

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

---

**FINANCIAL STATEMENTS**

**June 30, 2009 and 2008**

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

**Financial Statements**

**June 30, 2009 and 2008**

**C O N T E N T S**

<b>Independent Auditors' Report</b>	1-2
<b>Management Discussion and Analysis</b>	3-22
<b>Financial Statements:</b>	
Statements of Net Assets	23
Statements of Revenues, Expenses and Changes in Net Assets	24
Statements of Cash Flows	25
Notes to the Financial Statements	26-72
Schedules of Funding Progress (Unaudited)	73
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	74-75



## INDEPENDENT AUDITORS' REPORT

The Board of Governors for Higher Education  
State of Rhode Island and Providence Plantations

We have audited the accompanying statements of net assets of the University of Rhode Island (the "University") (a component unit of the State of Rhode Island and Providence Plantations) as of June 30, 2009 and the related statements of revenues, expenses, and changes in net assets and cash flows for the year 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 audit. The financial statements of the University as of June 30, 2008 were audited by other auditors whose report dated December 4, 2008 expressed an unqualified opinion on the financial statements. We also did not audit the financial statements of the University of Rhode Island Foundation and the Alumni Association of the University of Rhode Island as of June 30, 2009 and 2008 as discussed in Note 1. The financial statements of these component units were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the entity not audited by us included in the discretely presented component units of the University, is based solely upon the report of the other auditors.

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

The University of Rhode Island Foundation's investments include alternative investment funds for which adequate audit evidence encompassing both the valuation as of the Foundation's year end of March 31, 2009 and for the period under audit was not available before the issuance of the Foundation's audited financial statements. In addition, the Foundation's auditors were unable to satisfy themselves as to the carrying value of these investments or earnings thereon by other auditing procedures. These alternative investments are stated at a fair value, estimated by management of the Foundation which used the information provided to them by the fund managers, of \$18,057,306 at March 31, 2009 and their earnings, included realized losses of \$157,866, unrealized losses of \$1,879,418 and investment fees of \$53,741.

In our opinion, except for the effects of possible adjustments related to the matters stated in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Rhode Island as of June 30, 2009 and June 30, 2008 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009 on our consideration of the University of Rhode Island's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 read in conjunction with this report in considering the results of our audit.

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

  
**Certified Public Accountants**

September 30, 2009



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

**Management's Discussion and Analysis (Unaudited)**

**June 30, 2009 and 2008**

**Introduction**

The following management's discussion and analysis (MD&A) provides management's view of the financial position of the University of Rhode Island (the University) as of June 30, 2009 and the results of operations for the year then ended, with selected comparative information for the years ended June 30, 2008 and 2007. The purpose of the MD&A is to assist readers in understanding the accompanying financial statements by providing an objective and understandable analysis of the University's financial activities based on currently known facts, decisions, and conditions. This analysis has been prepared by management, which is responsible for the completeness and fairness of the information contained therein. The MD&A consists of highly summarized information, and it should be read in conjunction with the University's financial statements and notes thereto that follow this section.

The University is the only publicly supported research institution in the State of Rhode Island (the State) and is charged with providing state residents an opportunity for undergraduate and graduate studies at a Land Grant, Urban Grant and Sea Grant research university. As such, the University receives federal funding for land and sea research. The University had its beginning as the State Agricultural School chartered in 1888. The Morrill Act of 1862 provided the framework within which the school became the State's land-grant institution, and in 1892 the school became the Rhode Island College of Agriculture and Mechanic Arts. In 1909, the name of the University was changed to Rhode Island State College, and the program of study was revised and expanded. In 1951, the University became known as the University of Rhode Island by an act of the State's General Assembly. The Board of Governors for Higher Education became the governing body for the University in 1981.

The mission of the University is to be committed to enriching the lives of its students through its land, sea and urban grant traditions. Students, faculty, staff and alumni are united in one common purpose; to learn and lead together. The University values (1) creativity and scholarship, (2) diversity, fairness and respect, (3) engaged learning and civic involvement, and (4) intellectual and ethical leadership. As set forth in its Vision Statement, the University is building a new culture for learning. The University will share in the power of discovery through collaborative teaching, learning and research and through independent inquiry and free speech. This culture generates a spirited public life for our students, who will become engaged and productive leaders. This Vision Statement will serve as a guideline for the University's commitment to continuous improvement and high quality.

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

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2009 and 2008**

**Introduction - Continued**

The University has a combined enrollment of 15,904 students and offers undergraduate and graduate degree programs through the doctoral level. The University has over 100 majors in seven degree-granting colleges. Its main campus is located in Kingston, Rhode Island, 30 miles south of Providence in the northeastern metropolitan corridor between New York and Boston. In addition to the Kingston Campus, the University has three other campuses - the 165-acre Narragansett Bay Campus, which is the site of the Graduate School of Oceanography; the Alan Shawn Feinstein College of Continuing Education located in downtown Providence; and the W. Alton Jones Campus located in the western section of the State, 20 miles from Kingston. The 2,300 acres of woods, fields, streams and ponds of W. Alton Jones Campus is the site of the environmental education research programs and contains conference facilities for both public and private use.

The University adopted a 2006-2009 Strategic Plan "Steps toward transformation," which seeks to: (1) enhance student recruitment, retention, involvement, and graduation rates; (2) improve the fiscal health of the University; (3) create a more inclusive environment; and (4) improve the efficiency and effectiveness of research and outreach support. These strategic initiatives are being facilitated by community members, including the University's senior management, the Joint Strategic Planning Committee and each of the on-campus divisions. Collectively, these initiatives should help guide the decision-making at all levels in order to align limited resources with University priorities. In July 2009, Dr. David Dooley became the 11<sup>th</sup> President of the University. A 2010- 2012 Strategic Plan is in process of being developed.

**Financial Highlights**

The University's financial position for the year ended June 30, 2009 showed a gain before capital appropriations and gifts of \$2.16 million for the year, compared with a loss of \$8.97 million for fiscal 2008 and a gain of \$5.63 million in 2007. The \$2.16 million gain in fiscal year 2009 resulted from an increase in operating revenues of \$23.41 million as well as a decrease in the State Appropriation of \$13.07 million from fiscal year 2008.

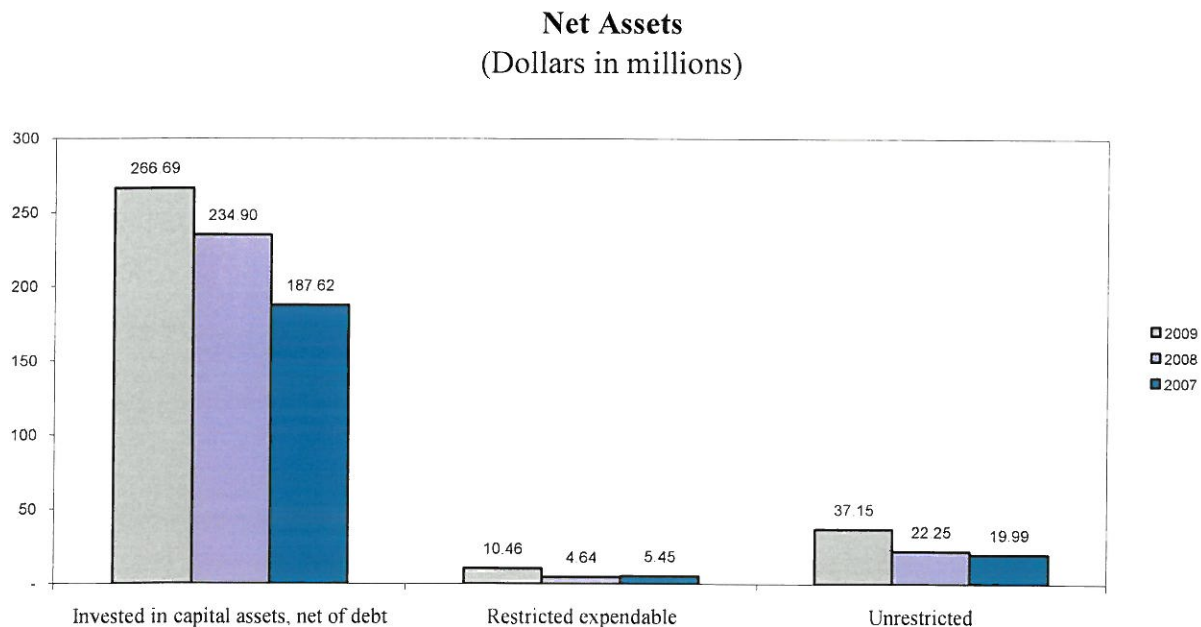
**UNIVERSITY OF RHODE ISLAND**  
**(a Component Unit of the State of Rhode Island and Providence Plantations)**

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2009 and 2008**

**Financial Highlights - Continued**

The following chart displays the components of the University's net assets for the fiscal years ended June 30, 2009, 2008, and 2007.



On June 30, 2009, 2008, and 2007, the University's total assets of \$608.87 million, \$526.77 million, and \$478.78 million, exceeded its total liabilities of \$294.57 million, \$264.98 million, and \$265.72 million resulting in net assets of \$314.30 million, \$261.79 million, and \$213.06 million, respectively. The resulting net assets are summarized in the following categories (dollars in millions):

# UNIVERSITY OF RHODE ISLAND

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

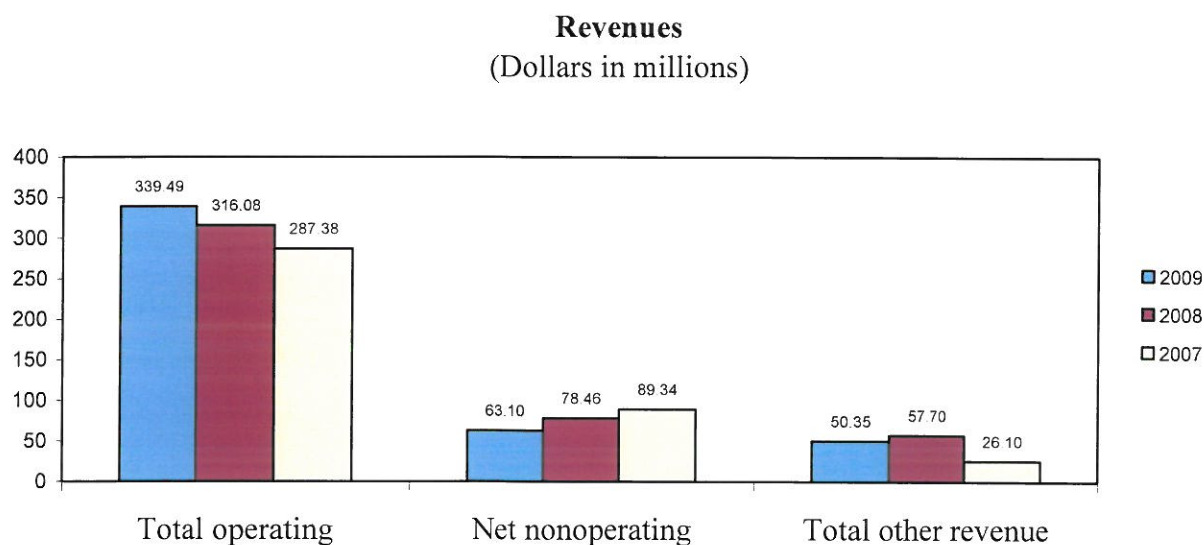
## Management's Discussion and Analysis (Unaudited) - Continued

**June 30, 2009 and 2008**

### Financial Highlights - Continued

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Invested in capital assets, net of related debt	\$ 266.69	\$ 234.90	\$ 187.62
Restricted expendable	10.46	4.64	5.45
Unrestricted	<u>37.15</u>	<u>22.25</u>	<u>19.99</u>
Total net assets	<u>\$ 314.30</u>	<u>\$ 261.79</u>	<u>\$ 213.06</u>

The following chart provides a graphical breakdown of total revenues by category for the fiscal years ending June 30, 2009, 2008, and 2007:



### Overview of the Financial Statements

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



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

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2009 and 2008**

**Overview of the Financial Statements - Continued**

The University of Rhode Island Foundation (the Foundation) and the University of Rhode Island Alumni Association (the Alumni Association) are legally separate tax-exempt component units of the University of Rhode Island. The Foundation and the Alumni Association act primarily as fund-raising organizations to supplement the resources that are available to the University in support of its programs. The Boards of the Foundation and the Alumni Association are self-perpetuating and primarily consist of graduates and friends of the University. Although the University does not control the timing or the amount of receipts from the Foundation and the Alumni Association, the majority of resources received or held by the Foundation and the Alumni Association are restricted to the activities of the University by the donors. Because these resources held by the Foundation and the Alumni Association can only be used by or are for the benefit of the University, the Foundation and the Alumni Association are considered component units of the University and are discretely presented in the University's financial statements.

Management's Discussion and Analysis is required to focus on the University, and not on its component units.

**The Financial Statements**

The financial statements are designed to provide readers with a broad overview of the University's finances and are comprised of three basic statements.

The *Statement of Net Assets* presents information on all of the University's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the University is improving or deteriorating.

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

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

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2009 and 2008**

**The Financial Statements - Continued**

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

The financial statements can be found on pages 23 to 25 of this report.

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

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. They also provide information regarding both the accounting policies and procedures the University has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 26 to 72 of this report.

**Financial Analysis**

As mentioned earlier, net assets may serve over time as a useful indicator of the University's financial position. In the case of the University, total assets exceeded total liabilities by \$314.30 million, \$261.79 million, and \$213.06 million at the close of fiscal years 2009, 2008, and 2007, respectively.

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

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2009 and 2008**

**Financial Analysis - Continued**

The University's condensed statement of net assets is presented below.

**Condensed Statement of Net Assets**  
(Dollars in Millions)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 105.30	\$ 84.67	\$ 76.94
Noncurrent assets	<u>503.57</u>	442.10	401.84
Total Assets	<u>\$ 608.87</u>	\$ 526.77	\$ 478.78
Current liabilities	\$ 50.66	\$ 47.49	\$ 44.51
Noncurrent liabilities	<u>243.91</u>	217.49	221.21
Total Liabilities	<u>\$ 294.57</u>	\$ 264.98	\$ 265.72
Net assets:			
Invested in capital assets, net of related debt	\$ 266.69	\$ 234.90	\$ 187.62
Restricted, expendable	10.46	4.64	5.45
Unrestricted	<u>37.15</u>	22.25	19.99
Total Net Assets	<u>\$ 314.30</u>	\$ 261.79	\$ 213.06

By far the largest portion of the University's net assets, \$266.69 million, \$234.90 million, and \$187.62 million, respectively, reflects its investment in capital assets (such as land, buildings, machinery, and equipment), net of any related outstanding debts, used to acquire, construct, improve, or rehabilitate those assets. The University uses these capital assets to provide services to students, faculty and administration; consequently, these assets are not available for future spending. Although the University's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the related debt. Financing for certain capital projects is also provided by the issuance of revenue bonds by the Rhode Island Health and Educational Building Corporation, a quasi-public state agency. In addition to the debts noted above, which are reflected in the University's financial statements, the State of Rhode Island regularly provides financing for certain capital projects through the issuance of general obligation bonds and capital appropriations from the Rhode Island Capital Plan Fund. Borrowings by the State are not reflected in these financial statements.

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

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2009 and 2008**

**Financial Analysis - Continued**

The restricted expendable net assets consist of resources that are subject to external restrictions on how they must be used, and they represent approximately 3%, 2%, and 3% of the University's net assets at June 30, 2009, 2008, and 2007, respectively.

Net assets that are not subject to restrictions imposed by creditors, grantors, contributors, laws, regulations or enabling legislation are classified as unrestricted net assets. As of June 30, 2009, 2008, and 2007, the University's unrestricted net assets represent 12%, 8%, and 9%, respectively, of the net assets. At year end, these net assets are designated or committed for goods and services that have not yet been received, working capital for auxiliary enterprise and departmental activities, payment of annual debt service, capital improvements, equipment replacement, scholarships and new faculty startup costs, including lab renovation and matching funds.

The University's current assets include cash and cash equivalents, cash held by the State Treasurer, accounts receivable, inventories, and prepayments, while current liabilities consist of accounts payable and accrued expenses, deferred revenues, funds held for others, and the current portion of compensated absences and current portion of long-term debts. Compensated absences represent accumulated vacation, sick leave and deferred compensation that will be used or paid in future years. The current ratio (current assets divided by current liabilities), which measures the University's liquidity, remains positive: 2.08 to 1, 1.78 to 1 and 1.73 to 1 as of June 30, 2009, 2008, and 2007, respectively.

One of the components of the University's noncurrent assets are the funds on deposit with the bond trustee totaling \$31.54 million, \$5.82 million and \$11.10 million as of June 30, 2009, 2008 and 2007 respectively. The majority of the bond proceeds were from the 2009 A Bonds for \$10.00 million for the utility infrastructure for "North District" and 2009 B bonds for \$17.72 million fire protection improvements to the University's auxiliary buildings.

During fiscal years 2009, 2008, and 2007, the University's net assets increased by \$52.51 million, \$48.73 million, and \$31.74 million, respectively, which is largely due to capital and private funds received. The University closed fiscal years 2009, 2008, and 2007 with positive unrestricted net assets of \$37.15 million, \$22.25 million, and \$19.99 million, respectively.



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

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2009 and 2008**

**Financial Analysis - Continued**

The University's condensed statement of revenues, expenses and, changes in net assets are presented below.

**Condensed Statement of Revenues, Expenses and Changes in Net Assets**  
(Dollars in millions)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating Revenues:			
Tuition and fees, net of tuition waivers and remissions	\$ 214.59	\$ 197.64	\$ 172.61
Operating grants and contributions	80.90	74.55	72.01
Other sources	44.00	43.89	42.76
Total Operating Revenues	<u>339.49</u>	<u>316.08</u>	<u>287.38</u>
Operating Expenses:			
Salaries and benefits	250.20	257.91	236.60
Operating expenses	53.64	50.10	47.52
Scholarships, grants and contracts	12.72	12.82	10.89
Auxiliaries	62.75	62.38	57.43
Depreciation and amortization	21.12	20.30	18.65
Total Operating Expenses	<u>400.43</u>	<u>403.51</u>	<u>371.09</u>
Net Operating Loss	<u>(60.94)</u>	<u>(87.43)</u>	<u>(83.71)</u>
Nonoperating revenues (expenses):			
State appropriation	62.32	75.39	83.36
Net investment income	1.35	3.45	4.10
Private gifts	8.37	8.01	7.78
Interest expense	(8.94)	(8.39)	(5.90)
Total Nonoperating Revenues	<u>63.10</u>	<u>78.46</u>	<u>89.34</u>
Increase (Decrease) in Net Assets Before Other Revenues	<u>2.16</u>	<u>(8.97)</u>	<u>5.63</u>
Other Revenues:			
Capital appropriations	12.25	9.11	5.19
State contributed capital	36.01	47.05	18.97
Capital gifts	2.09	1.54	1.94
Increase in Net assets	<u>52.51</u>	<u>48.73</u>	<u>31.73</u>
Net Assets, Beginning of Year	<u>261.79</u>	<u>213.06</u>	<u>181.33</u>
Net Assets, End of Year	<u>\$ 314.30</u>	<u>\$ 261.79</u>	<u>\$ 213.06</u>

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

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2009 and 2008**

**Operating Revenues**

The total operating revenues increased by \$23.41 million or 7.4% in fiscal 2009 (\$28.70 million or 10.0% in fiscal 2008 and \$28.68 million or 11.1% in fiscal 2007) as compared with those of the preceding year. This increase is largely attributable to the tuition and fee rate increase as well as the increase in enrollment as envisioned in the University's 2006 – 2009 fiscal year Strategic Plan. Fiscal year 2009 freshman enrollment of 3,042 exceeded fiscal year 2008 by 0.5%. Graduate student enrollment decreased to 2,535 or by 1.1%. Tuition and student fees increased 6.0% – 7.5% in fiscal year 2009. Revenues from tuition and fees, net of waivers and remissions, contributed 63% of the total operating revenue stream of fiscal year 2009 as opposed to 62% of fiscal 2008 and 60% 2007.

Tuition and fees received by the University included the following (dollars in millions):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Tuition	\$ 197.63	\$ 170.11	\$ 142.54
Student service fees	13.57	18.61	18.11
Health service fees	5.40	5.06	4.61
Housing fees	27.83	25.98	21.30
Dining service fees	17.20	15.98	13.73
Miscellaneous student fees	<u>2.16</u>	<u>5.25</u>	<u>8.57</u>
Total	263.79	240.99	208.86
Tuition waived or remitted	<u>(49.20)</u>	<u>(43.35)</u>	<u>(36.25)</u>
Net	<u>\$ 214.59</u>	<u>\$ 197.64</u>	<u>\$ 172.61</u>

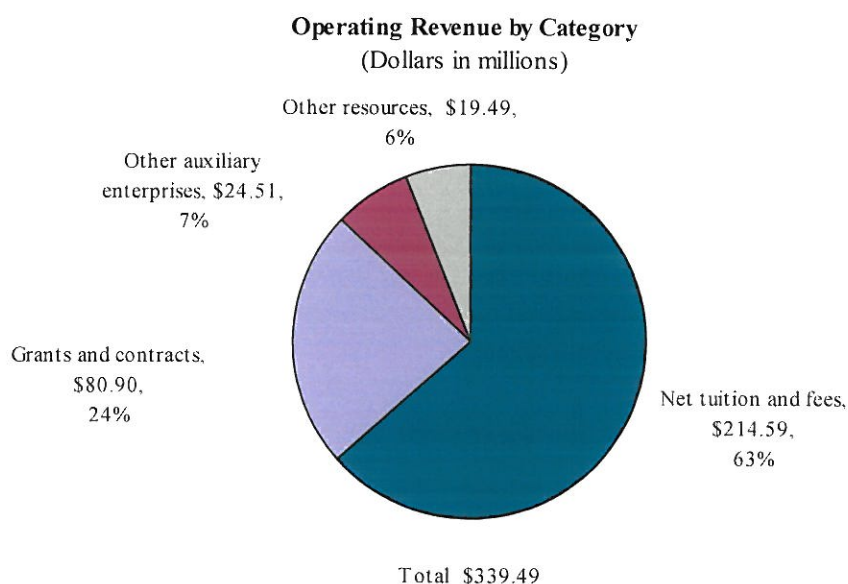
**UNIVERSITY OF RHODE ISLAND**  
**(a Component Unit of the State of Rhode Island and Providence Plantations)**

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2009 and 2008**

**Operating Revenues - Continued**

The following provides a graphical breakdown of operating revenues by category for the year ended June 30, 2009.



Consistent with the goal of the University's 2006-2009 Strategic Plan, the benefits derived from tuition and fees rate and student enrollment increases became evident at the close of fiscal 2009 and 2008. Additional housing facilities for students also increased revenues in fiscal year 2009 and 2008. An increase in revenues gave the University the capacity to fund salary increases to faculty and staff, employee benefits, insurance, utilities, capital improvements, and interest expense. However, the need for financial support of students, both need-based and merit-based scholarships, has become more critical in order to stabilize or increase the current student enrollment at the University.

During fiscal years ended June 30, 2009, 2008, and 2007, the revenues from operating grants and contracts contributed 24%, 24%, and 25% respectively, of the total operating revenues.

# UNIVERSITY OF RHODE ISLAND

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

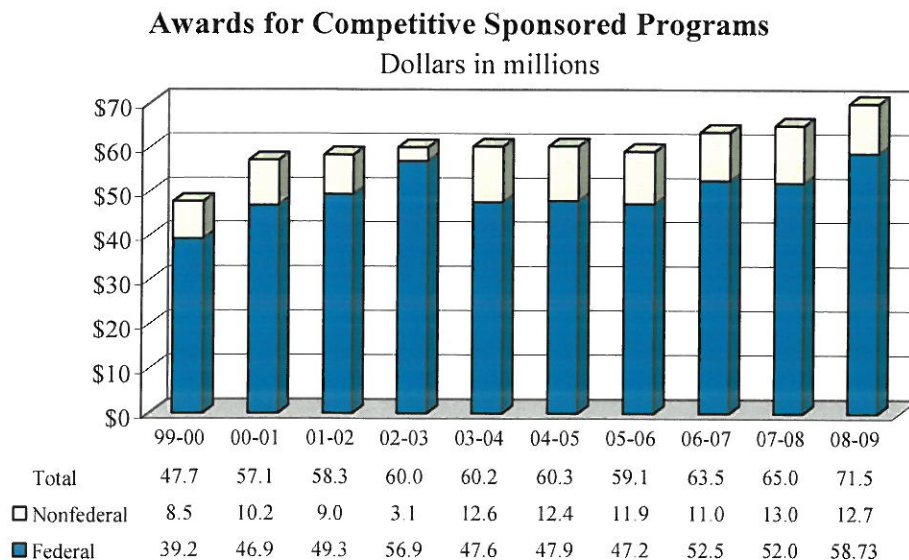
## Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2009 and 2008

### Grant and Contract Revenue

The recognition of revenue from grants and contracts is deferred until services have been performed to fulfill the requirements of the grants and contracts. Hence, awards received are not reflected in the statements of net assets.

The bar chart below shows a steady growth in the amount of grants and contracts awarded to the University during the last ten years, from a total of \$47.7 million in 2000 to \$71.5 million in 2009 or a 50% increase. This positive development is a reflection of the University's vision to pursue research and to enhance creative and entrepreneurial activities on campus.





# UNIVERSITY OF RHODE ISLAND

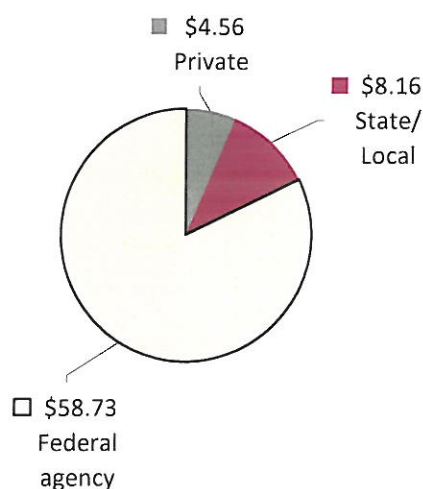
(a Component Unit of the State of Rhode Island and Providence Plantations)

## Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2009 and 2008

### Grant and Contract Revenue - Continued

The following summary shows the breakdown of federal awards received from sponsoring agencies during fiscal 2009, with a pie chart for federal and nonfederal awards (dollars in millions).



Agency	Award
National Science Foundation	\$ 15.56
Department of Health and Human Services	13.08
Department of Commerce	6.84
Department of Defense	6.34
Department of Agriculture	6.14
Other agencies	4.60
Agency for International Development	2.84
Department of Education	1.75
National Aeronautic and Space Admin.	0.67
Department of Interior	0.91
Federal agency	58.73
State/Local	8.16
Private	4.56
<b>Total</b>	<b>\$ 71.45</b>

### Operating Expenses

The operating expenses for fiscal years 2009, 2008, and 2007 totaled \$400.43 million, \$403.51 million, and \$371.09 million, respectively, a decrease of \$3.08 million compared to an increase \$32.42 million and \$12.91 million or (0.76)%, 8.74%, and 3.60% over those of fiscal years 2009, 2008 and 2007. The decrease in fiscal year 2009 operating expense is a result of salary and benefit savings from the deferral of hiring staff to fill vacant positions. In fiscal year 2008 and 2007, operating expenses increased as a result of the increase in health insurance premiums, faculty and staff salaries and associated fringe benefits, ground maintenance, utilities, and depreciation expense.

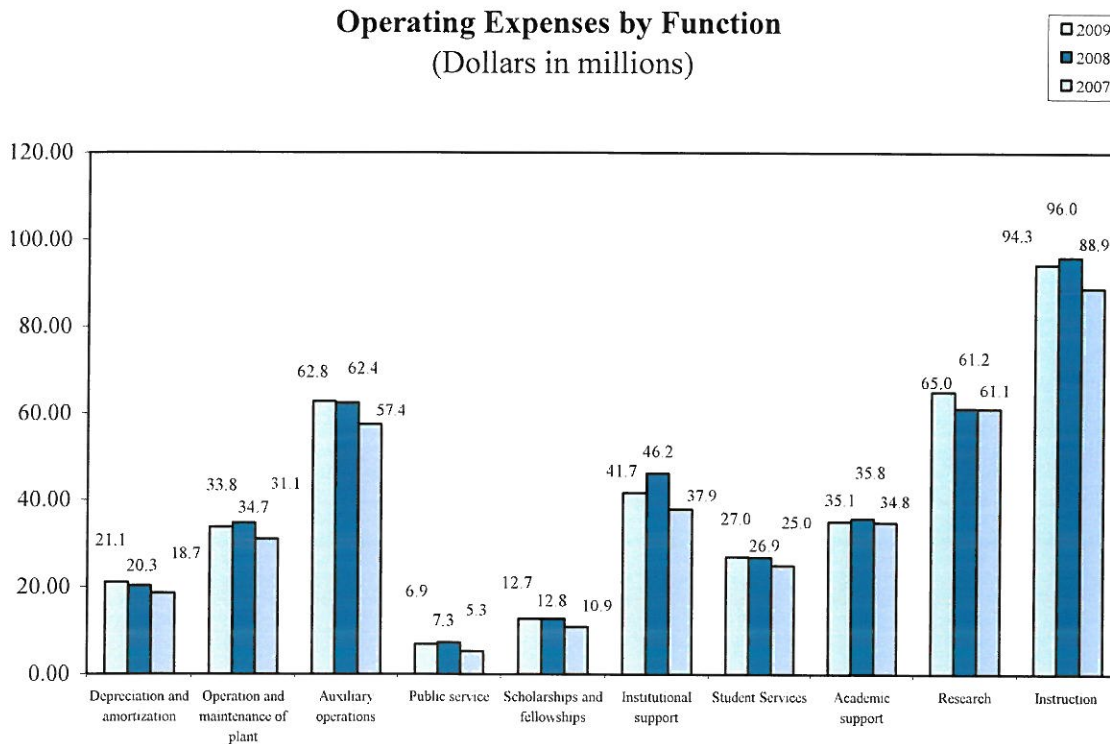
**UNIVERSITY OF RHODE ISLAND**  
**(a Component Unit of the State of Rhode Island and Providence Plantations)**

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2009 and 2008**

**Operating Expenses - Continued**

The bar chart below illustrates the University's operating expenses by function for the fiscal years ended June 30, 2009, 2008, and 2007, excluding scholarship allowances applied against tuition and fee revenues.



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

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2009 and 2008**

**Operating Expenses - Continued**

The following summary shows where major grant and contract expenditures, including indirect cost charges, occurred during 2009, 2008 and 2007 (dollars in millions):

<u>Agency</u>	<u>Amount</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
National Science Foundation	\$ 15.56	\$ 12.82	\$ 14.54
Department of Health and Human Services	13.08	8.29	11.41
Department of Commerce	6.84	5.94	4.83
Department of Defense	6.34	5.50	5.28
Department of Agriculture	6.14	3.43	5.93
Agency for International Development	2.84	2.79	0.19
Department of Education	1.75	1.42	1.40
Department of Interior	0.91	1.06	1.12
National Aeronautic and Space Administration	0.67	0.99	1.77
Department of Transportation	-	0.92	1.53
Environmental Protection Agency	-	0.71	0.92

**Nonoperating Revenues and Expenses**

The State's unrestricted appropriation is the largest component of the University's nonoperating revenues. The amount requested for fiscal 2009 was \$79.60 million. However, the amount appropriated by the State was \$62.32 million resulting in an appropriation for fiscal 2009 that was \$17.28 million less than the amount requested. Although the budget request for fiscal 2009 did not fully meet the real needs of the University, it was able to maintain a balanced budget and an acceptable level of quality in carrying out the University's mission as it currently exists.

The University has a long tradition of using the state appropriation to support its operating expenses. During fiscal years 2009, 2008, and 2007, the University received state appropriations of \$62.32 million, \$75.39 million, and \$83.36 million, respectively, which combined with operating revenue, was sufficient to cover operating expenses in excess of \$1.38 million in fiscal 2009, and not sufficient to the extent of \$12.04 million in fiscal 2008, and \$0.35 million in fiscal 2007, as the schedule below indicates. As the state appropriation has declined and operating expenses have remained steady, the student tuition and fees have played an increasingly important role in funding (54% in fiscal 2009, 49% in fiscal 2008 and 47% in fiscal 2007) the University's operations.

# UNIVERSITY OF RHODE ISLAND

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

## Management's Discussion and Analysis (Unaudited) - Continued

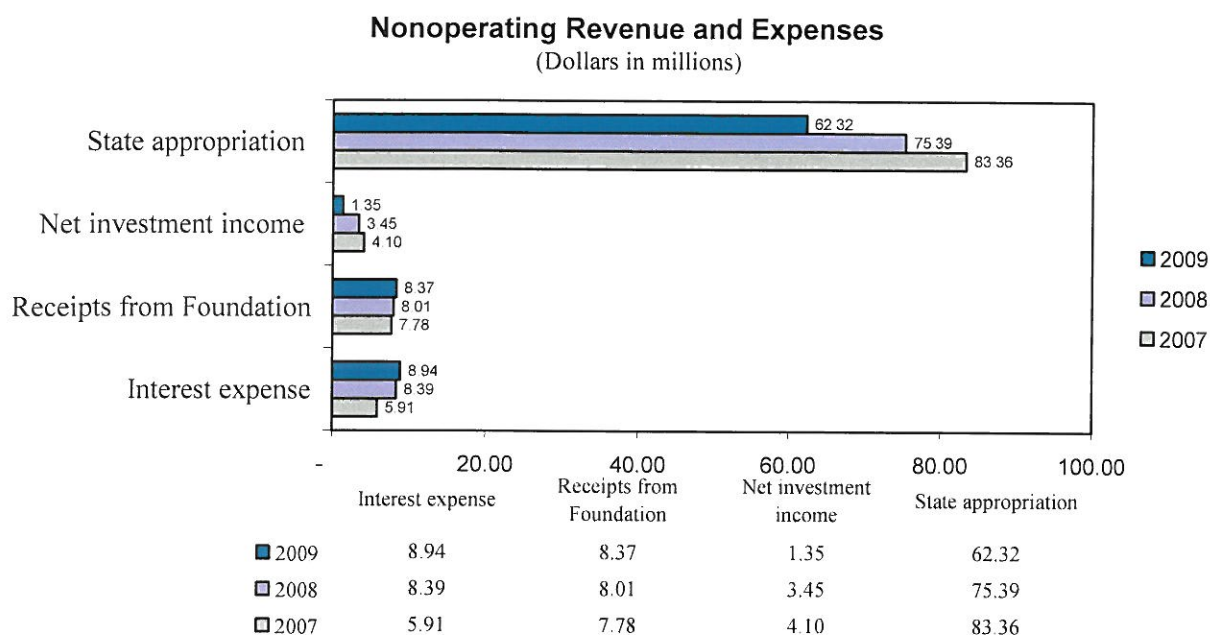
**June 30, 2009 and 2008**

### Nonoperating Revenues and Expenses - Continued

	(Dollars in millions)		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net student fees	\$ 214.59	\$ 197.64	\$ 172.61
Other operating revenue	124.90	118.44	114.77
Operating expenses	<u>(400.43)</u>	<u>(403.51)</u>	<u>(371.09)</u>
Operating Loss	(60.94)	(87.43)	(83.71)
State direct appropriations	<u>62.32</u>	<u>75.39</u>	<u>83.36</u>
Net Income (Loss) After State Appropriation	<u>\$ 1.38</u>	<u>\$ (12.04)</u>	<u>\$ (0.35)</u>

Investment income was down by \$2.1 million or 60.96% in fiscal year 2009 due to the declining short-term rates of return and funds available for investment during the year.

The following chart provides a graphical breakdown of the University's nonoperating revenues and expenses.





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

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2009 and 2008**

**Capital Assets and Debt Administration**

**Capital Plan**

The University generally has funded its capital plans through a combination of funds received from University operations, bonds issued by the Rhode Island Health and Educational Building Corporation, state appropriations, general obligation bonds, federal appropriations, and private fund raising. The execution of the University's capital improvement plan is contingent upon approval from the State and sufficient funding.

The Board of Governors for Higher Education submits a running five-fiscal-year capital improvement plan to the General Assembly and State Executive each year. The plan for the proposed capital projects for the entire system of public higher education in Rhode Island includes the University. The fiscal year 2010-2014 plan for the University totals \$786.5 million, and it includes all continuing and planned projects, whether funded or not. This plan forms the basis for discussions on funding the various projects from all available funding sources.

**Capital Assets**

The University's investment in capital assets as of June 30, 2009, 2008, and 2007 net of accumulated depreciation, amounts to \$449.15 million, \$417.78 million, and \$372.37 million, respectively. This investment in capital assets includes land, buildings (including improvements), and furnishings and equipment (including capital leases). Capital assets increased during fiscal 2009 by \$31.37 million, \$45.41 million during fiscal 2008, and \$59.07 million during fiscal 2007. Legal title to all land and real estate assets is vested in the Rhode Island Board of Governors for Higher Education or the State of Rhode Island. A summary of net capital asset balances as of June 30, 2009, 2008, and 2007 is presented below.

**Summary Schedule of Net Capital Assets**  
(Dollars in Millions)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land and improvements	\$ 33.02	\$ 33.60	\$ 33.37
Major capital additions to building and improvements	385.04	304.84	291.11
Furnishings and equipment	19.69	18.27	20.57
Construction in progress	<u>11.40</u>	<u>61.07</u>	<u>27.32</u>
Total	<u>\$ 449.15</u>	<u>\$ 417.78</u>	<u>\$ 372.37</u>

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

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2009 and 2008**

**Capital Assets and Debt Administration - Continued**

*Capital Assets - Continued*

Major capital additions in fiscal 2009 included the Bioscience Building (\$51.4 million) and Pell Marine Library (\$16.2 million), renovations to Lippitt Hall (\$9.1 million), Tyler Hall (\$2.7 million), and Kingston Campus and the Graduate School Oceanography Energy Project (\$8.8 million). In addition land improvements include the renovations to the Athletics Baseball Field (\$1.3 million) and construction in progress includes the Pharmacy Building (\$10.6 million).

Additional information about the University's capital assets can be found in note 6 to the financial statements.

**Debt**

As of June 30, 2009, 2008 and 2007, the University had \$220.78 million, \$194.06 million, and \$198.39 million respectively, in outstanding debt, increased \$26.72 million and a decrease of \$4.33 million and \$3.70 million over that of the prior years. The table below summarizes the types of debt instruments.

**Summary Schedule of Debt**  
(Dollars in Millions)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Loans payable	\$ 1.72	\$ 2.27	\$ 1.72
Capital lease obligations	11.31	12.19	13.21
Revenue bonds	<u>207.75</u>	<u>179.60</u>	<u>183.46</u>
<b>Total</b>	<b><u>\$ 220.78</u></b>	<b><u>\$ 194.06</u></b>	<b><u>\$ 198.39</u></b>

The University has no independent bonding authority. All revenue bonds must be approved by and arranged through the Rhode Island Board of Governors for Higher Education. Debt related to revenue bonds is reported on the University's financial statements. Debt related to general obligations bonds is reflected on the state of Rhode Island's financial statements. Both Moody's and Standard and Poor's rating services have given the Board of Governors for Higher Education general revenue bonds a rating of AAA. The State of Rhode Island general obligation bonds are rated by Moody's at Aa3, Fitch's at AA, and Standard and Poor's at AA.

More detailed information about the University's long-term liabilities is presented in note 7 to the financial statements.

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

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2009 and 2008**

**Economic Factors that Will Affect the Future**

The seasonally adjusted unemployment rate for the State of Rhode Island, from which the University draws a majority of its students, increased from 7.5% in June of 2008 to 12.4% in June of 2009, according to the U.S. Bureau of Labor Statistics. This compares to an increase from 5.5% to 9.5%, respectively, on a national level. Historically, in times of economic slowdowns, public colleges/universities have experienced increases in their enrollment as unemployed and underemployed workers seek to update and upgrade their skills. The University cannot predict the extent to which enrollment may vary in this current environment.

To support their strategic priorities in this financially challenging environment, the University and the Board of Governors for Higher Education took the following actions:

- Fiscal 2009 and 2008 tuition and fees were increased by 6% for in-state students and 7.5% for out-of-state students and all graduate students
- All discretionary expenses were closely reviewed by senior management
- Developed an energy performance contract to use energy savings to pay for necessary equipment and facility upgrades with no negative impact on current operating budgets

Despite the reductions in state direct appropriations per student, the University's current financial and capital plans indicate that the infusion of additional financial resources from the foregoing Board and management actions will enable it to maintain its present level of services at all campuses.

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

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2009 and 2008**

**Economic Factors that Will Affect the Future - Continued**

In accordance with its strategic plan, the University continues to increase its enrollment gradually each year, consistent with its efforts to effectively manage student housing and class enrollment. The University has also attempted to maintain affordability by limiting the size of tuition and fee increases. Increases in in-state undergraduate student charges have been held to an average of 6% in past academic years. Out-of-state undergraduate student charges have been held to an average of 8% over the same period. Based on in-state undergraduate mandatory tuition and fees during the 2008-2009 academic year, the University ranks lowest among the six New England public flagship universities.

**Fiscal Planning**

The University will continue to control expenses in accordance with available resources and established priorities by increasing resources through retention programs as well as increasing efficiencies throughout the organization. The Academic Investment and Improvement Model along with other financial and program assessment tools continue to be utilized to balance mission and resources.

**Requests for Information**

This financial report is designed to provide a general overview of the University's finances for all those with an interest in the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Mr. Robert Weygand, Vice President for Administration and Finance, University of Rhode Island, Carlotti Administration Building, Room 108, 75 Lower College Road, Kingston, RI 02881.

# **UNIVERSITY OF RHODE ISLAND**

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

**Statements of Net Assets**

**June 30, 2009 and 2008**



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

**Statements of Net Assets**

**June 30, 2009 and 2008**

	<u>Assets</u>			
	<u>2009 University of Rhode Island</u>	<u>2008 University of Rhode Island</u>	<u>2009 Component units</u>	<u>2008 Component units</u>
<b>Current Assets:</b>				
Cash and cash equivalents (Note 2)	\$ 69,569,445	\$ 49,641,395	\$ 7,017,906	\$ 6,226,850
Cash held by State Treasurer (Note 3)	7,303,131	956,676	-	-
Accounts receivable, net (Note 4)	25,043,609	30,162,333	397,054	95,947
Current portion of pledges receivable	-	-	4,562,721	3,495,269
Current portion of notes receivable	-	-	234,883	230,339
Inventory and other current assets	3,383,797	3,905,871	677,541	592,461
<b>Total Current Assets</b>	<u>105,299,982</u>	<u>84,666,275</u>	<u>12,890,105</u>	<u>10,640,866</u>
<b>Noncurrent Assets:</b>				
Cash and cash equivalents – restricted (Note 2)	5,378	12,633	-	-
Funds on deposit with bond trustee	31,535,935	5,824,838	-	-
Investments (Note 2)	-	-	71,346,161	93,498,891
Pledges receivable	-	-	4,832,703	4,629,805
Loans receivable, net (Note 5)	13,379,303	13,694,311	32,038	62,128
Charitable remainder trusts	-	-	597,225	1,150,738
Other deferred assets (Note 6)	9,500,927	4,790,743	-	-
Capital assets, net of accumulated depreciation (Note 6)	449,149,410	417,781,001	1,987,540	2,061,689
<b>Total Noncurrent Assets</b>	<u>503,570,953</u>	<u>442,103,526</u>	<u>78,795,667</u>	<u>101,403,251</u>
<b>Total Assets</b>	<u>608,870,935</u>	<u>526,769,801</u>	<u>91,685,772</u>	<u>112,044,117</u>
	<u>Liabilities and Net Assets</u>			
<b>Current Liabilities:</b>				
Accounts payable and accrued liabilities	28,583,218	24,977,271	2,074,243	945,339
Cash due to State Treasurer (Note 3)	101,050	325,141	-	-
Compensated absences (Note 7)	968,903	1,028,601	-	-
Funds held for others	1,026,205	737,128	-	-
Deferred revenues	12,891,835	13,585,963	13,757	17,045
Current portion of capital lease obligations (Note 7)	998,037	942,876	-	-
Current portion of bonds and loans payable (Note 7)	6,086,810	5,893,877	-	-
Current portion of gift annuity payable	-	-	129,750	195,500
<b>Total Current Liabilities</b>	<u>50,656,058</u>	<u>47,490,857</u>	<u>2,217,750</u>	<u>1,157,884</u>
<b>Noncurrent Liabilities:</b>				
Compensated absences (Note 7)	16,244,907	17,328,612	-	-
Due to State of Rhode Island - OPEB (Note 15)	964,420	818,776	-	-
Net OPEB obligation (Note 15)	1,108,443	746,579	-	-
Pledges payable	-	-	-	150,000
Capital lease obligations (Note 7)	10,312,102	11,244,195	-	-
Bonds and loans payable (Note 7)	203,378,229	175,979,950	-	-
Gift annuity payable	-	-	807,239	746,543
Grant refundable (Note 8)	11,905,468	11,366,715	-	-
<b>Total Noncurrent Liabilities</b>	<u>243,913,569</u>	<u>217,484,827</u>	<u>807,239</u>	<u>896,543</u>
<b>Total Liabilities</b>	<u>294,569,627</u>	<u>264,975,684</u>	<u>3,024,989</u>	<u>2,054,427</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	266,694,628	234,897,475	1,987,540	2,061,689
Restricted:				
Expendable (Note 9)	10,459,986	4,644,385	20,137,247	21,672,210
Nonexpendable	-	-	78,021,937	76,058,253
Unrestricted (Note 10)	37,146,694	22,252,257	(11,485,941)	10,197,538
<b>Total Net Assets</b>	<u>\$ 314,301,308</u>	<u>\$ 261,794,117</u>	<u>\$ 88,660,783</u>	<u>\$ 109,989,690</u>

See accompanying notes to financial statements.

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

**Statements of Revenues, Expenses, and Changes in Net Assets**

**For the years ended June 30, 2009 and 2008**

	2009 University of Rhode Island	2008 University of Rhode Island	2009 Component units	2008 Component units
<b>Operating Revenues:</b>				
Tuition and fees	\$ 205,232,428	\$ 186,114,637	\$ -	\$ -
Residence, dining, student union, and health fees	58,562,267	54,873,396	-	-
Less scholarship allowances	<u>(49,205,565)</u>	<u>(43,346,807)</u>	<u>-</u>	<u>-</u>
<b>Net Student Fees</b>	<b>214,589,130</b>	<b>197,641,226</b>	<b>-</b>	<b>-</b>
 Federal, State, local, and private grants and contracts	 80,899,598	 74,548,864	 -	 -
Other auxiliary enterprises	24,506,889	25,152,124	-	-
Other sources	<u>19,492,673</u>	<u>18,738,495</u>	<u>3,942,406</u>	<u>3,756,252</u>
<b>Total Operating Revenues</b>	<b>339,488,290</b>	<b>316,080,709</b>	<b>3,942,406</b>	<b>3,756,252</b>
<b>Operating Expenses (Note 12):</b>				
Instruction	94,337,934	95,998,846	-	-
Research	65,013,694	61,204,054	-	-
Academic support	35,081,587	35,755,884	-	-
Student services	26,998,583	26,848,700	2,472,123	2,181,047
Scholarships and fellowships	12,720,947	12,818,002	-	-
Public service	6,904,056	7,282,571	-	-
Operation and maintenance of plant	33,800,454	34,726,362	410,656	624,531
Depreciation and amortization	21,115,299	20,296,296	88,778	81,385
Institutional support	41,702,952	46,195,208	6,031,743	4,955,823
Auxiliary operations	<u>62,754,938</u>	<u>62,381,924</u>	<u>-</u>	<u>-</u>
<b>Total Operating Expenses</b>	<b>400,430,444</b>	<b>403,507,847</b>	<b>9,003,300</b>	<b>7,842,786</b>
<b>Net Operating Loss</b>	<b><u>(60,942,154)</u></b>	<b><u>(87,427,138)</u></b>	<b><u>(5,060,894)</u></b>	<b><u>(4,086,534)</u></b>
<b>Nonoperating Revenues (Expenses):</b>				
State appropriation (Note 13)	62,319,257	75,389,594	-	-
Net investment income (loss)	1,348,031	3,453,133	(20,187,324)	385,694
Endowment income (loss)	-	-	(1,667,871)	(4,976,961)
Private gifts and contributions	-	-	13,216,776	11,946,842
Payments between the University and component units	8,375,009	8,007,593	(9,703,095)	(7,679,782)
Additions to permanent endowments	-	-	2,040,367	5,623,333
Patent receipts	-	-	-	349,819
Miscellaneous receipts	-	-	2,109,254	896,504
Interest expense	<u>(8,936,396)</u>	<u>(8,392,507)</u>	<u>-</u>	<u>-</u>
<b>Net Nonoperating Revenues (Expenses)</b>	<b><u>63,105,901</u></b>	<b><u>78,457,813</u></b>	<b><u>(14,191,893)</u></b>	<b><u>6,545,449</u></b>
<b>Increase (Decrease) in Net Assets Before Other Revenues</b>	<b><u>2,163,747</u></b>	<b><u>(8,969,325)</u></b>	<b><u>(19,252,787)</u></b>	<b><u>2,458,915</u></b>
<b>Other Revenues:</b>				
Capital appropriations (Note 13)	48,258,824	56,162,476	-	-
Capital gifts	<u>2,084,620</u>	<u>1,539,091</u>	<u>(2,076,120)</u>	<u>(1,539,091)</u>
<b>Increase (Decrease) in Net Assets</b>	<b><u>52,507,191</u></b>	<b><u>48,732,242</u></b>	<b><u>(21,328,907)</u></b>	<b><u>919,824</u></b>
<b>Net Assets, Beginning of Year</b>	<b><u>261,794,117</u></b>	<b><u>213,061,875</u></b>	<b><u>109,989,690</u></b>	<b><u>109,069,866</u></b>
<b>Net Assets, End of Year</b>	<b><u>\$ 314,301,308</u></b>	<b><u>\$ 261,794,117</u></b>	<b><u>\$ 88,660,783</u></b>	<b><u>\$ 109,989,690</u></b>

See accompanying notes to financial statements.

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

**Statements of Cash Flows**

**For the years ended June 30, 2009 and 2008**

	2009 University of Rhode Island	2008 University of Rhode Island
<b>Cash Flows From Operating Activities:</b>		
Tuition and fees	\$ 214,956,613	\$ 195,036,009
Grants and contracts	80,471,856	73,924,030
Payments to suppliers	(106,182,412)	(109,202,708)
Payments to employees	(250,764,437)	(253,223,044)
Payments for scholarships, fellowships, and sponsored programs	(18,975,225)	(18,625,925)
Auxiliary enterprises	24,494,921	25,193,148
Other receipts	<u>24,942,312</u>	<u>10,393,765</u>
<b>Net Cash Applied to Operating Activities</b>	<u>(31,056,372)</u>	<u>(76,504,725)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
State appropriations	62,319,257	75,389,594
Gifts from component units	8,375,009	8,007,593
Funds held for others	<u>289,077</u>	<u>173,526</u>
<b>Net Cash Provided by Non Capital Financing Activities</b>	<u>70,983,343</u>	<u>83,570,713</u>
<b>Cash Flows from Capital Financing and Related Financing Activities:</b>		
Proceeds from capital debt	60,822,454	1,125,083
Capital appropriations	48,258,824	56,162,476
Capital gifts	2,084,620	1,539,091
Purchase of capital assets	(51,573,619)	(65,422,117)
Principal paid on capital debt and leases	(39,839,635)	(5,546,909)
Interest paid on capital debt and leases	(8,825,208)	(8,375,224)
Deposit with trustee	<u>(25,711,097)</u>	<u>5,276,511</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(14,783,661)</u>	<u>(15,241,089)</u>
<b>Cash Flows from Investing Activity:</b>		
Interest on investments	<u>1,348,031</u>	<u>3,453,133</u>
<b>Net Cash Provided by Investing Activity</b>	<u>1,348,031</u>	<u>3,453,133</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>26,491,341</u>	<u>(4,721,968)</u>
Cash and Cash Equivalents, Beginning of the Year	<u>50,285,563</u>	<u>55,007,531</u>
<b>Cash and Cash Equivalents, End of the Year</b>	<u>\$ 76,776,904</u>	<u>\$ 50,285,563</u>
<b>Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:</b>		
Net operating loss	\$ (60,942,154)	\$ (87,427,138)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation and amortization	21,115,299	20,296,296
Bad debts expense	397,384	237,090
Changes in assets and liabilities:		
Accounts receivable	4,721,340	(12,650,875)
Inventory and other current assets	522,074	307,946
Loans receivable	315,008	(356,052)
Accounts payable and accrued liabilities	3,605,947	1,550
Deferred revenues	(694,128)	1,270,156
Compensated absences	(1,143,403)	82,545
Other post employment benefits (OPEB)	507,508	1,565,355
Refundable grant	<u>538,753</u>	<u>168,402</u>
<b>Net Cash Applied to Operating Activities</b>	<u>\$ (31,056,372)</u>	<u>\$ (76,504,725)</u>
<b>Supplemental Disclosure of Cash Flows Information:</b>		
New capital leases	\$ 98,915	\$ 203,059
Deferred financing fees financed through a bond offering	<u>\$ 5,632,546</u>	<u>\$ -</u>

*See accompanying notes to financial statements.*

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

**Notes to the Financial Statements**

**June 30, 2009 and 2008**

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

**Organization**

The University of Rhode Island (the "University") is a State Land-Sea-and-Urban-Grant University. Chartered in 1951, the University offers undergraduate and graduate degree programs of study and also confers doctoral degrees. The University has three campuses throughout Rhode Island in addition to the main campus located in Kingston. The University is accredited by the New England Association of Schools and Colleges. In addition, certain courses and programs of study have been approved by national accrediting agencies. The University is supported by the State of Rhode Island, as part of the system of public higher education that includes the Community College of Rhode Island (CCRI) and Rhode Island College (RIC). Matriculation agreements exist between the schools for student transfer within the system.

The University, a component unit of the State of Rhode Island and Providence Plantations, is governed by the Rhode Island Board of Governors for Higher Education (the Board), a body politic and corporate established under Chapter 59 of Title 16 of the General Laws of Rhode Island. The Board consists of public members appointed by the Governor, as well as the Chair of the Board of Regents for Elementary and Secondary Education.

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

**Basis of Presentation**

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

The University's policies for defining operating activities in the statements of revenues, expenses, and changes in net assets are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities. These nonoperating activities include the University's operating and capital appropriations from the State of Rhode Island, net investment income, gifts, and interest expense.

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

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



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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

*Basis of Presentation - Continued*

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

During the years ended June 30, 2009 and 2008, the Foundation distributed \$10,459,629, and \$9,546,684 respectively, to the University for both restricted and unrestricted purposes. The Foundation currently operates on a March 31<sup>st</sup> year-end. As a result, amounts shown on the Statement of Activities as paid out to the University by the Foundation, may not agree with the amounts received by the University. The Foundation's financial statements indicate that it distributed \$11,779,215 and \$9,218,873 in fiscal 2009 and 2008, respectively, to the University. The difference of \$1,319,586 in 2009 and \$327,811 in 2008 represents timing differences in reimbursement and funding of various expenses in auxiliary enterprise operations, academic support and operation and maintenance of plant.

During the years ended June 30, 2009 and 2008, the Alumni Association distributed \$2,472,123 and \$2,181,047, respectively, to the University for scholarships.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

**Basis of Presentation - Continued**

The Foundation and the Alumni Association are private nonprofit organizations that report under FASB standards, including FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation and the Alumni Association's financial information in the University's financial reporting entity for these differences.

The condensed statements of net assets of the Foundation as of March 31 and the Alumni Association as of June 30 are as follows:

	2009		
	Foundation	Alumni Association	Total
Current Assets	\$ 12,218,837	\$ 671,268	\$ 12,890,105
Noncurrent assets	75,903,076	2,892,591	78,795,667
Total Assets	<u>88,121,913</u>	<u>3,563,859</u>	<u>91,685,772</u>
Current Liabilities	1,751,312	466,438	2,217,750
Noncurrent liabilities	807,239	-	807,239
Total Liabilities	<u>2,558,551</u>	<u>466,438</u>	<u>3,024,989</u>
Net Assets:			
Invested in capital assets, net of related debt	1,987,540	-	1,987,540
Restricted:			
Expendable	19,210,585	926,662	20,137,247
Nonexpendable	78,021,937	-	78,021,937
Unrestricted	<u>(13,656,700)</u>	<u>2,170,759</u>	<u>(11,485,941)</u>
Total Net Assets	<u>\$ 85,563,362</u>	<u>\$ 3,097,421</u>	<u>\$ 88,660,783</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

*Basis of Presentation - Continued*

	2008		
	Foundation	Alumni Association	Total
Current Assets	\$ 9,878,240	\$ 762,626	\$ 10,640,866
Noncurrent assets	97,861,201	3,542,050	101,403,251
Total Assets	<u>\$ 107,739,441</u>	<u>\$ 4,304,676</u>	<u>\$ 112,044,117</u>
Current Liabilities	\$ 740,988	\$ 416,896	\$ 1,157,884
Noncurrent liabilities	896,543	-	896,543
Total Liabilities	<u>\$ 1,637,531</u>	<u>\$ 416,896</u>	<u>\$ 2,054,427</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 2,061,689	\$ -	\$ 2,061,689
Restricted:			
Expendable	20,405,283	1,266,927	21,672,210
Nonexpendable	76,058,253	-	76,058,253
Unrestricted	7,576,685	2,620,853	10,197,538
Total Net Assets	<u>\$ 106,101,910</u>	<u>\$ 3,887,780</u>	<u>\$ 109,989,690</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

**Basis of Presentation - Continued**

The condensed statements of revenues, expenses and changes in net assets of the Foundation for the years ended March 31 and the Alumni Association for the years ended June 30 are as follows:

	<b>2009</b>		
	<b>Foundation</b>	<b>Alumni Association</b>	<b>Component Units</b>
Operating Revenues:			
Endowment loss	\$ (1,667,871)	\$ -	\$ (1,667,871)
Other sources	<u>-</u>	<u>3,942,406</u>	<u>3,942,406</u>
Total Operating Revenues	<u>(1,667,871)</u>	<u>3,942,406</u>	<u>2,274,535</u>
Operating Expenses:			
Operation and maintenance of plant	-	410,656	410,656
Depreciation and amortization	88,778	-	88,778
Student Services	-	2,472,123	2,472,123
Institutional support	<u>3,691,134</u>	<u>2,340,609</u>	<u>6,031,743</u>
Total Operating Expenses	<u>3,779,912</u>	<u>5,223,388</u>	<u>9,003,300</u>
Net Operating Loss	<u>(5,447,783)</u>	<u>(1,280,982)</u>	<u>(6,728,765)</u>
Nonoperating Revenues (Expenses):			
Net investment loss	(19,588,321)	(599,003)	(20,187,324)
Private gifts	12,127,150	1,089,626	13,216,776
Gifts to the University	(9,703,095)	-	(9,703,095)
Additions to permanent endowments	2,040,367	-	2,040,367
Miscellaneous receipts	<u>2,109,254</u>	<u>-</u>	<u>2,109,254</u>
Net Nonoperating Revenues (Expenses)	<u>(13,014,645)</u>	<u>490,623</u>	<u>(12,524,022)</u>
Decrease Before Capital Gifts	(18,462,428)	(790,359)	(19,252,787)
Capital gifts	<u>(2,076,120)</u>	<u>-</u>	<u>(2,076,120)</u>
Decrease in Net Assets	<u>(20,538,548)</u>	<u>(790,359)</u>	<u>(21,328,907)</u>
Net Assets, Beginning of Year	<u>106,101,910</u>	<u>3,887,780</u>	<u>109,989,690</u>
Net Assets, End of Year	<u>\$ 85,563,362</u>	<u>\$ 3,097,421</u>	<u>\$ 88,660,783</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

**Basis of Presentation - Continued**

	2008		
	<u>Foundation</u>	<u>Alumni Association</u>	<u>Component Units</u>
Operating Revenues:			
Endowment loss	\$ (4,976,961)	\$ -	\$ (4,976,961)
Other sources	-	3,756,252	3,756,252
Total Operating Revenues	<u>(4,976,961)</u>	<u>3,756,252</u>	<u>(1,220,709)</u>
Operating Expenses:			
Operation and maintenance of plant	-	624,531	624,531
Depreciation and amortization	81,385	-	81,385
Student Services	-	2,181,047	2,181,047
Institutional support	<u>3,007,699</u>	<u>1,948,124</u>	<u>4,955,823</u>
Total Operating Expenses	<u>3,089,084</u>	<u>4,753,702</u>	<u>7,842,786</u>
Operating Loss	<u>(8,066,045)</u>	<u>(997,450)</u>	<u>(9,063,495)</u>
Nonoperating Revenues (Expenses):			
Net investment income (loss)	692,441	(306,747)	385,694
Private gifts	10,670,513	1,276,329	11,946,842
Gifts to the University	(7,679,782)	-	(7,679,782)
Additions to permanent endowments	5,623,333	-	5,623,333
Patent receipts	349,819	-	349,819
Miscellaneous receipts	<u>950,128</u>	<u>(53,624)</u>	<u>896,504</u>
Net Nonoperating Revenues	<u>10,606,452</u>	<u>915,958</u>	<u>11,522,410</u>
Increase (Decrease) Before Capital Gifts	2,540,407	(81,492)	2,458,915
Capital gifts	<u>(1,539,091)</u>	<u>-</u>	<u>(1,539,091)</u>
Increase (Decrease) in Net Assets	1,001,316	(81,492)	919,824
Net Assets, Beginning of Year	<u>105,100,594</u>	<u>3,969,272</u>	<u>109,069,866</u>
Net Assets, End of Year	<u>\$ 106,101,910</u>	<u>\$ 3,887,780</u>	<u>\$ 109,989,690</u>



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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

*Basis of Presentation - Continued*

Complete financial statements for the Foundation can be obtained from: 79 Upper College Road, Kingston, RI 02881.

Complete financial statements for the Alumni Association can be obtained from: Alumni Relations, Room 105, 73 Upper College Road, Kingston, RI 02881.

*Net Assets*

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

**Invested in Capital Assets, Net of Related Debt:** Capital assets, net of accumulated depreciation and of outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

**Restricted – Nonexpendable:** Net assets subject to externally imposed conditions that the University must maintain them in perpetuity.

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

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

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

*Cash and Cash Equivalents*

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

**Inventories**

Inventories are stated at the lower of cost (first-in, first-out, and retail inventory method) or market, and consist primarily of bookstore, dining, health, and residential life services items.

**Capital Assets**

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the Rhode Island Board of Governors for Higher Education's capitalization policy, all land is capitalized, regardless of value. Vehicles, equipment, computer software for internal use, and works of art and historical treasures with a unit cost of \$5,000 or more are capitalized. Building, leasehold, and infrastructure improvements with a unit cost of \$50,000 or more are capitalized. Interest costs on debt related to capital assets are capitalized during the construction period and then depreciated over the life of the asset. University capital assets, with the exception of land and construction in progress are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 50 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**Compensated Absences and Salary Reduction Plan**

University employees are granted vacation and sick leave in varying amounts. The University is committed to separate union contracts which contain different policies for the employees covered under the specific contract. In the event of termination, an employee is paid for those accumulated vacation and sick days allowable under the union contract or in the case of nonunion personnel, according to State or University policy.

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

*Compensated Absences and Salary Reduction Plan - Continued*

Included in this category are amounts related to Salary Reduction Plans adopted during fiscal years 1991, 1992 and 1993 can be distributed in the form of paid leave, payment at the time of employee separation from the University or to an employee's estate.

*Post Employment Benefits*

In accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASBS 45), the University implemented this pronouncement for the fiscal year ending 2008. GASBS 45 requires governments to account for other postemployment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the balance sheet over time.

*Health Insurance*

The State offers one state paid health plan to each of its participating agencies, including the University. The premiums for these plans are divided among the agencies based upon the number of eligible employees. All employees share in healthcare costs. The costs are automatically deducted through the payroll system on a bi-weekly basis. Employee co-pays range from 8% and 25% of healthcare premiums. Amounts paid by the University for the 2009 and 2008 healthcare premiums amounted to \$28,797,837 and \$29,531,932, respectively. Employee contributions for the 2009 and 2008 were \$3,290,893 and \$2,446,817, respectively.

*Assessed Fringe Benefit Administrative Fund*

In July 2000, the State established the Assessed Fringe Benefit Administrative Fund. This fund is used to make all payments relating to workers' compensation charges, unemployment payments, and payments to employees for unused vacation and sick leave at the time of retirement or termination from State service. The State funds this account by assessing a charge against the biweekly payrolls of all State agencies, including the University. The fringe benefit assessment rate for fiscal 2009 and 2008 was 6.3% and 3.8%. The assessed fringe benefit cost for the University was \$7,151,404 for fiscal year 2009 and \$5,628,341 for fiscal year 2008.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

*Student Deposits and Unearned Revenue*

Student deposits and advance payments received for tuition and fees for the following academic year are recorded as deferred revenue in current year and recorded as earned revenue in the following year.

*Student Fees*

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

*Tax Status*

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

*Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Risk Management*

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

*Risk Management - Continued*

The University is insured for general liability with policy limits of \$1 million per claim and \$3 million in the aggregate with a \$25,000 deductible. Coverage under the General Liability Policy extends to faculty, staff, students, and volunteers acting within scope of their duties on behalf of the University. Employed health care providers, are covered under an institutional medical malpractice policy excluding physicians who have separate coverage. This policy does not apply to actions relating to federal/civil rights, eminent domain, and breach of contract. Such claims are insured under a separate policy with limits of \$4 million per claim and \$4 million for the annual aggregate with a \$150,000 deductible. Crime coverage for University employees is carried with a limit of \$5 million and a deductible of \$100,000. The University also maintains an excess liability insurance policy with a limit of \$25 million.

Buildings and contents are insured against fire, theft, and natural disaster to the extent that losses exceed \$100,000 per incident and do not exceed \$500 million. A separate inland marine policy insures specifically listed property items such as computer equipment, valuable papers, fine arts, contractor's equipment, and miscellaneous property at various limits of insurance and deductibles. The University also maintains Hull and Property & Indemnity coverage on a specific schedule of watercraft. This policy has a \$300,000 policy limit with a \$1,000 deductible over which there is an excess coverage bringing the limit to \$1 million. A separate policy insures the University's 184-foot research vessel. The amount of settlements have not exceeded insurance coverage in each of the years ended June 30, 2009, 2008 and 2007.

All vehicles are owned by the State, which insures them for liability through an outside carrier. The policy is a loss retrospective program where premiums can be adjusted for claims incurred. Worker's compensation, unemployment, and employee health and life insurance claims are self-insured and managed by the State of Rhode Island.

*Reclassifications*

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.



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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

*New Government Accounting Pronouncements*

In November 2006, GASB issued Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49), effective for periods beginning after December 15, 2007. GASB 49 requires the reporting of pollution remediation obligations that address the current or potential detrimental effects of existing pollution and provides guidance on the identification and recognition of such pollution obligations. The University adopted GASB 49 effective as of July 1, 2008. The statement's implementation had no material effect on the financial statements.

In June 2007, GASB issued Statement 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51), effective for periods beginning after June 15, 2009. GASB 51 requires the capitalization of intangible assets and provides guidance on the recognition and amortization of these intangible assets. The university is reviewing the requirements of this promulgation and does not believe its implementation will have any material effects on the financial statements. GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, also effective for periods beginning after June 15, 2009, addresses the recognition, measurement and disclosure of information regarding derivative instruments. As of June 30, 2009, the University does not hold any derivative instruments.

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

*Cash and Cash Equivalents*

At June 30, 2009 and 2008, the carrying amount of the University's cash deposits was \$69,574,823 and \$49,654,028 and the bank balance was \$65,918,431 and \$60,135,125, respectively. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

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

Of the bank balance \$726,654 and \$356,312 was covered by federal depository insurance and \$35,219,703 and \$48,479,517 was collateralized with securities held by the pledging financial institution, in the University's name as of June 30, 2009 and June 30, 2008 respectively. The remaining amount, \$29,972,074 for 2009 compared to \$11,299,296 in 2008 was uninsured and uncollateralized. The insured balance reflects FDIC insurance and guarantee programs in effect during 2009 and 2008. None of the University's cash deposits were required to be collateralized by law since the deposits are not time deposits. In addition, the three financial institutions doing business with the University exceed the minimum capital standards prescribed by their federal regulator.

The University's policy is in accordance with Chapter 35-10.1 of the Rhode Island General Laws dealing with the Public Finance which states that any depository institutions holding public deposits shall insure or pledge eligible collateral equal to one hundred percent (100%) with any time deposit with maturities greater than sixty (60) days. If any depository institution does not meet its minimum capital standards as prescribed by its federal regulator they shall insure or pledge eligible collateral equal to one hundred percent (100%) of all public deposits.

The University does not have a policy for custodial credit risk associated with deposits.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

**Investments**

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

The Foundation investments at March 31, 2009 and 2008 and the Alumni Association investments at June 30, 2009 and 2008 are reported at fair market value and are composed of the following:

	<u>2009</u>		
	<u>Foundation</u>	<u>Alumni Association</u>	<u>Total</u>
Common stocks	\$ 18,852,817	\$ 1,737,863	\$ 20,590,680
Hedge funds	14,266,945	-	14,266,945
Limited partnerships and limited liability companies	12,731,967	-	12,731,967
Government securities	12,236,781	-	12,236,781
Corporate bonds	9,950,596	1,052,055	11,002,651
REITS	<u>517,137</u>	<u>-</u>	<u>517,137</u>
	<u>\$ 68,556,243</u>	<u>\$ 2,789,918</u>	<u>\$ 71,346,161</u>

	<u>2008</u>		
	<u>Foundation</u>	<u>Alumni Association</u>	<u>Total</u>
Common stocks	\$ 38,581,749	\$ 2,295,642	\$ 40,877,391
Hedge Funds	8,146,876	-	8,146,876
Limited partnerships and limited liability companies	18,974,110	-	18,974,110
Government securities	13,170,995	-	13,170,995
Corporate bonds	10,618,018	1,112,874	11,730,892
REITS	<u>598,627</u>	<u>-</u>	<u>598,627</u>
	<u>\$ 90,090,375</u>	<u>\$ 3,408,516</u>	<u>\$ 93,498,891</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$7,202,081 and \$631,535 at June 30, 2009 and 2008, respectively. The University has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the University which was subsequently utilized to pay for such liabilities.

**Note 4 - Accounts Receivable**

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

	<u>2009</u>	<u>2008</u>
Student accounts receivable	\$ 8,650,349	\$ 7,977,050
Grants receivable	4,332,495	4,258,442
Unbilled grants receivables	9,626,318	10,044,847
Other receivables	7,302,852	6,336,276
State of Rhode Island	<u>-</u>	<u>6,016,739</u>
	29,912,014	34,633,354
Less allowance for doubtful accounts	<u>(4,868,405)</u>	<u>(4,471,021)</u>
	<u>\$ 25,043,609</u>	<u>\$ 30,162,333</u>

**Note 5 - Loans Receivable**

Loans receivable include the following at June 30:

	<u>2009</u>	<u>2008</u>
Perkins loans receivable	\$ 10,036,754	\$ 10,385,002
Nursing loans receivable	1,420,202	1,575,188
Health profession loans receivable	1,684,759	1,604,170
Other	<u>627,652</u>	<u>567,261</u>
	13,769,367	14,131,621
Less allowance for doubtful accounts	<u>(390,064)</u>	<u>(437,310)</u>
	<u>\$ 13,379,303</u>	<u>\$ 13,694,311</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 6 - Capital Assets**

Capital assets of the University consist of the following at June 30, 2009:

2009						
	Estimated lives (in years)	Beginning balance	Additions	Reductions	Reclassifications	Ending balance
Capital assets not depreciated						
Land	-	\$ 2,105,076	\$ -	\$ -	\$ -	\$ 2,105,076
Construction in progress	-	61,068,232	46,282,284	-	(95,952,873)	11,397,643
Total not depreciated		63,173,308	46,282,284	-	(95,952,873)	13,502,719
Capital assets depreciated:						
Land improvements	15-25	43,908,284	-	-	1,288,144	45,196,428
Buildings, including improvements	10-50	457,248,055	-	(96,000)	94,664,729	551,816,784
Furnishings and equipment (including cost of capital leases)	5-15	69,187,048	5,390,250	(480,148)	-	74,097,150
Total depreciated		570,343,387	5,390,250	(576,148)	95,952,873	671,110,362
Total capital assets		633,516,695	51,672,534	(576,148)	-	684,613,081
Less accumulated depreciation:						
Land improvements		12,415,456	1,868,750	-	-	14,284,206
Building, including improvements		152,407,059	14,463,060	(96,000)	-	166,774,119
Furnishings and equipment		50,913,179	3,861,127	(368,960)	-	54,405,346
Total accumulated depreciation		215,735,694	20,192,937	(464,960)	-	235,463,671
Capital assets, net		\$ 417,781,001	\$ 31,479,597	\$ (111,188)	\$ -	\$ 449,149,410

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 6 - Capital Assets - Continued**

Capital assets of the University consist of the following at June 30, 2008:

2008						
	Estimated lives (in years)	Beginning balance	Additions	Reductions	Reclassifications	Ending balance
Capital assets not depreciated						
Land	-	\$ 1,024,671	\$ 1,080,405	\$ -	\$ -	\$ 2,105,076
Construction in progress	-	27,324,504	60,308,969	-	(26,565,241)	61,068,232
Total not depreciated		28,349,175	61,389,374	-	(26,565,241)	63,173,308
Capital assets being depreciated:						
Land improvements	15-25	42,932,571	-	-	975,713	43,908,284
Buildings, including improvements	10-50	431,018,798	639,729	-	25,589,528	457,248,055
Furnishings and equipment (including cost of capital leases)	5-15	66,984,161	3,596,073	(1,393,186)	-	69,187,048
Total depreciated		540,935,530	4,235,802	(1,393,186)	26,565,241	570,343,387
Total capital assets		569,284,705	65,625,176	(1,393,186)	-	633,516,695
Less accumulated depreciation:						
Land improvements		10,591,984	1,823,472	-	-	12,415,456
Building, including improvements		139,905,789	12,501,270	-	-	152,407,059
Furnishings and equipment		46,414,244	5,874,838	(1,375,903)	-	50,913,179
Total accumulated depreciation		196,912,017	20,199,580	(1,375,903)	-	215,735,694
Capital assets, net		\$ 372,372,688	\$ 45,425,596	\$ (17,283)	\$ -	\$ 417,781,001

**Other Deferred Assets**

Other deferred assets of \$9,500,927 and \$4,790,743 at June 30, 2009 and 2008, respectively, consist of deferred financing fees, which are amortized by the straight-line method over the life of the respective bonds. Accumulated amortization was \$1,442,886 and \$520,524 as of June 30, 2009 and 2008, respectively. Amortization expense for the years ended June 30, 2009 and 2008 was \$922,362 and \$97,062, respectively.



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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 7 - Long-Term Liabilities**

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

	2009				
	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Leases and bonds payable:					
Lease obligations	\$ 12,187,071	\$ 98,915	\$ 975,847	\$ 11,310,139	\$ 998,037
Revenue bonds payable	179,601,155	66,455,000	38,310,930	207,745,225	5,488,116
Loans payable	<u>2,272,672</u>	<u>-</u>	<u>552,858</u>	<u>1,719,814</u>	<u>598,694</u>
Total leases and bonds payable	<u>194,060,898</u>	<u>66,553,915</u>	<u>39,839,635</u>	<u>220,775,178</u>	<u>7,084,847</u>
Other long-term liabilities:					
Other Post Employment Benefits	1,565,355	507,508	-	2,072,863	-
Compensated absences	<u>18,357,213</u>	<u>1,145,952</u>	<u>2,289,355</u>	<u>17,213,810</u>	<u>968,903</u>
Total Other Long- term Liabilities	<u>19,922,568</u>	<u>1,653,460</u>	<u>2,289,355</u>	<u>19,286,673</u>	<u>968,903</u>
Total Long-term Liabilities	<u>\$ 213,983,466</u>	<u>\$ 68,207,375</u>	<u>\$ 42,128,990</u>	<u>\$ 240,061,851</u>	<u>\$ 8,053,750</u>

	2008				
	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Leases and bonds payable:					
Lease obligations	\$ 13,212,247	\$ 203,059	\$ 1,228,235	\$ 12,187,071	\$ 942,876
Revenue bonds payable	183,465,464	-	3,864,309	179,601,155	5,310,930
Loans payable	<u>1,716,969</u>	<u>1,010,068</u>	<u>454,365</u>	<u>2,272,672</u>	<u>582,947</u>
Total leases and bonds payable	<u>198,394,680</u>	<u>1,213,127</u>	<u>5,546,909</u>	<u>194,060,898</u>	<u>6,836,753</u>
Other long-term liabilities:					
Other Post Employment Benefits	-	3,834,603	2,269,248	1,565,355	-
Compensated absences	<u>18,274,668</u>	<u>986,798</u>	<u>904,253</u>	<u>18,357,213</u>	<u>1,028,601</u>
Total Other Long- term Liabilities	<u>18,274,668</u>	<u>4,821,401</u>	<u>3,173,501</u>	<u>19,922,568</u>	<u>1,028,601</u>
Total Long-term Liabilities	<u>\$ 216,669,348</u>	<u>\$ 6,034,528</u>	<u>\$ 8,720,410</u>	<u>\$ 213,983,466</u>	<u>\$ 7,865,354</u>

# UNIVERSITY OF RHODE ISLAND

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

## Notes to the Financial Statements - Continued

June 30, 2009 and 2008

### Note 7 - Long-Term Liabilities - Continued

#### Bonds Payable

The revenue bonds payable totaling \$207,745,225 and \$179,601,155 as of June 30, respectively, consist of the following:

	<u>2009</u>	<u>2008</u>
Series 1997 of Rhode Island Educational and General Revenue Bond Issue, 4% to 5.3%, due semiannually through 2023	\$ 1,530,000	\$ 1,595,000
Series 2002 University of Rhode Island Educational and General Revenue Issue, 3% to 5.0%, due semiannually through 2022	6,655,000	7,000,000
Series 2003 A University of Rhode Island Educational and General Revenue Issue, 2% to 5%, due semiannually through 2013	1,825,000	2,155,000
Series 2003 B Facility Revenue Refunding Bonds, Auxiliary Enterprise Revenue Issue, 2% to 5%, due semiannually through 2023	10,621,787	11,144,580
Series 2003 C Facility Revenue Refunding Bonds, Educational and General Revenue Issue, 2% to 5%, due semiannually through 2023	7,018,438	7,361,575
Series 2004 A University of Rhode Island Auxiliary Enterprise Revenue Issue, 2.5% to 5.5%, due semiannually through 2024	31,210,000	32,600,000
Series 2004 B University of Rhode Island Auxiliary Enterprise Revenue Issue, 4% due semiannually through November 2008	-	33,000,000
Series 2005 A University of Rhode Island Educational and General Revenue Issue, 3% to 4.25% due semiannually through 2020	2,300,000	2,450,000
Series 2005 B University of Rhode Island Educational and General Revenue Issue, 3% to 4.25% due semiannually through 2025	1,780,000	1,855,000
Series 2005 C University of Rhode Island Auxiliary Enterprise Revenue Issue, 3% to 4.625% due semiannually through 2025	13,090,000	13,360,000
Series 2005 D University of Rhode Island Auxiliary Enterprise Revenue Refunding Issue, 3% to 4.25% due semiannually through 2029	18,935,000	19,510,000
Series 2005 F University of Rhode Island Educational and General Revenue Issue, 3% to 4.50% due semiannually through 2025	2,910,000	3,030,000
Series 2005 G University of Rhode Island Educational and General Revenue Refunding Issue, 4% to 5% due semiannually through 2030	43,415,000	44,540,000
Series 2008 A University of Rhode Island Auxiliary Enterprise Revenue Refunding Issue, 6.25% to 6.50% due semiannually through 2034	34,105,000	-
Series 2008 B University of Rhode Island Auxiliary Enterprise Revenue Issue, 8% due semiannually through 2024	3,830,000	-
Series 2009 A University of Rhode Island Educational and General Revenue Issue, 3.4% to 4.75% due semiannually through 2034	10,315,000	-
Series 2009 B University of Rhode Island Auxiliary Enterprise Revenue Issue, 3% to 5.25% due semiannually through 2029	18,205,000	-
	<u>\$ 207,745,225</u>	<u>\$ 179,601,155</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

*Bonds Payable - Continued*

The bonds issued by the Rhode Island Health and Education Building Corporation (the "Corporation") are special limited obligations of the Board of Governors acting on behalf of the University. The refunding and general and educational bonds are secured by all available revenues of the Board of Governors derived by the University and State appropriations for the University. The auxiliary enterprise revenue bonds are secured by all auxiliary enterprise revenue of the University.

On September 1, 1997, the Corporation issued the \$2,125,000 University of Rhode Island Educational and General Revenue Issue, Series 1997 Bonds. The proceeds of the Series 1997 Bonds, including accrued interest to the date of delivery, were used for the construction of an addition of the University's Social Science Center and for the renovations to the University's Multicultural Center.

On November 15, 2002, the Corporation issued the \$7,975,000 University of Rhode Island Educational and General Reserve Issue, Series 2002 Bonds. The proceeds of these bonds were used to finance the construction and equipping of 1,000 parking spaces, transit shelters, parking meters, and shuttle services. In addition, part of the proceeds were deposited in a capitalized interest fund to finance the interest due until 2005.

On May 1, 2003, the Corporation issued the University of Rhode Island Educational and General Revenue Issue, Series 2003 A Bonds, par amount \$3,100,000. The proceeds of the Series 2003 A Bonds were used for the construction, equipping and furnishing of the Alumni Center, which provides meeting and reception space as well as office suites for staff members serving the University of Rhode Island Alumni Association and the Division of University Advancement.

On July 17, 2003, the Corporation issued the Auxiliary Enterprise Revenue Issue, Series 2003 B Bonds, par amount \$20,785,000 and the Educational and General Revenue Issue, Series 2003 C Bonds, par amount \$13,165,000. The proceeds of these bonds were used to defease the outstanding obligations of the University relative to the previous Series A and Series B issues of 1993.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

*Bonds Payable - Continued*

In December 2004, the Corporation issued the University of Rhode Island Auxiliary Enterprise Revenue Issue, Series 2004 A, Fixed Rate Revenue Bonds with a par amount of \$33,935,000 and the University of Rhode Island Auxiliary Enterprise Revenue Issue, Series 2004 B, Variable Rate Revenue Bonds with a par amount of \$33,000,000. The proceeds of the 2004 Bonds are being used for the construction of a 440-bed apartment unit and a 360-suite-style residence hall. In addition, part of the proceeds was deposited in a capitalized interest fund to finance the interest due until 2007.

On April 1, 2005, the Corporation issued the University of Rhode Island Educational and General Revenue Issue, Series 2005 A Bonds, par amount \$2,740,000. The proceeds were used to construct the second level of an existing facility, Surge Modular Building I, located at 210 Flag Road on the Kingston Campus.

On June 30, 2005, the Corporation issued the University of Rhode Island Educational and General Revenue Issue, Series 2005 B, with a par amount of \$2,000,000. The proceeds were used for the construction and rebuilding of parking facilities, roadways, sidewalks, curbing, drainage and landscape amenities on the Kingston Campus.

On October 14, 2005, the Corporation issued the University of Rhode Island Auxiliary Enterprise Revenue Issue, Series 2005 C Bonds with a par amount of \$13,840,000. The proceeds of the 2005 C Bonds were used for the demolition and construction of a two story dining hall. The Corporation also issued the University of Rhode Island Educational and General Revenue Issue, Series 2005 F Bonds with a par amount of \$3,245,000. The proceeds of the 2005 F Bonds were used to acquire and demolish the former Delta Chi House.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

*Bonds Payable - Continued*

On October 14, 2005, the Corporation issued the University of Rhode Island Auxiliary Enterprise Revenue Refunding Issue, Series 2005 D Bonds with a par amount of \$19,625,000. The proceeds of the 2005 D Bonds were used to advance refund the outstanding Series 1999 A principal of \$18,020,000. The Corporation also issued the University of Rhode Island Educational and General Revenue Refunding Issue, Series 2005 G Bonds with a par amount of \$44,805,000. The proceeds of the 2005 G Bonds were used to advance refund the outstanding Series 1999 B principal of \$3,430,000 and Series 2000 B principal of \$39,290,000.

On November 14, 2008, the Corporation issued \$34,105,000 of Series 2008 A Rhode Island Educational and General Revenue Issue. These bonds were used to refund the \$33,000,000 outstanding from Series 2004 B Bonds. The proceeds from the issuance were deposited into the Series 2004 B Redemption Account and were used to pay principal and interest on the Series 2004 B Bonds through their redemption date, at a price of 100%. The Corporation also issued the University of Rhode Island Auxiliary Enterprise Revenue Issue Series 2008 B, par amount of \$3,830,000 to pay expenses relating to the 2004 B swap termination. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,105,000. This difference, reported in the accompanying financial statements as an increase in bonds payable and is being amortized through the year 2034. There was an economic gain (difference between the present value of the old and new debt service payments) of approximately \$2,617,133.

On June 18, 2009, the Corporation issued the University of Rhode Island Educational and General Revenue Issue, Series 2009 A with a par amount of \$10,315,000. The proceeds of the Series 2009 A Bonds will be used to finance site and utility infrastructure relating the "North District" of the Kingston Campus. The Corporation also issued the University of Rhode Island Auxiliary Enterprise Revenue Issue, Series 2009 B with a par amount of \$18,205,000. The proceeds of the Series 2009 B bonds will be used to finance fire protection and life safety improvements.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

*Bonds Payable - Continued*

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2010	\$ 5,488,116	\$ 9,663,311	\$ 15,151,427
2011	6,160,304	9,849,032	16,009,336
2012	6,380,620	9,625,041	16,005,661
2013	6,627,807	9,389,221	16,017,028
2014	6,878,124	9,136,378	16,014,502
2015-2019	39,044,328	41,008,741	80,053,069
2020-2024	49,450,926	30,651,425	80,102,351
2025-2029	49,240,000	17,230,644	66,470,644
2030-2034	32,085,000	5,912,438	37,997,438
2035-2036	<u>6,390,000</u>	<u>224,312</u>	<u>6,614,312</u>
	<u>\$ 207,745,225</u>	<u>\$ 142,690,543</u>	<u>\$ 350,435,768</u>

Interest costs on all debt for the years ended June 30, 2009 and 2008 were \$9,055,493 and \$8,431,820, respectively. Of these amounts, \$119,097 and \$39,313 were capitalized in 2009 and 2008, respectively.

*Loans Payable*

The University has a loan of \$1,075,000 payable to the Estate of Alice P Tibbits for the Flagg Road land purchase. The loan is payable in annual installments thru 2013.

The University also obtained a loan from Rhode Island Health & Educational Building Corporation, in May 2006 for the amount of \$800,000 for the financing of the acquisition and renovations of the Chi Phi fraternity house for use as student housing for the International Engineering Program. The loan is payable in monthly installments of \$8,387 commencing May 20, 2006 through April 20, 2016.



# UNIVERSITY OF RHODE ISLAND

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

### Notes to the Financial Statements - Continued

**June 30, 2009 and 2008**

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

*Loans Payable - Continued*

The University has a loan from Oracle Corp for \$1,140,258 for the PeopleSoft System Software upgrade and support payable annually through August 2009.

The University has a \$200,000 loan from the University of Rhode Island Foundation to finance certain renovations to the conference and camping facilities located at the W. Alton Jones Campus. The loan bears 6.5% interest, and requires principal and interest payable semiannually through fiscal 2010.

Principal and interest of loans payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2010	\$ 598,694	\$ 77,952	\$ 676,646
2011	340,429	59,344	399,773
2012	201,002	39,652	240,654
2013	212,125	28,529	240,654
2014	191,171	16,784	207,955
2015-2016	<u>176,393</u>	<u>8,140</u>	<u>184,533</u>
	<u>\$ 1,719,814</u>	<u>\$ 230,401</u>	<u>\$ 1,950,215</u>

*Lease Obligations*

On May 21, 1998, the Board and the University (individually and collectively called "University") entered into a Development and a Steam Service Agreement with ERI Services, Inc. (the "Seller") a Delaware corporation. Noresco, LLC, (a subsidiary) was the Seller's contract service provider. Under this agreement, the Seller is required to deliver and the University is required to purchase certain quantities of acceptable steam required by the University in connection with its operation. The Seller's commitment for steam service to the University is for a duration of 20 years from the initial delivery date, which corresponds to the completion of the construction of the new steam plant. On December 30, 2005, Noresco was sold by ERI (including the University's contract) to a fund managed by GFI Energy Ventures, LLC, a California corporation.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

*Lease Obligations - Continued*

The Seller assumed the construction costs of this facility, which is located on the University's property. In addition, the Seller is responsible for the costs of operating this facility and for making such additional repairs to the steam/condensate distribution system as directed by the University at a cost of up to \$1.5 million.

The Seller is required to supply the University with 320,000,000 pounds of steam annually until 2019. If the Seller is unable to supply this requirement, the University may purchase steam in excess of that produced by the Seller from any other source. Additionally, the Seller cannot sell steam produced at the facility to any party other than the University without prior consent from the University. Each year, the actual consumption of steam is recorded and a year-end adjustment is effectuated to assure that all operation and maintenance costs are addressed.

The monthly charges for services under the contract consist of a capacity charge and a variable charge for acceptable steam delivered. For contract years 1 through 20, the capacity charged is fixed at \$108,000 per month. The variable charge for the same period is calculated as the sum of commodity charges for gas and fuel oil consumed at the plant plus gas transportation and delivery charge, including operation and maintenance charge for acceptable steam delivered per thousand pounds. The O & M charge is adjusted for the current consumer price index.

On May 15, 1999, the Rhode Island Economic Development Corporation (EDC) issued the \$16,395,000 Rhode Island Economic Development Corporation Revenue Bonds (University of Rhode Island Steam Facility Project) Series 1999 and made the proceeds available to ERI to fund the construction of the steam plant. On June 3, 1999, the University, ERI, EDC, and Bank of New York, as Trustee, entered into a Consent, Amendment, and Assignment Agreement to ensure the continued payment of the capacity charge. The agreement requires the University to include in each annual budget a specific line item request for the capacity charge. This includes a specific reference to the capacity charge as the source of payment of the debt service on the Rhode Island Economic Development Corporation Revenue Bonds (University of Rhode Island Steam Facility Project) Series 1999. During the term of the Indenture Agreement covering this bond issue, the University is obligated to make payments of the capacity charge directly to the Trustee.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

*Lease Obligations - Continued*

The University accounted for the amounts due under the above steam agreement as a capital lease and recorded the steam plant at \$16,395,000, the present value of the minimum lease payments.

The following schedule summarizes future minimum payments under all noncancelable leases at June 30, 2009:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2010	\$ 998,037	\$ 529,844	\$ 1,527,881
2011	971,702	483,819	1,455,521
2012	980,400	438,105	1,418,505
2013	875,000	391,195	1,266,195
2014	920,000	347,033	1,267,033
2015-2019	5,335,000	978,146	6,313,146
2020	<u>1,230,000</u>	<u>25,625</u>	<u>1,255,625</u>
	<u>\$ 11,310,139</u>	<u>\$ 3,193,767</u>	<u>\$ 14,503,906</u>

*Interest Rate Swap*

The University entered into an interest rate swap to lower the cost of funds relating to the University of Rhode Island Auxiliary Enterprise Revenue Issue Bond, Series 2004 B, which was refunded in November 2008 through the issuance of Series 2008 A and B bonds, as described earlier. Under the terms of the Swap, the University paid interest at a variable rate on the Bonds plus a fixed rate on the Swap of 3.691%. In exchange it received 67% of the one month USD-LIBOR-BBA plus 0.12%.

At June 30, 2008, due to the decline of interest rates the fair market value of the Swap represented a liability of approximately \$1,398,000 which is included in accounts payable and accrued liabilities in the statement of financial position. The intent of the Swap was to lower the cost of funds relating to the University's currently outstanding Auxiliary Enterprise Revenue Issue, Series 2004 B.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 8 - Grant Refundable**

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

**Note 9 - Restricted Net Assets**

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

	<u>2009</u>	<u>2008</u>
Restricted – expendable:		
Student loans	\$ 3,371,224	\$ 3,603,490
Capital programs	7,118,266	978,921
Sponsored research	<u>(29,504)</u>	<u>61,974</u>
	<u>\$ 10,459,986</u>	<u>\$ 4,644,385</u>

**Note 10 - Unrestricted Net Assets**

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

**Note 11 - Contingencies**

**Environmental Remediation**

Hazardous waste was found at a former drum storage site on property owned by the University. Hazardous waste polluted the ground and water in this area. The University entered into a "Consent Decree" agreement with the United States District Court on behalf of US Environmental Protection Agency (EPA), the US Justice Department, and the Rhode Island Department of Environmental Management (RIDEM) regarding the West Kingston Town Dump/URI Disposal Area Superfund Site. The University shares fiscal responsibility with two other parties, the towns of South Kingstown and Narragansett. The University has an accrued liability of \$1.3 million relating to the remediation project, operation and maintenance costs, and site reviews.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 11 - Contingencies - Continued**

*Other*

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

At June 30, 2009 and 2008, the University is a guarantor of loans to fraternities and sororities in the amount of approximately \$350,000 and \$360,000, respectively.

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

**Note 12 - Operating Expenses**

The University's operating expenses, as presented on a natural classification basis, as follows for the year ended June 30:

	<u>2009</u>	<u>2008</u>
Compensation and benefits	\$ 250,203,581	\$ 257,914,496
Supplies and services	110,136,339	106,671,130
Depreciation and amortization	21,115,299	20,296,296
Scholarships, fellowships, assistantships and waivers	<u>18,975,225</u>	<u>18,625,925</u>
	<u>\$ 400,430,444</u>	<u>\$ 403,507,847</u>

**Note 13 - State Appropriation**

*Direct Appropriations*

Pursuant to the Rhode Island General Law 16-59-9, the legislative-enacted budget reflects the budget passed by the General Assembly and signed by the Governor as well as any subsequent re-appropriations. The Board reviews and approves the unrestricted and restricted budgets and makes recommendations to the Governor and General Assembly for revisions to the current year's budget and the ensuing year's budget for the University, RIC, CCRI, and the Office of Higher Education.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 13 - State Appropriation - Continued**

*Direct Appropriations - Continued*

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

*State Capital Plan Funds*

The Rhode Island Capital Plan Fund was modeled on a financial technique originating in the State of Delaware. Each year the State reserves 2% of its general revenues to fund a Budget Reserve and Cash Stabilization Fund. This process continues annually until the fund reaches 3% of total resources. Once that point is achieved, excess revenues are transferred to a Capital Plan Fund. This Capital Fund is used for capital expenditures and for debt reduction. The technique is a "pay-as-you-go" process that avoids increasing the state's debt burden. Higher education has received off-budget allocations through this program since fiscal 1995.

The University's State Capital Plan Allocations are composed of the following for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Asset Protection	\$ 4,315,185	\$ 4,186,592
Lippitt Hall	1,600,000	4,605,000
New Chemistry Building	300,000	-
Nursing & Assoc. Health Building	300,000	-
Superfund Site Remediation	629,000	325,000
URI Biotechnology Center	5,100,000	-
	<u>\$ 12,244,185</u>	<u>\$ 9,116,592</u>

*State Contributed Capital*

In November 1998, the Rhode Island voters approved the issuance of \$21.0 million General Obligation Bonds for higher education facilities. The bond provided the University with \$10.0 million for the renovations of Lippitt and Independence Hall. From the proceeds of these general obligation bonds issues, the University spent \$0.79 million and \$0.52 million on the renovations of these two buildings at the Kingston Campus during fiscal years 2009 and 2008, respectively.



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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 13 - State Appropriation - Continued**

*State Contributed Capital - Continued*

In November 2000, the Rhode Island voters approved the issuance of \$22 million General Obligation Bonds to fund the major renovations and upgrades of student residence halls and surrounding landscape at the University. During fiscal years 2009 and 2008, the University spent \$0.77 million and \$0.07 million, respectively.

In November 2004, Rhode Island voters approved the issuance of \$114 million General Obligation Bonds to fund improvements for higher education facilities. The bonds provide the University with \$20 million to complete the residence hall renovation project initiated in 1999, \$14 million for the construction of an Ocean Exploration and Research Center and rehabilitate the Pell Marine Science Library, and \$50 million for the construction of the Center for Biotechnology and Life Sciences. During fiscal years 2009 and 2008, the University spent \$22.45 million and \$33.89 million, respectively.

In November 2006, the Rhode Island voters approved the issuance of \$65 million General Obligations Bonds for higher education facilities. The bond provides funding for the construction of the College of Pharmacy Building. During fiscal years 2009 and 2008 the University spent \$3.5 million and \$6.4 million, respectively.

In 2008 the University participated with the State Department of Administration in a request for proposal process to enter into an energy performance contract with an energy service company to make improvements to existing equipment and install new equipment that will conserve energy and water. In the contract there is a provision of a guarantee on energy savings from the improvements. Depending on the nature of improvements the contract period can range from 5 to 12 years. During the fiscal years 2009 and 2008 the University spent \$6.8 million and \$5.3 million, respectively.

In 2008 the University received an Information Technology certificate of participation funding to improve the state's technology infrastructure and to outfit classrooms to assist teachers in improving their skills in the use of information technology. During fiscal years 2009 and 2008 the University has spent \$1.5 million and \$0.84 million.

The expenditures funded from the proceeds of the above-mentioned general obligation bonds and capitalized during fiscal years 2009 and 2008 totaled \$36.01 million and \$47.05 million, respectively.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

Note 13 - **State Appropriation - Continued**

*State Contributed Capital - Continued*

The University's State appropriations are composed of the following for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Direct appropriations	\$ 62,319,257	\$ 75,389,594
State Capital Plan Funds	12,244,185	9,116,592
State contributed capital	<u>36,014,639</u>	<u>47,045,884</u>
	<u>\$ 110,578,081</u>	<u>\$ 131,552,070</u>

Note 14 - **Pension and Retirement Plans**

Certain employees of the University, (principally faculty and administrative personnel) are covered by individual annuity contracts under a defined contribution retirement plan established by the Rhode Island Board of Governors (Board) which is also responsible for amending it. Eligible employees who have reached the age of 30, and who have two (2) years of service are required to participate in either the Teachers' Insurance and Annuity Association, the Metropolitan Life Insurance Company or Variable Annuity Life Insurance Company retirement plan. The Board establishes and amends contribution rates. Eligible employees must contribute at least 5% of their gross biweekly earnings. These contributions may be made on a pre-tax basis. The University contributes 9% of the employee's gross biweekly earnings. Total expenditures by the University for such 403(b) annuity contracts amounted to \$9,000,431 and \$9,032,235 during 2009 and 2008, respectively.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

Other employees of the University (principally civil service personnel) participate in the Employees' Retirement System of the State of Rhode Island (System), a multiple-employer, cost-sharing, public employee retirement system. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The level of benefits provided to state employees is established by Chapter 36-10 of the General Laws which is subject to amendment by the general assembly. The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained by writing to the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903. The payroll expense of University employees covered by the system was \$35,307,758 and \$38,989,316 for the years ended June 30, 2009 and 2008, respectively. The University's total payroll expense for the years ended June 30, 2009 and 2008 was \$183,210,579 and \$188,977,315, respectively.

All full-time employees of the University who have not attained at least 10 years of contributory service as of July 1, 2005 and are not covered by 403(b) annuity contracts are eligible to retire at or after age 65 with 10 years of credited service, or at age 59 with 29 years of credited service or at age 55 and had completed 20 years of total service provided, that the retirement allowance, as determined according to the formula in the State statute is reduced actuarially for each month that the age of the member is less than 65 years. The retirement benefit is equal to various percentages of annual earnings, ranging from 1.6% to 2.25% for each of the first 38 years of service, to the maximum benefit of 75% of final salary after 38 years of service. Final average salary is the three highest consecutive years of earned salary excluding overtime, bonuses or severance pay. The System also provides certain death and disability benefits. The above information can be found at RIGL 36-10-9 and 36-10-10.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

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

Employer and employee required contributions to the System are established by the State of Rhode Island and are based on percentages established by the State of Rhode Island and are based on percentages of covered employees' gross salaries, which are calculated annually by the fund's actuaries. Covered employees in the System were required to contribute 8.75% of salaries paid while the University was required to pay an average of 21.64% and 20.77% of salaries paid for the years ending June 30, 2009 and 2008, respectively. Employees contributed \$3,089,429 and \$3,411,565, and \$3,269,682, respectively, and the University's contribution to the System for the years ended June 30, 2009, 2008, and 2007 were \$7,460,529 and \$8,098,084, and \$6,816,417, respectively, representing 100% of the required contribution.

**Note 15 - Other Post Employment Benefits**

**Rhode Island Retiree Health Care Benefit Plan (RIRHCBP)**

**Plan Description**

The University participates in a State administered defined benefit post-employment health care plan known as the Rhode Island Retiree Health Care Benefits Plan (RIRHCBP). The RIRHCBP is an agent multiple employer plan.

The RIRHCBP is reported in an internal service fund of the State using the accrual basis of accounting. The fund reports all employer and retiree (plan member) contributions to the plan. Contributions are recognized when made. Benefits (health care claims) and refunds are recognized when due and payable in accordance with the terms of the plan. A liability for incurred but not reported claims is determined based on past claims payment trends and is included in the State's financial statements. Working premium rates are determined by the State each fiscal year after consultation with an employee benefits consultant and are designed to fund current claims incurred during the fiscal year as well as the costs of administering the plan. For the year ended June 30, 2009, the Plan operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to RIRHCBP members. The RIRHCBP does not issue a stand-alone financial report.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

Note 15 - **Other Post Employment Benefits - Continued**

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

**Funding Policy**

RIGL (Rhode Island General Laws) Sections 36-10-2, 36-12.1, 36-12.2.2 and 36-12-4 govern the provisions of the RIRHCBP. The contribution requirements of plan members, the State and other participating employers are established and may be amended by the General Assembly.

For those who retired on or before September 30, 2008, the State provides two types of subsidies for health care benefits. The Tier I subsidy applies to non-Medicare eligible plans and provides that the State will pay the portion of the cost of post-retirement health care for the retiree and any dependents above the active group rate. The retiree pays the active monthly rate and the State pays the difference between the active group rate and the early retiree rate. This subsidy is not based on years of service and ends at age 65. In addition to the Tier I benefits, the State pays a portion of the cost of post-retirement health care above the Tier I costs for certain retirees meeting eligibility requirements based upon the age and service of the retiree, which is referred to as the Tier II benefit.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 15 - Other Post Employment Benefits - Continued**

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

**Funding Policy - Continued**

For those who retired on or before September 30, 2008, the fiscal 2009 contributions are as follows:

Retiree Age	Years of Service	Amount of Cost Paid by Retiree
Below 60: (1)		
	28-34	10%
	35+	0%
Retiree Age from 60 to 65: (2)		
	10 – 15	50%
	16 – 22	30%
	23 – 27	20%
	28+	0%
Retiree Age Greater than 65: (3)		
	10 – 15	50%
	16 – 19	30%
	20 – 27	10%
	28+	0%

- (1) The monthly premium rate for fiscal year 2009 is \$789.76 for the individual plan. The retiree's cost is then calculated based on a maximum of \$481.28 (the active plan rate).
- (2) The monthly premium rates are the same as indicated above for the Retiree Age Below 60 category.
- (3) The monthly premium rate for the Medicare Supplemental plan is \$201.16 for the individual plan, and the monthly premium for the Medicare HMO plan was \$107 for the first six months of fiscal year 2009 and \$115 thereafter. Retirees can choose between the two plans. The retiree's cost is then calculated based on their years-of-service subsidy above.



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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 15 - Other Post Employment Benefits - Continued**

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

**Funding Policy - Continued**

For anyone who retired on or after October 1, 2008, age 59 through 64, with a minimum of 20 years of service, the State will pay 80% of the actual cost of health care coverage. The State contributed \$631.81 per month for these retirees during fiscal 2009. For eligible retirees ages 65 or older, the State pays 80% of the cost of the Medicare supplement products as described in note (3) above.

**Annual Other Postemployment Benefit (OPEB) Cost and Net OPEB Obligation:**

The University recognized an expense equal to the annual required contribution of the employer (ARC), which is actuarially determined in accordance with GASB Statement 45, interest on the net OPEB obligation at the beginning of the fiscal year and the ARC adjustment. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC for fiscal 2009 was determined based on an actuarial valuation performed as of June 30, 2005. Separate actuarial valuations were not performed at June 30, 2005 for each participating component unit. For fiscal year 2009, the ARC, as a percentage of covered payroll, for participating component units was the same for all active plan members, 6.01% of covered payroll. Beginning with the actuarial valuation performed as of June 30, 2007, separate ARCs and unfunded actuarial accrued liabilities were determined for each participating component unit. The University actually contributed 5.62% of annual covered payroll for fiscal 2009. The University annual OPEB cost and the net OPEB obligation for fiscal 2009, were as follows:

Annual required contribution (ARC)	\$ 2,121,996
Plus: Interest on net OPEB obligation at beginning of year	29,197
Less: Adjustment to ARC	(26,446)
Annual OPEB cost	<u>2,124,747</u>
Contributions made	1,979,103
Increase in OPEB obligation	<u>145,644</u>
Net obligation at beginning of year	818,776
Net obligation at end of year	<u><u>\$ 964,420</u></u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 15 - Other Post Employment Benefits - Continued**

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

**Annual Other Postemployment Benefit (OPEB) Cost and Net OPEB Obligation - Continued:**

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2008 (first year of GASB 45 implementation) were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$2,343,258	65.1%	\$818,776
June 30, 2009	\$2,124,747	93.1%	\$964,420

**Funded Status and Funding Progress:**

The funded status of the University share of the plan as of June 30, 2007 (the date of the most recent valuation), was as follows:

Actuarial Accrued Liability (AAL)	\$ 53,420,134
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 53,420,134</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Annual covered payroll (active plan members)	\$ 35,307,758
UAAL as a percentage of covered payroll	151.3%

A separate actuarial valuation was performed to determine the actuarial accrued liability for the University, a participating employer.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 15 - Other Post Employment Benefits - Continued**

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

**Funded Status and Funding Progress - Continued:**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions:**

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Annual Required Contribution for fiscal year 2009 was determined based on the June 30, 2005 valuation. The most recent actuarial valuation was performed as of June 30, 2007. The Unfunded Actuarial Accrued Liability (UAAL) was amortized by a level (principal and interest combined) percent of payroll contribution for each component unit employer. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL is being amortized over the remainder of a closed 30-year (or shorter) period from June 30, 2006.

Plan changes effective for employees retiring after October 1, 2008 have been reflected in the actuarial valuation performed as of June 30, 2007 and June 30, 2005.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 15 - Other Post Employment Benefits - Continued**

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

**Actuarial Methods and Assumptions - Continued:**

The individual entry-age actuarial cost method is used to determine the annual required contribution amounts and the annual net OPEB obligation. The actuarial assumptions include a 3.566% discount rate based upon the average rate of return during the 10 years ended June 30, 2008 for short term investments of the State's General Fund; an annual healthcare cost trend rate of 12% progressively declining to 4.5% after 10 years for the 2005 valuation; and a salary growth rate ranging from 8.25% in the first year of service to 4.75% in year 15 and beyond for the 2005 valuation. In the June 30, 2007 valuation the health care cost trend assumption was changed to a rate of 10% progressively declining to 4.5% after 8 years and the salary growth assumption was changed to a rate of 9.00% in the first year of service to 4.5% in year 15 and beyond. Other changes in assumptions between the 2005 and 2007 valuations include changes in the assumed rates of termination, rates of retirement, percent married, and retiree health care election rates. These assumptions changes were based on the experience study for the Employees' Retirement System of Rhode Island as well as anticipated experience changes in conjunction with the adopted plan changes.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trends. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are formulated about the future.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 15 - Other Post Employment Benefits - Continued**

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

**Plan Description**

The University contributes to the Rhode Island Board of Governors for Higher Education (Board) health care insurance retirement program (Plan), medical coverage only, for eligible employees who participate in the Board's Alternate Retirement Plan (ARP) and per union contracts. The Board established an agent multiple-employer defined benefit healthcare plan effective July 1, 1998 for Office of Higher Education, University of Rhode Island (URI), Rhode Island College (RIC) and Community College of Rhode Island (CCRI).

Contributions are recognized when made. Health care claims are recognized when due and payable in accordance with the terms of the plan. A liability for incurred but not reported claims is determined based on past claims payment trends and is included in the financial statements. Working premium rates are determined by the State each fiscal year after consultation with an employee benefits consultant and are designed to fund current claims incurred during the fiscal year as well as the costs of administering the plan. For the year ended June 30, 2009 and 2008 the Plan operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to Plan members.

The Plan offers two types of retiree health care benefits. The Plan offers a self-insured health care plan administered by United Healthcare for pre-65 and post-65 retirees or a fully insured Medicare HMO plan for post-65 retirees. Tier I, non-Medicare eligible plans, subsidy provides that the Board will pay the portion of the cost of post-retirement health care for the retiree between the active group rate and the early retiree rate. This subsidy is not based on years of service and ends at age 65. In addition, the Board pays a portion of the cost of post retirement health care for the retiree based on age and years of service, referred to as Tier II. Tier II benefits are a lifetime benefit.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 15 - Other Post Employment Benefits - Continued**

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

**Plan Description - Continued**

To be eligible for coverage, the retiree must have worked a minimum of 10 years for the Board/University and must be 60 years of age, unless they have 28 years or more of service. Depending on the years of service and the retiree's age the Board will pay from 50% to 100% of medical insurance premium while the retiree contributes from 50% to 0%.

Effective July 1, 2008, the retiree health coverage is eliminated. For Employees retiring after June 30, 2008, who are not yet 65 years of age, who have worked a minimum of 10 years for the Board/University and are at least 60 years of age or who have 28 years or more of service, may purchase health insurance coverage at the actual retiree premium rate for themselves and their spouses. The University will continue to pay a portion of the post-65 Tier II benefits, 50% to 100% of medical insurance premium depending on the years of service and the retiree's age while the retiree will contribute from 50% to 0%. In addition, the AAUP Faculty Union negotiated to eliminate this benefit for retirees after June 30, 2008, and non union non classified employees were allowed a one time opt-out option, resulting in approximately 700 employees leaving the plan.

Rhode Island State law established the "Rhode Island State Employees' and Electing Teachers OPEB System", as defined in G.L. 36-12.1-5, which will be managed by an OPEB Board for the purpose of providing and administering OPEB Benefits for retired employees of the State, includes the Board Plan to be effective July 1, 2010. The OPEB Board shall establish one or more trust funds and/or sub trusts to hold the assets of the OPEB System, which will be known as "Rhode Island OPEB System Trust."

The Board health care insurance retirement program does not issue a publicly available financial report.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 15 - Other Post Employment Benefits - Continued**

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

**Funding Policy**

The contribution requirements of plan members and the University are established and may be amended by the Board. The Board is not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to retirees. The Board reserves the authority to establish and amend contribution rates and benefit provisions of the plan.

Active employees who are covered by the Board's Plan contribute the following:

<u>Effective date</u>	<u>Percentage of salary</u>
July 1, 1998	0.25 %
January 1, 2008	0.50
July 1, 2008	0.75
January 1, 2009	0.90

Employer contributions are made to cover expenditures beyond the amount of employee and retiree contributions.

University employees covered by this program contributed \$290,636 and \$242,512, during fiscal years 2009 and 2008, respectively. Employer contributions to the program were \$1,210,241 and \$744,767 during fiscal years 2009 and 2008, respectively.

University membership in the Board's Plan consisted of the following at June 30, 2007, the date of the latest actuarial valuation:

Retires and beneficiaries receiving benefits	239
Active board plan members	809
Total	<u><u>1,048</u></u>



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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 15 - Other Post Employment Benefits - Continued**

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

**Annual OPEB Cost and Net OPEB Obligation**

For fiscal year 2009, the University's annual OPEB cost (expense) was \$1,572,105 for the Plan, resulting in a net OPEB obligation of \$1,108,443.

Annual Required Contribution	\$ 1,608,188
Interest on Net OPEB Obligation	25,251
Adjustment to Annual Required Contribution	(61,334)
Annual OPEB Cost (expense)	1,572,105
Contributions	1,210,241
Increase in net obligation	361,864
Net Obligation-beginning of year	746,579
Net Obligation-end of year	\$ 1,108,443

The funded status of the University's share of the plan as of June 30, 2007, the date of the most recent actuarial valuation, was as follows:

Actuarial Accrued Liability (AAL)	\$ 22,530,115
Actuarial value of plan assets	—
Unfunded actuarial accrued liability (UAAL)	\$ 22,530,115
Funded ratio (actuarial value of plan assets/AAL)	0%
Annual covered payroll (active plan members)	\$ 38,751,507
UAAL as a percentage of covered payroll	58.1%

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 15 - Other Post Employment Benefits - Continued**

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

**Annual OPEB Cost and Net OPEB Obligation - Continued**

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$1,491,346	49.9%	\$746,579
June 30, 2009	\$1,572,105	77.0%	\$1,108,443

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 15 - Other Post Employment Benefits - Continued**

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

**Actuarial Methods and Assumptions - Continued**

In the June 30, 2007 actuarial valuation, the individual entry age actuarial cost method was used to determine the annual required contribution (ARC) and the annual net OPEB obligation. The actuarial assumptions included a 3.566% discount rate, rate of annual salary increases of 4.5%, an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 4.5% in 2015 and includes a 4.5% inflation assumption. The University's unfunded actuarial accrued liability of \$22,530,115 is being amortized over an open period of 29 years using the level percentage of projected payroll amortization method.

Plan changes effective for employees retiring after June 30, 2008 have been reflected in the actuarial valuation performed as of June 30, 2007.

**Note 16 - Joint Venture**

Municipal joint ventures pool resources to share the costs, risks, and rewards of providing services to their participants, the general public, or others. The University, in coordination with the Town of South Kingstown and the Town of Narragansett, shares in the maintenance costs of the regional waste water system, which was constructed during the late 1970's. Each is responsible for its share of the net capital and administrative costs of the project. The University's fiscal 2009 and 2008 share of capital expenditures amounted to \$60,142 and \$45,305, respectively.

In addition to capital costs, the University is responsible for its proportionate share of the total operating costs of the regional waste water system. Its share of the operating costs is in proportion to its share of the total flow into the common facilities as determined by metering devices and a predetermined percentage of operating costs of certain other facilities. The University's share of operating costs amounted to \$586,064 in 2009 and \$544,630 in 2008. Financial information may be obtained at the Town of South Kingstown, 180 High Street, Wakefield, Rhode Island 02879.

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

**Notes to the Financial Statements - Continued**

**June 30, 2009 and 2008**

**Note 17 - Pass Through Grants**

The University distributed \$49,576,514 and \$55,279,722 during fiscal 2009 and 2008, respectively, for student loans through the U.S. Department of Education federal direct lending program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

# UNIVERSITY OF RHODE ISLAND

## Required Supplementary Information

June 30, 2009

(Unaudited)

### Schedules of Funding Progress - OPEB

#### State of Rhode Island Plan

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (b)</u>	<u>Unfunded (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>((b-a)/c)</u>
6/30/2007	-	\$ 53,420,134	\$ 53,420,134	0%	\$ 35,307,758	151.3%

#### Board of Governors Plan

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (b)</u>	<u>Unfunded (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>((b-a)/c)</u>
6/30/2007	-	22,530,115	22,530,115	0%	38,751,507	58.1%

Prior to the valuation performed at June 30, 2007, separate actuarial valuations were not performed to determine the actuarial accrued liability for the University of Rhode Island, a participating employer.

The above information is related to only the University of Rhode Island.

*See accompanying independent auditors' report.*

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



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

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

We have audited the financial statements of the University of Rhode Island (the "University") as of and for the year ended June 30, 2009, and have issued our report thereon dated September 30, 2009, which included a reference to the report of the other auditors who audited the discretely presented component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the University of Rhode Island's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.



### Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated September 30, 2009

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

  
**Certified Public Accountants**

September 30, 2009