:

- ☐ I have a computer with a built-in camera and microphone.
- ☐ I use an external video camera and Microphone (e.g. Logitech cam).
- ☐ I do not have video and audio capacity but will obtain such prior to the beginning of my next online class.
- ☐ I am in a location where I cannot purchase such equipment and wish for the University to mail such equipment to me and charge my student account.

CERTIFICATION/AUTHORIZATION:

I hereby certify that the attached photograph is a photograph of me and an accurate reflection of me that may be used by the University to verify my identity while participating in University online courses. I also hereby certify as to my current status and intentions as it relates to utilizing a computer with video and audio transmission capability.

_____	_____	_____
Signature	Print Name	Date

Witness - I hereby confirm that the photograph submitted herein is an accurate reflection of the individual noted above.

_____	_____	_____
Witness Signature	Witness Print Name	Date

Appendix B

Most Recent Audited Financial Statement



Consolidated Financial Statements

June 30, 2011 and 2010

ROGER WILLIAMS UNIVERSITY

Consolidated Financial Statements

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Mayer Hoffman McCann P.C.

An Independent CPA Firm

Tofias New England Division

56 Exchange Terrace

Providence, RI 02903

Tel: 401.626.3205 Fax: 401.626.3201

www.mhm-pc.com

Independent Auditors' Report

To the Board of Trustees
Roger Williams University

We have audited the accompanying consolidated statement of financial position of Roger Williams University (the "University") as of June 30, 2011, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the University as of and for the year ended June 30, 2010 were audited by other auditors whose report dated November 23, 2010 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Roger Williams University as of June 30, 2011, and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

October 14, 2011
Providence, Rhode Island

ROGER WILLIAMS UNIVERSITY

Consolidated Statements of Financial Position

June 30,
2011 2010
(In thousands)

Assets

Cash and cash equivalents	\$ 2,200	\$ 3,300
Accounts and other receivables, net	5,284	4,650
Pledges receivable, net	1,254	1,772
Other assets	3,574	3,428
Student loans receivable, net	1,924	2,092
Deposits with bond trustees	6,659	9,756
Investments	78,477	64,517
Property and equipment, net	<u>220,895</u>	<u>223,605</u>
Total assets	\$ <u><u>320,267</u></u>	\$ <u><u>313,120</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 13,454	\$ 16,203
Interest rate swap agreements	3,676	4,393
Short-term borrowings	10,550	13,500
Deposits and deferred revenue	15,646	11,783
Obligations under capital leases	1,830	2,197
Loans payable	8,083	8,821
Long-term liabilities	4,498	4,176
Bonds payable, net	139,876	146,279
Refundable advances - U.S. government grants	<u>1,773</u>	<u>1,751</u>
Total liabilities	<u><u>199,386</u></u>	<u><u>209,103</u></u>

Net assets:

Unrestricted	107,316	92,509
Temporarily restricted	6,524	4,629
Permanently restricted	<u>7,041</u>	<u>6,879</u>
Total net assets	<u><u>120,881</u></u>	<u><u>104,017</u></u>

Total liabilities and net assets	\$ <u><u>320,267</u></u>	\$ <u><u>313,120</u></u>
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ROGER WILLIAMS UNIVERSITY

Consolidated Statements of Activities

For the Year Ended June 30, 2011
(with comparative totals for 2010)

(In thousands)

	2011				2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenues and other support:					
Tuition	\$ 131,137	\$ -	\$ -	\$ 131,137	\$ 124,864
University student aid	(35,742)	-	-	(35,742)	(33,276)
Federal and state financial aid	(1,132)	-	-	(1,132)	(1,635)
Net tuition	94,263	-	-	94,263	89,953
Student fees	7,380	-	-	7,380	7,517
Government grants & contracts	3,831	-	-	3,831	3,073
Miscellaneous	1,513	-	-	1,513	1,421
Auxiliary enterprises	39,141	-	-	39,141	39,354
Contributions	1,122	185	162	1,469	2,589
Investment earnings on deposits with bond trustees	53	-	-	53	146
Endowment income designated for operations	4,260	-	-	4,260	-
Net assets released from restrictions	890	(890)	-	-	-
Total operating revenues and other support	152,453	(705)	162	151,910	144,053
Expenses:					
Instruction	72,698	-	-	72,698	69,578
Academic support	5,864	-	-	5,864	6,856
Student services	20,089	-	-	20,089	18,893
Auxiliary enterprises	27,106	-	-	27,106	26,727
Institutional support	18,734	-	-	18,734	19,235
Loss on disposal of long-lived assets	128	-	-	128	2,739
Total operating expenses	144,619	-	-	144,619	144,028
Operating subtotal	7,834	(705)	162	7,291	25
Nonoperating:					
Investment return, net of amounts designated for operations	7,745	2,014	-	9,759	7,276
Change in fair value of interest rate swaps	717	-	-	717	(1,579)
Loss on defeasance of long-term debt	(903)	-	-	(903)	-
Reclassifications	(586)	586	-	-	-
Nonoperating subtotal	6,973	2,600	-	9,573	5,697
Change in net assets	14,807	1,895	162	16,864	5,722
Net assets at beginning of year	92,509	4,629	6,879	104,017	98,295
Net assets at end of year	\$ 107,316	\$ 6,524	\$ 7,041	\$ 120,881	\$ 104,017

ROGER WILLIAMS UNIVERSITY

Consolidated Statement of Activities

For the Year Ended June 30, 2010

(In thousands)

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Operating revenues and other support:				
Tuition	\$ 124,864	\$ -	\$ -	\$ 124,864
University student aid	(33,276)	-	-	(33,276)
Federal and state financial aid	(1,635)	-	-	(1,635)
Net tuition	89,953	-	-	89,953
Student fees	7,517	-	-	7,517
Government grants & contracts	3,073	-	-	3,073
Miscellaneous	1,421	-	-	1,421
Auxiliary enterprises	39,354	-	-	39,354
Contributions	1,420	1,032	137	2,589
Investment earnings on deposits with bond trustees	146	-	-	146
Endowment income designated for operations	-	-	-	-
Net assets released from restrictions	1,404	(1,404)	-	-
Total operating revenues and other support	144,288	(372)	137	144,053
Expenses:				
Instruction	69,578	-	-	69,578
Academic support	6,856	-	-	6,856
Student services	18,893	-	-	18,893
Auxiliary enterprises	26,727	-	-	26,727
Institutional support	19,235	-	-	19,235
Loss on disposal of long-lived assets	2,739	-	-	2,739
Total operating expenses	144,028	-	-	144,028
Operating subtotal	260	(372)	137	25
Nonoperating:				
Investment return, net of amounts designated for operations	6,529	747	-	7,276
Change in fair value of interest rate swaps	(1,579)	-	-	(1,579)
Reclassifications	(1,830)	509	1,321	-
Nonoperating subtotal	3,120	1,256	1,321	5,697
Change in net assets	3,380	884	1,458	5,722
Net assets at beginning of year	89,129	3,745	5,421	98,295
Net assets at end of year	\$ 92,509	\$ 4,629	\$ 6,879	\$ 104,017

ROGER WILLIAMS UNIVERSITY

Consolidated Statement of Cash Flows

For the Years Ended June 30,
2011 2010
(In thousands)

Cash flows from operating activities:

Change in net assets	\$ 16,864	\$ 5,722
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,684	10,524
Bond amortization, net	(362)	126
Loss on disposal of long-lived assets	128	2,739
Loss on defeasance of long-term debt	903	-
Change in fair value of interest rate swaps	(717)	1,579
Net realized and unrealized gains on investments	(13,480)	(6,803)
Contributions restricted for long-term investment	(164)	(137)
Changes in operating assets and liabilities, net	786	579

Net cash provided by operating activities

15,642 14,329

Cash flows from investing activities:

Proceeds from sales of investments	17,218	22,147
Purchases of investments	(17,699)	(17,461)
Purchases of property and equipment	(8,972)	(28,187)
Decrease in student loans receivable, net	168	86

Net cash used in investing activities

(9,285) (23,415)

Cash flows from financing activities:

Change in deposits with bond trustees	3,097	5,927
Net repayment under line of credit agreement	(2,950)	-
Proceeds from borrowings	-	4,900
Repayment on borrowings	(7,790)	(4,710)
Contributions restricted for long-term investment	164	137
Change in refundable advances - U.S. government grants	22	102

Net cash provided by (used in) financing activities

(7,457) 6,356

Change in cash and cash equivalents

(1,100) (2,730)

Cash and cash equivalents at beginning of year

3,300 6,030

Cash and cash equivalents at end of year

\$ 2,200 \$ 3,300

Supplemental disclosure:

Cash paid for interest	\$ 7,809	\$ 7,691
Change in accounts payable from property, plant and equipment	130	(690)

New debt was issued in 2011 in the amount of \$26,410 which has been accepted for as a net transaction given the payoff of existing debt as part of the transaction.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 1 - Background of the University

Roger Williams University (the “University”), located in Bristol, Rhode Island, is a private, liberal arts university that includes the College of Arts and Sciences, five professional schools, and the Roger Williams University School of Law. The University offers 43 bachelor’s degrees and 11 master’s degrees. The University enrolls approximately 4,800 men and women in a variety of undergraduate and graduate academic programs. The University’s core values embrace the following:

- Love of learning
- Preparation for careers and future study
- Collaborations of students and faculty in research
- Commitment to community service
- Appreciation of global perspectives

The University is accredited by the New England Association of Schools and Colleges among other accrediting bodies. The University provides academic, residential and other services to a diverse student population drawn from the Northeast region of the United States, as well as from many other U.S. states and territories and more than 55 foreign countries.

The University participates in student financial aid programs sponsored by the United States Department of Education, which facilitates the payment of tuition and other expenses for students.

Note 2 - Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The accompanying consolidated financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (“GAAP”) and have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

The consolidated financial statements include the accounts of Roger Williams University and the Roger Williams University School of Law. All significant inter-entity accounts and transactions have been eliminated in consolidation.

The Consolidated Statements of Activities reports the changes in unrestricted, temporarily restricted and permanently restricted net assets from operating and nonoperating activities. Operating activities consist principally of those items attributable to the University’s primary mission of providing education, including contributions and endowment income designated for operations determined in accordance with the University’s policy (see Note 6). Unrestricted operating revenues also include net assets released from restrictions in support of operating activities. Nonoperating activities include net investment returns less endowment income designated for operations, as well as nonrecurring items and other changes not directly affecting the University’s core operations.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Financial Statement Presentation (Continued)

The University reports its financial position and activities into three classes of net assets: permanently restricted, temporarily restricted and unrestricted. A description of the net asset classes follows:

- *Permanently restricted net assets* contain donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the University and primarily consist of the historic dollar value of contributions to establish or add to donor-restricted endowment funds.
- *Temporarily restricted net assets* contain donor-imposed stipulations as to the timing of their availability, use for a particular purpose or both. These net assets are released from restrictions when the specified time elapses and/or actions have been taken to meet the restrictions. Accumulated unspent gains on permanently restricted endowments are classified as temporarily restricted net assets until appropriated by the Board of Trustees and spent in accordance with the standard of prudence imposed by The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”).
- *Unrestricted net assets* contain no donor-imposed restrictions and are available for the general operations of the University. Such net assets may be designated by the Board of Trustees for specific purposes, including to function as endowment funds, or may otherwise be limited by contractual agreements with outside parties.

Dividends, interest and net unrealized and realized gains (losses) on investments are reported as follows:

- increases in permanently restricted net assets if the terms of the contributions require these to be added to the principal;
- increases (decreases) in temporarily restricted net assets if the terms of the contributions impose restrictions on the use of the income and gains; or
- increases (decreases) in unrestricted net assets in all other cases.

The University reports gifts of cash and other assets 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 Consolidated Statements of Activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of accounts with maturities of three months or less when purchased. Cash and cash equivalents included \$26 and \$28 of monies held for the Federal Perkins Loan Program (“Perkins”) at June 30, 2011 and 2010, respectively. The University maintains its cash balances at several financial institutions which, at times, may exceed federally insured limits. The University monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are reported at their net realizable value. Management determines the reserve by identifying problematic accounts and by using historical experience applied to the remainder of the balances. Accounts receivable are presented net of allowances for uncollectible accounts of \$938 and \$1,070 as of June 30, 2011 and 2010, respectively.

Student Loans Receivable

Student loans receivable represent loans to students under a revolving loan program funded by the U.S. Government under the Perkins Loan Program ("Perkins") and an institutional loan fund.

Institutional funds loaned to students are carried at their estimated net realizable value. The institutional loan fund was created by the Roger Williams University School of Law to assist students in funding their education. No new loans have originated under the School of Law loan program since 2001. Loans receivable are carried at the outstanding amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. The University determines the allowance for estimated losses on these student loans by looking at historical default rates for similar loans.

Perkins fund loans to students are carried at their estimated net realizable value. Perkins funds may be relaned by the University after collection, but in the event that the University no longer participates in the Program, the amounts are generally refundable to the Federal government. Funds advanced by the Federal government of \$1,773 and \$1,751 at June 30, 2011 and 2010, respectively, are classified as liabilities in the Consolidated Statements of Financial Position. Loans receivable are carried at the outstanding amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance by identifying troubled accounts and by using historical experience applied to an aging of accounts. Loans that are in default and meet certain requirements are assigned to the Department of Education, which reduces the Perkins refundable U.S. Government grants.

Reserves for the two loan programs were \$829 and \$1,258 at June 30, 2011 and 2010, respectively.

Deposits with Bond Trustees

Deposits with bond trustees consist principally of investments in high quality money market instruments that are reported at fair value and have been deposited with trustees as required under certain loan agreements. Fair value is determined pursuant to the note on "Fair Value Measurements." These amounts have been designated for specific purposes within unrestricted net assets in the Consolidated Statements of Financial Position.

Investments

Investments are reported at fair value. Fair value is determined pursuant to the note on "Fair Value Measurements." Cost represents the historical cost of investments. Cash and cash equivalents held by investment managers are considered part of investments.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost as of date of acquisition, or, in the case of contributions, estimated fair value as of the date of contribution. The cost of repairs and maintenance is charged to expense in the year incurred. Depreciation of buildings and equipment is recorded using the straight-line method over their estimated lives of 50 years and 7-20 years, respectively. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are reported as unrestricted support.

Revenue Recognition and Deposits and Deferred Revenue

A substantial portion of the University's revenue is derived from student tuition and fees and auxiliary enterprises such as room and board services provided by the University. Tuition, fees and auxiliary revenue are recognized as revenue in the period to which they relate. Student deposits and deferred revenue along with advance payments for tuition and auxiliary enterprises are recognized as revenue when the related services are provided.

Gifts and Pledges

Gifts are recognized as revenue upon receipt. Pledges are recognized as revenue in the year the pledge is communicated by the donor, net of an allowance for potentially uncollectible amounts and less a present value for those due beyond one year. Management determines the allowance for uncollectible pledges based on specific identification and historical experience. Present values are computed using a risk-free rate as a starting point adjusted for the inherent risk associated with the expected cash flows of the donors' unconditional promise to give (ranging from .51% to 5.03%). Gifts that are temporarily restricted are released from restriction when purpose restrictions are met or by the passage of time depending on the underlying donor instrument. Gifts other than cash are recorded at the fair value of the assets received at the date of contribution. Conditional promises to give are not included as support until conditions are substantially met.

Asset Retirement Obligation

An asset retirement obligation ("ARO") is a conditional legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the University records period-to-period changes in the ARO liability resulting from the passage of time, new laws and regulations and revisions to either the timing or amounts of the original estimate of undiscounted cash flows. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded will be recognized as a gain or loss in the Consolidated Statements of Activities as unrestricted revenue. The University has recorded an ARO liability of \$2,254 and \$2,264 for the years ended June 30, 2011 and 2010, respectively, which is included in long-term liabilities in the Consolidated Statements of Financial Position.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Grants and Contracts

Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The University recognizes revenue associated with direct and indirect costs as direct costs are incurred. The recovery of indirect costs is pursuant to an agreement, which provides for a fixed indirect cost rate.

Interest Rate Swap Agreements

Interest rate swap agreements are carried at fair value as per the fair value policies contained elsewhere in this section. Changes in fair value of interest rate swaps are recorded in the period incurred.

Income Tax Status

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes pursuant to Section 501(a) of the Code. However, certain activities of exempt organizations, to the extent profitable, may be subject to federal and state taxation as unrelated business income. Given the limited taxable activities of the University, management determined that disclosures relative to tax provisions are not necessary.

Uncertain Tax Positions

The University accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The University has identified its tax status as a tax exempt entity as its only significant tax position; however, the University has determined that such tax position does not result in an uncertainty requiring recognition. The University is not currently under examination by any taxing jurisdictions. The University’s federal and state tax returns are generally open for examination for three years following the date filed.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant management estimates included in the consolidated financial statements relate to the allowance for accounts, pledges, notes and loans, fair value of certain investments, useful lives of depreciable assets, asset retirement obligations, interest rate swap agreements and the allocation of common expenses over program functions.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Allocation

The University reports expenses by their functional classification in the Consolidated Statements of Activities. Accordingly, fringe benefits, depreciation, interest, and operations and maintenance expenses have been allocated to functional classifications based upon relative expenditure levels.

Fundraising costs for the years ended June 30, 2011 and 2010 were \$2,599 and \$1,880, respectively, and are included in institutional support expenses in the Consolidated Statements of Activities.

Fair Value Measurements

The University reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the University reports certain investments using the net asset value per share as determined by investment managers under the so called “practical expedient.” The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the University to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes investments reported at net asset value per share with lock up periods of 90 days or less.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes investments reported at net asset value per share with lock up periods in excess of 90 days.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the value of the funds and, consequently, the fair value of the University's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the University's interest in the funds. Although such investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the University were to sell a fund in the secondary market, the sale could occur at an amount different than the reported value, and the difference could be material.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the University's consolidated financial instruments (see Notes 5 and 8).

The carrying values of the University's cash and cash equivalents, accounts receivable, short-term pledges, accounts payable and short-term borrowings approximate carrying value due to the short-term nature of the instruments. Management has not evaluated the fair value of notes receivable, long-term pledges, student loans receivable, obligations under capital leases and refundable advances as management believes that the cost and effort associated with such fair value data would outweigh the benefits received. The fair value of loans and bonds using pricing information provided by a third party excluding the effect of credit enhancements was estimated as follows:

	<i>2011</i>	<i>2010</i>
Fair value of loans and fixed rate bonds	\$ <u>86,502</u>	\$ <u>94,274</u>

Reclassifications

Certain amounts have been reclassified in the prior year consolidated financial statements to conform to the current year presentation.

Subsequent Events

The University has evaluated subsequent events through October 14, 2011, the date the consolidated financial statements were issued.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 3 - Financing Receivables

Student loans receivable, net consists of the following at June 30:

	<i>30-60 Days Past Due</i>	<i>60-90 Days Past Due</i>	<i>Greater than 90 Days Past Due</i>	<i>Total Past Due</i>	<i>Current</i>	<i>Total Financing Receivable</i>
2011						
Perkins loans	\$ 1	\$ 6	\$ 559	\$ 566	\$ 1,748	\$ 2,314
Institutional loans	6	33	269	308	131	439
Credit reserve	-	-	-	-	-	(829)
Student loans receivable, net	\$ <u>7</u>	\$ <u>39</u>	\$ <u>828</u>	\$ <u>874</u>	\$ <u>1,879</u>	\$ <u>1,924</u>
2010						
Perkins loans	\$ 1	\$ 1	\$ 533	\$ 535	\$ 1,810	\$ 2,345
Institutional loans	27	40	744	811	194	1,005
Credit reserve	-	-	-	-	-	(1,258)
Student loans receivable, net	\$ <u>28</u>	\$ <u>41</u>	\$ <u>1,277</u>	\$ <u>1,346</u>	\$ <u>2,004</u>	\$ <u>2,092</u>

Allowances for credit losses are as follows at June 30:

	<i>Perkins Loans</i>	<i>Institutional Loans</i>	<i>Total</i>
2011			
Beginning balance	\$ (537)	\$ (721)	\$ (1,258)
Charge-off's	-	272	272
Recoveries	-	(13)	(13)
Provision	(38)	208	170
Ending balance	\$ <u>(575)</u>	\$ <u>(254)</u>	\$ <u>(829)</u>
2010			
Beginning balance	\$ (488)	\$ (728)	\$ (1,216)
Charge-off's	-	-	-
Recoveries	-	(22)	(22)
Provision	(49)	29	(20)
Ending balance	\$ <u>(537)</u>	\$ <u>(721)</u>	\$ <u>(1,258)</u>

The allowances for the Perkins and institutional loans were collectively evaluated for impairment.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 4 - Pledges Receivable

Pledges receivable consisted of the following as of June 30:

	<i>2011</i>	<i>2010</i>
Unconditional promises expected to be collected in:		
Less than one year	\$ 474	\$ 819
One year to five years	1,146	1,366
Less discount and allowance for uncollectible pledges	<u>(366)</u>	<u>(413)</u>
Pledges receivable, net	\$ <u>1,254</u>	\$ <u>1,772</u>

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 5 - Investments and Deposits with Bond Trustees

The following tables summarize the University's investments and deposits with bond trustees by major category in the fair value hierarchy as of June 30, 2011 and 2010, as well as related strategy, liquidity and funding commitments:

	2011				Redemption	
	Level 1	Level 2	Level 3	Total	or Liquidation	Days' Notice
Fixed income:						
U.S. Treasuries	\$ 4,945	\$ -	\$ -	\$ 4,945	Daily	One
High grade corporate	-	2,625	-	2,625	Daily	Fifteen
Global bond funds	2,094	2,102	-	4,196	Daily/Monthly	One to Ten
Equities:						
Traditional domestic equity index funds	15,936	-	-	15,936	Daily	One
International equities	-	9,045	-	9,045	Monthly	Five to Thirty
International growth	-	5,796	-	5,796	Bi-Monthly	Ten
Hedged equity funds of funds:						
Multiple strategies	-	7,704	14,842	22,546	Quarterly/locked	Sixty to illiquid
Emerging markets	-	4,339	-	4,339	Monthly	Thirty
Private equity and venture capital funds	-	-	6,340	6,340	Locked	Illiquid
Cash and cash equivalents	2,709	-	-	2,709	Daily	One
Total investments	25,684	31,611	21,182	78,477		
Deposits with bond trustees						
U.S. Treasury notes	3,365	-	-	3,365	Daily	One
U.S. Treasury money markets	2,228	-	-	2,228	Daily	One
FDIC bank CDs	1,066	-	-	1,066	Daily	One
Total deposits with bond trustees	6,659	-	-	6,659		
Total assets at fair value	\$ 32,343	\$ 31,611	\$ 21,182	\$ 85,136		

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 5 - Investments and Deposits with Bond Trustees (Continued)

	2010				Redemption or Liquidation	Days' Notice
	Level 1	Level 2	Level 3	Total		
Fixed income:						
U.S. Treasuries	\$ 5,250	\$ -	\$ -	\$ 5,250	Daily	One
High grade corporate	-	3,944	-	3,944	Bi-Monthly	Fifteen
Equities:						
Traditional domestic equity index funds	12,472	-	-	12,472	Daily	One
International equities	-	5,907	-	5,907	Monthly	Five to Thirty
International growth	-	3,999	-	3,999	Bi-Monthly	Ten
Hedged equity funds of funds:						
Multiple strategies	-	5,808	14,562	20,370	Quarterly to Locked	Sixty to Locked
Emerging markets	-	3,534	-	3,534	Monthly	Thirty
Private equity and venture capital funds	-	-	5,687	5,687	Illiquid	NA
Cash and cash equivalents	3,354	-	-	3,354	Daily	One
Total investments	21,076	23,192	20,249	64,517		
Deposits with bond trustees						
U.S. Treasury money markets	2,636	-	-	2,636	Daily	One
U.S. Government agencies	7,120	-	-	7,120	Daily	One
Total deposits with bond trustees	9,756	-	-	9,756		
Total assets at fair value	\$ 30,832	\$ 23,192	\$ 20,249	\$ 74,273		

All of the University's investments in Level 2 and Level 3 have been accounted for under the net asset value practical expedient and, accordingly, classification is not necessarily an indication of the risk associated with the investment.

High Grade Corporate:

The Fund's objective is to offer a diversified, actively managed exposure to the U.S. investment grade corporate credit market.

Global Bond Funds:

The Fund's investment objective is to achieve favorable income-oriented returns from a globally diversified portfolio of primarily debt or debt-like securities.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 5 - Investments and Deposits with Bond Trustees (Continued)

International Equities:

The investment seeks capital appreciation. The fund invests at least 80% of assets in equity securities of foreign companies. It may invest in foreign securities including emerging market securities. The fund invests in companies of any size

International Growth:

The Funds seek growth equities that represent opportunities to provide above-average, sustainable growth while also being attractively valued.

Multiple Strategies:

The Funds seek to outperform the S&P 500 Index by 2% - 4% per year using a risk-controlled, industry-neutral, analyst-driven portfolio management approach. The investment process emphasizes intra-industry investment opportunities and also seeks long-term equity-like returns with minimal correlation to the major market averages.

Emerging Markets:

The Fund seeks to outperform the benchmark while maintaining a lower level of volatility via active country allocation and stock selection. The investment universe includes local- and offshore-listed as well as New York- and UK-listed funds.

Private Equity and Venture Capital:

The Funds' investment strategy is to realize an 8% return over the long-term by investing in a blend of Goldman Sachs funds.

The University had open capital commitments for its limited partnership investments of \$1,351 and \$1,907 as of June 30, 2011 and 2010, respectively. The capital commitments are scheduled to be funded through March 2012.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 5 - Investments and Deposits with Bond Trustees (Continued)

The following tables present the University's activities for the fiscal years ended June 30, 2011 and 2010 for investments classified in Level 3:

	<i>Hedged Equity Funds of Funds</i>	<i>Private Equity and Venture Capital Funds</i>	<i>Total</i>
Fair value at July 1, 2010	\$ 14,562	\$ 5,687	\$ 20,249
Acquisitions	-	-	-
Dispositions	(431)	-	(431)
Unrealized investment gains	711	1,106	1,817
Transfers to Level 2 due to lock up period ending	-	(453)	(453)
	<u>-</u>	<u>(453)</u>	<u>(453)</u>
Fair value at June 30, 2011	\$ <u>14,842</u>	\$ <u>6,340</u>	\$ <u>21,182</u>

	<i>Hedged Equity Funds of Funds</i>	<i>Private Equity and Venture Capital Funds</i>	<i>Total</i>
Fair value at July 1, 2009	\$ 18,224	\$ 6,238	\$ 24,462
Acquisitions	-	209	209
Dispositions	-	(641)	(641)
Unrealized investment gains (losses)	2,146	(119)	2,027
Transfers to Level 2 due to lock up period ending	(5,808)	-	(5,808)
	<u>(5,808)</u>	<u>-</u>	<u>(5,808)</u>
Fair value at June 30, 2010	\$ <u>14,562</u>	\$ <u>5,687</u>	\$ <u>20,249</u>

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 5 - Investments and Deposits with Bond Trustees (Continued)

The following summarizes the investment return for the years ended June 30:

	<i>2011</i>	<i>2010</i>
Interest and dividends, net of management and advisory fees	\$ 592	\$ 619
Net realized and unrealized gains	<u>13,480</u>	<u>6,803</u>
Investment return	\$ <u>14,072</u>	\$ <u>7,422</u>

Investment returns are included in the Consolidated Statements of Activities as follows for the years ended June 30:

	<i>2011</i>	<i>2010</i>
Operating:		
Investment earnings included in operations (from deposits with bond trustees)	\$ 53	\$ 146
Endowment income designated for operations	4,260	-
Nonoperating activities:		
Changes in unrestricted net assets:		
Investment return, net of amounts designated for operations	7,745	6,529
Changes in temporarily restricted net assets:		
Investment return, net of amounts designated for operations	<u>2,014</u>	<u>747</u>
Investment return	\$ <u>14,072</u>	\$ <u>7,422</u>

Total investment management and advisory fees were \$396 and \$367 for the years ended June 30, 2011 and 2010, respectively.

Aggregate investment liquidity as of June 30, 2011 is presented below based on redemption or sale period:

Investment redemption or sale period:	
Daily	\$ 34,968
Bi-monthly	5,796
Monthly	22,886
Quarterly	7,704
Locked	<u>13,782</u>
Total investments at fair value	\$ <u>85,136</u>

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 6 - Endowment

The University's endowment consists of approximately 80 individual funds, established for a variety of purposes, including both donor-restricted endowment funds (true endowment) and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net assets consist of the following at June 30:

		2011				
		<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	
Donor-restricted						
endowment funds	\$	(16)	\$ 3,016	\$ 7,018	\$	10,018
Board-designated						
endowment funds		<u>69,162</u>	<u>-</u>	<u>-</u>		<u>69,162</u>
Total endowment						
net assets	\$	<u>69,146</u>	\$ <u>3,016</u>	\$ <u>7,018</u>	\$	<u>79,180</u>

		2010				
		<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	
Donor-restricted						
endowment funds	\$	(257)	\$ 1,520	\$ 6,856	\$	8,119
Board-designated						
endowment funds		<u>61,877</u>	<u>-</u>	<u>-</u>		<u>61,877</u>
Total endowment						
net assets	\$	<u>61,620</u>	\$ <u>1,520</u>	\$ <u>6,856</u>	\$	<u>69,996</u>

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 6 - Endowment (Continued)

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Endowment net assets,				
July 1, 2010	\$ 61,620	\$ 1,520	\$ 6,856	\$ 69,996
Donor-restricted contributions	-	-	162	162
Reclassifications	(16)	16	-	-
Interest and dividends, net	(6)	-	-	(6)
Net realized and unrealized gains	11,869	2,014	-	13,883
Net assets released and other changes	<u>(4,321)</u>	<u>(534)</u>	<u>-</u>	<u>(4,855)</u>
Endowment net assets, June 30, 2011	\$ <u>69,146</u>	\$ <u>3,016</u>	\$ <u>7,018</u>	\$ <u>79,180</u>

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Endowment net assets,				
July 1, 2009	\$ 56,550	\$ 806	\$ 5,391	\$ 62,747
Donor-restricted contributions	-	259	137	396
Reclassifications	(1,458)	130	1,328	-
Interest and dividends, net	354	2	-	356
Net realized and unrealized gains	6,095	824	-	6,919
Net assets released and other changes	<u>79</u>	<u>(501)</u>	<u>-</u>	<u>(422)</u>
Endowment net assets, June 30, 2010	\$ <u>61,620</u>	\$ <u>1,520</u>	\$ <u>6,856</u>	\$ <u>69,996</u>

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 6 - Endowment (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. Deficiencies of this nature reported in unrestricted net assets aggregated \$16 and \$257 as of June 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board. Subsequent gains that restore the fair value of the assets of these endowment funds to the required level will be classified as increases in unrestricted net assets.

Objectives of the Endowment

The objectives of the endowment shall be defined as follows: absolute – which shall be measured in real (i.e., net of inflation) rate-of-return terms and shall have the longest time horizon for measurement; relative – which shall be measured as time-weighted rates of return versus capital market indices; and comparative – which shall be measured as performance of both the investment managers and the portfolio as a whole as compared to universes of similar investment managers and similar institutions, respectively.

The relative objective of the endowment is to seek competitive investment performance versus appropriate or relative capital market indices. This objective shall be measured primarily by comparing investment results, over a moving annualized three and five-year time period, to representative benchmarks.

The comparative performance objective of the endowment is to achieve a total rate of return that is above the median performance of a universe of similarly managed institutions.

The endowment assets have a long-term, indefinite time horizon that runs concurrent with the endurance of the institution. As such, these funds can assume a time horizon that extends well beyond a normal market cycle, and can assume an above-average level or risk as measured by the standard deviation of annual returns. It is expected, however, that both professional management and sufficient portfolio diversification will smooth volatility and help to assure a reasonable consistency of return.

Spending Policy and How the Investment Objectives Relate to Spending Policy

It is the University's policy to distribute annually up to 5% of a trailing 12-quarter average of the endowment's total asset value, with the understanding that this spending rate plus inflation will not normally exceed total return from investment. However, it is understood that this total return basis for calculating spending is sanctioned by UPMIFA, under which guidelines the University is permitted to spend an amount in excess of the current yield (interest and dividends earned), including realized or unrealized appreciation. The vast majority of the University's endowment is Board-designated and not donor-restricted. In applying its overall spending policy, the Board considers the prudent standards outlined in UPMIFA and applicable to the University's donor-restricted endowment funds. However, the Board retains the discretion to modify its spending or transfer additional Board-designated endowment funds for other institutional purposes beyond the originally budgeted amount of spending. For fiscal year 2010, the Board decided that sufficient revenues were available to support operating expenses and authorized a modification to the spending policy, eliminating the contribution from the endowment for only this fiscal period. The spending policy was re-instituted in fiscal year 2011.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 7 - Property and Equipment

The following is a summary of property and equipment as of June 30:

	2011	2010
Land	\$ 3,712	\$ 3,712
Buildings	206,125	206,125
Building and land improvements	53,158	48,848
Equipment	43,460	39,948
Furniture and fixtures	15,019	14,479
Library books	19,087	18,535
Construction in progress	2,436	2,912
	<u>342,997</u>	<u>334,559</u>
Less: accumulated depreciation	<u>(122,102)</u>	<u>(110,954)</u>
Property and equipment, net	\$ <u>220,895</u>	\$ <u>223,605</u>

Depreciation expense was \$11,684 and \$10,523 for the years ended June 30, 2011 and 2010, respectively.

The amount of asset retirement obligations related to the removal and disposal of asbestos in certain buildings, which is recorded in long-term liabilities in the Consolidated Statements of Financial Position, was \$2,254 and \$2,264 as of June 30, 2011 and 2010, respectively.

The University capitalized net interest costs of \$0 and \$666 for the years ended June 30, 2011 and 2010, respectively.

The outstanding commitments for uncompleted construction contracts were \$2,154 as of June 30, 2011.

The University built a 140-foot-high water tower on the northwest corner of the campus to primarily serve its campus but also enhance water service to the southern part of the Town of Bristol. Upon completion of construction in 2010, the University transferred the tower to the Bristol County Water Authority for one dollar, and leased the underlying land to the Authority for one dollar per year through 2060 (renewable through 2110). The University incurred a loss on the disposal of the long-lived asset of \$128 and \$2,238 at June 30, 2011 and 2010, respectively, which is included in operating activities in the Consolidated Statements of Activities.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 8 - Debt

The University's bond and loan obligations as of June 30 are summarized as follows:

	2011	2010
Rhode Island Health and Educational Building Corporation (RIHEBC) Bonds payable:		
Higher Education Facility Revenue Bonds, Series 1998, at fixed interest rates of 4.50% to 5.0%, due November 15, 2028	\$ -	\$ 30,390
Higher Education Facility Revenue Bonds, Series 2000, at fixed interest rates of 4.75% to 5.50%, due November 15, 2030	12,600	12,950
Higher Education Facility Revenue Bonds, Series 2003, at fixed interest rates of 3.50% to 5.0%, due November 15, 2033	26,635	27,575
Higher Education Facility Revenue Bonds, Series 2006B, at fixed interest rates of 4.0% to 5.0%, due November 15, 2036	16,535	16,875
Higher Education Facility Revenue Bonds, Series 2008A, at variable interest rates that are reset weekly which was .09% and .23% at June 30, 2011 and 2010, respectively, due November 15, 2024	19,830	20,905
Higher Education Facility Revenue Bonds, Series 2008B, at variable interest rates that are reset weekly which was .09% and 0.23% at June 30, 2011 and 2010, respectively, due November 15, 2038	38,000	38,000
Higher Education Revenue Refunding Bonds, Series 2011, at fixed interest rate of 4.35%, due November 15, 2024	26,410	-
	<u>140,010</u>	<u>146,695</u>
Less unamortized bond discount	(561)	(873)
Plus unamortized bond premium	<u>427</u>	<u>457</u>
Bonds payable, net	\$ <u><u>139,876</u></u>	\$ <u><u>146,279</u></u>
	2011	2010
Loans payable:		
Department of Education, 3%, due September 2024	\$ 2,125	\$ 2,251
Rockland Trust (formerly Slades Ferry Bank), 5.5%, due January 2013	1,305	1,703
Washington Trust, 6.76%, due April 2025	<u>4,653</u>	<u>4,867</u>
Loans payable	\$ <u><u>8,083</u></u>	\$ <u><u>8,821</u></u>

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 8 - Debt (Continued)

Bonds and Loans Payable

The Series 2008A and 2008B bonds are variable-rate demand obligations whose interest rates are adjusted weekly or monthly by a remarketing agent to be the lowest rates which in its judgment would permit the sale of the bonds. In the event that variable rates cannot be established by the remarketing agent, or in the event that the variable rates determined by the remarketing agent shall be held to be invalid or unenforceable by a court of law, then the interest rates for such period shall equal the SIFMA Index. The rates on the bonds may be converted to fixed rates at the election of the University upon the satisfaction of certain requirements.

The University maintains a standby letter of credit in the amount of \$58,686, which expires in 2013, with Bank of America to provide liquidity to support the repurchase of tendered variable rate bonds in the event they are unable to be remarketed. This is needed given the University's general obligation to repurchase should a bond not remarket. In addition, as described below, the University utilizes interest-rate swaps to effectively fix a portion of its variable exposure under the bonds.

Under the terms of the Series 2000, Series 2003, Series 2006B, Series 2008A, Series 2008B Bonds and Series 2011 Bonds, the University must meet certain financial covenants. The University was in compliance with all such covenants at June 30, 2011 and 2010.

In connection with various debt and bond agreements, the University maintains project funds and debt service reserve funds with bond trustees. Project funds may be used as qualifying expenditures are incurred while debt service funds must be maintained under the indentures as follows at June 30:

	2011	2010
Project funds	\$ -	\$ 2
Debt service reserve funds	<u>6,659</u>	<u>9,754</u>
Deposits with bond trustees	\$ <u>6,659</u>	\$ <u>9,756</u>

The debt agreements define amounts required to be deposited for debt service which generally represent sinking funds which are required under the loan and trust agreement as well as principal reserve funds.

On June 2, 2011, the University refunded its 1998 RIHBEC 4.5%-5.0% fixed rate bond with a 2011 RIHBEC 4.35% fixed rate issue. The 2011 Bond is a private placement with Century Bank and matures in November 2024, four years earlier than the original debt. The outstanding principal of \$29,105 on the 1998 bond issue was paid by using 1998 Debt Service Reserve and P&I Funds of \$3,482 and the issuance of new debt of \$26,410. The balance of the proceeds were used to fund closing costs of \$225, a rate lock fee to Century Bank of \$293, and interest of \$255 to the 1998 bondholders through the call date of July 18, 2011. The remaining balance of \$14 will be used to fund a portion of the new debt.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 8 - Debt (Continued)

Bonds and Loans Payable (Continued)

The required principal amounts to be paid on bonds and loans payable are as follows as of June 30, 2011:

	<i>Amounts Due</i>
Fiscal year:	
2012	\$ 5,752
2013	6,368
2014	5,730
2015	5,966
2016	6,222
Thereafter	<u>118,055</u>
Total	\$ <u>148,093</u>

The University also has an unsecured line of credit agreement with Bank of America that provides for borrowings up to \$13,500, which matures on December 31, 2011. The interest rate on the line is prime less 1%, and was 2.25% as of June 30, 2011 and 2010. There were \$10,500 and \$13,500 of short-term borrowings outstanding under this agreement as of June 30, 2011 and 2010, respectively.

Interest expense on bonds payable and loans payable for the years ended June 30, 2011 and 2010 was \$7,609 and \$7,000, respectively. Interest expense on short-term borrowings for the years ended June 30, 2011 and 2010 was \$134 and \$90, respectively.

Interest Rate Swap Agreements

The University uses interest rate swaps to manage interest rate risk exposure. The University's interest rate swaps effectively mitigate exposure to interest rate risk, primarily through converting portions of floating rate debt under the bond agreements to a fixed rate basis. These interest rate swap agreements involve the receipt of payment of floating rate amounts in exchange for making fixed rate interest payments over the life of the agreements without an exchange of underlying principal amounts. The University does not enter into derivative instruments for trading or speculative purposes.

As a result of the use of derivative instruments, the University is exposed to risk that the counterparties will fail to meet their contractual obligations. To mitigate the counterparty risk, the University only enters into contracts with selected major financial institutions based upon their credit ratings and other factors, and continually assesses the creditworthiness of counterparties. At June 30, 2011 and 2010, all counterparties to the University's interest rate swaps had investment grade ratings. To date, all counterparties have performed in accordance with their contractual obligations.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 8 - Debt (Continued)

Interest Rate Swap Agreements (Continued)

As of June 30, the following interest rate swap agreements were outstanding:

<u>Counterparty</u>	<u>Issue Date</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Remaining Notional Amount</u>	<u>Swap Fixed Rate</u>	<u>Fair Value Liability</u>	
						<u>2011</u>	<u>2010</u>
Bank of America	03/21/05	10/17/06	11/15/2024	\$ 19,830	3.602%	\$ (2,210)	\$ (2,625)
Bank of America	08/21/08	10/01/08	11/15/2038	38,000	4.277%	(1,466)	(1,768)
Total interest rate swap agreements						\$ (3,676)	\$ (4,393)

The variable rate on the first Bank of America swap is based on 67% of one-month LIBOR-BBA Index and was transferred from a refunded 2006A Bond. These rates were 1.25% and 2.34% at June 30, 2011 and 2010, respectively. The variable rate on the second Bank of America swap is based on the SIFMA index. These interest rates were 1.28% and 2.95% at June 30, 2011 and 2010, respectively. The second swap may be canceled after five years at no cost to the University, regardless of whether the swap is in-or-out of the money at that time. The counterparty is required to maintain a minimum credit rating based on provisions contained in the individual swap agreements, which were at or above the minimum thresholds contained in the agreements as of June 30, 2011 and 2010.

Interest rate volatility, remaining outstanding principal and time to maturity will affect each swap's fair value at subsequent reporting dates. To the extent the University holds a swap through its expiration date, the swap's fair value will reach zero. Because the swap fair values are based predominantly on observable inputs corroborated by market data, they are classified in Level 2 in the GAAP fair value hierarchy.

Note 9 - Leases

The University leases building space and equipment under various noncancelable operating lease agreements. Future minimum lease payments, by year and in the aggregate, under noncancelable operating leases with terms of one year or more consist of the following at June 30, 2011:

Year Ending June 30:

2012	\$ 2,198
2013	1,467
2014	733
2015	419
2016	280
Total lease payments	\$ 5,097

Rent expense for the years ended June 30, 2011 and 2010 was \$2,087 and \$1,741, respectively.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 9 - Leases (Continued)

The University entered into a tax-exempt master lease with Bank of America in December 2005, mainly for dining commons equipment and furnishings. There were \$1,830 and \$2,197 of obligations under capital leases as of June 30, 2011 and 2010, respectively. Semi-annual interest and principal payments were \$223 in each of the years ended June 30, 2011 and 2010. The present value of future minimum capital lease payments as of June 30, 2011 is:

Year Ending June 30:

2012	\$	381
2013		395
2014		410
2015		425
2016		219
Obligations under capital leases		1,830
Amounts representing interest		176
Present value of minimum lease payments	\$	<u>2,006</u>

Interest expense for the obligation under capital leases for the years ended June 30, 2011 and 2010 was \$78 and \$91, respectively. Assets under capital leases were \$3,675 with accumulated amortization of \$1,654 for a net book value of \$2,021 at June 30, 2011.

Note 10 - Net Assets

Unrestricted Net Assets

Unrestricted net assets consisted of the following as of June 30:

	2011	2010
Operating and fixed assets	\$ 38,170	\$ 30,889
Board-designated funds operating as endowment	69,162	61,877
Endowment unrealized losses	<u>(16)</u>	<u>(257)</u>
Unrestricted net assets	\$ <u>107,316</u>	\$ <u>92,509</u>

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 10 - Net Assets (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of June 30:

	<i>2011</i>	<i>2010</i>
Accumulated unspent gains:		
Instruction	\$ 1,588	\$ 832
Scholarships	730	240
Other	<u>698</u>	<u>445</u>
Total	<u>3,016</u>	<u>1,517</u>
Purpose restrictions:		
Instruction	123	-
Scholarships	1,148	748
Other	<u>901</u>	<u>626</u>
Total	<u>2,172</u>	<u>1,374</u>
Subtotal	<u>5,188</u>	<u>2,891</u>
Pledges receivable, net	<u>1,336</u>	<u>1,738</u>
Temporarily restricted net assets	\$ <u><u>6,524</u></u>	\$ <u><u>4,629</u></u>

Net Assets Released from Restrictions

Net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows for the years ended June 30:

	<i>2011</i>	<i>2010</i>
Instruction	\$ 358	\$ 263
Scholarships	180	153
Other	<u>352</u>	<u>988</u>
Net assets released from restrictions	\$ <u><u>890</u></u>	\$ <u><u>1,404</u></u>

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 10 - Net Assets (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following as of June 30:

	2011	2010
Purpose restrictions:		
Instruction	\$ 3,259	\$ 3,247
Scholarships	3,220	3,102
Other	<u>539</u>	<u>506</u>
Subtotal	7,018	6,855
Pledges receivable, net	<u>23</u>	<u>24</u>
Permanently restricted net assets	\$ <u>7,041</u>	\$ <u>6,879</u>

Note 11 - Defined Contribution Plans

The University has a defined contribution pension plan that is designed to meet the requirements of Section 403(b) of the Internal Revenue Code. The full-time faculty and staff of the University may elect, after meeting specific requirements, to participate in defined contribution retirement plans administered by the Teachers Insurance and Annuity Association, the College Retirement Equities Fund, and the Variable Annuity Life Insurance Company. Under these plans, the University and plan participants make annual contributions. The University's share of these contributions was \$4,228 and \$4,569 for the years ended June 30, 2011 and 2010, respectively.

Note 12 - Related-Party Transactions

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. The University has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees may participate in any decision in which he or she has a material financial interest. Each trustee is required to certify compliance with the conflict of interest policy on an annual basis as well as disclose any potential related-party transactions to the Board of Trustees. When such a relationship exists, the University requires that any such transactions be conducted at arms' length, with terms that are fair and reasonable to and for the benefit of the University. For senior management, the University requires annual disclosure of significant financial interests in, or governance or employment or consulting relationships with, entities doing business with the University. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interest of the University.

ROGER WILLIAMS UNIVERSITY

Notes to Consolidated Financial Statements

(In thousands)

Note 12 - Related-Party Transactions (Continued)

The University expended \$1,364 and \$8,386 for the years ended June 30, 2011 and 2010, respectively, for investment fees, rent, tuition, construction and other fees involving transactions with businesses whose officers, partners and/or stockholders are current or former officers, employees or trustees of the University. Contributions are also periodically received from members of the Board of Trustees.

Note 13 - Commitments and Contingencies

The University has collective bargaining agreements covering a significant number of staff and faculty of the University. Such agreements expire between 2011 and 2015. Management believes its labor relations are satisfactory and does not expect any significant disruption to operations.

The University outsources services in connection with its dining and bookstore activities under long-term contracts with suppliers. Management believes these arrangements are under commercially reasonable terms.

The University has entered fixed-price contracts for a portion of its energy needs. These contracts expire between 2012 and 2014 and the constructed usage is within the University's current needs.

The University is engaged in various legal cases that have arisen in the normal course of its operations. The University believes that the outcome of these cases will have no material adverse effect on the financial position of the University.