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AQUINAS COLLEGE

FINANCIAL STATEMENTS

Year Ended June 30, 2011

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GRANNIS & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Aquinas College
Nashville, Tennessee

We have audited the accompanying statement of financial position of Aquinas College (a Tennessee nonprofit corporation) as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aquinas College as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 14, 2011 on our consideration of Aquinas College'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements.

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Such information is the responsibility of management and was derived from and relates 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 basic 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.

Jannis & Associates, P.C.

Murfreesboro, Tennessee
October 14, 2011

AQUINAS COLLEGE

STATEMENT OF FINANCIAL POSITION

June 30, 2011

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash	$ 2,784,572	$ 2,501,065	$ -	$ 5,285,637
Accounts receivable, net	76,128	-	-	76,128
Unconditional promises to give, net	-	2,480,467	-	2,480,467
Prepaid expenses	27,460	-	-	27,460
Investments	4,594,212	1,233,965	2,852,336	8,680,513
Property and equipment, net	3,383,006	-	-	3,383,006
Total Assets	$ 10,865,378	$ 6,215,497	$ 2,852,336	$19,933,211

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Liabilities				
Accounts payable and accrued expenses	$ 140,565	$ -	$ -	$ 140,565
Deferred revenues and student deposits	402,322	-	-	402,322
Total Liabilities	542,887	-	-	542,887
Net Assets	10,322,491	6,215,497	2,852,336	19,390,324
Total Liabilities and Net Assets	$ 10,865,378	$ 6,215,497	$ 2,852,336	$19,933,211

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

AQUINAS COLLEGE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Reclassifications				
Gross tuition and fees	$ 10,074,169	$ -	$ -	$10,074,169
Less: scholarship allowance	(2,921,385)	-	-	(2,921,385)
Net Tuition and Fees	7,152,784	-	-	7,152,784
Private gifts and grants	1,375,891	11,866	15,682	1,403,439
Government grants	1,169,088	-	-	1,169,088
Sales and services of auxiliary enterprises	80,363	-	-	80,363
Investment income, net	765,517	632,692	-	1,398,209
Loss on disposal of fixed assets	(523)	-	-	(523)
Other revenue	65,117	-	-	65,117
Total Revenues and Gains	10,608,237	644,558	15,682	11,268,477
Net assets released from restrictions	409,887	(409,887)	-	-
Total Revenues, Gains and Reclassifications	11,018,124	234,671	15,682	11,268,477
Expenses				
Programs:				
Education and general				
Instruction	3,814,980	-	-	3,814,980
Academic support	954,992	-	-	954,992
Student services	859,100	-	-	859,100
Auxiliary enterprises	45,405	-	-	45,405
Institutional support	2,449,038	-	-	2,449,038
Operation and maintenance of physical plant	965,779	-	-	965,779
Total Expenses	9,089,294	-	-	9,089,294
Change in Net Assets	1,928,830	234,671	15,682	2,179,183
Net Assets, Beginning of Year	8,393,661	5,980,826	2,836,654	17,211,141
Net Assets, End of Year	$ 10,322,491	$ 6,215,497	$ 2,852,336	$19,390,324

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

AQUINAS COLLEGE

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2011

Cash Flows from Operating Activities	
Increase in net assets	$ 2,179,183
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	275,180
Noncash donations of property	(208,334)
Loss on disposal of assets	523
Change in allowance for doubtful accounts	(49,616)
Change in pledge discount	190,480
Net unrealized gains on investments	(1,276,745)
Net realized gains on investments	(316)
Change in assets and liabilities:	
Decrease in accounts receivable	25,164
Decrease in unconditional promises to give	334,240
Decrease in bookstore inventory	668
Decrease in prepaid expenses	10,203
Decrease in accounts payable and accrued expenses	(58,813)
Decrease in deferred revenues	(97,754)
Contributions restricted for long-term purposes	(15,682)
Net Cash Provided by Operating Activities	1,308,381
Cash Flows from Investing Activities	
Purchases of property and equipment	(564,551)
Proceeds on sale of property and equipment	795
Proceeds on sales of investments	187,790
Net Cash Used By Investing Activities	(375,966)
Cash Flows from Financing Activities	
Contributions restricted for long-term purposes	15,682
Net Increase in Cash	948,097
Cash at Beginning of Year	4,337,540
Cash at End of Year	$ 5,285,637

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

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Aquinas College (the "College") is a private Catholic institution of higher education. Chartered on June 24, 1970 in Tennessee as a nonprofit corporation, the College has been in continuous operations since that time. The College offers an academically challenging liberal arts and sciences curriculum, and is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools.

The College is part of the Dominican Campus and is located on 83 wooded acres in Nashville, Tennessee. Owned and administered by the Dominican Sisters of St. Cecilia Congregation. The Dominican Sisters have been educating children, youth and adults of Nashville for over 150 years, leading students to a deeper knowledge of their faith, their heritage, and their responsibilities as members of society.

This summary of significant accounting policies of the College is presented to assist in understanding the College's financial statements. The financial statements and notes are representations of the College's management who is responsible for their integrity and objectivity.

Basis of Presentation

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America. These financial statements, presented on the accrual basis of accounting, have been prepared to focus on the College as a whole, and present balances and transactions classified according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and activities into three classes: permanently restricted, temporarily restricted or unrestricted.

Classification of Net Assets

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

Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purpose by actions of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

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

Permanently restricted net assets are subject to donor-imposed stipulations that the funds be maintained permanently by the College. Generally, the donors of such assets permit the College to use all or part of the income earned on the assets. Such assets primarily include the College's permanent general and scholarship endowments.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less, except for investments purchased with endowment assets, which are classified as long-term investments.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the College.

Unemployment Compensation

The College chose to be self-insured for unemployment compensation purposes. Any unemployment claims filed will be required to be paid by the College.

Contributions

Contributions, including unconditional promises to give, 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 at the date of donation. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Income taxes

The College qualifies as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the College qualifies for the charitable contribution deduction and has been classified by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The Financial Accounting Standards Board issued ASC 740-10, which prescribed a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal Return of Organization Exempt From Income Tax (Form 990) are subject to examination by the IRS, generally for three years after they were filed.

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment and Improvements

Buildings and equipment are stated at cost at the date of acquisition or estimated fair value at the date of donation less accumulated depreciation. Only major replacements and improvements are capitalized.

Equipment and improvements are recorded at cost or at estimated fair market value at date of gift donated. Buildings and improvements are depreciated over a range of 15 to 40 years and equipment is depreciated over a range of 5 to 10 years. Depreciation expense for the year was $275,180.

Furniture and equipment are capitalized when the purchase price is greater than $2,000 and have a useful life of more than 2 years. In addition, items that are part of a group purchase with a useful life greater than 2 years may also be capitalized even though individually the items may fall under the $2,000 threshold.

Investments

Investments in marketable equity and debt securities are stated at published market quotations. Investments in certificates of deposit or money market accounts are stated at cost, which approximates fair value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with investments, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the statement of financial position.

Dividends and interest earned on investments are recorded on the accrual basis.

Revenue Recognition

Revenue from tuition and fees is reported in the fiscal year in which the related academic services are rendered.

Advertising

The College follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the year was $58,367.

Auxiliary Enterprise

The College's auxiliary enterprise exists primarily to furnish goods and services to students. Managed as essentially a self-supporting activity, the College's auxiliary enterprise consists of the College bookstore. The bookstore operation was significantly reduced during the year due to the majority of textbooks purchased by students online and the winding down of Adult Studies. Auxiliary enterprise revenues and expenses are reported in the statement of activities in unrestricted net assets.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Commitments

The Organization has an employment agreement with its Campus Minister, which extends through July 31, 2011. The aggregate commitment under this agreement was approximately $2,000 at June 30, 2011.

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents and unconditional promises to give to be received in less than one year approximate fair value because of the short maturity of those financial instruments. The fair value of unconditional promises to give to be received in more than one year is determined based on future cash flows discounted at 3.25%.

The College's financial instruments at June 30, 2011, are summarized as follows:

	Carrying Amount	Fair Value
Financial assets:		
Cash	$ 5,285,637	$ 5,285,637
Unconditional promises to give	2,480,467	2,480,467

NOTE B - ACCOUNTS RECEIVABLE

The majority of the College's accounts receivable are due from students of the College for tuition and fees. Credit is extended based on evaluation of a student's financial condition and collateral is not required. Student accounts receivables are stated at amounts due, net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. The College determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the College's previous loss history, and the individual student's current ability to pay its obligation to the College.

Accounts receivable consists of the following at June 30, 2011:

Student accounts receivable	$ 124,745
Other accounts receivable	14,331
Allowance for doubtful accounts - student accounts receivable	(62,948)
Net accounts receivable	$ 76,128

NOTE C - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises for which payment has not been received are included in the financial statements as pledges receivable and revenue in the appropriate net asset classification. The College has discounted long-term pledges to their estimated net present value, using a discount rate of 3.25%.

Temporarily restricted promises to give expected to be collected in:	
Less than one year	$ 1,360,256
One to five years	2,027,100
	3,387,356
Less allowance for uncollectible promises to give	(668,472)
Less discount on promises to give	(238,417)
Net unconditional promises to give	$ 2,480,467

The College has two unconditional promises to give which total 72% of the unpaid balance as of June 30, 2011. The College also has a conditional promise to give of $3,000,000 subject to the College developing a strategic alliance with a company for the development of nursing.

NOTE D - COMMUNITY FOUNDATION FUND

The College is the beneficiary of a fund created by a donor, the assets of which are not in the possession of the College. The Community Foundation has ultimate authority and control over the fund. The donor suggests that the return on the fund as determined under The Foundation's Total Return Concept and Spending Policy be paid to the College no less often than annually. In the event that Aquinas College ceases to exist or discontinues its provision of training for an undergraduate degree in education, the Foundation, should redirect the proceeds of this fund to the closest charitable program. The fair value at June 30, 2011 of the fund is $880,242.

NOTE E - RETIREMENT PLAN

Aquinas College's retirement plan is a defined-contribution annuity plan and is available to faculty, administrative, and clerical personnel. Eligibility is attained after one year of employment by the College. The College matches contributions up to 1% of annual salary the first year in the plan, up to 2% in the second year and 3% from the third year on. During the 2011 fiscal year, $49,864 was deposited into individual employee retirement accounts from unrestricted College resources.

NOTE F - CONTRIBUTED SERVICES

For the fiscal year ended June 30, 2011, the services contributed to the College by the religious members of the faculty and others had a net value of $705,370. The calculation of contributed services is based on comparable compensation obtained from surveys of area schools less actual cash stipends paid to the religious members of the College.

NOTE G - CONCENTRATION OF CREDIT RISK

The College maintains its operating cash balances in various financial institutions and brokerage accounts. The College shares a common operating account with other schools controlled by the St. Cecilia Congregation. Some account balances at the financial institutions are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2011, the College's uninsured cash balances total $3,189,597.

Promises to give have concentrations of credit risk as they are due from individuals and organizations primarily from Tennessee.

NOTE H - INVESTMENTS

Equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities. Investments in stocks and bonds, which are listed on national securities exchanges, quoted on NASDAQ or on the over-the-counter market are valued at the last reported sales price, or in the absence of a recorded sale, at the value between the most recent bid and asked prices. Investments without readily determinable fair values are carried at estimated fair value. Gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations.

FASB ASC 820-10 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market prices observability used in measuring fair value.

This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level I - Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level II input could result in the Level II measurement becoming a Level III measurement.

Level III - Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

NOTE H - INVESTMENTS (continued)

The following is the fair value measurement of investments measured on a recurring basis at June 30, 2011:

June 30, 2011	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level I)
Cash	$ 320,064	$ 320,064
Bond Funds	3,244,652	3,244,652
Mutual Funds	5,115,797	5,115,797
Total Assets	$ 8,680,513	$ 8,680,513

Investments have been allocated to the net asset classification for presentation in the statements of financial position. Investments consist of the following as of June 30, 2011:

	Fair Value
Unrestricted	$ 4,594,212
Temporarily Restricted	1,233,965
Permanently Restricted	2,852,336
	$ 8,680,513

Investment income (loss) is composed of the following:

Unrealized gains on marketable securities	$ 1,276,745
Realized gains on marketable securities	316
Dividends and interest income	121,148
	$ 1,398,209

The College shares common investment accounts with other schools controlled by the St. Cecilia Congregation pooled together into a unifund. Realized and unrealized gains and losses from securities are allocated quarterly to the unifund.

NOTE I - OPERATING LEASE OBLIGATIONS

The College has several lease agreements for copier equipment for various terms. The leases currently call for monthly rental payments with additional charges per copy.

For the year ended June 30, 2011, the total copier expense was approximately $54,397.

Future minimum lease payments are as follows:

Years Ending June 30,	Amount
2012	$ 68,686
2013	66,987
2014	43,190
	$ 178,863

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE J - OPERATING EXPENSES

Operating expenses, by natural classification, for the year ended June 30, 2011 were:

Salaries and Wages	$ 5,921,986
Payroll Taxes and Benefits	827,519
Supplies	413,327
Management Fee - Institute for Professional Development	316,555
Repairs and Maintenance	280,990
Depreciation	275,180
Other	176,645
Utilities	160,110
Contracted Services	135,219
Insurance	62,142
Advertising	58,367
Refreshments	55,958
Membership Dues and Subscriptions	45,357
Travel and Entertainment	44,401
Rental Fees	42,038
Legal and Professional	41,573
Postage	37,342
Security	36,505
Books	32,809
Testing Expenses	32,343
Online Computer Services	28,088
Accreditation	23,900
Bank Service Charges and Credit Card Fees	17,380
Provision for Bad Debts	17,250
Other Fundraising Expenses	6,310
Total Expenses	$ 9,089,294

NOTE K - RESTRICTIONS ON NET ASSETS

Unrestricted net assets at June 30, 2011 consist of:

Operations	$ 2,345,672
Plant Assets	3,383,006
Quasi (Board Designated):	
Scholarship Endowments	335,879
Sister Education Endowment	4,257,934
	$ 10,322,491

AQUINAS COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE K - RESTRICTIONS ON NET ASSETS (continued)

Temporarily restricted net assets at June 30, 2011 are available for the following purposes:

Available for Financial Aid	$	25,286
Scholarship Endowments		958,807
General Endowment		305,672
Capital Campaign		
Nursing Building		4,258,956
General Campaign		544,411
Nursing Program		114,469
Other		7,896
	$	6,215,497

Permanently restricted net assets consist of the following at June 30, 2011:

General Endowment	$	1,217,293
Scholarship Endowments		1,635,043
	$	2,852,336

Net assets released from restrictions during the year were comprised of the following:

General Endowments	$	21,684
Financial Aid		
Scholarship Endowments		80,635
Other		7,800
Nursing Program		90,000
Capital Campaign		
Nursing Building		25,594
General Campaign Expenses		131,830
Other		52,344
	$	409,887

NOTE L - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment - at cost, less accumulated depreciation:

Buildings	$	3,331,803
Buildings and Land Improvements		627,340
Construction in Progress		1,131,173
Equipment and Furnishings		1,411,566
Library		736,609
		7,238,491
Less: Accumulated Depreciation		3,855,485
	$	3,383,006

Legal title in all land occupied by the College is vested in St. Cecilia Congregation.

NOTE M - SCHOLARSHIP ALLOWANCE

Scholarship allowances by classification, for the year ended June 30, 2011 were as follows:

Pell Grants	$ 1,041,789
Supplemental Education Opportunity Grants	63,355
Academic Competitiveness Grant	8,013
Scholarships - Dominican Sisters	1,383,031
- Other	425,197
	$ 2,921,385

NOTE N - CONCENTRATION OF CONTRIBUTIONS

The College received approximately 13% of its unrestricted revenues and gains from private gifts and grants. A change in the amount of gifts and grants received would ultimately affect operating results.

NOTE O - OTHER REVENUE

The College was the lessor of its athletic fields under an operating lease which expired Febuary 28, 2011. For the year ended June 30, 2011, the College received $20,300 in lease revenue and is included in other income.

NOTE P - COMMITMENTS

Institute for Professional Development

Effective September 1, 2000, the College entered into an agreement with the Institute for Professional Development (IPD) to open an offsite campus focusing on working, adult students. IPD receives 50% of tuition revenue (a management fee) in exchange for providing marketing expertise and administrative support.

The College pays for all operating expenses for the offsite campus including a management fee of $316,555 for the year ended June 30, 2011.

The College entered into a transition and termination agreement on May 15, 2009, with an effective date of May 31, 2009. The agreement provides for an orderly transition of the offsite campus to the main campus. The original agreement will be followed until all students enrolled as of May 31, 2009 are no longer enrolled. While the last cohort ended subsequent to year end on July 28, 2011, the college has a few students working on finishing up missed courses.

NOTE Q - GOVERNMENT GRANTS AND OTHER PROGRAMS OF STUDENT FINANCIAL ASSISTANCE

Federal financial aid by classification for the year ended June 30, 2011 is as follows:

	FSEOG	FWS	PELL	ACG	TOTAL
Government Funds Received	$ 63,655	$ 56,242	$ 1,040,508	$ 8,013	$ 1,168,418
Institutional Match	21,118	17,235	-	-	38,353
Administrative Cost Allowance	(300)	(4,537)	-	-	(4,837)
Student Financial Awards	$ 84,473	$ 68,940	$ 1,040,508	$ 8,013	$ 1,201,934

The College received 11% of its total unrestricted revenues from federal financial aid programs.

NOTE R - RELATED PARTY

The Dominican Sisters of St. Cecilia Congregation are a Catholic pontifical congregation located in Nashville, Tennessee, founded in 1860. The Congregation owns and administers various academic institutions across the United States providing students an education based in Christian principles and tradition. In addition, the Congregation owns and operates four convents located in Tennessee and Alabama. The St. Cecilia Congregation owns and operates certain educational institutions and convents which it both controls and has an economic interest. These financial statements only include the activities of the College.

The St. Cecilia Congregation operates three schools (Overbrook School, St. Cecilia Academy and Aquinas College) located on the Dominican Campus. The Congregation has determined that certain administration functions should be shared by all three schools. Aquinas College paid $1,187,322 during the year ended June 30, 2011 for fund-raising, alumni development, plant maintenance, and business office services.

NOTE S - FUNDRAISING COSTS

Fundraising costs incurred by the College in 2011 totaled $46,909. These costs relate primarily to planned giving, annual fund, development, and the capital campaign.

The Dominican Campus has collectively started a campaign to raise funds based on each of the three school's strategic planning process and facilities assessment. As a result of the strategic planning process the College has identified the need for funds for a residence hall, a new nursing building, renovation of the existing building, and to increase the endowment.

NOTE T - ENDOWMENT

The College's endowment consists of approximately 27 individual funds, including 24 donor-restricted funds and three(3) funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowments funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Tennessee, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The net accumulated appreciation of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence described in UPMIFA.

In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The College's endowments by net asset class at June 30, 2011, in total and by type of endowment fund, showing donor-restricted endowment funds separately from board designated endowment funds are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted general endowment funds	$ -	$ 305,672	$ 1,217,293	$ 1,522,965
Donor-restricted scholarship endowment funds	-	958,807	1,635,043	2,593,850
Board designated general endowment funds	4,257,934	-	-	4,257,934
Board designated scholarship endowment funds	335,879	-	-	335,879
Total funds	$4,593,813	$1,264,479	$ 2,852,336	$ 8,710,628

NOTE T - ENDOWMENT (continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, June 30, 2010	$4,048,425	$ 734,199	$ 2,836,654	$ 7,619,278
Investment income (loss) (during year)	99,079	86,361	-	185,440
Net appreciation (depreciation) (realized and unrealized)	644,145	546,238	-	1,190,383
Contributions during the year	-	-	15,682	15,682
Appropriation of general endowment assets for expenditure	(189,736)	(21,684)	-	(211,420)
Appropriation of scholarship endowment assets for expenditure	(8,100)	(80,635)	-	(88,735)
Endowment assets, June 30, 2011	$4,593,813	$1,264,479	$ 2,852,336	$ 8,710,628

Actual investment gains related to permanently restricted endowments were $553,762 for the year ended June 30, 2011, of which $7,524 was charged to prior year underwater endowments bringing all endowments back above their original donation amounts.

Permanently Restricted Net Assets	2011
(1) The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	$ 2,852,336
Total endowment funds classified as permanently restricted net assets	$ 2,852,336

Temporarily Restricted Net Assets	
(1) Term endowment funds	$ -
(2) The portion of perpetual endowment funds subject to a time restriction:	
Without purpose restrictions	305,672
With purpose restrictions	958,807
Total endowment funds classified as temporarily restricted net assets	$ 1,264,479

NOTE T - ENDOWMENT (continued)

Endowment and Other Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. No deficiencies of this nature are reported in unrestricted net assets as of June 30, 2011.

Endowment - Return Objectives and Risk Parameters

The College 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 College must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that at least meets the price and yield results of the S&P 500 index for Equity Funds and Barclays Capital Aggregate Bond index for Bond Funds while assuming a low level of investment risk. The College expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the College 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 College targets a diversified asset allocation that normally places an emphasis on equity-based and income-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment Spending Policy - General Endowment

The College has a policy of appropriating for quarterly distribution a maximum of 1 percent of its general endowment fund's average fair value over the preceding 12 quarters. Accordingly, over the long term, the College expects the current spending policy to allow its general endowment to grow at least 3 percent annually. In establishing this policy, the College considered the long-term expected return on its general endowment. This is consistent with the College's objective to maintain the purchasing power of the general endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Under the College's spending policy on the general endowment and quasi-endowment, the Board approved $211,420 to be applied to the operating budget for fiscal year 2011.

The College also has a policy of transferring from its board designated endowment funds an amount equal to the operating loss, if any, of the previous fiscal year. In fiscal year 2011 no such draw was needed.

NOTE T - ENDOWMENT (continued)

Endowment Spending Policy - Scholarship Endowment

The College recently adopted a policy of appropriating for distribution each year a maximum of 5 percent of the scholarship endowment fund's average fair value over the 3 preceding calendar year end fund values. In establishing this policy, the College considered the long-term expected return on its scholarship endowments. Accordingly, over the long term, the College expects the current spending policy to allow its scholarship endowment to grow at an average of at least 2 percent annually. This is consistent with the College's objective to maintain the purchasing power of the scholarship endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The College appropriated $88,735 from the scholarship endowments for the fiscal year 2011.

NOTE U - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 14, 2011, which is the date the financial statements were available to be issued. No material subsequent events were identified for recognition or disclosure.

AQUINAS COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the student financial aid activity of Aquinas College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - FEDERAL EXPENDITURES

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education:		
Federal Supplemental Educational Opportunity Grant Program	84.007	$ 84,473
Federal Family Education Loan Program	84.032	442,347
Federal Direct Student Loans	84.268	4,225,120
Federal Work-Study Program	84.033	68,940
Federal Pell Grant Program	84.063	1,040,508
Federal Academic Competitiveness Grant	84.375	8,013
Total Expenditures of Federal Awards		$ 5,869,401

GRANNIS
& ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

The Board of Directors
Aquinas College
Nashville, Tennessee

We have audited the financial statements of Aquinas College (a Tennessee nonprofit corporation) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Aquinas College'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 Aquinas College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 2011-01 and 2011-02. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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AQUINAS COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL STATEMENT AUDIT

Prior year findings :

None

DEPARTMENT OF EDUCATION

FINDINGS - INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Prior year findings :

Reportable conditions 2010-01 and 2010-02 Pell Grant Program-CFDA No.84.063 - Overpayment and Underpayment

Condition: The institution awarded one selected student Pell Grant that was not eligible and one that was eligible but was not awarded.

Status: Procedures are currently being followed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Aquinas College'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.*

Aquinas College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Aquinas College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Drannis & Associates, P.C.

Murfreesboro, Tennessee

October 14, 2011

GRANNIS
& ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
Aquinas College
Nashville, Tennessee

Compliance

We have audited Aquinas College's (a Tennessee nonprofit corporation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Aquinas College's major federal programs for the year ended June 30, 2011. Aquinas College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Aquinas College's management. Our responsibility is to express an opinion on Aquinas College's compliance based on our audit.

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

In our opinion, Aquinas College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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Internal Control Over Compliance

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

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

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

Aquinas College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Aquinas College's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, others within the entity and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Grannis & Associates, P.C.

Murfreesboro, Tennessee
October 14, 2011

AQUINAS COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Aquinas College.

2. Two significant deficiencies disclosed during the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards. The deficiencies are not reported as material weaknesses.

3. No instances of noncompliance material to the financial statements of Aquinas College were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133.

5. The auditors' report on compliance for the Student Financial Aid Cluster expresses an unqualified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with OMB Circular A-133 are reported in this Schedule.

7. The programs tested as major programs included: Federal Pell Grant Program (84.063), Federal Supplemental Educational Opportunity Grant Program (84.007), Federal Work-Study Program (84.033), Federal Family Education Loan Program (84.032), Federal Direct Student Loans (84.268), Federal Academic Competitiveness Grant (84.375).

8. The threshold used for distinguishing between Type A and B programs was $300,000.

9. Aquinas College qualified as a low-risk auditee.

FINDINGS AND QUESTIONED COSTS-FINANCIAL STATEMENTS AUDIT

2011-01 Bank Accounts

Condition: CFO both reconciles and has signature authority over some new money market accounts.

Criteria: Internal controls should be followed that provide segregation of duties.

Effect: Errors or misappropriation may not be discovered in a timely manner.

Cause: Procedures for segregation of duties were in place but were not being followed.

Recommendation: Procedures should be followed requiring segregation of duties.

Response: We concur with our auditor's findings and procedures are currently being followed.