

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

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

Fiscal Years Ended June 30, 2010 and 2009

THE COLLEGE CRUSADE OF RHODE ISLAND  
(A Component Unit of the State of Rhode Island)  
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June 30, 2010 and 2009

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Statements of Net Assets of The College Crusade of Rhode Island, (the "Crusade") (A Component Unit of the State of Rhode Island) as of and for the fiscal years ended June 30, 2010 and 2009, and the related Statements of Revenues, Expenses, and Changes in Net Assets and Cash Flows for the fiscal years then ended. These financial statements are the responsibility of the Crusade's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of The College Crusade of Rhode Island as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2010, on our consideration of The College Crusade of Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*NADEAN WADSWICK LLP*

September 15, 2010

THE COLLEGE CRUSADE OF RHODE ISLAND  
*(A Component Unit of the State of Rhode Island)*  
 STATEMENTS OF NET ASSETS  
 June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 171,153	\$ 191,590
Restricted cash	4,358	76,050
Investments	5,274,876	4,473,644
Prepaid rent	15,399	18,468
Interest receivable	20,847	14,734
Grants receivable	433,983	540,219
Other receivables	<u>2,583</u>	<u>4,548</u>
TOTAL CURRENT ASSETS	<u>5,923,199</u>	<u>5,319,253</u>
NON-CURRENT ASSETS		
Prepaid rent	-	15,399
Net furniture and equipment	<u>1,099</u>	<u>8,581</u>
TOTAL NON-CURRENT ASSETS	<u>1,099</u>	<u>23,980</u>
TOTAL ASSETS	<u>5,924,298</u>	<u>5,343,233</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	175,903	155,530
Line of credit	145,000	310,000
Grants payable	15,430	28,461
Deferred revenue	126,623	74,640
Accrued scholarship costs	<u>393,755</u>	<u>541,227</u>
TOTAL CURRENT LIABILITIES	<u>856,711</u>	<u>1,109,858</u>
TOTAL LIABILITIES	<u>856,711</u>	<u>1,109,858</u>
<u>NET ASSETS</u>		
NET ASSETS		
Invested in capital assets, net of related debt	1,099	8,581
Restricted	1,894,755	1,747,308
Unrestricted	<u>3,171,733</u>	<u>2,477,486</u>
TOTAL NET ASSETS	<u>\$ 5,067,587</u>	<u>\$ 4,233,375</u>

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

THE COLLEGE CRUSADE OF RHODE ISLAND  
*(A Component Unit of the State of Rhode Island)*  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 Fiscal Years Ended June 30, 2010 and 2009

	2010	2009
<b>OPERATING REVENUES</b>		
Contributions	\$ 23,973	\$ 30,327
Grant - Carnegie	74,213	24,291
Grants - other	2,857,089	2,890,160
Interest and dividends	132,732	129,594
Net realized and unrealized gain (loss) on investments	422,637	(887,018)
Miscellaneous income	2,603	3,018
In-kind support	602,902	380,376
<b>TOTAL OPERATING REVENUES</b>	<u>4,116,149</u>	<u>2,570,748</u>
<b>OPERATING EXPENSES</b>		
Personnel costs	2,139,037	2,190,495
Carnegie grant expense	66,128	28,365
Other grant program expenses	859,845	828,272
Cost of scholarships	230,312	382,381
Training	7,694	6,960
Consultants	3,355	8,109
Printing	24,092	33,229
Advertising	101,539	5,440
Special events	3,311	2,198
Occupancy costs	151,779	157,333
Postage	20,017	30,465
Office expenses	52,079	40,741
Travel	34,577	30,395
Professional fees	34,621	40,572
Telephone	12,785	17,412
Insurance	17,462	25,657
Dues and subscriptions	4,413	3,719
Depreciation	7,482	16,047
Trustee fees	30,120	28,186
Other	6,179	4,012
Interest	3,314	5,454
<b>TOTAL OPERATING EXPENSES</b>	<u>3,810,141</u>	<u>3,885,442</u>
<b>OPERATING INCOME (LOSS)</b>	<u>306,008</u>	<u>(1,314,694)</u>
<b>NON-OPERATING REVENUES</b>		
Operating transfers from primary government	528,204	528,204
<b>TOTAL NON-OPERATING REVENUES</b>	<u>528,204</u>	<u>528,204</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	834,212	(786,490)
NET ASSETS - July 1,	4,233,375	5,019,865
NET ASSETS - June 30,	<u>\$ 5,067,587</u>	<u>\$ 4,233,375</u>

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

THE COLLEGE CRUSADE OF RHODE ISLAND  
(A Component Unit of the State of Rhode Island)  
STATEMENTS OF CASH FLOWS  
Fiscal Years Ended June 30, 2010 and 2009

	2010	2009
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from contributions	\$ 25,831	\$ 30,838
Cash received from grants - other	3,089,521	2,889,618
Cash received - miscellaneous	2,710	2,722
Cash payments for personnel costs	(2,130,643)	(2,196,254)
Cash payments for grants - Carnegie	(79,547)	(15,859)
Cash payments for grants - other	(338,231)	(473,896)
Cash payments for scholarships	(377,784)	(911,005)
Cash payments - miscellaneous	(395,214)	(422,817)
NET CASH USED BY OPERATING ACTIVITIES	<u>(203,357)</u>	<u>(1,096,653)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash received from interest and dividends	126,619	127,473
Net (deposits) withdrawals from investments	(378,595)	65,500
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(251,976)</u>	<u>192,973</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Operating transfers from primary government	528,204	528,204
Net payments on line-of-credit	(165,000)	(80,000)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>363,204</u>	<u>448,204</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(92,129)	(455,476)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - July 1,	267,640	723,116
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - June 30,	<u>\$ 175,511</u>	<u>\$ 267,640</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:</u>		
Operating income (loss)	\$ 306,008	\$ (1,314,694)
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>		
Depreciation	7,482	16,047
Interest and dividends	(126,619)	(130,985)
Net realized and unrealized (gain) loss on investments	(422,637)	887,019
Loss on disposal of furniture and equipment	-	672
<u>(Increase) decrease in operating assets:</u>		
Prepaid rent	18,468	18,468
Interest receivable	(6,113)	1,391
Grants receivable	106,236	13,884
Other receivables	1,965	215
<u>Increase (decrease) in operating liabilities:</u>		
Accounts payable and accrued expenses	20,373	2,454
Grants payable	(13,031)	(23,783)
Deferred revenue	51,983	(38,717)
Accrued scholarship costs	(147,472)	(528,624)
TOTAL ADJUSTMENTS	<u>(509,365)</u>	<u>218,041</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (203,357)</u>	<u>\$ (1,096,653)</u>

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

THE COLLEGE CRUSADE OF RHODE ISLAND  
*(A Component Unit of the State of Rhode Island)*  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*THE FINANCIAL REPORTING ENTITY*

*CRUSADE OPERATIONS*

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

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

*BASIS OF PRESENTATION*

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

- *Invested in capital assets, net of related debt* – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any debt attributable to those assets. The Crusade had no such debt at June 30, 2010 and 2009.
- *Restricted* – This component of net assets consists of net assets used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Crusade’s restricted net assets are restricted by the Carnegie Grant and the GEARUP Scholarship Grant.
- *Unrestricted* – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

THE COLLEGE CRUSADE OF RHODE ISLAND  
*(A Component Unit of the State of Rhode Island)*  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2010 and 2009

*BASIS OF ACCOUNTING*

The financial statements of the Crusade have been prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

*CASH AND CASH EQUIVALENTS*

The Crusade considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. For purposes of the statements of cash flows, none of the investments held in the Crusade's investment portfolio (Note 4) are included as cash and cash equivalents, regardless of the type of investment, as it is the Crusade's intention that the funds deposited in the investment account are not for current purposes. The Crusade had no cash equivalents at June 30, 2010 and 2009.

*PLEDGES RECEIVABLE*

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

*INVESTMENTS*

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

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

Management is not aware of any derivative financial instruments through its investment managers' investment strategy and mutual fund investments. Derivatives, such as forward foreign currency contracts and futures, are used to hedge against foreign currency and price risk. Management has estimated that the risk, if any, associated with these derivatives is not material to the Crusade as of June 30, 2010 and 2009.

THE COLLEGE CRUSADE OF RHODE ISLAND  
*(A Component Unit of the State of Rhode Island)*  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2010 and 2009

*FURNITURE AND EQUIPMENT*

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

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

*CONTRIBUTED SERVICES*

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

*GRANT EXPENSES*

Grants payable in future periods by the Crusade, and not requiring subsequent review and approval for payment, are recorded as expenses and liabilities when the grants are first awarded. When a grant's time period lapses with awarded funds unexpended, the Crusade treats the unexpended funds as income.

*INCOME TAXES*

The Crusade is a not-for-profit organization determined by the Internal Revenue Service to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

*USE OF ESTIMATES*

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

*OPERATING REVENUES AND EXPENSES*

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

*ADVERTISING COSTS*

The Crusade expenses advertising costs as they are incurred.

THE COLLEGE CRUSADE OF RHODE ISLAND  
*(A Component Unit of the State of Rhode Island)*  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2010 and 2009

*LIABILITY FOR COMPENSATED ABSENCES*

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

*Reclassifications* – Certain reclassifications have been made to the 2009 financial statement presentation to correspond to the current year's format. Total net assets and changes in net assets are unchanged due to these reclassifications.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

In accordance with R.I. Gen. Laws § 35-10.1-1, *et seq*, Rhode Island depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2010 and 2009, the Crusade had no deposits that were required to be collateralized.

The following summary presents the Crusade's deposits at June 30, 2010 and 2009. Category 1 includes deposits which are fully insured or collateralized with securities held by the Crusade or its agents in the Crusade's name. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the Crusade's name. Category 3 includes deposits that are not insured or collateralized.

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

THE COLLEGE CRUSADE OF RHODE ISLAND  
*(A Component Unit of the State of Rhode Island)*  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2010 and 2009

	2009		
	Category		
	1	2	3
Demand Deposits	\$ 191,590	\$ -	\$ -
Restricted Cash - Carnegie Grant	<u>37,479</u>	<u>-</u>	<u>38,571</u>
 TOTAL	 <u>\$ 229,069</u>	 <u>\$ -</u>	 <u>\$ 38,571</u>
		Bank Balance	Carrying Value
Demand Deposits		\$ 212,521	\$ 191,590
Restricted Cash - Carnegie Grant		<u>76,050</u>	<u>76,050</u>
 TOTAL		 <u>\$ 288,571</u>	 <u>\$ 267,640</u>

*Custodial Credit Risk – Deposits:* Custodial credit risk is the risk that, in the event of a bank failure, the Crusade’s deposits may not be returned to it. The Crusade does not have a deposit policy for custodial credit risk. As of June 30, 2010, none of the Crusade’s bank balance of \$207,653 was exposed to custodial credit risk. As of June 30, 2009, \$38,571 of the Crusade’s bank balance of \$288,571 was exposed to custodial credit risk.

**NOTE 3 – GRANTS RECEIVABLE**

The following is a summary of grants receivable as of June 30, 2010 and 2009:

	2010	2009
GEARUP Grant	\$ 408,983	\$ 540,219
Bank of America Foundation	20,000	-
Other	<u>5,000</u>	<u>-</u>
 TOTAL	 <u>\$ 433,983</u>	 <u>\$ 540,219</u>

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

THE COLLEGE CRUSADE OF RHODE ISLAND  
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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2010 and 2009

**NOTE 4 – INVESTMENTS**

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

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

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

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

Investments are carried at fair value. All the Crusade's investments are Category 3, except for money market funds. At June 30, 2010 and 2009 investments consisted of the following:

	2010			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money Market Funds	\$ 706,184	\$ -	\$ -	\$ 706,184
Corporate Bonds	364,808	16,353	(92)	381,069
Corporate Agency Securities	24,999	204	-	25,203
U.S. Treasuries	497,564	38,458	-	536,022
Government Agency Securities	429,976	34,610	-	464,586
Common Stocks	<u>3,006,248</u>	<u>420,526</u>	<u>(264,962)</u>	<u>3,161,812</u>
<b>TOTAL</b>	<u>\$ 5,029,779</u>	<u>\$ 510,151</u>	<u>\$ (265,054)</u>	<u>\$ 5,274,876</u>
	2009			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money Market Funds	\$ 585,160	\$ -	\$ -	\$ 585,160
Corporate Bonds	120,504	7,163	-	127,667
U.S. Treasuries	427,862	35,227	-	463,089
Government Agency Securities	371,409	19,324	-	390,733
Common Stocks	<u>3,059,944</u>	<u>281,313</u>	<u>(434,262)</u>	<u>2,906,995</u>
<b>TOTAL</b>	<u>\$ 4,564,879</u>	<u>\$ 343,027</u>	<u>\$ (434,262)</u>	<u>\$ 4,473,644</u>

Gross gains of \$164,829 and gross losses of \$78,523 were realized on sales of investments during the fiscal year ended June 30, 2010 and gross gains of \$42,647 and gross losses of \$420,495 were realized on sales of investments during the fiscal year ended June 30, 2009.

THE COLLEGE CRUSADE OF RHODE ISLAND  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2010 and 2009

The cost and fair value of corporate bonds, U.S. Treasuries, and government agency securities at June 30, 2010 and 2009 by maturity are as follows:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Due within one year	\$ -	\$ -	\$ 24,281	\$ 24,786
Due after one through five years	640,197	666,353	276,911	299,440
Due after five through ten years	247,174	275,941	247,174	266,530
Due after ten years	<u>429,976</u>	<u>464,586</u>	<u>371,409</u>	<u>390,733</u>
 TOTAL	 <u>\$ 1,317,347</u>	 <u>\$ 1,406,880</u>	 <u>\$ 919,775</u>	 <u>\$ 981,489</u>

Gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position at June 30, 2010 and 2009 are as follows:

	June 30, 2010			
	Fair Value	Continuous Unrealized Losses Existing For:		Total Unrealized Losses
		Less Than 12 Months	More Than 12 Months	
<u>Debt securities:</u>				
Corporate bonds	\$ 38,586	\$ (92)	\$ -	\$ (92)
Total debt securities	<u>38,586</u>	<u>(92)</u>	<u>-</u>	<u>(92)</u>
 Common Stocks	 <u>1,453,789</u>	 <u>(139,296)</u>	 <u>(125,666)</u>	 <u>(264,962)</u>
	<u>\$ 1,492,375</u>	<u>\$ (139,388)</u>	<u>\$ (125,666)</u>	<u>\$ (265,054)</u>
	June 30, 2009			
	Fair Value	Continuous Unrealized Losses Existing For:		Total Unrealized Losses
		Less Than 12 Months	More Than 12 Months	
Common Stocks	\$ 1,942,563	\$ (304,038)	\$ (130,224)	\$ (434,262)

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

THE COLLEGE CRUSADE OF RHODE ISLAND  
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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2010 and 2009

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

As of June 30, 2009, the Crusade's investment portfolio consisted of 55 individual securities diversified as follows: 4 U.S. Government and Federal agency securities, 4 corporate bonds, 2 mortgage-backed securities, and 45 common stocks.

Of the 55 individual securities, 5 common stocks had continuous unrealized losses existing for more than 12 months as of June 30, 2009.

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

No investments at June 30, 2010 and 2009 were considered "other-than-temporary" impaired.

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

Investment	Maturity	Standard & Poor's Rating	Fair Value
U.S. Treasury Notes	1/31/2012	AAA	117,412
Paccar, Inc.	2/15/2012	A+	32,417
U.S. Treasury Notes	2/15/2012	AAA	155,343
Ford Motor Credit Co., LLC	6/1/2012	B-	102,976
Kraft Foods, Inc.	2/11/2013	BBB-	38,586
American Express Credit Co.	8/20/2013	BBB+	130,204
Staples, Inc.	1/15/2014	BBB	36,800
U.S. Treasury Notes	2/15/2014	AAA	27,412
Americredit Automobile Receivables	3/9/2015	AA	25,203
U.S. Treasury Bonds	11/15/2016	AAA	235,856
McDonalds Corp	3/1/2018	A	40,085
GNMA PL#578181	1/15/2032	Not Rated	179,287
GNMA PL#675373	5/15/2038	Not Rated	158,575
GNMA PL#736558	2/15/2040	Not Rated	63,222
GNMA PL#737377	3/15/2040	Not Rated	63,502
TOTAL			\$ 1,406,880

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

THE COLLEGE CRUSADE OF RHODE ISLAND  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2010 and 2009

As of June 30, 2009, the Crusade had the following fixed income investments:

Investment	Maturity	Standard & Poor's Rating	Fair Value
Ford Motor Credit Co.	10/28/2009	CCC+	\$ 24,786
U.S. Treasury Notes	1/31/2012	AAA	119,487
Paccar, Inc.	2/15/2012	AA-	32,443
U.S. Treasury Notes	2/15/2012	AAA	87,250
Staples, Inc.	1/15/2014	BBB	33,508
U.S. Treasury Notes	2/15/2014	AAA	26,752
U.S. Treasury Bonds	11/15/2016	AAA	229,599
McDonalds Corp	3/1/2018	A	36,931
GNMA PL#578181	1/15/2032	Not Rated	200,498
GNMA PL#675373	5/15/2038	Not Rated	<u>190,235</u>
TOTAL			<u>\$ 981,489</u>

As of June 30, 2009, the Crusade had no investments with exposure to foreign currency risk.

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

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

Custodial Credit Risk: Custodial credit risk is risk that the Crusade will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. The Crusade's investment policy does not directly address custodial credit risk. As of June 30, 2010 and 2009, the Crusade had investments at fair value subject to custodial credit risk totaling \$5,274,876 and \$4,473,644, respectively.

Concentration of Credit Risk: The Crusade's investment policy requires, in an attempt to minimize the adverse effects of interest rate fluctuations, that the fixed-income section may not contain more than 10%, valued at cost, of a given issuer, except for U.S. Treasury and agency obligations. As of June 30, 2010, more than 5% of the Crusade's fixed income investments at fair value are in: U.S. Treasury Notes and Bonds (38.1%), Government Agency Securities (33.0%), and Corporate Bonds (27.1%). As of June 30, 2009, more than 5% of the Crusade's fixed income investments at fair value are in: U.S. Treasury Notes and Bonds (47.2%), Government Agency Securities (39.8%), and Corporate Bonds (13.0%).

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

THE COLLEGE CRUSADE OF RHODE ISLAND  
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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2010 and 2009

**NOTE 5 – NET FURNITURE AND EQUIPMENT**

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

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

The summary of changes in furniture and equipment at June 30, 2009 is as follows:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
Cost				
Office Equipment	\$ 167,574	\$ -	\$ 1,099	\$ 166,475
Furniture	57,811	-	-	57,811
TOTAL COST	<u>225,385</u>	<u>\$ -</u>	<u>\$ 1,099</u>	<u>224,286</u>
Accumulated Depreciation				
Office Equipment	143,239	15,082	427	157,894
Furniture	56,846	965	-	57,811
TOTAL ACCUMULATED DEPRECIATION	<u>200,085</u>	<u>\$ 16,047</u>	<u>\$ 427</u>	<u>215,705</u>
NET FURNITURE AND EQUIPMENT	<u>\$ 25,300</u>			<u>\$ 8,581</u>

**NOTE 6 – CONTRIBUTIONS**

Contributions are available for unrestricted use unless specifically restricted by the donor. The following is a summary of contributions for the year ended June 30, 2010 and 2009:

	2010	2009
State of Rhode Island	\$ 528,204	\$ 528,204
Other	<u>23,973</u>	<u>30,327</u>
TOTAL	<u>\$ 552,177</u>	<u>\$ 558,531</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2010 and 2009

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

**NOTE 7 – IN-KIND SUPPORT**

Schools and community centers, where services related to the federal grant programs are performed, donate personnel, certain program costs, and the use of space as in-kind support to the Crusade. The Crusade also received in-kind advertising services for the fiscal year ended June 30, 2010; such in-kind advertising services were not received during the fiscal year ended June 30, 2009.

For the fiscal years ended June 30, 2010 and 2009, the estimated value of in-kind support for donated personnel, certain program costs, and the use of space has been reflected in the accompanying statement of revenues, expenses, and changes in net assets as in-kind support services with a similar amount included in other grant program expense. For the fiscal year ended June 30, 2010, the fair value of in-kind advertising services totaling \$95,950 was recognized as in-kind support services with a similar amount included in advertising expense.

**NOTE 8 – OUTSIDE SCHOLARSHIP AGREEMENTS**

The Crusade has obtained scholarship agreements from 62 colleges, universities and proprietary schools. The college and university scholarship agreements are tied to the Crusade Board authorized scholarship amount at the time of matriculation, currently \$3,000, except for the University of Rhode Island which is tied to the full tuition amount at the time of matriculation, currently \$9,014. The proprietary school scholarship agreements are tied to the Crusade Board authorized scholarship amount for the Community College of Rhode Island at the time of matriculation, currently \$1,725.

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

Management has estimated that the maximum value of these contingent scholarships, which may become available, to be approximately \$55.0 million at June 30, 2010 and approximately \$56.9 million at June 30, 2009. In August 2008, the Higher Education Opportunity Act (Public Law 110-315) authorized GEARUP grant recipients (which the Crusade is) to benchmark their scholarship award amount in FY 2010 to no less than minimum Pell vs. maximum Pell as authorized in previous years, thus reducing the maximum value of these contingent scholarships. As noted above, the Crusade's Board authorized scholarship amounts are \$3,000 and \$1,725 which are the values used for the 2010 estimate. As of June 30, 2010 and 2009, management had projected that, of the total contingent scholarships, approximately \$5.4 million and approximately \$5.6 million, respectively, will likely be utilized over the life of the scholarship agreements. In the fall of 2010, the Crusade anticipates updating the December 2008 actuarial study factoring in actual experience.

**NOTE 9 – PENSION PLAN**

The Crusade established, and has the authority to amend, The College Crusade of Rhode Island Defined Contribution Retirement Plan on January 1, 1993, which covers substantially all employees. The Plan is

THE COLLEGE CRUSADE OF RHODE ISLAND  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2010 and 2009

administered by TIAA-CREF and allows tax-deferred employee contributions in accordance with Internal Revenue Code Section 403(b). Under the provisions of the plan beginning July 1, 2008, employees may defer 2% or 5% of their salary and the Crusade will match 2% or 5%, respectively. In fiscal year ending June 30, 2010 the Crusade did not match the employee contribution. However, employees were given an option in fiscal year 2010 to either receive a 3% raise or a 3% employer contribution into their 403(b) retirement fund. Employees may defer an additional percentage to a supplemental plan that is not matched by the Crusade. Participants are fully and immediately vested in plan contributions when they are made. Pension expense for the fiscal years ended June 30, 2010 and 2009 was \$14,248, and \$54,159, respectively, which is included in personnel costs.

**NOTE 10 – ACCRUED SCHOLARSHIP COSTS**

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

The Crusade's scholarship amount to four year colleges and universities and proprietary schools for 2010 was tied to the Crusade Board authorized scholarship amount of \$3,000; in 2009 the scholarship amount was also tied to the Crusade Board's authorized scholarship amount of \$3,000. The Crusade's scholarship amount for two year colleges and the Community College of Rhode Island for 2010 was tied to the Crusade Board authorized scholarship amount at the time of matriculation, currently \$1,725; in 2009 the scholarship amount was also tied to the Crusade Board authorized amount at the time of matriculation of \$1,725.

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

Management has developed, and regularly updates, comprehensive projections that account for numerous factors that might influence the Crusade's potential scholarship amount and adjusts the enrollment of new cohorts accordingly. Consistent with this, enrollment for new cohorts beginning with 2011 will be targeted at 500 as contrasted with 250 for 2007 – 2010; 500 from 1996 – 2006; and uncapped enrollment of approximately 3,500 in previous years. There were 301 and 209 new enrollments for the fiscal years ended June 30, 2010 and 2009, respectively. Factors that influence the potential scholarship include the number of these students who will continue in the program until they start college, and whether the student will choose to attend an in-state institution or an institution from which the Crusade has secured an agreement.

At June 30, 2010, the Crusade has committed \$393,755 toward scholarships for educational expenses during the 2010/2011 school year. This amount represents an average award of approximately \$2,557 per student to approximately 154 students. At June 30, 2009, the Crusade has committed \$541,227 toward educational expenses for tuition during the 2009/2010 school year. This amount represents an average award of approximately \$1,933 per student to approximately 280 students. As noted above, the 2008 Higher Education Opportunity Act allowed for these reductions in the scholarship amounts. The changes allowed by the Higher Education Opportunity Act provided the Crusade with much needed flexibility to manage scholarship costs and to extend future opportunities to newly enrolled cohorts.

THE COLLEGE CRUSADE OF RHODE ISLAND  
*(A Component Unit of the State of Rhode Island)*  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2010 and 2009

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

At June 30, 2009, based on an actuarial study completed as of December 2008, the estimated value of the potential future scholarship costs through the year 2023 is estimated to range from \$1,600,000 to \$4,400,000. This estimate represents annual awards between \$976 and \$3,000 to approximately 602 presently enrolled eligible Crusaders. The actual cost will be determined on an annual basis predicated on the availability of funds and other factors. An additional 398 Crusaders may be eligible to receive scholarship awards through the Crusade's scholarship collaborative agreements.

**NOTE 11 – OPERATING LEASE COMMITMENTS**

On May 1, 2006, the Crusade extended the lease for office space under a noncancellable operating lease which expires on April 30, 2011. In conjunction with this lease extension, the Crusade also prepaid the remaining \$92,349 in build-out costs which had been previously included, pro-rata, in the monthly rent payments. These prepaid build-out costs, therefore, have been recorded as prepaid rent and have been amortized ratably over 60 months, which is the life of the new lease.

Monthly lease payments under the lease agreement are \$10,567 per month which, beginning May 1, 2007 through April 30, 2011, are increased by the amount of the US Consumer Price Index for All Urban Consumers, annualized as of March 1<sup>st</sup> immediately preceding the next year's term. Therefore, beginning May 1, 2008, the lease payment increased to \$10,874 per month consistent with the aforementioned lease provision. In addition, beginning May 1, 2007 through April 30, 2011, the monthly lease payments are also adjusted, pro-rata, to reflect any increase in real estate taxes or assessments imposed on the leased property during the year immediately preceding the next year's term. Effective August 2008, the Crusade reduced its rented space and the monthly lease amount was adjusted to \$9,109.

Rent expense of \$130,475 and \$132,239, respectively, for the fiscal years ended June 30, 2010 and 2009 is included in occupancy costs. Rent expense totaling \$130,475 for the year ended June 30, 2010, is comprised of \$109,307 rent for office space, \$2,700 rent for basement storage area, and \$18,468 amortization of build-out costs. Rent expense totaling \$132,239 for the fiscal year ended June 30, 2009, is comprised of \$111,071 rent for office space, \$2,700 rent for basement storage area, and \$18,468 amortization of build-out costs.

The total future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	
2011	<u>\$ 91,090</u>
 Total Future Minimum Lease Payments	 <u>\$ 91,090</u>

THE COLLEGE CRUSADE OF RHODE ISLAND  
*(A Component Unit of the State of Rhode Island)*  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2010 and 2009

**NOTE 12 – LINE OF CREDIT**

The Crusade has a \$1,200,000 line of credit agreement with a financial institution. The line of credit provides the Crusade with cash flow for the GEARUP program until such time as the Crusade is reimbursed. Interest is payable monthly at the LIBOR daily floating rate plus 4.0% for the fiscal year ended June 30, 2010, and at the prime rate plus 1.5% for the fiscal year ended June 30, 2009, which was 4.34% and 4.75% at June 30, 2010 and 2009, respectively. The outstanding balance at June 30, 2010 and 2009 was \$145,000 and \$310,000, respectively, which is secured by the Crusade's accounts receivable and equipment. Total interest expense for the fiscal years ended June 30, 2010 and 2009 was \$3,314 and \$5,454, respectively.

**NOTE 13 – CARNEGIE GRANT**

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

During 2010 and 2009, the grant revenue/expense was:

	2010	2009
Providence Education Excellence Coalition	\$ 154	\$ 24,291
Woonsocket Education Department	46,628	-
Rhode Island Higher Education Assistance Authority	19,500	-
Crusade	<u>7,931</u>	<u>-</u>
 Total	 <u>\$ 74,213</u>	 <u>\$ 24,291</u>

**NOTE 14 – RESTRICTED NET ASSETS**

The Crusade was the fiscal agent for grant funding received from the Carnegie Corporation of New York (Note 13). The funds from the Carnegie Grant are to be used by the Crusade for the community involvement aspect of the Providence High School Redesign Initiative. Grant funds were received by the Crusade on a predetermined funding schedule and were reserved as restricted cash and restricted net assets until grant expenses are paid. The Crusade had \$4,358 and \$76,050 in both restricted cash and restricted net assets at June 30, 2010 and 2009, respectively, which was received from the Carnegie Corporation of New York.

THE COLLEGE CRUSADE OF RHODE ISLAND  
*(A Component Unit of the State of Rhode Island)*  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2010 and 2009

The Crusade received funding from a GEARUP (Gaining Early Awareness & Readiness for Undergraduate Programs) grant during the fiscal years ended June 30, 2010 and 2009. GEARUP Grant funds were mainly received by the Crusade on a reimbursement basis; however, funding in the amount of \$499,450 and \$465,226 was received during the fiscal years ended June 30, 2010 and 2009, respectively, to pay for current and future scholarship costs. During the fiscal year ended June 30, 2010, the Crusade paid \$274,169 in eligible GEARUP scholarships, all of which was provided from the \$499,450 GEARUP Grant. For the fiscal year ended June 30, 2010, eligible GEARUP scholarships include scholarships for Community College of Rhode Island. During the fiscal year ended June 30, 2009, the Crusade paid \$427,313 in eligible GEARUP scholarships, of which \$290,759 was provided from the \$465,226 GEARUP Grant and the remaining \$136,554 was provided from funds received in a prior GEARUP Grant. During the fiscal year ended June 30, 2009, eligible GEARUP scholarships did not include scholarships for Community College of Rhode Island.

The Crusade received donations from individual contributors totaling \$25 and \$1,784 during the fiscal years ended June 30, 2010 and 2009, respectively, to be used to support the scholarship program.

The following is a summary of Restricted Net Assets at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Carnegie Grant	\$ -	\$ 76,050
GEARUP Scholarship Grant	1,894,755	1,669,474
Individual Scholarship Donations	<u>-</u>	<u>1,784</u>
 Total	 <u>\$ 1,894,755</u>	 <u>\$ 1,747,308</u>

**NOTE 15 – RELATED PARTY TRANSACTIONS**

During fiscal year ended June 30, 2008, the President of IM\*AJ Communications & Design, Inc. became a Board Member of the Crusade. The Crusade received public relations consulting services from IM\*AJ Communications & Design, Inc., the total cost of which for the fiscal years ended June 30, 2010 and 2009 was \$3,874 and \$9,680, respectively.

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

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

We have audited the financial statements of The College Crusade of Rhode Island (the "Crusade"), as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated September 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Crusade's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Crusade's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Crusade's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected in a timely basis.

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

#### Compliance and Other Matters

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

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

***NADEAN WADSWICK LLP***

September 15, 2010

THE COLLEGE CRUSADE OF RHODE ISLAND  
*(A Component Unit of the State of Rhode Island)*  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Fiscal Year Ended June 30, 2010

<b>Federal Grantor/Program Title/ Pass-Through Grantor</b>	<b>CFDA Number</b>	<b>Pass-Through Number</b>	<b>Federal Expenditures</b>
<u>U. S. Department of Education:</u>			
Gaining Early Awareness and Readiness for Undergraduate Programs Passed through the Rhode Island Office for Higher Education	84.334	3410-50800	<u>\$ 2,075,228</u>
TOTAL			<u>\$ 2,075,228</u>

See Independent Auditors' Report.

THE COLLEGE CRUSADE OF RHODE ISLAND  
*(A Component Unit of the State of Rhode Island)*  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF OPERATING REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 Fiscal Year Ended June 30, 2010

	ADMINISTRATIVE AND SUPPORT PROGRAMS	SCHOLARSHIP PROGRAM	TOTAL
<b>OPERATING REVENUES</b>			
Contributions	\$ 23,948	\$ 25	\$ 23,973
Grant - Carnegie	74,213	-	74,213
Grants - other	2,357,639	499,450	2,857,089
Interest and dividends	567	132,165	132,732
Net realized and unrealized gain on investments	-	422,637	422,637
Miscellaneous income	2,603	-	2,603
In-kind support	602,902	-	602,902
<b>TOTAL OPERATING REVENUES</b>	<b>3,061,872</b>	<b>1,054,277</b>	<b>4,116,149</b>
<b>OPERATING EXPENSES</b>			
Personnel costs	2,116,142	22,895	2,139,037
Carnegie grant expense - Providence Education Excellence Coalition	66,128	-	66,128
Other grant program expenses	859,845	-	859,845
Cost of scholarships	-	230,312	230,312
Training	7,694	-	7,694
Consultants	3,355	-	3,355
Printing	24,064	28	24,092
Advertising	101,539	-	101,539
Special events	3,311	-	3,311
Occupancy costs	151,779	-	151,779
Postage	19,556	461	20,017
Office expenses	52,079	-	52,079
Travel	34,577	-	34,577
Professional fees	34,621	-	34,621
Telephone	12,785	-	12,785
Insurance	17,462	-	17,462
Dues and subscriptions	4,413	-	4,413
Depreciation	7,482	-	7,482
Trustee fees	-	30,120	30,120
Other	4,911	1,268	6,179
Interest	3,314	-	3,314
<b>TOTAL OPERATING EXPENSES</b>	<b>3,525,057</b>	<b>285,084</b>	<b>3,810,141</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(463,185)</b>	<b>769,193</b>	<b>306,008</b>
<b>NON-OPERATING REVENUES</b>			
Operating transfers from primary government	528,204	-	528,204
<b>TOTAL NON-OPERATING REVENUES</b>	<b>528,204</b>	<b>-</b>	<b>528,204</b>
<b>INCREASE IN NET ASSETS</b>	<b>65,019</b>	<b>769,193</b>	<b>834,212</b>
<b>NET ASSETS - July 1, 2009</b>	<b>479,447</b>	<b>3,753,928</b>	<b>4,233,375</b>
<b>NET ASSETS - June 30, 2010</b>	<b>\$ 544,466</b>	<b>\$ 4,523,121</b>	<b>\$ 5,067,587</b>

See Independent Auditors' Report.

THE COLLEGE CRUSADE OF RHODE ISLAND  
*(A Component Unit of the State of Rhode Island)*  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF NET ASSETS  
 Fiscal Year Ended June 30, 2010

Statement of Net Assets

Attachment B

**Assets**

Current Assets:

Cash and cash equivalents	\$ 171,153
Investments	3,380,121
Receivables (net)	457,413
Restricted assets:	
Cash and cash equivalents	4,358
Investments	1,894,755
Receivables (net)	-
Other assets	-
Due from primary government	-
Due from other component units	-
Due from other governments	-
Inventories	-
Other assets	15,399
<b>Total current assets</b>	<b>5,923,199</b>

Noncurrent Assets:

Investments	-
Receivables (net)	-
Restricted assets:	
Cash and cash equivalents	-
Investments	-
Receivables (net)	-
Other assets	-
Due from other component units	-
Capital assets - nondepreciable	-
Capital assets - depreciable (net)	1,099
Other assets, net of amortization	-
<b>Total noncurrent assets</b>	<b>1,099</b>

Total assets 5,924,298

**Liabilities**

Current liabilities:

Cash overdraft	-
Accounts payable	175,903
Due to primary government	-
Due to other component units	-
Due to other governments	-
Deferred revenue	126,623
Other liabilities	554,185
Current portion of long-term debt	-
<b>Total current liabilities</b>	<b>856,711</b>

Noncurrent liabilities:

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

Total liabilities 856,711

**Net assets**

Invested in capital assets, net of related debt	1,099
Restricted for:	
Debt	-
Other	1,894,755
Other nonexpendable	-
Unrestricted	3,171,733
<b>Total net assets</b>	<b>\$ 5,067,587</b>

See Independent Auditors' Report.

THE COLLEGE CRUSADE OF RHODE ISLAND  
*(A Component Unit of the State of Rhode Island)*  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN NET ASSETS  
 Fiscal Year Ended June 30, 2010

Statement of Changes in Net Assets

Attachment C

<b>Operating revenues:</b>		
Charges for services	\$	-
Interest income on loans		-
Investment income (net)		336,331
		Net increase (decrease) in fair value of investments & investment income combined by Auditor General
Other operating income		836,423
Total operating revenues		<u>1,172,754</u>
<b>Operating expenses:</b>		
Personal services		2,139,037
Supplies, materials, and services		52,079
Interest expense		3,314
Grants, scholarships and contract programs		1,156,285
Depreciation, depletion and amortization		7,482
Other operating expenses		451,944
Total operating expenses		<u>3,810,141</u>
Operating income (loss)		<u>(2,637,387)</u>
<b>Nonoperating revenues (expenses):</b>		
Interest revenue		-
Grants		2,857,089
Payments from primary government		528,204
Gain (loss) on sale of property		86,306
Interest expense		-
Investment income (net)		-
		Net increase (decrease) in fair value of investments & investment income combined by Auditor General
Other nonoperating revenue (expenses)		-
Total nonoperating revenue (expenses)		<u>3,471,599</u>
Income (loss) before contributions		834,212
Capital contributions		-
Special items		-
Extraordinary items		-
Change in net assets		<u>834,212</u>
Total net assets - beginning		<u>4,233,375</u>
Total net assets - ending	\$	<u><u>5,067,587</u></u>

See Independent Auditors' Report.

THE COLLEGE CRUSADE OF RHODE ISLAND  
*(A Component Unit of the State of Rhode Island)*  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG TERM DEBT  
 Fiscal Year Ended June 30, 2010

Fiscal Year Ending June 30	<u>Bonds Only</u>	
	<u>Long Term Debt</u>	<u>Attachment D</u>
	Principal	Interest
2010	\$ -	\$ -
2011	-	-
2012	-	-
2013	-	-
2014	-	-
2015 - 2019	-	-
2020 - 2024	-	-
2025 - 2029	-	-
2030 - 2034	-	-
2035 - 2039	-	-
2040 - 2044	-	-
2045 - 2049	-	-
2050 - 2054	-	-
	<u>\$ -</u>	<u>\$ -</u>

Change this cell and other number change

If your debt to maturity does not have totals or is in more than one schedule this form must be part of the supplemental information.

See Independent Auditors' Report.