

The Corporation of Haverford College

**Financial Statements
June 30, 2008 and 2007**

The Corporation of Haverford College
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June 30, 2008 and 2007

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Report of Independent Auditors

To the Board of Managers
The Corporation of Haverford College

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets and cash flows present fairly, in all material respects, the financial position of The Corporation of Haverford College (the "College") as of June 30, 2008 and 2007, and the results of its activities and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 audits. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

September 26, 2008

The Corporation of Haverford College
Statements of Financial Position
June 30, 2008 and 2007

(dollars in thousands)

	2008	2007
Assets		
Current assets		
Cash and cash equivalents	\$ 171	\$ 11,103
Temporary investments	9,737	61
Accounts receivable, net (Note 1)	5,851	6,524
Inventories, prepaid expenses and other assets	2,635	2,196
Total current assets	<u>18,394</u>	<u>19,884</u>
Student loans receivable, net (Note 1)	1,020	985
Contributions receivable and bequest in probate, net (Note 2)	10,290	13,810
Long-term investments (Note 3)	540,443	560,131
Assets held in trust by others	2,709	3,015
Funds held for investment in plant (Note 4)	9,840	2,006
Plant and equipment, net (Note 5)	126,880	127,518
Total assets	<u>\$ 709,576</u>	<u>\$ 727,349</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,151	\$ 3,904
Deposits and deferred revenues	2,411	1,754
Current portion of long-term debt	1,035	1,850
Total current liabilities	<u>6,597</u>	<u>7,508</u>
Federal student loan advances	1,031	1,026
Accrued postretirement liabilities	72	136
Liabilities under planned giving agreements (Notes 1 and 3)	9,692	8,906
Long-term debt (Note 6)	103,378	96,441
Interest rate swaption liability (Note 6)	6,440	4,195
Other liabilities	1,253	1,267
Total liabilities	<u>128,463</u>	<u>119,479</u>
Net assets (Note 7)		
Unrestricted	220,434	232,844
Temporarily restricted	200,738	213,546
Permanently restricted	159,941	161,480
Total net assets	<u>581,113</u>	<u>607,870</u>
Total liabilities and net assets	<u>\$ 709,576</u>	<u>\$ 727,349</u>

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

The Corporation of Haverford College
Statements of Activities and Changes in Net Assets
Year Ended June 30, 2008 with 2007 Comparative Information

(dollars in thousands)

	Unrestricted	Restricted		2008 Total	2007 Total
		Temporarily	Permanently		
Operating revenues					
Tuition and fees	\$ 43,344	\$ -	\$ -	\$ 43,344	\$ 40,891
Room and board	11,425	-	-	11,425	10,947
Less: student aid	<u>(12,441)</u>	<u>-</u>	<u>-</u>	<u>(12,441)</u>	<u>(11,392)</u>
Student revenues, net	42,328	-	-	42,328	40,446
Endowment payout (Notes 1 and 3)	20,606	1,464	-	22,070	20,382
Gifts	4,880	3,130	-	8,010	7,561
Government grants and contracts	1,385	-	-	1,385	939
Bookstore, rents and other income	5,375	39	-	5,414	5,251
Net assets released from restrictions	<u>4,433</u>	<u>(4,433)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>79,007</u>	<u>200</u>	<u>-</u>	<u>79,207</u>	<u>74,579</u>
Operating expenses (Note 9)					
Program services					
Instruction	29,736	-	-	29,736	27,807
Research	2,211	-	-	2,211	1,876
Library and academic support	7,928	-	-	7,928	7,698
Student services	10,176	-	-	10,176	9,767
Auxiliary enterprises	15,191	-	-	15,191	14,793
Supporting services					
Management, general and fundraising	<u>12,756</u>	<u>-</u>	<u>-</u>	<u>12,756</u>	<u>12,494</u>
Total operating expenses	<u>77,998</u>	<u>-</u>	<u>-</u>	<u>77,998</u>	<u>74,435</u>
Change in net assets from operating activities	<u>1,009</u>	<u>200</u>	<u>-</u>	<u>1,209</u>	<u>144</u>
Nonoperating activities					
Endowment and planned gifts	673	474	12,104	13,251	15,340
Net change in pledges receivable (Notes 1 and 2)		(787)	(2,990)	(3,777)	(8,232)
Net realized and unrealized (losses) gains	(8,062)	(7,611)	(10,858)	(26,531)	80,433
Withdrawn for endowment payout (Notes 1 and 3)	(5,299)	(4,748)	80	(9,967)	(7,130)
Loss on bond refinancing	(942)	-	-	(942)	-
Net assets released from restrictions	<u>211</u>	<u>(336)</u>	<u>125</u>	<u>-</u>	<u>-</u>
Change in net assets from nonoperating activities	<u>(13,419)</u>	<u>(13,008)</u>	<u>(1,539)</u>	<u>(27,966)</u>	<u>80,411</u>
(Decrease) increase in net assets	(12,410)	(12,808)	(1,539)	(26,757)	80,555
Net assets					
Beginning of year	<u>232,844</u>	<u>213,546</u>	<u>161,480</u>	<u>607,870</u>	<u>527,315</u>
End of year	<u>\$ 220,434</u>	<u>\$ 200,738</u>	<u>\$ 159,941</u>	<u>\$ 581,113</u>	<u>\$ 607,870</u>

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

The Corporation of Haverford College
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2007

(dollars in thousands)

	Unrestricted	Restricted		2007 Total
		Temporarily	Permanently	
Operating revenues				
Tuition and fees	\$ 40,891	\$ -	\$ -	\$ 40,891
Room and board	10,947	-	-	10,947
Less: student aid	<u>(11,392)</u>	<u>-</u>	<u>-</u>	<u>(11,392)</u>
Student revenues, net	40,446	-	-	40,446
Endowment payout (Notes 1 and 3)	19,185	1,197	-	20,382
Gifts	5,388	2,173	-	7,561
Government grants and contracts	939	-	-	939
Bookstore, rents and other income	5,207	44	-	5,251
Net assets released from restrictions	<u>3,396</u>	<u>(3,396)</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>74,561</u>	<u>18</u>	<u>-</u>	<u>74,579</u>
Operating expenses (Note 9)				
Program services				
Instruction	27,807	-	-	27,807
Research	1,876	-	-	1,876
Library and academic support	7,698	-	-	7,698
Student services	9,767	-	-	9,767
Auxiliary enterprises	14,793	-	-	14,793
Supporting services				
Management, general and fundraising	<u>12,494</u>	<u>-</u>	<u>-</u>	<u>12,494</u>
Total operating expenses	<u>74,435</u>	<u>-</u>	<u>-</u>	<u>74,435</u>
Change in net assets from operating activities	<u>126</u>	<u>18</u>	<u>-</u>	<u>144</u>
Nonoperating activities				
Endowment and planned gifts	2,673	30	12,637	15,340
Net change in pledges receivable (Notes 1 and 2)	-	(11,096)	2,864	(8,232)
Net realized and unrealized gains	29,443	44,192	6,798	80,433
Withdrawn for endowment payout (Notes 1 and 3)	(4,842)	(2,376)	88	(7,130)
Net assets released from restrictions	<u>147</u>	<u>(367)</u>	<u>220</u>	<u>-</u>
Change in net assets from nonoperating activities	<u>27,421</u>	<u>30,383</u>	<u>22,607</u>	<u>80,411</u>
Increase in net assets	27,547	30,401	22,607	80,555
Net assets				
Beginning of year	<u>205,297</u>	<u>183,145</u>	<u>138,873</u>	<u>527,315</u>
End of year	<u>\$ 232,844</u>	<u>\$ 213,546</u>	<u>\$ 161,480</u>	<u>\$ 607,870</u>

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

The Corporation of Haverford College
Statements of Cash Flows
Years Ended June 30, 2008 and 2007

(dollars in thousands)

	2008	2007
Cash flows from operating activities		
(Decrease) increase in net assets	\$ (26,757)	\$ 80,555
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	6,333	6,199
Net realized and unrealized losses (gains)	26,531	(80,433)
Loss on bond refinancing	942	-
Contributions restricted for endowment, planned gifts and plant facilities	(15,580)	(13,057)
Present value of new planned giving liabilities	1,673	95
Recognition of conditional asset retirement obligation	11	571
Gifts in kind and other adjustments, net	1	(13)
Changes in operating assets and liabilities		
Accounts receivable, inventories and prepaid expenses	23	(1,294)
Accounts payable and accrued expenses, deposits and deferred revenues, and accrued postretirement liabilities	(160)	1,320
Contributions receivable, net	3,520	8,199
Net cash (used in) provided by operating activities	<u>(3,463)</u>	<u>2,142</u>
Cash flows from investing activities		
Purchases of investments	(186,490)	(133,784)
Sales of investments	164,237	136,604
Termination of interest rate swap agreement (Note 6)	502	-
Purchases of plant and equipment	(4,892)	(5,425)
Student loan disbursements	(166)	(185)
Student loan repayments	120	198
Net cash used in investing activities	<u>(26,689)</u>	<u>(2,592)</u>
Cash flows from financing activities		
Contributions restricted for endowment, planned gifts and plant facilities	15,580	13,057
Proceeds from issuance of long-term debt	60,556	-
Repayments of long-term debt	(55,475)	(1,775)
Payments to planned gift beneficiaries, net of related income	(1,446)	(471)
Federal student loan advances	5	8
Net cash provided by financing activities	<u>19,220</u>	<u>10,819</u>
Net (decrease) increase in cash and cash equivalents	(10,932)	10,369
Cash and cash equivalents		
Beginning of year	<u>11,103</u>	<u>734</u>
End of year	<u>\$ 171</u>	<u>\$ 11,103</u>
Supplemental disclosure of cash flow information		
Interest paid	\$ 4,758	\$ 4,770

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

The Corporation of Haverford College

Notes to Financial Statements

June 30, 2008 and 2007

1. Organization and Summary of Significant Accounting Policies

Description of Organization

The Corporation of Haverford College (the "College"), founded in 1833, is a coeducational, private, highly selective, liberal arts college located in Haverford, Pennsylvania. A diverse student body of approximately 1,200 full-time undergraduates is drawn from independent and public schools across the United States, Puerto Rico and more than 20 foreign countries. The College is a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from taxes on income other than unrelated business income.

Basis of Presentation

The financial statements of the College have been prepared in conformity with accounting principles generally accepted in the United States of America for not-for-profit organizations. Not-for-profit accounting requires that net assets and revenues, expenses, gains and losses be classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets include all resources that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Managers or may otherwise be limited by contractual agreements with outside parties. Temporarily restricted net assets include contributions restricted by donors for specific purposes and/or future years, and gains on permanent endowment, which are restricted by Pennsylvania law on the amount that may be expended in a given year. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the College. Such assets primarily include the original gifts to the College's permanent endowment funds.

In the statement of activities, nonoperating activities primarily reflect increases and decreases in net assets associated with long-term investments, and contributions (pledges) to be received in the future. Net assets released from restrictions in the nonoperating section include matured planned giving agreements and other reclassifications.

Cash and Temporary Investments

Operating cash invested in short-term, highly liquid investments is reported as cash and cash equivalents. Temporary investments are investments in fixed income mutual funds, whose underlying investments have longer maturities. Cash and temporary investments held for long-term purposes are classified with noncurrent assets. Investment income earned on cash and temporary investments (other than endowment) of \$977,000 in 2008 and \$1,109,000 in 2007 is included in other income.

Accounts Receivable and Student Loans Receivable

Accounts receivable include accrued investment income, amounts due from students and federal and other grants and contracts, the current portion of contributions receivable, and other miscellaneous receivables. Accounts receivable are reported net of allowances for doubtful accounts of \$140,000 in 2008 and \$136,000 in 2007. Student loans receivable are reported at cost, less allowances for doubtful accounts of \$79,000 in 2008 and \$75,000 in 2007.

The Corporation of Haverford College

Notes to Financial Statements

June 30, 2008 and 2007

Fair Value of Investments and Endowment Investment Policies and Spending

Investments in marketable equity and debt securities are valued at quoted market prices from major securities exchanges. Private equity, venture capital, real estate, hedge funds, and other alternative investments include investments for which quoted market prices are not readily available. The fair values of these investments are based upon the most recent estimates provided by the respective general partners. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and the differences could be material. The College believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2008 and 2007.

The College's endowment investment policies are designed to enhance the real (inflation adjusted) purchasing power of the endowment while providing a relatively predictable and growing stream of real revenues in line with the spending needs of the College. Assets are broadly diversified over both traditional and alternative investments to provide reasonable assurance that no single security or class of assets will have a disproportionate impact on the total portfolio. The specific investment objective is to attain a real total return of 5%-7% over the long term consistent with a prudent risk level. Recognizing the more favorable growth potential of equities compared to fixed income investments over long periods of time, a majority of the College's endowment assets normally will be committed to equity investments. A committee of the Board of Managers is responsible for oversight of the endowment and for engaging the services of professional investment managers to manage the endowment on a day-to-day basis.

Most of the College's endowment and similar funds are subject to an internal spending policy that determines the amount available for operations each year. The policy provides for increasing the prior year's payout amount by 5%, plus 5% of new endowment gifts, subject to a limitation between 4.75% and 5.75% of the average market value of the funds' investments. The amount by which the endowment payout exceeds actual endowment income is reported as withdrawn for endowment payout in the nonoperating section of the statement of activities. For the years 2008 and 2007, the payout amount exceeded endowment income by \$9,967,000 and \$7,130,000, respectively.

Commonwealth of Pennsylvania law permits the College to spend annually from its permanent endowment funds up to 7% of the fair market value of these funds, averaged over a period of three or more preceding years, provided that the percentage selected by the Board of Managers is consistent with the long-term preservation of the real value of the endowment funds.

Planned Giving Agreements

Planned giving agreements (planned gifts) are life income and other split-interest agreements with donors in which the College serves as trustee or otherwise controls the assets. Assets are invested and distributions are made to beneficiaries and the College in accordance with the respective agreements. Liabilities under planned giving agreements represent the present value of the estimated future distributions to beneficiaries over the terms of the agreements. Investment gains and losses, and gains and losses associated with changes in the estimates of future distributions to beneficiaries, are included in net realized and unrealized gains and losses.

Assets Held in Trust by Others

The College is the income beneficiary of certain perpetual trusts held and administered by others. The fair value of the College's interest in the trusts is recorded as an asset, which approximates the present value of the estimated future cash receipts from the trusts. Changes in fair value of the trusts are included in net realized and unrealized gains and losses.

The Corporation of Haverford College

Notes to Financial Statements

June 30, 2008 and 2007

Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (15 to 20 years for land and building improvements, 20 to 50 years for buildings, 4 to 15 years for equipment, and 30 years for library books). Expenditures for new construction and major renewals and replacements and equipment are capitalized. The College owns approximately 204 acres of land that are carried on the books at no cost. Works of art, historical treasures and similar assets have been recognized at their estimated fair value based upon appraisals or similar valuations. Works of art, historical treasures and similar assets are not subject to depreciation.

Contributions and Net Assets Released from Restrictions

Contributions, including unconditional promises to give, are recorded as revenue in the period that the College receives the contribution or promise. Conditional promises to give are not recorded 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.

Contributions and other revenues with donor-imposed restrictions that are met in the same year as received or earned are reported as unrestricted revenues. Otherwise, expirations of donor-imposed restrictions are reported in the statement of activities as net assets released from restrictions. Restrictions on contributions for the acquisition of plant and equipment expire upon acquisition of the related asset.

Fair Value of Financial Instruments

The fair value of cash and cash equivalents, employee mortgages, and receivables approximate their respective carrying amounts. The fair value of cash equivalents is based on the quoted market price of the underlying securities; the fair values of bonds payable are estimated based primarily upon quoted market prices of similar bonds. The fair value of bonds payable is disclosed in Note 6. Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans, could not be made without incurring excessive cost; these loans are valued at cost.

Use of Estimates

The preparation of the College's 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 statement and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions affect, in particular, the reported amounts of contributions receivable, liabilities under planned giving agreements, and valuation of alternative investments.

Actual results could differ from those estimates.

Conditional Asset Retirement Obligations

During fiscal 2007, the College revised its estimated conditional asset retirement obligations based on additional information and actual asbestos abatement costs incurred during the year, which costs amounted to \$154,000 during fiscal 2007. The College recognized additional estimated conditional asset retirement obligations of \$571,000 in the statement of activities and \$4,000 of plant assets, net of accumulated depreciation. Conditional asset retirement obligations of \$586,000 at June 30, 2008 and \$575,000 at June 30, 2007 are included in other liabilities in the statement of financial position.

The Corporation of Haverford College

Notes to Financial Statements

June 30, 2008 and 2007

New Accounting Pronouncements

Effective July 1, 2007, the College adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), an interpretation of FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 provides guidance on how uncertain tax positions taken or expected to be taken in a tax return should be recognized, measured, presented and disclosed in the financial statements. No adjustments to the financial statements were required as a result of the adoption of FIN 48. The College will continue to monitor and evaluate its unrelated business income activity.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (FAS 157). This statement clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and expands disclosures about the use of fair value measurements. FAS 157 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The standard also prioritizes and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date. FAS 157 is effective for fiscal years that begin after November 15, 2007, at which time the College will be required to categorize and disclose certain assets and liabilities, such as investments, using the new three-level hierarchy. The College is evaluating the impact of this pronouncement on the 2009 financial statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*" (FAS 159). FAS 159 permits entities to choose to measure certain financial instruments and other items at fair value. FAS 159 is effective for fiscal years beginning after November 15, 2007. The College is evaluating the impact of this pronouncement on the 2009 financial statements.

In August 2008, FASB issued Staff Position 117-1, which will require enhanced disclosure requirements about an organization's endowment funds beginning with fiscal 2009. Some of these requirements have been incorporated into Note 1 "Fair Value of Investments and Endowment Investment Policies and Spending" to the June 30, 2008 financial statements.

2. Contributions Receivable

Contributions receivable represent unconditional promises to give from donors collectible in future years. Contributions receivable are recorded after discounting to the present value of the expected future cash flows. The discount is computed using an estimated "risk-free" interest rate. An allowance for uncollectible contributions is provided based upon management's judgment of the collectibility of outstanding pledges.

The Corporation of Haverford College
Notes to Financial Statements
June 30, 2008 and 2007

Contributions receivable (in thousands) at June 30 are expected to be realized and have been recorded as follows:

	2008	2007
In one year or less	\$ 6,503	\$ 9,582
Between one and five years	4,863	5,511
In more than five years	<u>3,052</u>	<u>3,347</u>
	14,418	18,440
Less: discount	(2,139)	(2,407)
Less: allowance	(939)	(917)
Less: amount included in current accounts receivable	<u>(1,050)</u>	<u>(1,306)</u>
Contributions receivable, net	<u>\$ 10,290</u>	<u>\$ 13,810</u>

The College wrote off a \$5 million pledge during fiscal 2007 after collection was deemed doubtful. The pledge had a carrying value of \$3,949,000 net of discount and allowance at June 30, 2006. This \$3,949,000 loss is included in the 2007 statement of activities as a nonoperating activity under the caption "net change in pledges receivable."

A reconciliation of contributions recorded in the financial statements with gifts received by the College (excluding pledges) is as follows (in thousands):

	2008	2007
Contributions, operating	\$ 8,010	\$ 7,561
Contributions, nonoperating	<u>13,251</u>	<u>15,340</u>
	21,261	22,901
Present value of new planned giving liabilities	<u>1,673</u>	<u>95</u>
Gifts received	<u>\$ 22,934</u>	<u>\$ 22,996</u>

3. Long-Term Investments

The fair values of the College's long-term investments at June 30 were as follows (in thousands):

	2008	2007
Domestic equity funds	\$ 139,164	\$ 147,589
International equity funds	152,532	201,888
Fixed income	60,339	58,758
Hedge funds	29,338	16,882
Real assets	57,209	36,698
Private equity, venture capital and other investments	88,277	78,206
Cash and cash equivalents	<u>13,584</u>	<u>20,110</u>
	<u>\$ 540,443</u>	<u>\$ 560,131</u>

At June 30, 2008 and 2007, approximately 51% and 56% of the College's long-term investments were invested in equity funds managed by one index investment manager.

The Corporation of Haverford College
Notes to Financial Statements
June 30, 2008 and 2007

Real assets include real estate, commodities and energy related investments.

The College includes 60% of the William Maul Measey Trust (the "Trust") in its endowment and similar funds. The Trust is maintained and controlled by the College, with 50% of the Trust's interest and dividends expended for student financial aid and 10% for administration of the Trust. The remaining 40% of the Trust's income must be disbursed to qualified secondary schools to be utilized for student financial aid. The College's portion of the fair value of the Trust was \$36,673,000 and \$47,134,000 at June 30, 2008 and 2007, respectively.

Pursuant to Commonwealth of Pennsylvania law and at the direction of the Board of Managers, \$2,260,000 of endowment funds' gains were transferred to quasi-endowment during fiscal 2007 for ultimate use in the operations of the College. The College did not transfer any endowment gains to quasi-endowment during fiscal year 2008.

Long-term investment activity for 2008 and 2007 was as follows (in thousands):

	Endowment and Similar Funds	Planned Giving Agreements	Total 2008	Total 2007
Investments, beginning of year	\$ 539,589	\$ 20,542	\$ 560,131	\$ 471,451
Contributions	12,829	2,094	14,923	15,435
Transfers (to) from other funds	449	(262)	187	(88)
Contributions and other additions	13,278	1,832	15,110	15,347
Net realized and unrealized investment (losses) gains	(21,592)	(1,793)	(23,385)	80,934
Dividends and interest available, net of expenses of \$1,223 and \$1,552	12,103	-	12,103	13,252
Endowment spending payout	(22,070)	-	(22,070)	(20,382)
Withdrawn for endowment payout	(9,967)	-	(9,967)	(7,130)
Distributions to beneficiaries, net of related income	-	(1,446)	(1,446)	(471)
Investments, end of year	\$ 521,308	\$ 19,135	\$ 540,443	\$ 560,131

The total return of the College's endowment and similar funds (consisting of investment gains and losses and dividends and interest, net of expenses) was (2.0)% and 20.4% for the fiscal years ending June 30, 2008 and 2007, respectively.

4. Funds Held for Investment in Plant

Funds held for investment in plant at June 30 consisted of (in thousands):

	2008	2007
Cash and cash equivalents	\$ 3,085	\$ 2,006
Bond proceeds held by trustee (Note 6)	6,755	-
	<u>\$ 9,840</u>	<u>\$ 2,006</u>

The Corporation of Haverford College
Notes to Financial Statements
June 30, 2008 and 2007

5. Plant and Equipment

The components of plant and equipment at June 30 were as follows (in thousands):

	2008	2007
Land and land improvements	\$ 8,177	\$ 7,114
Buildings	172,371	170,772
Equipment	16,930	15,776
Library books	9,194	8,871
Works of art, historical treasures and similar assets	4,189	4,189
Construction-in-progress	1,406	-
	<u>212,267</u>	<u>206,722</u>
Accumulated depreciation	<u>(85,387)</u>	<u>(79,204)</u>
	<u>\$ 126,880</u>	<u>\$ 127,518</u>

6. Long-Term Debt

Long-term debt at June 30 consisted of (dollars in thousands):

	2008	2007
Delaware County Authority Revenue Bonds, Series of 2008 (variable rate), net of unamortized discount of \$444	\$ 60,556	\$ -
Delaware County Authority Revenue Bonds, Series of 2004 (variable rate), net of unamortized discount of \$659 in 2007	-	37,692
Delaware County Authority Revenue Bonds, Series of 2003 (variable rate), net of unamortized discount of \$331 in 2007	-	16,794
Delaware County Authority Revenue Bonds, Series of 2000 (6.04% weighted average interest rate), net of unamortized discount of \$1,143 and \$1,195	<u>43,857</u>	<u>43,805</u>
	104,413	98,291
Less: Amounts due within one year	<u>(1,035)</u>	<u>(1,850)</u>
	<u>\$ 103,378</u>	<u>\$ 96,441</u>

The interest rate on the 2008 Bonds currently is reset weekly and interest is paid monthly. The annualized interest rate was 1.50% at June 30, 2008. The bonds are subject to scheduled mandatory principal redemption from fiscal 2009 through 2039, and may be redeemed at the option of the Authority, as directed by the College, on any interest payment date at a redemption price of 100% plus accrued interest.

While in the weekly interest rate mode, the 2008 Bonds may be tendered by bondholders for purchase on any business day upon seven days prior notice. Any tendered 2008 Bonds will be remarketed by the remarketing agent to new investors and the purchase price paid by such investors will be used to pay tendering bondholders. The College is obligated to purchase tendered 2008 Bonds in the event of a failed remarketing.

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Concurrently with the issuance of the 2008 Bonds, the College established a \$61.8 million standby liquidity facility with a commercial bank, which agreement is in effect until May 1, 2011. The liquidity facility may be utilized by the College to purchase tendered 2008 bonds in the event of a failed remarketing. At the option of the College, any draws against the liquidity facility are convertible into a 60 month term loan. Accordingly, the 2008 bonds are classified as long-term debt in accordance with generally accepted accounting principals. As of September 26, 2008, there were no draws against the liquidity facility.

The 2008 Bonds were issued to redeem the 2003 and 2004 Bonds, to finance the costs of various capital improvements to College facilities and for the payment of certain issuance costs related to the 2008 Bonds. Unamortized bond issue costs of \$942,000 related to the 2003 and 2004 Bonds were written off during fiscal 2008 and are included in the Statement of Activities as "loss on bond refinancing."

The 2000 Bonds mature in varying principal amounts beginning in 2021 through 2031. The 2000 Bonds are subject to optional redemption by the Authority, as directed by the College, on or after November 15, 2010, at an initial redemption price of 101% plus accrued interest.

The 2000 and 2008 Bonds are secured by a general pledge of unrestricted College revenues.

The fair value of the College's long-term debt, based upon current interest rates for similar obligations, was approximately \$108,310,000 and \$102,190,000 at June 30, 2008 and 2007, respectively.

Aggregate principal payments on long-term debt for each of the next five fiscal years and thereafter are as follows: 2009 – \$1,035,000; 2010 – \$1,120,000; 2011 – \$1,245,000; 2012 – \$1,365,000; 2013– \$1,505,000; and thereafter \$99,730,000.

Swap Agreements

In 2005, the College sold an interest rate swap option ("swaption") to UBS, AG ("UBS"). UBS paid Haverford \$5,275,000 for the swaption. The purpose of the swaption transaction was to enable the College to lock in the present value of the call option on the 2000 Bonds, based on interest rate levels as of June 29, 2005. The swaption may be exercised by UBS on semiannual dates beginning November 15, 2010 through November 15, 2013. If exercised, the College will pay UBS a fixed rate of 5.797% (the coupon rate on the existing 2000 Bonds) through November 15, 2030 on certain notional principal amounts related to the 2000 Bonds, and will receive a variable interest rate from UBS, on the same principal amounts, based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index (formerly the Bond Market Association Municipal Swap Index) plus 26 basis points (0.26%). If UBS exercises the swaption, it is expected that the College would cause variable rate tax-exempt bonds to be issued on its behalf (at an expected variable rate of approximately the SIFMA Index plus 26 basis points) and utilize the proceeds to retire the 2000 Bonds. The swaption had a fair value (representing a liability) of \$6,440,000 at June 30, 2008 and \$4,195,000 at June 30, 2007. Unrealized losses of \$2,245,000 in fiscal 2008 and \$601,000 in fiscal 2007 are included in net realized and unrealized gains and losses in the statements of activities.

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In 2006, the College entered into an interest rate swap agreement with UBS (the "basis swap") with an effective date of July 21, 2005 and an original termination date of November 15, 2010. On April 10, 2008, the College and UBS mutually terminated the agreement in exchange for a \$502,000 payment to the College. Until termination, the College and UBS exchanged interest payments. The College paid UBS the weekly SIFMA Index rate and UBS paid the College 67% of the monthly London Interbank Offered Rate (LIBOR) plus 29 basis points (0.29%) through May 15, 2006 and 67% of the 5-year LIBOR less 4 basis points (0.04%) thereafter. The interest rate swap payments were calculated on a \$45,000,000 notional amount. The purpose of this basis swap agreement was to diversify the College's interest rate exposure related to its debt. The College made net interest payments to UBS of \$64,000 during fiscal 2008 through April 10, 2008 and \$74,000 during fiscal 2007.

7. Net Assets

Net assets at June 30, 2008 and 2007, consisted of the following (in thousands):

	2008	2007
Unrestricted		
Unallocated	\$ 1,462	\$ 1,692
Designated for operations and student loans	6,331	6,645
Designated for the acquisition of plant and equipment	2,118	1,629
Designated for quasi-endowments	185,308	194,387
Gift annuities	4,012	5,064
Net investment in plant and equipment	<u>21,203</u>	<u>23,427</u>
	220,434	232,844
Temporarily restricted		
Contributions and income for specific operating purposes	4,222	4,704
Contributions for the acquisition of plant and equipment	977	417
Endowments available for specific purposes	16,820	17,249
Realized and unrealized endowment gains	167,641	178,260
Contributions receivable and planned giving agreements	<u>11,078</u>	<u>12,916</u>
	200,738	213,546
Permanently restricted		
Endowment funds	151,431	149,583
Contributions receivable and planned giving agreements for permanent endowment	5,801	8,882
Funds held in trust by others	<u>2,709</u>	<u>3,015</u>
	159,941	161,480
Total net assets	<u>\$ 581,113</u>	<u>\$ 607,870</u>

8. Retirement Plans

The College has a defined contribution pension plan for eligible faculty, administration and staff employees. The plan is fully funded and the participants' interests are fully vested. The College's contributions to the plan, based on 12% of eligible salaries, were \$3,281,000 and \$2,940,000 in 2008 and 2007, respectively.

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The College also has a defined contribution postretirement healthcare plan for eligible faculty, administration and staff employees whom are at least 40 years of age. This plan is also fully funded, however, College contributions are forfeited back to the College for employees who leave without having seven years' service with the College. The College's contributions to this plan were \$298,000 and \$287,000 in 2008 and 2007, respectively.

Both the pension plan and the healthcare plan permit additional employee contributions.

9. Operating Expenses

Operating expenses were incurred for the following (in thousands):

	2008	2007
Salaries and wages	\$ 32,515	\$ 29,915
Benefits	11,912	10,783
Total compensation	<u>44,427</u>	<u>40,698</u>
Services and contracting	9,408	9,904
Food, supplies and minor equipment	6,993	6,573
Utilities	2,814	2,794
Travel and training	1,612	1,514
Insurance and taxes	855	715
Depreciation and amortization	6,333	6,199
Interest	4,761	4,786
Other	795	1,252
Total expenses	<u>\$ 77,998</u>	<u>\$ 74,435</u>

The Statement of Activities presents operating expenses by functional classification. Depreciation and amortization, interest and certain expenses associated with the operation and maintenance of plant facilities are allocated to each function based principally upon square footage of facilities.

Direct fund-raising expenses were \$2,573,000 and \$2,607,000 in 2008 and 2007, respectively.

10. Commitments and Related Party Transaction

The College is obligated under certain endowment limited partnership agreements to advance additional funding in the amount of \$166,750,000 at June 30, 2008. This funding will likely be called over the next four years.

In July 2007, the College made a \$20 million commitment to a limited partnership in which the managing principal of the general partner is also a member of the College's Board of Managers. The uncalled partnership commitment at June 30, 2008 was \$17,946,000.

The College leases certain copier equipment and purchases related supplies under a noncancelable operating lease that expires July 31, 2009. Future minimum payments under this lease are \$261,000 annually during fiscal year 2009, and \$22,000 during fiscal year 2010.