UNION COLLEGE

Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

UNION COLLEGE

Financial Statements

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Table of Contents

KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Trustees
Union College:

We have audited the accompanying financial statements Union College, which comprise the statements of financial position as of June 30, 2013 and 2012, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Union College as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 14, 2013

UNION COLLEGE

Statements of Financial Position

June 30, 2013 and 2012

Assets		2013	2012
Cash and cash equivalents	$	20,224,800	26,776,124
Pledges receivable, net		16,006,589	15,105,524
Notes and accounts receivable, net		9,381,161	9,686,114
Deposits with bond trustees		4,275,185	2,752,681
Other assets		5,465,190	5,723,877
Investments		362,122,857	319,523,449
Receivable for investments sold		2,504,781	12,678,062
Beneficial interest in irrevocable trusts		5,062,420	6,433,196
Land, buildings, and equipment, net		146,988,290	145,726,929
Total assets	$	572,031,273	544,405,956
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	11,780,122	10,582,201
Construction costs payable		460,799	676,479
Deposits and advances		1,646,787	1,385,664
Pooled life income and charitable gift annuities payable		4,781,268	5,250,573
Asset retirement obligations		1,637,890	1,665,200
Refundable federal student loan funds		2,461,284	2,473,616
Accrued postretirement benefits		10,459,263	11,604,016
Long-term debt		74,048,978	75,159,253
Total liabilities		107,276,391	108,797,002
Net assets:			
Unrestricted		190,376,472	180,671,277
Temporarily restricted		122,609,745	109,693,454
Permanently restricted		151,768,665	145,244,223
Total net assets		464,754,882	435,608,954
Total liabilities and net assets	$	572,031,273	544,405,956

See accompanying notes to financial statements.

UNION COLLEGE

Statement of Activities

Year ended June 30, 2013
(with summarized information for the year ended June 30, 2012)

	2013				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**2012 Total**
Operating and other net assets:					
Revenue and reclassifications:					
Tuition and fees	$ 97,820,686	—	—	97,820,686	93,802,268
Room and board	21,814,889	—	—	21,814,889	21,137,328
Less student aid	(39,839,496)	—	—	(39,839,496)	(37,913,471)
Net tuition, fees, room, and board	79,796,079	—	—	79,796,079	77,026,125
Investment return	16,584,563	—	—	16,584,563	17,062,063
Government grants	2,914,524	4,987	—	2,919,511	2,935,220
Private gifts and grants	6,455,711	5,485,749	—	11,941,460	11,805,357
Intercollegiate athletics and other sources	2,585,562	—	—	2,585,562	3,572,956
Auxiliary enterprises	4,383,525	—	—	4,383,525	4,451,658
Net assets released from restrictions	4,674,662	(4,674,662)	—	—	—
Total revenue and reclassifications	117,394,626	816,074	—	118,210,700	116,853,379
Expenses:					
Instructional and departmental research	43,082,589	—	—	43,082,589	41,426,032
Sponsored research programs	1,745,943	—	—	1,745,943	914,064
Academic support	9,669,724	—	—	9,669,724	8,249,245
Student services	7,967,455	—	—	7,967,455	7,871,415
Institutional support	21,410,533	—	—	21,410,533	22,634,594
Auxiliaries operations	22,600,139	—	—	22,600,139	21,764,871
Intercollegiate athletics and other	10,827,734	—	—	10,827,734	11,588,502
Total expenses	117,304,117	—	—	117,304,117	114,448,723
Increase in operating and other net assets	90,509	816,074	—	906,583	2,404,656
Endowment and other net assets:					
Investment return	14,976,496	19,350,488	—	34,326,984	3,946,775
Endowment gains used to meet spending policy	(8,202,245)	(6,597,255)	—	(14,799,500)	(15,325,452)
Private gifts and grants	398,526	3,051	6,524,442	6,926,019	5,816,803
Other	1,785,842	—	—	1,785,842	(1,229,147)
Loss on refunding of debt	—	—	—	—	(1,902,175)
Net assets released from restrictions	656,067	(656,067)	—	—	—
Increase (decrease) in endowment and other net assets	9,614,686	12,100,217	6,524,442	28,239,345	(8,693,196)
Increase (decrease) in net assets	9,705,195	12,916,291	6,524,442	29,145,928	(6,288,540)
Net assets at beginning of year	180,671,277	109,693,454	145,244,223	435,608,954	441,897,494
Net assets at end of year	$ 190,376,472	122,609,745	151,768,665	464,754,882	435,608,954

See accompanying notes to financial statements.

UNION COLLEGE

Statement of Activities

Year ended June 30, 2012

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Operating and other net assets:				
Revenue and reclassifications:				
Tuition and fees	$ 93,802,268	—	—	93,802,268
Room and board	21,137,328	—	—	21,137,328
Less student aid	(37,913,471)	—	—	(37,913,471)
Net tuition, fees, room, and board	77,026,125	—	—	77,026,125
Investment return	17,062,063	—	—	17,062,063
Government grants	2,924,112	11,108	—	2,935,220
Private gifts and grants	6,931,565	4,873,792	—	11,805,357
Intercollegiate athletics and other sources	3,572,956	—	—	3,572,956
Auxiliary enterprises	4,451,658	—	—	4,451,658
Net assets released from restrictions	4,762,505	(4,762,505)	—	—
Total revenue and reclassifications	116,730,984	122,395	—	116,853,379
Expenses:				
Instructional and departmental research	41,426,032	—	—	41,426,032
Sponsored research programs	914,064	—	—	914,064
Academic support	8,249,245	—	—	8,249,245
Student services	7,871,415	—	—	7,871,415
Institutional support	22,634,594	—	—	22,634,594
Auxiliaries operations	21,764,871	—	—	21,764,871
Intercollegiate athletics and other	11,588,502	—	—	11,588,502
Total expenses	114,448,723	—	—	114,448,723
Increase in operating and other net assets	2,282,261	122,395	—	2,404,656
Endowment and other net assets:				
Investment return	1,071,630	2,875,145	—	3,946,775
Endowment gains used to meet spending policy	(6,641,230)	(8,684,222)	—	(15,325,452)
Private gifts and grants	218,687	71,025	5,527,091	5,816,803
Other	(1,229,147)	—	—	(1,229,147)
Loss on refunding of debt	(1,902,175)	—	—	(1,902,175)
Net assets released from restrictions	190,351	(190,351)	—	—
(Decrease) increase in endowment and other net assets	(8,291,884)	(5,928,403)	5,527,091	(8,693,196)
(Decrease) increase in net assets	(6,009,623)	(5,806,008)	5,527,091	(6,288,540)
Net assets at beginning of year	186,680,900	115,499,462	139,717,132	441,897,494
Net assets at end of year	$ 180,671,277	109,693,454	145,244,223	435,608,954

See accompanying notes to financial statements.

UNION COLLEGE

Statements of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 29,145,928	(6,288,540)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	10,863,726	10,742,456
Realized gains and change in unrealized appreciation from investments and deposits with bond trustees, net	(34,327,014)	(3,946,775)
Gifts of securities	(28,167)	(25,335)
Change in present value of pooled life income	7,312	19,064
Contributions for endowment or long-lived assets	(10,941,198)	(7,193,116)
Allowance for doubtful notes and accounts receivable	(191,397)	(270,893)
Loss on disposal of equipment	9,106	76,636
Loss on defeasance of debt	—	1,902,175
Amortization of discount/premium of long-term debt, net	(38,654)	70,656
Changes in assets and liabilities:		
Accounts receivable	436,243	285,222
Pledges receivable, net	(901,065)	(2,163,203)
Irrevocable trusts	1,370,776	225,958
Other assets	258,687	469,638
Accounts payable and accrued expenses	1,197,921	428,647
Deposits and advances	261,123	89,512
Accrued postretirement benefits	(1,144,753)	2,000,415
Net cash used in operating activities	(4,021,426)	(3,577,484)
Cash flows from investing activities:		
Purchases of investments	(281,968,552)	(223,312,926)
Proceeds from the sales and maturities of investments	283,942,248	235,523,125
Change in deposits with bond trustees	(1,567,146)	121,832
Purchases of land, buildings, and equipment	(12,377,182)	(12,879,173)
Student loans issued	(1,048,033)	(882,070)
Proceeds from student loans collections	1,108,140	922,992
Net cash (used in) investing activities	(11,910,525)	(506,220)
Cash flows from financing activities:		
Increase in federal student loan funds	(12,332)	(38,206)
Payments of long-term debt	(4,071,622)	(1,277,201)
Issuance of new debt, including premium in 2012	3,000,000	27,953,997
Extinguishment of long-term debt	—	(24,287,175)
Debt issuance costs	—	(470,122)
Contributions for:		
Investment in endowment	6,340,268	5,186,448
Investment in long-lived assets	4,430,803	1,847,384
Investment in life income and charitable gift annuity agreements	170,127	159,284
Change in charitable gift annuities payable	(476,617)	(122,609)
Net cash provided by financing activities	9,380,627	8,951,800
Net (decrease) increase in cash and cash equivalents	(6,551,324)	4,868,096
Cash and cash equivalents, beginning of year	26,776,124	21,908,028
Cash and cash equivalents, end of year	$ 20,224,800	26,776,124
Supplemental data:		
Interest paid	$ 2,690,053	2,952,989
Change in construction costs payable	(215,680)	151,693
Change in receivable for investments sold	10,173,281	(12,918,690)

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Union College (the College) was founded in 1795 and is a coeducational, independent, liberal arts, and engineering college located in Schenectady, New York. The College is a scholarly community dedicated to shaping the future and to understanding the past. Faculty, staff and administrators welcome diverse and talented students into the community, work closely with them to provide a broad and deep education, and guide them in finding and cultivating their passions. The College does this with a wide range of disciplines and interdisciplinary programs in the Liberal Arts and Engineering, as well as Academic, Athletic, Cultural, and Social Activities, including opportunities to study abroad and to participate in undergraduate research and community service. The College develops in its students the analytic and reflective abilities needed to become engaged, innovative, and ethical contributors to an increasingly diverse, global and technologically complex society.

(b) Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. Permanently restricted net assets are those that are subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets to support program activities such as financial aid and instruction. Such assets primarily include the College’s permanent endowment funds. Temporarily restricted net assets carry specific, donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. Temporarily restricted net assets are generally available for program purposes such as financial aid, specified operating activities, facilities, and equipment. Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Unconditional contributions are recognized as contributions receivable at their estimated net present value when pledged. Contributions and investment return with donor-imposed restrictions are reported as permanently or temporarily restricted revenues and net assets. Temporarily restricted net assets are reclassified to unrestricted net assets when the College satisfies the donor-imposed restriction. Temporarily restricted contributions and investment return received and expended for the restricted purpose in the same fiscal year are recorded in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets.

Endowment net assets include permanently restricted net assets and certain unrestricted and temporarily restricted net assets. Endowment net asset activities include realized and unrealized gains on investments not used to support current operations, investment return in excess or deficit of the College’s spending policy for the year, and additions to or changes in the value of split-interest arrangements and life income and endowment gifts.

The statement of activities reflects a subtotal for the change in net assets from operations. This subtotal reflects revenues the College received for operating purposes, including investment return used for operations and all expenses. Nonoperating activity reflects all other activity, including, but not limited to, the investment return in excess of the amount appropriated under the Board of Trustees' approved spending formula and contributions for endowment and plant purposes.

(c) Use of Estimates

The preparation of financial statements in conformity 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the fair value of certain nonmarketable investments, valuation allowances for receivables and the accrual for postretirement benefits. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

(d) Cash and Cash Equivalents

Cash and cash equivalents, representing operating funds, include investments with an original maturity of three months or less.

(e) Investments

Investments are reported in the financial statements at fair value. Investment return includes interest and dividends, realized gains (losses), and the change in unrealized appreciation (depreciation). The average cost of investment securities sold is used to determine the basis for computing realized gains or losses, and the College accounts for investments on a trade-date basis. Due from broker represents amounts receivable from unsettled sales.

The fair value of fixed income and publicly traded equity securities is based upon quoted market prices obtained from active markets. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year. Limited partnership interests, private equity and venture capital, as well as other nonmarketable investments, including hedge funds, for which a readily determinable fair value does not exist, are carried at fair values provided by the investment managers. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets that require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and consider variables such as financial performance of investments, including comparison of comparable companies' earnings multiples, cash flows analysis, recent sales prices of investments, and other pertinent information and may reflect discounts for the illiquid nature of certain investments held. 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 College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments.

The College utilizes the net asset value (NAV) reported by each of the alternative investment funds as a practical expedient for estimating the fair value of each 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 College's interests in the funds. Changes to the liquidity provisions of the funds may also significantly impact the fair value of the College's interest in the funds. Additionally, although certain investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the College were to sell a fund in the secondary market, the sale could occur at an amount different from the reported value, and the difference could be material.

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 declines are having on the College'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 statements of financial position.

(f) Irrevocable Trusts

Several donors have established irrevocable trusts whereby the College is a beneficiary, but not the trustee. The present value of the portion of the trusts estimated to be distributable to the College upon the termination of the trusts is recorded as an asset of the College.

(g) Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost, including interest on funds borrowed to finance construction, at the date of acquisition or estimated fair value at the date of donation. 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	40 years
Equipment:	
Furniture and other improvements	10 years
Vehicles	7 years
Computer equipment	3 years
Library books	10 years

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

(h) Deposits and Advances

Deposits and advances includes student fees related to the College's summer session and other unearned revenue.

(i) Federal Student Loan Funds

This liability represents Perkins Loan funds provided to students by the federal government through the College. The College is required to collect the loans on behalf of the federal government. The amount due from the students is reported in the College's financial statements as a component of notes receivable.

(j) Pooled Life Income and Charitable Gift Annuities Payable

The liability for the present value of the deferred gifts is based upon estimates of the life expectancy of donors and beneficiaries and discount rates. Circumstances affecting these estimates can change the estimate of the liability in future periods.

(k) Derivative Instruments and Hedging Activities

The College accounts for derivative investments in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 815, Derivatives and Hedging, which requires that all derivative instruments be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. The College currently has two interest rate swaps that are being adjusted to fair value, based upon information provided by a financial institution, through net assets. Additionally, the College has hedged its natural gas and energy future purchases by locking into a specified price for specific quantities of gas, to be delivered through 2014. Natural gas and energy futures contracts are valued using the closing price on the last business day of the year. The fair value of over-the-counter contracts is determined using pricing models that value the potential for the futures contract to be above or below current market commodities prices through changes in those prices during the remaining term of the agreement. Inputs to that option pricing model reflect observable market data, including implied volatility determined by reference to exchange traded futures contracts.

(l) Revenue Recognition

Tuition and fees and certain auxiliary enterprise revenues are earned over the academic year as services are provided. Funds received in advance of services provided are included in deposits and advances.

(m) Sponsored Research and Programs

Sponsored activities include various research and instructional programs funded by external parties including the federal government, state governments, and private foundations.

(n) Auxiliary Operations

Auxiliary operations include dining services, residence halls, the College bookstore, ice hockey rink, and telecommunications office.

(o) Functional Expenses

Depreciation, operations and maintenance costs, interest expense, and employee benefits are allocated to the functional expense categories reported within the operating section of the statements of activities. Depreciation and operations and maintenance costs are allocated based upon the estimated use of facilities and equipment. Interest expense is allocated based on specific identification of the use of debt proceeds. Employee benefits are allocated in relation to salary expense.

(p) Tax Status

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income tax on related income.

The College recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The College believes it has taken no significant uncertain tax positions.

(q) Commitments and Contingencies

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

The College is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of any ultimate liability with respect to those actions will not materially affect the College’s financial statements.

The College recognizes a liability for the fair value of conditional asset retirement obligations if their fair values can be reasonably estimated. This liability is initially recorded as an increase to the associated asset and depreciated over the remaining useful life of the asset. The College has identified asbestos abatement as a conditional asset retirement obligation. Asbestos abatement costs are estimated using a per square foot estimate for each impacted location. As of June 30, 2013 and 2012, the College has recorded a liability of $1,637,890 and $1,665,200, respectively, representing the estimated present value of these conditional asset retirement obligations.

Other conditional asset retirement obligations exist that are not estimable until a triggering event occurs (e.g., building sold) due to the absence of a range of potential settlement dates. Presently, the College does not have sufficient information to estimate the fair value of these obligations but does not believe these items are material to the College’s financial statements.

(Continued)

(r) Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to 2013 presentation.

(2) Notes and Accounts Receivable

The College extends credit, primarily to students, in the form of notes and accounts receivable for educational expenses. The students are primarily from the Northeastern United States. Notes receivable for student loans are expected to be collected within 15 years and interest rates average 8%.

Additionally, notes receivable include employee housing programs, which are expected to be collected within 30 years with interest rates averaging approximately 5.50%.

Notes receivable are recorded at their current unpaid principal balance and associated interest income is accrued based on the principal amount outstanding and applicable interest rates. An allowance for doubtful accounts is recorded, which represents the amount which, in the opinion of management of the College, is necessary to account for probable losses related to current notes receivable. This allowance is determined based upon numerous considerations, including economic conditions, the specific composition of the notes receivable balance, as well as trends of delinquencies and write-offs. On a periodic basis, these factors are considered and the allowance for doubtful accounts is adjusted accordingly with a corresponding adjustment to the provision for allowance for doubtful notes and accounts receivable.

Notes and accounts receivable consist of the following at June 30:

		2013	2012
Notes receivable	$	8,270,724	8,361,515
Accounts receivable		3,386,281	3,791,840
		11,657,005	12,153,355
Less allowance for doubtful accounts		2,275,844	2,467,241
	$	9,381,161	9,686,114

(3) Pledges Receivable

Pledges receivable are expected to be collected as follows at June 30:

	2013	2012
Less than one year	$ 3,232,202	3,009,680
Between one year and five years	12,104,456	11,907,045
Greater than five years	1,165,552	663,066
	16,502,210	15,579,791
Less:		
Present value discount (0.72% – 4.92%)	450,859	465,662
Allowance for doubtful pledges	44,762	8,605
	$ 16,006,589	15,105,524

(4) Investments and Fair Value

The fair value and cost of investments by type are as follows at June 30:

	2013		2012	
	Fair value	Cost	Fair value	Cost
Cash and cash equivalents	$ 4,300,622	4,300,622	14,491,310	14,491,310
Common stocks and mutual funds	128,035,644	104,413,371	96,668,234	82,330,309
Fixed income – bonds	50,181,683	51,597,834	37,292,220	35,797,915
International private equity	1,205,910	1,012,159	1,365,213	89,445
Venture capital	2,647,460	1,542,378	3,100,322	1,385,647
Private equity	35,220,947	32,885,126	37,359,804	32,723,852
Mortgages and other	483,529	477,610	556,881	550,420
Multistrategy	21,834,362	19,078,595	15,456,220	15,127,229
Hedged equity funds	75,370,973	51,356,999	79,870,039	57,234,651
Emerging markets funds	21,638,506	19,131,014	19,496,783	26,237,454
Distressed debt	15,439,471	9,766,821	13,866,423	9,991,544
Real assets	5,763,750	5,727,404	—	—
	$ 362,122,857	301,289,933	319,523,449	275,959,776

The College utilizes an endowment spending policy that emphasizes total return. Total return consists of current yield (primarily interest and dividends) as well as the realized and unrealized gains and losses of pooled investments. The College's Board of Trustees designates a portion of the College's total investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The pooled endowment total return for the years ended June 30, 2013 and 2012, was approximately 12.2% and 1.6%, respectively.

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

		2013	2012
Interest income and dividends	$	1,785,063	1,736,611
Net realized and unrealized gains		34,326,984	3,946,775
Total return on investments		36,112,047	5,683,386
Investment return designated for current operations		16,584,563	17,062,063
Investment return net of amounts designated for current operations	$	19,527,484	(11,378,677)

Investment management fees (including any incentive fees) were approximately $6,200,000 and $5,600,000 in 2013 and 2012, respectively. In 2013, fees paid of approximately $927,000 were netted against interest income and dividends. The remaining fees are netted against endowment returns.

(a) Fair Value

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 College has the ability to access at the measurement date.
- Level 2 inputs are observable prices that are based on inputs not quoted in active markets, but corroborated by market data. In addition, Level 2 includes investments reported using net asset value (NAV) as a practical expedient to estimate fair value that are redeemable in the near term.
- Level 3 inputs are unobservable inputs that are used when little or no market data is available. In addition, Level 3 includes investments reported at NAV that are not redeemable in the near term.

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 Levels 2 and 3 have been valued using the NAV 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 date of the statement of financial position.

The College's investments and other assets and liabilities reported at fair value as of June 30, 2013, are summarized in the following table by their fair value hierarchy classification:

		Total	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Assets:							
Cash and cash equivalents	$	4,300,623	4,300,623	—	—	Daily	1
Common stocks, mutual and commingled funds:							
U.S.		100,994,297	43,420,317	18,395,344	39,178,636	Daily – Rolling 5 years	1 – 90
International		27,041,347	—	27,041,347	—	Daily – Monthly	1 – 10
Fixed income – bonds		50,181,683	15,367,056	34,814,627	—	Daily	1 – 5
International private equity		1,205,910	—	—	1,205,910	Illiquid	
Venture capital		2,647,460	—	—	2,647,460	Illiquid	
Private equity		35,220,947	—	—	35,220,947	Illiquid	
Mortgages and other		483,528	—	483,528	—	Illiquid	
Multistrategy funds		21,834,362	—	—	21,834,362	Various	
Hedged equity funds		75,370,973	—	27,048,109	48,322,864	Monthly to rolling 3 years	45 – 90
Emerging markets funds		21,638,506	—	20,408,943	1,229,563	Daily – Illiquid	1 – N/A
Distressed debt		15,439,471	—	15,439,471	—	Quarterly	60
Real assets		5,763,750	4,978,750	—	785,000	Various	
Total investments		362,122,857	68,066,746	143,631,369	150,424,742		

		Total	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Natural gas and electricity forward contracts	$	483,592	—	483,592	—		
Deposits with bond trustees		4,275,185	4,275,185	—	—		
Due from broker		2,504,781	2,504,781	—	—		
Total assets	$	369,386,415	74,846,712	144,114,961	150,424,742		
Liabilities:							
Interest rate swaps	$	1,057,355	—	1,057,355	—		
	$	1,057,355	—	1,057,355	—		

The College's investments and other assets and liabilities reported at fair value as of June 30, 2012, are summarized in the following table by their fair value hierarchy classification:

	Total	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Assets:						
Cash and cash equivalents	$ 14,491,310	14,491,310	—	—	Daily	1
Common stocks, mutual and commingled funds:						
U.S.	76,407,778	41,562,788	26,338,265	8,506,725	Daily – Rolling 5 years	1 – 60
International	20,260,456	5,504,701	14,755,755	—	Daily – Monthly	1 – 10
Fixed income – bonds	37,292,220	10,847,562	26,444,658	—	Daily	1 – 5
International private equity	1,365,213	—	—	1,365,213	Not applicable	
Venture capital	3,100,322	—	—	3,100,322	Not applicable	
Private equity	37,359,804	—	—	37,359,804	Not applicable	
Mortgages and other	556,881	—	556,881	—	Not applicable	
Multistrategy funds	15,456,220	—	—	15,456,220	Various	
Hedged equity funds	79,870,039	—	38,534,972	41,335,067	Monthly to rolling 3 years	45 – 90
Emerging markets funds	19,496,783	—	18,929,023	567,760	Daily – Illiquid	1 – N/A
Distressed debt	13,866,423	—	13,866,423	—	Quarterly	60
Total investments	319,523,449	72,406,361	139,425,977	107,691,111		
Natural gas and electricity forward contracts	812,339	—	812,339	—		
Deposits with bond trustees	2,752,681	2,752,681	—	—		
Due from broker	12,678,062	12,678,062	—	—		
Total assets	$ 335,766,531	87,837,104	140,238,316	107,691,111		
Liabilities:						
Interest rate swaps	$ 1,176,677	—	1,176,677	—		
	$ 1,176,677	—	1,176,677	—		

There were no transfers between Level 1 and Level 2 investments during the fiscal year ended June 30, 2013. Changes to reported investments measured at fair value categorized in Level 3 as of June 30, 2013 and 2012, are as follows:

	Fair value, June 30, 2012	Purchases	Sales and settlements	Net interest, dividends and fees	Realized and unrealized gains (losses)	Fair value, June 30, 2013
Hedged equity funds	$ 41,335,067	4,000,000	(1,456,262)	—	4,444,059	48,322,864
Commingled funds	8,506,725	25,000,000	—	—	5,671,911	39,178,636
International private equity	1,365,213	1,161,286	(238,572)	—	(1,082,017)	1,205,910
Private equity	37,359,804	4,807,077	(4,515,966)	(93,395)	(2,336,573)	35,220,947
Venture capital	3,100,322	811,540	(654,809)	—	(609,593)	2,647,460
Multi-strategy	15,456,220	4,000,000	(48,635)	—	2,426,777	21,834,362
Emerging markets	567,760	—	(255,255)	—	917,058	1,229,563
Real assets	—	746,296	(18,896)	—	57,600	785,000
	$ 107,691,111	40,526,199	(7,188,395)	(93,395)	9,489,222	150,424,742

(Continued)

	Fair value, June 30, 2011	Purchases	Sales and settlements	Net interest, dividends and fees	Realized and unrealized gains (losses)	Fair value, June 30, 2012
Hedged equity funds	$ 42,840,611	10,000,000	(8,900,000)	—	(2,605,544)	41,335,067
Commingled funds	7,949,519	—	—	—	557,206	8,506,725
International private equity	1,913,208	10,000	(462,039)	—	(95,956)	1,365,213
Private equity	32,006,226	6,339,914	(1,780,279)	(77,275)	871,218	37,359,804
Venture capital	3,800,764	237,250	(1,059,532)	—	121,840	3,100,322
Multi-strategy	493,126	15,000,000	(87,343)	—	50,437	15,456,220
Emerging markets	876,564	—	(211,457)	—	(97,347)	567,760
	$ 89,880,018	31,587,164	(12,500,650)	(77,275)	(1,198,146)	107,691,111

(b) Liquidity

The limitations and restrictions on the College'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 June 30, 2013, the College's investment funds can be redeemed or sold as follows:

Investments redemption period:	
Daily	$ 113,167,446
Monthly	45,247,465
Quarterly	45,053,057
Semi-annual	700,566
1 year	11,979,393
3 years	75,939,598
5 years	10,861,336
Lock-up until liquidated	59,173,996
Total	$ 362,122,857

Investment funds that are in the lock-up until liquidation category are primarily related to private equity and venture capital investments. The period of time until liquidation is not necessarily determinable by management, as liquidation terms are at the discretion of the applicable fund's investment manager subject to market conditions and the underlying complexities of the individual investments. These liquidity restrictions have been in effect since the initial purchase of the applicable funds, which date back as far as 2002.

Under the terms of certain limited partnership agreements, the College is obligated periodically to advance additional funding for certain funds that the College is invested in. At June 30, 2013, the College had commitments of approximately $19,270,000 for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses. The College maintains sufficient liquidity in its investment portfolio to cover such calls.

(5) Endowment

The College's endowment and similar funds consist of gifts restricted by donors, unrestricted net assets designated by management and the Board of Trustees for long-term support of the College's activities, and the accumulated investment return on these gifts and designated assets. Accumulated investment return consists of total endowment net investment return that has not been appropriated by the Board of Trustees for expenditures to support the operating activities of the College. Generally, only a portion of accumulated net investment return is made available for spending each year in accordance with an endowment utilization policy approved by the Board of Trustees and in accordance with the laws of the State of New York.

College designated endowment funds are unrestricted net assets that may be redesignated for authorized expenditures. At June 30, 2013 and 2012, endowment and similar funds balances are approximately $358,600,000 and $322,000,000, respectively, which includes pooled endowment net assets of approximately $330,700,000 and $293,800,000, respectively.

The College follows the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA) in the management of its endowment. The College has interpreted NYPMIFA as allowing the College to spend or accumulate the amount of an endowment fund that the College 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 College 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. ASC 958-205, *Not-for-Profit Entities-Presentation of Financial Statements*, 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 for spending by the College's Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Investment Committee of the College's Board of Trustees 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 College and the endowment fund
- General economic conditions
- The expected total return from income and the appreciation of investments
- Other resources of the College
- 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 College
- The investment policies of the College

The following is a summary of the changes in the endowment net assets for the year ended June 30, 2013:

	Board designated unrestricted	Donor restricted: Temporarily restricted	Donor restricted: Permanently restricted	Total
Pooled endowment net assets, June 30, 2012	$ 80,716,898	88,148,564	124,921,273	293,786,735
Gifts and other additions:				
Contributions (excluding pledges)	398,526	406	5,860,706	6,259,638
Investment income added to principal	206,834	—	—	206,834
Transfers from other funds	11,361,661	—	—	11,361,661
Subtotal	11,967,021	406	5,860,706	17,828,133
Investment income:				
Interest and dividends	1,088,455	—	—	1,088,455
Realized gain on sale of securities	6,191,608	10,638,236	—	16,829,844
Change in unrealized appreciation	9,416,467	7,619,593	—	17,036,060
Subtotal	16,696,530	18,257,829	—	34,954,359
Income distributed for operating purposes:				
Cash and accrued interest and dividends	1,088,455	—	—	1,088,455
Gains used to meet endowment spending	8,202,245	6,597,255	—	14,799,500
Other transfers	—	—	120	120
Subtotal	9,290,700	6,597,255	120	15,888,075
Pooled endowment net assets, June 30, 2013	100,089,749	99,809,544	130,781,859	330,681,152
Other endowment and similar net assets, June 30, 2012	5,787,589	6,319,117	16,079,020	28,185,726
Investment income	203,304	—	—	203,304
Realized gain on sale of securities	—	903,288	—	903,288
Change in unrealized appreciation	—	189,371	—	189,371
Contributions (excluding pledges)	—	2,645	248,112	250,757
Actuarial adjustments	(834,883)	—	—	(834,883)
Other changes	305,430	(656,067)	(619,339)	(969,976)
Other endowment and similar net assets June 30, 2013	5,461,440	6,758,354	15,707,793	27,927,587
Total endowment and similar net assets, June 30, 2013	$ 105,551,189	106,567,898	146,489,652	358,608,739

The following is a summary of the changes in the endowment net assets for the year ended June 30, 2012:

	Board designated unrestricted	Donor restricted: Temporarily restricted	Donor restricted: Permanently restricted	Total
Pooled endowment net assets, June 30, 2011	$ 84,673,284	93,299,255	119,985,517	297,958,056
Gifts and other additions:				
Contributions (excluding pledges)	218,687	656	4,893,952	5,113,295
Investment income added to principal	422,295	—	—	422,295
Other transfers	466,560	—	72,120	538,680
Subtotal	1,107,542	656	4,966,072	6,074,270
Investment income:				
Interest and dividends	1,105,488	—	—	1,105,488
Realized gain on sale of securities	5,356,204	11,574,002	—	16,930,206
Change in unrealized appreciation	(3,778,902)	(8,041,127)	—	(11,820,029)
Subtotal	2,682,790	3,532,875	—	6,215,665
Income distributed for operating purposes:				
Cash and accrued interest and dividends	1,105,488	—	—	1,105,488
Gains used to meet endowment spending	6,641,230	8,684,222	—	15,325,452
Other transfers	—	—	30,316	30,316
Subtotal	7,746,718	8,684,222	30,316	16,461,256
Pooled endowment net assets, June 30, 2012	80,716,898	88,148,564	124,921,273	293,786,735
Other endowment and similar net assets, June 30, 2011	6,416,895	7,096,829	16,284,522	29,798,246
Investment income	189,433	—	—	189,433
Realized gain on sale of securities	—	103,494	—	103,494
Change in unrealized appreciation	—	(761,224)	—	(761,224)
Contributions (excluding pledges)	—	70,369	162,068	232,437
Actuarial adjustments	(695,105)	—	—	(695,105)
Other changes	(123,634)	(190,351)	(367,570)	(681,555)
Other endowment and similar net assets June 30, 2012	5,787,589	6,319,117	16,079,020	28,185,726
Total endowment and similar net assets, June 30, 2012	$ 86,504,487	94,467,681	141,000,293	321,972,461

Endowment net assets are classified as follows at June 30:

	2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	$ (2,572,814)	106,567,898	146,489,652	250,484,736
Board designated	108,124,003	—	—	108,124,003
Total	$ 105,551,189	106,567,898	146,489,652	358,608,739

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	$ (5,370,380)	94,467,681	141,000,293	230,097,594
Board designated	91,874,867	—	—	91,874,867
Total	$ 86,504,487	94,467,681	141,000,293	321,972,461

(a) Spending Policy

The College has a policy of appropriating for distribution to the budget each year a percentage of its pooled endowment based on the three-year average market value as of June 30, with a two-year lag. For the year ended June 30, 2013, the three fiscal years used in the calculation are the fiscal years ended June 30, 2009, 2010, and 2011. For the year ended June 30, 2012, the three fiscal years used in the calculation are the fiscal years ended June 30, 2008, 2009, and 2010.

The total pooled endowment spending was 5.69% and 5.50% for the fiscal years ended June 30, 2013 and 2012, respectively. This rate includes the base spending rate of 4.89% and 4.84% for the fiscal years ended June 30, 2013 and 2012, respectively, as well as additional spending that was undertaken to launch the College’s Minerva Houses (the U2K initiative). The Board of Trustees approved in 2001 additional endowment spending to cover the debt service and other costs associated with the Minerva House System project, one of the College’s most important academic initiatives.

As described in the College’s Strategic Plan, the College plans to reduce total spending. The goal of reducing the spending rate has prompted measures including the dedication of a significant segment of the current capital campaign to endowment support, in order to provide income to support the College’s operating budget and reinvestment of a significant portion of recent variances from budget into the endowment.

(b) Return Objectives and Risk Parameters

Investment objectives focus on generating a return sufficient to cover the spending rate, inflation, and the preservation of the purchasing power of the endowment while minimizing investment risk in the portfolio. The College is committed to a long-term investment policy that is based on balancing principles of strong growth over time, diversity of the portfolio, liquidity for the annual draw, and benchmarking against market indices and appropriate peer schools. Growth in the endowment depends on contributions to the endowment from capital campaigns, the success of investment management, and the rate at which income is withdrawn from the endowment in support of the College's operating budget. The Investment Committee of the College's Board of Trustees meets quarterly to discuss various issues such as investment performance, market outlook, and liquidity needs.

(c) Funds with Deficiencies

As of June 30, 2013 and 2012, certain endowment funds have a current market value per share is less than the original market value per share at the time of gift. Where normal investment performance has driven the endowment fund below the historic dollar value, the account is commonly termed "underwater".

For funds that are underwater, the gap between the current income and the spending formula is covered through appropriations from other board designated endowments and accumulated realized gains on these board designated endowments or other unrestricted funds. At June 30, 2013, 218 endowment accounts (approximately 19% of the total number of pooled endowment accounts), totaling approximately $35 million, were underwater with total market value less than book of approximately $2.6 million. At June 30, 2012, 297 endowment accounts (approximately 27% of the total number of pooled endowment accounts), totaling approximately $47 million, were underwater with total market value less than book of approximately $5.4 million.

(6) Land, Buildings, and Equipment

The following is a summary of land, buildings, and equipment at June 30:

		2013	2012
Land	$	101	101
Buildings		151,721,720	151,679,365
Improvements		71,673,611	62,250,982
Equipment		86,465,189	83,452,310
Library books		36,692,050	35,346,763
Construction in progress		5,437,711	7,490,527
		351,990,382	340,220,048
Less accumulated depreciation		(205,002,092)	(194,493,119)
	$	146,988,290	145,726,929

Capitalized interest was $147,984 and $152,924 during the years ended June 30, 2013 and 2012, respectively. Depreciation expense was $10,863,726 and $10,742,456 for the years ended June 30, 2013 and 2012, respectively. For the years ended June 30, 2013 and 2012, fixed assets (original cost) disposed were $391,166 and $411,900, respectively.

At June 30, 2013, the College has outstanding contracts totaling approximately $2,283,000 for the purchase and renovation of certain properties. Completion of these projects is expected to occur within the next two years.

(7) Long-Term Debt

The following is a summary of long-term debt:

	Maturity date	Interest rate		Outstanding at June 30 2013	2012
NYS Dormitory Authority Bonds:					
1995 Issue – Family Loan	2014	—	$	636,485	937,969
1965 Dormitory Bonds:					
Fox and Davidson	2015	3.00%		390,000	515,000
Industrial Development Agency Bonds:					
2005 Issue – Industrial Development Agency	2016	3.595% fixed portion and variable portion		2,983,184	3,470,386
2006 Issue – Industrial Development Agency	2032	4.00% – 5.00%		32,171,698	32,713,737
2010 Issue – JPMorgan Chase Deferred Maintenance	2040	(30-day LIBOR +1.5%) x 67%		12,291,185	9,291,185
2010 Issue – JPMorgan Chase Bridge Financing – World and Social Sciences	2017	30-Day LIBOR + 1.25%		1,463,943	3,988,363
2012A Issue – Refunding Revenue Bond	2032	3.82%		24,112,483	24,242,613
Total debt			$	74,048,978	75,159,254

Interest expense on the above long-term debt was $2,675,445 and $3,494,806 for 2013 and 2012, respectively.

The face value of the long-term debt was $70,698,313 and $71,769,935 at June 30, 2013 and 2012, respectively. The estimated fair value of long-term debt at June 30, 2013 and 2012 is approximately $64,000,000 and $74,700,000, respectively. The fair value of long-term debt is based on observable rates currently available to the College for debt with similar terms and maturities and would be classified as Level 2 within the fair value hierarchy.

Proceeds of long-term debt have been used by the College to finance building and construction programs, as well as student loan programs. The Family Loan issues are collateralized by the repayment of student

(Continued)

loans receivable. The College is required to maintain various reserve accounts in conjunction with the debt agreements that are reported as deposits with bond trustees on the statements of financial position. Certain debt is collateralized by municipal bond insurance.

The College has an interest rate swap related to the 2005 issue, which requires the College to pay a fixed rate of interest (3.595%) 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 $3,630,149 and decreases as the associated outstanding borrowings decrease. Included within accounts payable in the statements of financial position at June 30, 2013 and 2012, the fair value of the swap was $23,102 and $51,096, respectively. The swap agreement matures on July 1, 2015. The counterparty to the swap arrangement is a major financial institution with which the College also has other financial relationships. The College may be exposed to credit loss in the event of nonperformance by the counterparty. However, the College does not anticipate nonperformance by the counterparty.

In December 2010, the College borrowed $15,310,000 through the Schenectady County Capital Resource Corporation, utilizing a tax-exempt revenue bond. JPMorgan Chase acted as the purchaser of the bond. The debt will be used to finance $15,000,000 of the College’s $30 million Deferred Maintenance Program. The proceeds will be used for the renovation and rehabilitation of portions of existing buildings and other improvements located on the campus, as well as the acquisition and installation of certain machinery and equipment in order to upgrade existing educational facilities, and other directly or indirectly related activities for use by the College, as well as pay for costs of issuance. The final maturity of the bond will be December 1, 2040, subject to optional tender by JPMorgan Chase on December 1, 2017. The interest rate is variable at 67% multiplied by one-month LIBOR + 100.5 basis points. As of June 30, 2013, the College had drawn down approximately $12,300,000 against this borrowing.

In connection with this tax-exempt financing, the College entered into a forward starting interest rate swap with JPMorgan Chase. The effective date of the swap was December 1, 2011. The original notional amount was $15,310,000 and the fixed rate of 2.358% is paid to JPMorgan Chase. Included within accounts payable in the statements of financial position at June 30, 2013 and 2012, the fair value of the swap was $1,034,253 and $1,125,581, respectively. The College receives the variable rate of 67% of 1-month LIBOR. The termination date is December 1, 2017.

In December 2010, the College also borrowed $7,000,000 directly through JPMorgan Chase, utilizing a taxable revolving loan. This bridge financing will be used as a form of revolving credit to finance the costs of various capital projects and repaid through gifts received for the projects, including the construction of the Peter Irving World Center for Science & Engineering, and renovating the Social Sciences building, now named Lipman Hall, as well as pay for costs of issuance. The interest rate is variable at one-month LIBOR plus 125 basis points. The final maturity of the loan is December 1, 2017. As of June 30, 2013, the College had drawn down approximately $1,500,000 against this borrowing.

In April 2012, the College borrowed $21,640,000 through the Schenectady County Capital Resource Corporation, utilizing a tax-exempt revenue bond. The debt was used to refinance the College’s outstanding 2001 and 2003 Bonds. The interest rate is fixed at 3.82%. The final maturity of the bond will be July 1, 2032, subject to an optional redemption on June 1, 2022.

(Continued)

Principal payments and maturities of bonds payable are summarized as follows:

Year ending June 30:		
2014	$	1,394,435
2015		2,556,667
2016		4,322,083
2017		2,330,000
2018		2,472,800
Thereafter		57,622,328
Principal maturities		70,698,313
Add unamortized bond premium		3,499,180
Less unamortized bond discounts		(148,515)
Bonds and notes payable, net	$	74,048,978

Line of Credit

The College has an unsecured line of credit in the amount of $5,000,000 with Bank of America, which expires March 23, 2014. Each advance under the line of credit will carry one of two interest rates: a variable rate equal to the Bank of America prime rate or a fixed rate equal to the one-month LIBOR rate plus 0.70% (adjusted each month). During the years ended June 30, 2013 and 2012, the College had not borrowed against this line of credit.

(8) Benefit Plans

(a) Retirement Plan

The College has a defined contribution retirement plan under arrangements with Teachers' Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) and Fidelity, which provide for purchases of annuities and investments for all of its faculty members and nonacademic employees.

The College's contribution expense under this plan was $4,945,769 and $4,809,790 for the years ended June 30, 2013 and 2012, respectively.

(b) Postretirement Healthcare Plan

The College has also elected to pay for a portion of healthcare benefits for retired employees based upon years of service at retirement date. The College recognizes the cost of healthcare benefits on an accrual basis over the working lifetime of employees.

The College provides health insurance benefits for eligible employees upon retirement and applies the provisions of ASC 715, *Compensation – Retirement Benefits*, which requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability and to recognize changes in that funded status in the year they occur. The College uses a June 30 measurement date for its postretirement healthcare plan (the Plan).

The Plan's funded status, amounts recognized, significant assumptions used, contributions made, and benefits paid as of and for the years ended June 30, 2013 and 2012 are as follows:

		2013	2012
Change in benefit obligations:			
Benefit obligation at beginning of year	$	11,604,016	9,603,601
Service cost		366,758	315,952
Interest cost		398,381	477,639
Actuarial (gain) loss		(1,526,364)	1,578,475
Benefits paid		(383,528)	(371,651)
Benefit obligation at end of year	$	10,459,263	11,604,016

		2013	2012
Accrued benefit cost:			
Funded status	$	(10,459,263)	(11,604,016)
Weighted average assumptions as of June 30:			
Discount rate – benefit obligation		4.36%	3.72%
Discount rate – periodic postretirement benefit cost		3.72	5.21

For measurement purposes, a 7.5% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2013. The rate was assumed to decrease to 6.4% in 2014, and then decrease gradually from 5.6% to 4.5% for 2015 and thereafter.

		2013	2012
Components of net periodic benefit cost:			
Service cost	$	366,758	315,952
Interest cost		398,381	477,639
Amortization of loss		196,904	106,574
Amortization of prior service cost		(160,729)	(160,729)
Net periodic postretirement benefit cost	$	801,314	739,436

Amounts recorded in unrestricted net assets as of June 30, 2013 and 2012, but not yet amortized as components of net periodic benefit costs are as follows:

		2013	2012
Unamortized prior service credit	$	(706,416)	(867,145)
Unamortized actuarial loss		2,009,025	3,732,293
Amount recognized as a reduction in unrestricted net assets	$	1,302,609	2,865,148

(Continued)

The amortization of the above items expected to be recognized in net periodic costs for the year ending June 30, 2014 is ($63,000).

Assumed healthcare cost trend rates may have a significant effect on the amounts reported for the healthcare plan. A one-percentage-point change in the healthcare trend rates would have the following effect:

		One-percentage-point	
		Increase	**Decrease**
Effect on total of service and interest cost components	$	35,605	(31,140)
Effect on postretirement benefit obligation		363,877	(323,297)

The following benefit payments, which reflect expected future service and the impact of the Medicare Part D subsidy, as appropriate, are expected to be paid:

		Postretirement benefit payments
2014	$	428,613
2015		482,349
2016		536,967
2017		585,393
2018		615,268
2019 – 2023		3,734,945

(9) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

		2013	2012
Pledges for instruction, scholarship, facilities, and other departmental support	$	10,727,586	10,861,595
Capital projects		2,717,587	1,828,212
Pooled term endowments		99,809,544	88,148,564
Life income and annuity agreements		1,978,564	2,631,985
Funds in trust and other nonpooled endowments		4,779,790	3,687,132
Annual restricted scholarships and other funds		2,596,674	2,535,966
Total	$	122,609,745	109,693,454

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

	2013	2012
Pledges to endowment for scholarship and other departmental support	$ 5,279,013	4,243,930
Pooled endowments	130,781,859	124,921,273
Nonpooled endowments	6,912,839	6,963,416
Life income and annuity agreements	1,178,362	1,010,880
Funds in trust	7,616,592	8,104,724
Total	$ 151,768,665	145,244,223

(10) Expenses and Discounts Prior to Allocation

The following table compares expenses and student aid, reported as a discount in the statements of activities, for the years ended June 30, 2013 and 2012, prior to the allocation of operations and maintenance of plant, employee benefits, depreciation, and interest expense:

	2013	2012
Instructional and departmental research	$ 27,972,262	27,293,913
Sponsored research programs	1,745,943	914,064
Academic support	6,346,382	4,784,577
Student services	5,020,632	5,102,323
Institutional support	15,058,549	15,579,702
Intercollegiate athletics	5,227,580	5,037,986
Student aid	39,692,442	37,766,422
Auxiliaries operations	12,765,365	12,470,619
Other	896,730	1,819,695
Total expenses and discounts prior to allocation	114,725,885	110,769,301
Operations and maintenance of plant	10,023,660	10,056,180
Employee benefits	18,794,873	17,130,736
Depreciation and change in asset retirement obligations	10,863,726	10,742,456
Interest on long-term debt	2,675,445	3,494,806
Amortization of issuance costs	60,024	168,715
Total allocated expenses	42,417,728	41,592,893
Total	$ 157,143,613	152,362,194

Included in institutional support are $4,336,052 and $4,258,975 of fund-raising expenses for the years ended June 30, 2013 and 2012, respectively. Costs incurred include expenses related to solicitation activities to obtain gifts and bequests, as well as special cultivation events that may result in contributions that will be received in future periods.

(11) Collections

The College's collections are made up of approximately 18,000 objects and their estimated fair value is approximately $18,000,000. The College's policy is not to capitalize its collections. The College's collections comprise paintings and portraits, furniture, works on paper, scientific instrumentation, and other objects.

The College's collections are held for educational, research, scientific, and curatorial purposes. Each of the items is catalogued, preserved, and cared for, and activities verifying their existence and assessing their condition are performed periodically. All proceeds resulting from the deaccession of objects from the permanent collection are allocated for the benefit of the collections. During the years ended June 30, 2013 and 2012, no objects were deaccessioned.

(12) Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2013 and through October 14, 2013, the date on which the financial statements were issued.