



THE CULINARY INSTITUTE OF AMERICA

Consolidated Financial Statements

May 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

THE CULINARY INSTITUTE OF AMERICA

Consolidated Financial Statements

May 31, 2011 and 2010

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

Board of Trustees
The Culinary Institute of America:

We have audited the accompanying consolidated statements of financial position of The Culinary Institute of America (Institute) as of May 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Culinary Institute of America as of May 31, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

September 21, 2011

THE CULINARY INSTITUTE OF AMERICA

Consolidated Statements of Financial Position

May 31, 2011 and 2010

Assets	2011	2010
Cash and cash equivalents	\$ 3,903,149	7,547,919
Investments (note 3)	100,659,391	77,738,163
Student accounts receivable, net (note 2)	3,580,531	2,710,794
Other receivables	2,280,293	1,837,854
Inventory	2,289,134	2,395,188
Prepaid expenses and other assets	1,725,094	2,107,862
Contributions receivable, net (note 5)	7,907,200	6,841,209
Long-term loans to students, net (note 2)	2,041,058	1,971,893
Deposits with bond trustees (note 8)	8,312,125	7,756,809
Bond issuance and related costs, net	4,185,540	4,365,654
Land, buildings, and equipment, net (note 6)	189,615,752	188,002,693
Total assets	<u>\$ 326,499,267</u>	<u>303,276,038</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 2,671,219	3,119,490
Deferred revenue	16,490,404	15,499,010
Accrued compensated absences	3,758,069	3,386,350
Annuity and life income obligations	610,427	696,428
Other accrued liabilities	6,402,107	5,645,019
Fair value of derivative instruments (note 7)	7,928,867	7,442,894
Bonds and notes payable (note 7)	98,395,000	101,700,000
U.S. Government grants refundable	1,690,880	1,658,066
Total liabilities	<u>137,946,973</u>	<u>139,147,257</u>
Net assets:		
Unrestricted	142,907,016	128,503,264
Temporarily restricted (note 10)	22,613,615	12,601,367
Permanently restricted (note 10)	23,031,663	23,024,150
Total net assets	<u>188,552,294</u>	<u>164,128,781</u>
Total liabilities and net assets	<u>\$ 326,499,267</u>	<u>303,276,038</u>

See accompanying notes to consolidated financial statements.

THE CULINARY INSTITUTE OF AMERICA
Consolidated Statement of Activities
Year ended May 31, 2011
(with summarized information for the year ended May 31, 2010)

	2011				2010
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Operating revenues and gains:					
Tuition and fees	\$ 108,559,959	—	—	108,559,959	101,610,000
Less scholarships and awards	(19,082,812)	—	—	(19,082,812)	(16,500,487)
Net tuition	89,477,147	—	—	89,477,147	85,109,513
Contributions for operations (note 5)	3,301,973	236,383	—	3,538,356	3,656,348
Government grants and contracts	989,364	—	—	989,364	1,298,843
Investment return designated for current operations	2,563,954	1,194,820	1,289	3,760,063	3,835,416
Sales and services of educational activities	10,339,632	—	—	10,339,632	10,261,235
Sales and services of auxiliary enterprises	16,923,677	—	—	16,923,677	16,164,438
Other sources	4,672,343	—	—	4,672,343	4,286,830
Net assets released from restrictions	1,656,524	(1,656,524)	—	—	—
Total operating revenues and gains	129,924,614	(225,321)	1,289	129,700,582	124,612,623
Operating expenses:					
Instruction	52,559,859	—	—	52,559,859	50,051,226
Academic support	17,466,842	—	—	17,466,842	16,460,562
Student services	12,395,542	—	—	12,395,542	11,223,795
Institutional support	28,530,388	—	—	28,530,388	26,353,813
Auxiliary enterprises	14,216,633	—	—	14,216,633	13,611,363
Total operating expenses	125,169,264	—	—	125,169,264	117,700,759
Increase (decrease) in net assets from operations	4,755,350	(225,321)	1,289	4,531,318	6,911,864
Nonoperating activities:					
Contributions for plant and endowment (note 5)	777,527	12,174,621	6,224	12,958,372	5,352,898
Net assets released for plant	4,363,245	(4,363,245)	—	—	—
Investment return, net of amounts designated for current operations	5,428,791	2,166,920	—	7,595,711	4,289,800
Depreciation in fair value of derivative instruments (note 7)	(485,973)	—	—	(485,973)	(416,093)
Other	(175,915)	—	—	(175,915)	—
Increase in net assets from nonoperating activities	9,907,675	9,978,296	6,224	19,892,195	9,226,605
Change in net assets before net asset reclassification of endowment funds for adoption of ASC 958-205	14,663,025	9,752,975	7,513	24,423,513	16,138,469
Net asset reclassification of endowment funds for adoption of ASC 958-205 (note 4)	(259,273)	259,273	—	—	—
Increase in net assets	14,403,752	10,012,248	7,513	24,423,513	16,138,469
Net assets at the beginning of the year	128,503,264	12,601,367	23,024,150	164,128,781	147,990,312
Net assets at the end of the year	\$ 142,907,016	22,613,615	23,031,663	188,552,294	164,128,781

See accompanying notes to consolidated financial statements.

THE CULINARY INSTITUTE OF AMERICA

Consolidated Statement of Activities

Year ended May 31, 2010

	2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues and gains:				
Tuition and fees	\$ 101,610,000	—	—	101,610,000
Less scholarships and awards	(16,500,487)	—	—	(16,500,487)
Net tuition	85,109,513	—	—	85,109,513
Contributions for operations (note 5)	2,757,043	899,305	—	3,656,348
Government grants and contracts	1,298,843	—	—	1,298,843
Investment return designated for current operations	3,833,647	333	1,436	3,835,416
Sales and services of educational activities	10,261,235	—	—	10,261,235
Sales and services of auxiliary enterprises	16,164,438	—	—	16,164,438
Other sources	4,286,830	—	—	4,286,830
Net assets released from restrictions	1,484,406	(1,484,406)	—	—
Total operating revenues and gains	125,195,955	(584,768)	1,436	124,612,623
Operating expenses:				
Instruction	50,051,226	—	—	50,051,226
Academic support	16,460,562	—	—	16,460,562
Student services	11,223,795	—	—	11,223,795
Institutional support	26,353,813	—	—	26,353,813
Auxiliary enterprises	13,611,363	—	—	13,611,363
Total operating expenses	117,700,759	—	—	117,700,759
Increase (decrease) in net assets from operations	7,495,196	(584,768)	1,436	6,911,864
Nonoperating activities:				
Contributions for plant and endowment (note 5)	4,772,139	278,120	302,639	5,352,898
Net assets released for plant	582,558	(582,558)	—	—
Investment return, net of amounts designated for current operations	4,321,707	(31,907)	—	4,289,800
Depreciation in fair value of derivative instruments (note 7)	(416,093)	—	—	(416,093)
Increase (decrease) in net assets from nonoperating activities	9,260,311	(336,345)	302,639	9,226,605
Increase (decrease) in net assets	16,755,507	(921,113)	304,075	16,138,469
Net assets at the beginning of the year	111,747,757	13,522,480	22,720,075	147,990,312
Net assets at the end of the year	\$ 128,503,264	12,601,367	23,024,150	164,128,781

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

Years ended May 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 24,423,513	16,138,469
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,796,779	7,499,328
Net realized and unrealized gains on investments and deposits with bond trustees	(10,346,770)	(7,131,683)
Equipment donations	(442,044)	(623,443)
Depreciation in fair value of derivative instruments	485,973	416,093
Contributions restricted for long-term investment	(12,958,374)	(5,352,898)
Change in operating assets and liabilities, that provide (use) cash:		
Student accounts receivable, net	(869,737)	2,303,746
Other receivables	(442,439)	281,148
Inventory	106,054	117,778
Prepaid expenses and other assets	382,768	(593,203)
Contributions receivable, net	(1,065,991)	1,496,196
Accounts payable and accrued liabilities	680,536	1,647,588
Annuity and life income obligations	(86,001)	(85,919)
Deferred revenue	991,394	(1,078,833)
Net cash provided by operating activities	<u>8,655,661</u>	<u>15,034,367</u>
Cash flows from investing activities:		
Purchases of land, buildings, and equipment	(8,787,680)	(13,667,714)
Increase (decrease) in long-term loans to students	(69,165)	66,546
Proceeds from sales and maturities of investments	12,097,103	22,767,952
Purchases of investments	(24,704,222)	(28,690,046)
Net cash used in investing activities	<u>(21,463,964)</u>	<u>(19,523,262)</u>
Cash flows from financing activities:		
Repayments of principal of indebtedness	(3,305,000)	(2,975,000)
Change in deposits with bond trustees	(522,655)	3,781,786
Net increase in U.S. Government grants refundable	32,814	32,778
Contributions restricted for long-term investment	12,958,374	5,352,898
Net cash provided by financing activities	<u>9,163,533</u>	<u>6,192,462</u>
(Decrease) increase in cash and cash equivalents	<u>(3,644,770)</u>	<u>1,703,567</u>
Cash and cash equivalents at beginning of year	<u>7,547,919</u>	<u>5,844,352</u>
Cash and cash equivalents at end of year	<u>\$ 3,903,149</u>	<u>7,547,919</u>
Supplemental data:		
Interest paid	\$ 3,481,020	3,272,071
Gifts-in-kind	1,149,568	926,306

See accompanying notes to consolidated financial statements.

THE CULINARY INSTITUTE OF AMERICA

Notes to Consolidated Financial Statements

May 31, 2011 and 2010

(1) The Institute

The Culinary Institute of America (Institute) has been a leader in culinary education since 1946. The Institute has three domestic campuses, located on the East and West coasts of the United States of America in Hyde Park, NY and St. Helena, CA (Greystone), respectively, as well as a campus in San Antonio, TX. The Institute also has an international campus located in Singapore that is operated through The Culinary Institute of America Singapore, Ltd., a wholly owned subsidiary of the Institute.

At its Hyde Park campus, the Institute offers associate's degrees, in either culinary arts or baking and pastry arts, and bachelor's degrees in culinary arts management, or baking and pastry arts management. At its Greystone campus, the Institute offers either culinary arts or baking and pastry associate's degrees. At both the Greystone and San Antonio campuses, credit bearing certificate programs are offered. In addition, the Institute offers continuing education programs at all of its campuses. At the San Antonio campus, there is a focus on education in the cuisines of Hispanic and Latin American heritage. At the Singapore campus, the Institute has a collaboration agreement with the Singapore Institute of Technology for the culinary education of undergraduate degree students. In addition, the Institute operates seven public restaurants, five at the Hyde Park campus, one at the Greystone campus, and one at the San Antonio campus.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Institute's consolidated financial statements have been prepared on the accrual basis of accounting and are presented in accordance with ASC 958, which addresses the presentation of financial statements for not-for-profit entities. Accordingly, net assets and revenues, expenses, gains, and losses are classified based on the existence, or absence of donor-imposed restrictions. The net assets of the Institute are classified as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by the board of trustees or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that expire by the passage of time or can be fulfilled by actions pursuant to the stipulations.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Institute. Generally, the donors of these assets permit the Institute to use all or part of the income earned on related investments for general or specific purposes.

The Institute reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Institute's policy to record temporarily restricted contributions received and expended in the same accounting period as unrestricted.

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Notes to Consolidated Financial Statements

May 31, 2011 and 2010

Nonoperating activities include contributions to be used for facilities and equipment, or contributions for the endowment fund. Nonoperating activities also includes investment return net of amounts designated for current operations (see note 3), as well as gains or losses resulting from nonrecurring financing activities.

(b) *Cash and Cash Equivalents*

The Institute considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless they are part of long-term investment funds. Cash and cash equivalents include overnight repurchase agreements and money market accounts with an initial term of three months or less.

(c) *Revenue Recognition and Receivables*

Students are billed prior to the start of each semester. The related net revenue is deferred and recognized when the educational services are rendered. The Institute extends credit, primarily to students, in the form of notes and accounts receivable for educational expenses. Student accounts receivable do not bear interest, but long-term loans to students bear interest at rates averaging 5%.

The receivables are recorded at their current unpaid principal balance and associated interest income, if applicable, is accrued based on the principal amount outstanding and applicable interest rates. Allowances for doubtful accounts are recorded representing the amounts that, in the opinion of management of the Institute, are necessary to account for probable losses related to the receivables. These allowances are determined based upon numerous considerations, including economic conditions, the specific composition of the receivable balance, as well as trends of delinquencies and write-offs. On a periodic basis, these factors are considered and the allowances for doubtful accounts are adjusted accordingly, with a corresponding adjustment to the provision for allowance for doubtful accounts.

Reserves have been provided for accounts receivable estimated to be uncollectible at May 31, 2011 and 2010 of \$2,156,000 and \$1,800,000, respectively.

Reserves have been provided for long-term loans to students estimated to be uncollectible at May 31, 2011 and 2010 of \$315,748 and \$280,657, respectively.

Contributions, including unconditional pledges, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional pledges, net of an allowance for uncollectible amounts, are reported at their estimated net present values, and are classified as either permanently restricted or temporarily restricted. The allowance for uncollectible contributions is estimated based upon management's judgment and includes factors such as prior collection history.

Reserves have been provided for contributions receivable estimated to be uncollectible at May 31, 2011 and 2010 of \$570,939 and \$447,816, respectively.

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May 31, 2011 and 2010

(d) Investments

Investments are recorded at fair value. The Institute reports the fair value of publicly traded equity, debt and other securities, such as mutual funds, based on quoted market prices or the share values reported by the funds as of the last business day of the fiscal year. Nonmarketable securities include shares or units in alternative investment funds such as private equity and limited partnerships, which are valued using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. Such valuations generally reflect discounts for liquidity and consider variables such as financial performance of investments, including comparison of comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, and other pertinent information. Because of the inherent uncertainty of valuation for these investments, the investment manager's estimate may differ from the values that would have been used had a ready market existed.

The Institute utilizes the net asset value (NAV) reported by each of the alternative investment funds as a practical expedient for determining the fair value of the investment. These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the Institute's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the Institute's interest in the funds.

Investment return includes interest and dividends, realized gains and losses, and the change in unrealized appreciation (depreciation) on the associated investments. The average cost of investment securities sold is used to determine the basis for computing realized gains or losses, and the Institute accounts for investment sales and purchases on a trade date basis.

The Institute may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Major U.S. and foreign equity and fixed income indices have experienced volatility and, in some cases, significant declines. Management is monitoring investment market conditions and the impact such decline may have on the Institute's investment portfolio. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investments in the near term would materially affect the amounts reported in the consolidated statements of financial position and activities.

(e) Inventory

Inventory primarily represents restaurant operating supplies and food and beverage and are stated at the lower of cost, determined principally on the weighted average cost method, or market.

(f) Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost or, in the case of gifts, at appraised value at date of the gift.

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Interest costs incurred during construction are capitalized, net of interest earned on construction funds. The amount capitalized during fiscal year 2010 was \$64,870.

Depreciation is recorded using the straight-line method with estimated useful lives used in the calculation of depreciation by major category of assets are as follows:

Buildings and building improvements	50 years
Furniture and equipment	7 years
Computer equipment	5 years

(g) *Bond Issuance Costs*

Costs incurred for issuance of bonds are capitalized and amortized over the life of the related debt.

(h) *Derivative Instruments and Hedging Activities*

The Institute accounts for derivative investments in accordance with ASC 815, *Derivatives and Hedging*, which requires that all derivative instruments be recognized in the consolidated financial statements and measured at fair value regardless of the purpose or intent for holding them. The Institute currently only has interest rate swaps that are being adjusted to fair value, based upon information provided by financial institutions, through net assets.

(i) *Taxation*

The Institute has a tax determination letter dated February 22, 1973, from the Internal Revenue Service stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code. The Institute believes it has taken no significant uncertain tax positions.

(j) *Program Services*

Program services include expenses for Instruction, Academic support, Student services, and Auxiliary enterprises. Total program service expenses for the years ended May 31, 2011 and 2010 were \$96,638,876 and \$91,346,946, respectively.

(k) *Commitments and Contingencies*

Liabilities for loss contingencies arising from claims, assessments, litigation, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

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Notes to Consolidated Financial Statements

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The Institute applies ASC 410, *Asset Retirement and Environmental Obligations*, as they relate to conditional asset retirement obligations. ASC 410 requires that entities recognize a liability for the fair value of conditional asset retirement obligations if their fair values can be reasonably estimated. The Institute has identified a specific legal obligation related to an environmental remediation matter as a conditional asset retirement obligation. The liability associated with this obligation cannot be reasonably estimated due to the fact that a settlement date cannot be determined. Management does not believe that this item is material to the Institute's consolidated financial statements.

(l) *Risks and Uncertainties*

The Institute may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Major U.S. and foreign equity and fixed income indices have experienced volatility and, in some cases, significant declines. Management is monitoring investment market conditions and the impact such decline may have on the Institute's investment portfolio. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

(m) *Management Estimates*

The preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of land, buildings, and equipment, the valuation of derivative instruments, and valuation allowances for receivables, and the valuation of certain investments. Actual results could differ from those estimates.

(n) *Fair Value*

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents, investments, student accounts receivable, other receivables, deposits with trustees, accounts payable – The carrying amounts approximate fair value because of the short maturity of these instruments or they have been otherwise recorded at their estimated fair value.

Long-term loans to students – Determination of the fair value cannot be made as these notes are comprised of federally sponsored student loans that bear interest rates and repayment terms, and are subject to significant restrictions on their transfer and disposition.

Bonds and notes payable – The fair value of long-term debt is based on quoted market prices for similar issues. The fair value of the Institute's long-term debt is approximately \$98,000,000 at May 31, 2011.

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Notes to Consolidated Financial Statements

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Interest rate swaps – The interest rate swap agreements are recorded at fair value within the accompanying consolidated financial statements based on dealer quotes of the estimated settlement amounts required of the Institute if the agreement was terminated, taking into consideration current interest rates.

(3) Investments

The investment objective of the Institute is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The Institute's investment strategy incorporates a diversified asset allocation approach that maintains, within defined limits, exposure to domestic and international equities, fixed income, real estate, and private equity markets. The majority of the Institute's investments are managed in a pooled fund that consists primarily of endowment assets.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Institute has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. A majority of the investments classified as Level 2 and 3 have been valued using net asset value provided by the fund manager as the practical expedient and the determination of the level within the fair value hierarchy is based upon the ability to liquidate at or near the balance sheet date.

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Notes to Consolidated Financial Statements

May 31, 2011 and 2010

The Institute's investments of May 31, 2011 are summarized in the following table by their fair value hierarchy classification:

	<u>May 31, 2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Redemption frequency</u>	<u>Days notice</u>
Investments:						
Time deposits and short-term funds	\$ 10,259,443	10,259,443	—	—	Daily	1 – 3
Equity securities:						
Large cap equity	16,256,777	11,353,735	4,903,042	—	Daily-Monthly	1 – 30
Small/Mid cap equity	7,107,701	5,543,845	1,563,856	—	Daily	1 – 3
International equity	9,720,076	—	9,720,076	—	Daily-Quarterly	1 – 90
Comingled equity and debt funds	19,563,680	19,476,943	86,737	—	Daily	1 – 3
U.S. government debt securities	2,104,304	2,104,304	—	—	Daily	1 – 3
Corporate debt securities	7,159,112	7,159,112	—	—	Daily	1 – 3
Mortgage backed securities	822,910	822,910	—	—	Daily	1 – 3
Private equity and limited partnerships	26,565,388	—	16,874,526	9,690,862	Quarterly-NA	90 – NA
Land and other	1,100,000	—	1,100,000	—	NA	NA
Total investments	<u>\$ 100,659,391</u>	<u>56,720,292</u>	<u>34,248,237</u>	<u>9,690,862</u>		

The Institute's investments of May 31, 2010 are summarized in the following table by their fair value hierarchy classification:

	<u>May 31, 2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Redemption frequency</u>	<u>Days notice</u>
Investments:						
Time deposits and short-term funds	\$ 10,141,430	10,141,430	—	—	Daily	1 – 3
Equity securities:						
Large Cap Equity	16,889,361	8,951,073	7,938,288	—	Daily-Monthly	1 – 30
Small/Mid Cap Equity	6,399,109	4,082,344	2,316,765	—	Daily	1 – 3
International Equity	7,717,477	—	7,717,477	—	Daily-Quarterly	1 – 90
Comingled equity and debt funds	6,686,271	6,602,942	83,329	—	Daily	1 – 3
U.S. government debt securities	2,326,309	2,326,309	—	—	Daily	1 – 3
Corporate debt securities	5,550,311	5,550,311	—	—	Daily	1 – 3
Mortgage backed securities	1,092,533	1,092,533	—	—	Daily	1 – 3
Private equity and limited partnerships	19,835,362	—	15,333,247	4,502,115	Quarterly-NA	90 – NA
Land and other	1,100,000	—	1,100,000	—	NA	NA
Total investments	<u>\$ 77,738,163</u>	<u>38,746,942</u>	<u>34,489,106</u>	<u>4,502,115</u>		

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The following table presents the Institute's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended May 31, 2011 and 2010:

	Private Equity and Limited Partnerships	
	2011	2010
Beginning of year balance	\$ 4,502,115	455,383
Transfer in	4,071,511	—
Total realized and unrealized gains/(losses)	517,236	151,732
Purchases	600,000	3,895,000
End of year balance	<u>\$ 9,690,862</u>	<u>4,502,115</u>

The following schedule summarizes the investment return and its classification in the accompanying consolidated statements of activities:

	2011	2010
Interest income and dividends	\$ 1,229,645	1,227,967
Net realized and unrealized gains and losses	10,301,649	7,099,073
Directly paid managed investment fees	<u>(175,520)</u>	<u>(201,824)</u>
Total return on investments	11,355,774	8,125,216
Investment return designated for current operations	<u>(3,760,063)</u>	<u>(3,835,416)</u>
Investment return, net of amounts designated for current operations	<u>\$ 7,595,711</u>	<u>4,289,800</u>

Liquidity

The investments fair value as of May 31, 2011 are summarized below by redemption period:

Investments redemption period:	
Daily	\$ 60,271,318
Monthly	6,175,112
Quarterly	22,921,250
Semi-annual	3,906,944
Lock up until liquidated	<u>7,384,767</u>
Total	<u>\$ 100,659,391</u>

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The limitations and restrictions on the Institute's ability to redeem or sell these investments vary by investment and range from required notice periods (generally 30 to 180 days after initial lock-up periods) for certain limited partnership and hedge funds, to specified terms at inception (generally 10 years) associated with private equity and venture capital interests. Based upon the terms and conditions in effect at May 31, 2011, the expirations of redemption lock-up periods are summarized in the table below:

Fiscal year:	
2012	\$ 3,906,944
2017 and thereafter	<u>5,783,918</u>
Total	<u>\$ 9,690,862</u>

Under the terms of certain limited partnership agreements, the Institute is obligated periodically to advance additional funding for certain funds that the Institute is invested in. At May 31, 2011, the Institute had capital commitments of \$2,763,000 for which calls had not been exercised. Such commitments generally have fixed expiration dates or other termination dates. The Institute maintains sufficient liquidity in its investment portfolio to cover such commitments.

(4) Endowment Funds

The Institute's endowment consists of funds established for a variety of purposes, including both donor restricted endowment funds and funds designated by the Institute to function as endowments (Board designated).

Return Objectives and Risk Parameters

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity or for a donor-specified period as well as board-designated funds. The primary investment objective of the management of the endowment fund is to maintain and grow the fund's real value by generating average annual real returns that meet or exceed the spending rate, after inflation, management fees, and administrative costs. Consistent with this goal, the Board of Trustees and the Investment Committee intend that the endowment fund be managed with an intention to maximize total returns consistent with prudent levels of risk, and reduce portfolio risk through asset allocation and diversification.

Strategies Employed for Achieving Objects

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee is responsible for establishing an asset allocation policy. The asset allocation policy is designed to attempt to achieve diversity among capital markets and within capital markets, by investment discipline and management style. The Investment Committee designs a policy portfolio in light of the endowment's needs for liquidity, preservation of purchasing power, and risk tolerance.

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The Institute targets a diversified asset allocation that places emphasis on investments in domestic and international equities, fixed income, private equity, and hedge funds strategies to achieve its long-term return objectives within prudent risk constraints. The Investment Committee reviews the policy portfolio asset allocation, exposures, and risk profile on an ongoing basis.

Spending Policy

The Institute has a policy of appropriating for distribution each year a percentage of its endowment fund based on the fund's average fair value over the prior 12 quarters. The spending rate was 5.0% for both the years ended May 31, 2011 and 2010. In establishing this policy, the Institute considered the long-term expected return on its endowment. Accordingly, over the long term, the Institute expects the current spending policy to allow its endowment to grow at an average of 2.0% real growth plus the rate of inflation (as measured by the Consumer Price Index). This is consistent with the Institute's objective to maintain the purchasing power of the endowment assets held as well as to provide additional growth through new gifts and investment return.

In establishing these policies, the Institute considered the expected return on its endowment and its programming needs. Accordingly, the Institute expects the current spending policy to allow its endowment to maintain its purchasing power and to provide a predictable and stable source of revenue to the annual operating budget. Additional real growth will be provided through new gifts, any excess investment return, or additions by the Board of Trustees.

The following is a summary of the Institute's endowment net asset composition by type of fund as of May 31, 2011 and 2010:

2011				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$ (2,004,481)	11,186,689	22,811,552	31,993,760
Board designated (quasi)	61,099,541	—	—	61,099,541
	<u>\$ 59,095,060</u>	<u>11,186,689</u>	<u>22,811,552</u>	<u>93,093,301</u>
2010				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$ (3,654,376)	1,791,266	22,620,863	20,757,753
Board designated (quasi)	52,145,117	—	—	52,145,117
	<u>\$ 48,490,741</u>	<u>1,791,266</u>	<u>22,620,863</u>	<u>72,902,870</u>

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The reconciliation of permanently restricted endowment net assets to permanently restricted net assets at May 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Permanent endowment investment balance	\$ 22,811,552	22,620,863
Permanent endowment pledge receivable	220,111	403,287
Permanent restricted net assets	<u>\$ 23,031,663</u>	<u>23,024,150</u>

During fiscal year 2011, the Institute's management determined that certain endowment balances comprising its permanently restricted fund, as of May 31, 2011, had market values less than their historical corpus values. Aggregate shortfalls amounted to \$2,004,481 and are accounted for in the unrestricted fund. Permanent endowment corpuses are separately maintained in the Permanent Fund. Endowment earnings shortfalls are covered by investments held in unrestricted net assets.

The following is a summary of the components of the return of the endowment pool and changes in endowment net assets for the years ended May 31, 2011 and 2010:

	<u>2011</u>			<u>2010</u>		
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
Endowment net assets, beginning of year	\$ 48,490,741	1,791,266	22,620,863	41,198,470	1,790,933	22,219,646
Dividends and interest	844,586	325,141	1,289	1,201,365	333	1,436
Net realized and unrealized gains/losses	8,013,074	3,059,500	—	7,350,711	—	—
Contributions and Pledge payments	380,119	8,616,840	189,400	164,675	—	399,781
Endowment transfer for operations	(289,719)	(949,799)	—	(1,424,480)	—	—
Funding transfer for endowment shortfalls	1,915,532	(1,915,532)	—	—	—	—
Net asset reclassification for ASC 958-205	(259,273)	259,273	—	—	—	—
Endowment net assets, end of year	<u>\$ 59,095,060</u>	<u>11,186,689</u>	<u>22,811,552</u>	<u>48,490,741</u>	<u>1,791,266</u>	<u>22,620,863</u>

In September 2010, New York State enacted New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA). The Institute has interpreted NYPMIFA as allowing the Institute to spend or accumulate the amount of an endowment fund that the Institute determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The Institute has not changed the way permanently restricted net assets are classified as a result of this interpretation and classifies as permanently restricted net assets (a) the original values of gifts donated to permanent endowments, (b) the original values of subsequent gifts to permanent endowments, and (c) accumulations to permanent endowments made in accordance with the directions of the applicable donors' gift instruments at the times the accumulations are added to the funds. Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities*, requires the portion of a donor restricted endowment fund that is not classified in permanently restricted net assets to be classified as temporarily restricted net assets until those amounts are appropriated

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for spending by the Institute's Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Investment Committee considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Institute and the endowment fund
- General economic conditions
- The expected total return from income and the appreciation of investments
- Other resources of the Institute
- Where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of and endowment fund, giving due consideration to the effect that such alternatives may have on the Institute
- The investment policies of the Institute

As a result of the adoption of ASC 958-205 the Institute has reclassified \$259,273 from unrestricted net assets to temporarily restricted net assets.

(5) Contributions and Contributions Receivable

At May 31, 2011, contributions receivable are expected to be collected as follows:

Year ending May 31:	
2012	\$ 2,570,328
2013	3,639,969
2014	581,000
2015	430,905
2016	251,000
Thereafter	<u>2,446,576</u>
	9,919,778
Less present value discount (5%)	(1,441,639)
Less allowance for doubtful receivables	<u>(570,939)</u>
Total	<u><u>\$ 7,907,200</u></u>

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Net contributions include gifts which support both operating and nonoperating activities of the Institute. Operating and nonoperating contributions for the year ended May 31, 2011 are comprised of the following:

	2011	2010
Pledge revenue	\$ 5,025,000	1,019,155
Cash and other gift revenue	11,610,804	7,062,681
Gifts-in-kind	1,149,568	926,306
Gross contributions	<u>17,785,372</u>	<u>9,008,142</u>
Receivable write-offs and net change in allowance for doubtful receivables	(427,959)	(160,636)
Net change in present value adjustment	<u>(860,684)</u>	<u>161,740</u>
Net contributions	<u>\$ 16,496,729</u>	<u>9,009,246</u>

For the years ended May 31, 2011 and 2010, the Institute's fundraising expense amounted to \$2,336,810 and \$2,076,007, respectively. These amounts do not include expenses incurred for fundraising events which amounted to \$682,554 and \$517,562, respectively.

(6) Land, Buildings, and Equipment

Land, buildings, and equipment as of May 31 consists of:

	2011	2010
Land	\$ 7,373,865	7,373,865
Buildings and building improvements	222,676,116	214,784,945
Furniture and equipment	56,792,505	53,590,561
Construction-in-progress	<u>2,471,152</u>	<u>4,334,543</u>
	289,313,638	280,083,914
Less accumulated depreciation	<u>(99,697,886)</u>	<u>(92,081,221)</u>
Total	<u>\$ 189,615,752</u>	<u>188,002,693</u>

During fiscal year 2011, the Institute completed the major renovation and equipping of the San Antonio campus. The Project was funded by major donations.

Depreciation of buildings and building improvements, and furniture and equipment was \$7,616,665 and \$7,317,842 for the fiscal years ended May 31, 2011 and 2010, respectively.

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(7) Bonds Payable

Bonds payable are comprised of the following at May 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Dormitory Authority of the State of New York Insured Revenue Bonds, Series 1999 (a)	\$ 13,725,000	14,450,000
Dormitory Authority of the State of New York Insured Revenue Bonds, Series 2004 (b)	36,750,000	37,840,000
Dormitory Authority of the State of New York Insured Revenue Bonds, Series 2004D (c)	16,950,000	17,400,000
Dormitory Authority of the State of New York Insured Revenue Bonds, Series 2006 (d)	14,025,000	14,325,000
California Statewide Communities Development Authority Insured Revenue Bonds, Series 2008 (e)	16,945,000	17,685,000
	<u>\$ 98,395,000</u>	<u>101,700,000</u>

- (a) In fiscal year 1999, the Institute issued \$20,275,000 of insured revenue bonds through the Dormitory Authority of the State of New York (Series 1999 Bonds) to (1) finance the construction and equipping of the Retail Bakeshop on the Institute's Hyde Park campus and (2) refund in full the Dormitory Authority Insured Revenue Bonds, Series 1992 Bonds.

The Series 1999 Bonds, with interest payable at rates ranging from 4.0% to 5.375%, are secured by the pledge and assignment to a financial institution (Trustee) of amounts recorded in the Debt Service Reserve Fund (note 8). Additionally, the bonds are secured by pledged tuition revenues (as defined in the loan agreement), a mortgage on the Retail Bakeshop and security interests in certain fixtures, furnishings, and equipment located therein.

- (b) In fiscal year 2004, the Institute issued \$43,205,000 of insured revenue bonds through the Dormitory Authority of the State of New York (Series 2004 Bonds) to (1) finance the construction and equipping of new student townhouses and parking lot improvements on the Institute's Hyde Park campus and (2) refund previously issued bonds.

Series 2004A Bonds were issued for \$9,760,000, with interest payable at rates ranging from 2.0% to 4.0%. The Series 2004A Bonds are secured by the pledge and assignment to a financial institution (Trustee) of amounts recorded in the Debt Service Reserve Fund (note 8). Additionally, the bonds are secured by pledged tuition revenues (as defined in the loan agreement), a mortgage on the new student townhouses and security interests in certain fixtures, furnishings and equipment located therein. The proceeds from this bond issue were used to defease previously issued bonds.

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Series 2004B Bonds were issued for \$9,720,000, with interest payable at fixed rates ranging from 2.5% to 4.0%. These bonds are also secured by the pledge and assignment to a financial institution (Trustee) of amounts recorded in the Debt Service Reserve Fund (note 8). Additionally, the bonds are secured by pledge tuition revenues (as defined in the loan agreement), a mortgage on the new student townhouses and security interests in certain fixtures, furnishings and equipment located therein.

Series 2004C Bonds were issued for \$23,725,000. These bonds are also secured by the pledge and assignment to a financial institution (Trustee) of amounts recorded in the Debt Service Reserve Fund (note 8). Additionally, the bonds are secured by pledged tuition revenues (as defined in the loan agreement), a mortgage on the new student townhouses and security interests in certain fixtures, furnishings and equipment located therein. For the Series 2004C Bonds, the Institute entered into an interest rate swap agreement, the effect of which is to modify the interest rate characteristics of the Series 2004C Bonds from a floating to a fixed rate. The interest rate swap agreement requires the Institute to pay a fixed rate of interest (3.359%) and receive variable rates of interest based on fluctuations in the one-month LIBOR rate. The original notional amount of this interest rate swap was \$23,725,000 and decreases consistent with the scheduled principal payments on the associated Series 2004C Bonds. The swap agreement matures on July 1, 2033.

During fiscal year 2008, the Institute completed a reoffering of the Series 2004C Bonds in order to modify the variable interest rate mode from the Auction Rate Mode to the Weekly Rate Mode, as defined and provided for within the combined Reoffering Circular. Also, the associated bond series have been additionally secured by an irrevocable, transferable direct pay letter of credit issued by TD Banknorth N.A. under terms of a Reimbursement Agreement dated May 1, 2008 between the Institution and the aforementioned bank. This letter of credit will expire in May of 2012.

- (c) In fiscal year 2005, the Institute issued \$19,000,000 of insured revenue bonds through the Dormitory Authority of the State of New York (Series 2004D Bonds) to finance the construction of a new parking plaza and admissions building on the Institute's Hyde Park campus.

These bonds are secured by the pledge and assignment to a financial institution (Trustee) of amounts recorded in the Debt Service Reserve Fund (note 8). Additionally, the bonds are secured by pledged tuition revenues (as defined in the loan agreement), a mortgage on the new Admissions Building and Anton Parking Plaza and security interests in certain fixtures, furnishings and equipment located therein. For the Series 2004D Bonds, the Institute entered into an interest rate swap agreement, the effect of which is to modify the interest rate characteristics of the Series 2004D Bonds from a floating to a fixed rate. The interest rate swap agreement requires the Institute to pay a fixed rate (3.597%) and receive variable rates of interest based on fluctuations in the one-month LIBOR rate. The original notional amount of this interest rate swap was \$14,000,000 and decreases consistent with the scheduled principal payments on the associated Series 2004D Bonds. The swap agreement matures on July 1, 2034.

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During fiscal year 2008, the Institute completed a reoffering of the Series 2004D Bonds in order to modify the variable interest rate mode from the Auction Rate Mode to the Weekly Rate Mode, as defined and provided for within the combined Reoffering Circular. Also, the associated bond series have been additionally secured by an irrevocable, transferable direct pay letter of credit issued by TD Banknorth N.A. under terms of a Reimbursement Agreement dated May 1, 2008 between the Institution and the aforementioned bank. This letter of credit will expire in May of 2012.

- (d) In fiscal year 2007, the Institute issued \$15,125,000 of insured revenue bonds through the Dormitory Authority of the State of New York (Series 2006 Bonds) to finance the construction of two additional student townhouses on the Institute's Hyde Park campus.

These bonds are secured by the pledge and assignment to a financial institution (Trustee) of amounts recorded in the Debt Service Reserve Fund (note 8). Additionally, the bonds are secured by pledged tuition revenues (as defined in the loan agreement), a mortgage on the new townhouses and security interests in certain fixtures, furnishings, and equipment located therein. For the Series 2006 Bonds, the Institute entered into an interest rate swap agreement, the effect of which is to modify the interest rate characteristics of the Series 2006 Bonds from a floating to a fixed rate. The interest rate swap agreement requires the Institute to pay a fixed rate (3.678%) and receive variable rates of interest based on fluctuations in the one-month LIBOR rate. The original notional amount of this interest rate swap was \$15,125,000 and decreases consistent with the scheduled principal payments on the associated Series 2006 Bonds. The swap agreement matures on July 1, 2036.

During fiscal year 2008, the Institute completed a reoffering of the Series 2006 Bonds in order to modify the variable interest rate mode from the Auction Rate Mode to the Weekly Rate Mode, as defined and provided for within the combined Reoffering Circular. Also, the associated bond series have been additionally secured by an irrevocable, transferable direct pay letter of credit issued by TD Banknorth N.A. under terms of a Reimbursement Agreement dated May 1, 2008 between the Institution and the aforementioned bank. This letter of credit is renewed annually with a current maturity date of May 31, 2011.

- (e) In fiscal year 2009, the Institute issued \$18,200,000 of variable rate demand bonds through the California Statewide Communities Development Authority (Series 2008 Bonds) to (1) finance the renovation and equipping of the student residential property and the campus store located at Greystone and (2) refund in full the previously issued California Statewide Communities Development Authority (Series 2005 Bonds).

These bonds are secured by the pledge and assignment to a financial institution (Trustee) of amounts recorded in the Project Fund (note 8). This is a 3-year agreement with maturity occurring in November 2011. Additionally, the bonds are secured by pledged tuition revenues (as defined in the loan agreement) subject to the prior DASNY pledges and a first lien mortgage on the Greystone campus. In connection with the issuance of the Series 2005 Bonds, the Institute entered into an interest rate swap agreement, the effect of which is to modify the interest rate characteristics of the Series 2005 Bonds and subsequently, the refunding portion of the Series 2008 Bonds from a floating to fixed rate. The interest rate swap agreement requires the Institute to pay a fixed rate (3.23%) and receive variable rates of interest based on fluctuations in the one-month LIBOR rate. The original notional amount of this interest rate swap was \$14,150,000 and decreases consistent with the

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scheduled principal payments on the associated Series 2005 Bonds which were refunded by the Series 2008 Bonds.

During fiscal year 2011, the Institute completed a remarketing of the Series 2008 Bonds which converted the Bonds from variable rate bonds secured by a bank letter of credit to variable rate bank qualified private placement bonds. The converted Series 2008 Bonds were purchased by TD Bank, NA and are subject to a Continuing Covenants Agreement dated October 29, 2010 between the Institute and the aforementioned bank. The purchase period is for ten years expiring in 2020. The 2005 interest rate swap agreement continues to hedge a portion of the converted Series 2008 Bonds.

Scheduled maturities of bonds payable are summarized as follows:

Year ending May 31:	
2012	\$ 3,400,000
2013	3,545,000
2014	3,665,000
2015	3,805,000
2016	3,975,000
Thereafter through 2039	<u>80,005,000</u>
	<u>\$ 98,395,000</u>

Total interest expense for the years ended May 31, 2011 and 2010, was \$3,614,856 and \$3,410,884, respectively.

The fair values of the interest rate swaps are included on the accompanying consolidated statements of financial position and the change in the fair values is reported as appreciation or depreciation in fair value of derivative instruments within the statements of activities. The counterparties to these arrangements are major financial institutions with which the Institute also has other financial relationships. The Institute is exposed to credit loss in the event of nonperformance by the counterparties. However, the Institute does not anticipate nonperformance by the counterparties. Further, in accordance with collateral requirements set forth in the swap agreements, the Institute deposited \$900,000 with the counterparties at May 31, 2011. The restricted collateral is included within cash and cash equivalents in the accompanying consolidated statement of financial position.

Credit Facility

The Institute has an unsecured line of credit totaling \$3.0 million. At May 31, 2011 and 2010, there were no outstanding borrowings under this line. The interest rate fluctuates from time to time based on changes in the prime or market interest rates.

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(8) Deposits with Bond Trustees

Funds on deposit with bond trustees, primarily representing investments in U.S. Treasury obligations at fair value, relate to the Series 1999, Series 2004, Series 2004D, Series 2006, and Series 2008, Bonds as follows:

	Debt Service Fund	Debt Service Reserve Fund	Project Fund	Arbitrage Fund	Total
Series 1999	\$ 984,111	1,465,212	—	15,508	2,464,831
Series 2004	1,252,605	2,207,337	—	—	3,459,942
Series 2004D	415,995	944,941	—	—	1,360,936
Series 2006	284,368	718,325	—	—	1,002,693
Series 2008	—	—	23,723	—	23,723
2011 Total	<u>\$ 2,937,079</u>	<u>5,335,815</u>	<u>23,723</u>	<u>15,508</u>	<u>8,312,125</u>
2010 Total	<u>\$ 2,882,115</u>	<u>4,859,175</u>	<u>—</u>	<u>15,519</u>	<u>7,756,809</u>

At May 31, 2011, the Institute is required to maintain Debt Service Reserve Funds of an aggregate minimum in the amount of \$3,819,757, which are available to cover any deficits in the Debt Service Fund.

(9) Retirement Plan

All employees of the Institute who have been employed by the Institute for at least one year and work in excess of 1,000 hours annually are eligible to participate in the Institute's Retirement Defined Contribution Plan with the Teacher's Insurance and Annuity Association, College Retirement Equities Fund (TIAA/CREF). Under this plan, the Institute makes annual contributions which are immediately vested for the benefit of the participants. For the years ended May 31, 2011 and 2010, the expense amounted to \$3,264,222 and \$3,165,433, respectively.

The Institute also has a Supplemental Tax Deferred Annuity Plan with TIAA/CREF for employees who want to make additional retirement contributions. There is no pension expense to the Institute for this plan.

(10) Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

	2011	2010
Gifts for operations	\$ 1,671,626	1,590,904
Gifts for scholarships	1,087,845	1,381,603
Gifts for Campaign for Excellence	2,878,705	—
Gifts for plant	5,788,750	7,837,594
Term endowment	11,186,689	1,791,266
Total	<u>\$ 22,613,615</u>	<u>12,601,367</u>

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Temporarily restricted net assets included contributions receivable of \$7,687,086 and \$7,052,115 at May 31, 2011 and 2010, respectively.

Permanently restricted net assets consist entirely of endowment corpus and pledges, with donor stipulations that they be invested in perpetuity for the following purposes:

	<u>2011</u>	<u>2010</u>
Student scholarships	\$ 8,785,357	8,831,159
Library support	10,109,551	10,099,410
Building maintenance	2,460,355	2,410,355
Operating support	<u>1,676,400</u>	<u>1,683,226</u>
Total	<u>\$ 23,031,663</u>	<u>23,024,150</u>

(11) Commitment

In January 2008 the Institute and Silver Ventures established a campus located in San Antonio, Texas. The campus was constructed and furnished by Silver Ventures. A “bargain sale” lease agreement of \$1 per month has been paid by the Institute since the signing of the original pledge agreement between the Institute and Silver Ventures. In August 2010, the Institute and Silver Ventures signed an amended pledge agreement which included conditional pledge milestone payments totaling \$20 million. The first milestone, for \$8.5 million, was for the San Antonio campus receiving accreditation for a degree program, was reached in April 2011. There remains \$11.5 million as a conditional pledge for three more milestones for the San Antonio campus.

(12) Subsequent Events

The Institute considers events or transactions that occur after the balance sheet date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These consolidated financial statements were issued on September 21, 2011 and subsequent events have been evaluated through that date.