

The Corporation of Haverford College

**Financial Statements
June 30, 2009 and 2008**

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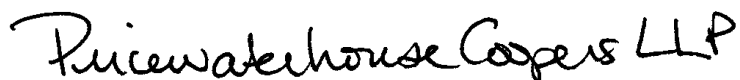
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Report of Independent Auditors

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, 2009 and 2008, 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.

As discussed in Notes 1 and 8 to the consolidated financial statements, the College adopted Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* in 2009.



October 2, 2009

The Corporation of Haverford College
Statements of Financial Position
June 30, 2009 and 2008 (Reclassified 2008)

<i>(dollars in thousands)</i>	2009	2008
Assets		
Cash and cash equivalents	\$ 5,158	\$ 3,296
Short-term investments (Note 3)	13,219	10,640
Accounts receivable, net (Note 1)	2,246	4,811
Inventories, prepaid expenses and other assets	2,301	2,635
Bond proceeds held by trustee (Note 6)	1,479	6,755
Student loans receivable, net (Note 1)	1,003	1,020
Contributions receivable and bequest in probate, net (Note 2)	8,275	11,340
Long-term investments (Note 3):		
Endowment and similar funds	336,086	521,308
Planned giving agreements	13,960	19,135
Assets held in trust by others	2,463	2,709
Plant and equipment, net (Note 5)	<u>125,480</u>	<u>126,880</u>
Total assets	<u>\$ 511,670</u>	<u>\$ 710,529</u>
Liabilities and Net Assets		
Accounts payable	\$ 2,462	\$ 2,573
Accrued expenses	1,891	1,603
Deposits and deferred revenues	2,622	2,411
Federal student loan advances	748	1,031
Interest rate swaption liability (Note 6)	8,531	6,440
Liabilities under planned giving agreements	8,111	9,692
Long-term debt (Note 6)	103,445	104,413
Other liabilities	<u>1,203</u>	<u>1,253</u>
Total liabilities	<u>\$ 129,013</u>	<u>\$ 129,416</u>
Net assets (Note 9)		
Unrestricted	\$ 147,747	\$ 220,434
Temporarily restricted	86,914	200,738
Permanently restricted	<u>147,996</u>	<u>159,941</u>
Total net assets	<u>382,657</u>	<u>581,113</u>
Total liabilities and net assets	<u>\$ 511,670</u>	<u>\$ 710,529</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
Years Ended June 30, 2009 and 2008 (Reclassified 2008)

(dollars in thousands)

	Unrestricted	Restricted		2009	2008
		Temporarily	Permanently	Total	Total
Operating revenues					
Tuition and fees	\$ 46,277	\$ -	\$ -	\$ 46,277	\$ 43,344
Room and board	12,154	-	-	12,154	11,425
Less: student aid	(14,695)	-	-	(14,695)	(12,441)
Student revenues, net	43,736	-	-	43,736	42,328
Investment revenues					
Endowment payout (Notes 1 and 4)	22,307	2,186	-	24,493	21,942
Other investment income	830	2	-	832	1,113
Private gifts and grants	5,589	1,911	-	7,500	8,010
Government grants and contracts	1,734	-	-	1,734	1,385
Bookstore, rents and other income	4,473	14	-	4,487	4,429
Net assets released from restrictions	3,416	(3,416)	-	-	-
Total operating revenues	82,085	697	-	82,782	79,207
Operating expenses (Note 11)					
Program services					
Instruction	31,594	-	-	31,594	29,736
Research	2,552	-	-	2,552	2,211
Library and academic support	8,066	-	-	8,066	7,928
Student services	10,741	-	-	10,741	10,176
Auxiliary enterprises	15,377	-	-	15,377	15,191
Supporting services					
Management, general and fundraising	13,591	-	-	13,591	12,756
Total operating expenses	81,921	-	-	81,921	77,998
Change in net assets from operating activities	164	697	-	861	1,209
Nonoperating activities					
Endowment and planned gifts	764	229	3,880	4,873	13,251
Net change in pledges receivable		407	(3,135)	(2,728)	(3,777)
Net realized and unrealized losses (Note 7)	(67,553)	(102,780)	(12,868)	(183,201)	(26,531)
Withdrawn for endowment payout (Notes 1 and 4)	(7,017)	(11,418)	174	(18,261)	(9,967)
Loss on bond refinancing				-	(942)
Net assets released from restrictions	955	(959)	4	-	-
Change in net assets from nonoperating activities	(72,851)	(114,521)	(11,945)	(199,317)	(27,966)
Decrease in net assets	(72,687)	(113,824)	(11,945)	(198,456)	(26,757)
Net assets, beginning of year	220,434	200,738	159,941	581,113	607,870
Net assets, end of year	\$ 147,747	\$ 86,914	\$ 147,996	\$ 382,657	\$ 581,113

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

The Corporation of Haverford College
Statements of Cash Flows
Years Ended June 30, 2009 and 2008 (Reclassified 2008)

<i>(dollars in thousands)</i>	2009	2008
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (198,456)	\$ (26,757)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	6,521	6,333
Net realized and unrealized losses	183,201	26,531
Loss on bond refinancing	-	942
Contributions restricted for endowment, planned gifts and plant facilities	(4,877)	(15,580)
Present value of new planned giving liabilities	356	1,673
Conditional asset retirement obligation	(24)	11
Gifts in kind and other adjustments, net	21	1
Changes in operating assets and liabilities		
Accounts receivable, inventories and prepaid expenses	2,900	(234)
Accounts payable, accrued expenses, and deposits and deferred revenues	1,133	(160)
Contributions receivable, net	2,728	3,777
Net cash used in operating activities	<u>(6,497)</u>	<u>(3,463)</u>
Cash flows from investing activities		
Purchases of investments	(247,127)	(185,602)
Sales of investments	259,042	164,237
Termination of interest rate swap agreement (Note 6)	-	502
Purchases of plant and equipment	(5,690)	(4,892)
Student loan disbursements	(123)	(166)
Student loan repayments	133	120
Net cash provided by (used in) investing activities	<u>6,235</u>	<u>(25,801)</u>
Cash flows from financing activities		
Contributions restricted for endowment, planned gifts and plant facilities	4,877	15,580
Proceeds from issuance of long-term debt	-	60,556
Repayments of long-term debt	(1,035)	(55,475)
Payments to planned gift beneficiaries, net of related income	(1,435)	(1,446)
Federal student loan (repayments) advances	(283)	5
Net cash provided by financing activities	<u>2,124</u>	<u>19,220</u>
Net increase (decrease) in cash and cash equivalents	1,862	(10,044)
Cash and cash equivalents, beginning of year	3,296	13,340
Cash and cash equivalents, end of year	<u>\$ 5,158</u>	<u>\$ 3,296</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 3,578</u>	<u>\$ 4,758</u>

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

The Corporation of Haverford College

Notes to Financial Statements

Years Ended June 30, 2009 and 2008

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 nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from taxes on income other than unrelated business income. More information regarding the College's educational activities can be obtained from the College's website at www.haverford.edu.

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.

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 alternative investments. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include bank deposits, money market funds and other cash investments with an original maturity of three months or less at time of purchase. Cash and cash equivalents representing assets of endowment and similar funds and planned giving agreements are included in long-term investments.

The Corporation of Haverford College

Notes to Financial Statements

Years Ended June 30, 2009 and 2008

Accounts Receivable and Student Loans Receivable

Accounts receivable include accrued investment income, amounts due from students and federal and other grants and contracts, and other miscellaneous receivables. Accounts receivable are reported net of allowances for doubtful accounts of \$138,000 in 2009 and \$140,000 in 2008. Student loans receivable are reported at cost, less allowances for doubtful accounts of \$61,000 in 2009 and \$79,000 in 2008.

Fair Value of Investments and Other Financial Instruments

Effective July 1, 2008, the College adopted Financial Accounting Standards Board ("FASB") Statement No. 157, *Fair Value Measurements* ("FAS 157") as amended. 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. The College's FAS 157 disclosures and additional details are presented in Note 8.

Investments in publicly traded equity and debt securities and exchange-traded funds are based upon quoted market prices from major securities exchanges. Investments in mutual funds and common trust and similar commingled funds that provide for frequent purchases and redemptions are reported at net asset values provided by the respective investment managers. 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 primarily 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 has reviewed the fair values reported by its external investment managers and general partners and believes that the carrying amount of its investments is a reasonable estimate of fair value as of June 30, 2009 and 2008.

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 amortized cost or the quoted market price of the underlying securities; the fair values of bonds payable are disclosed in note 6 and are estimated based primarily upon quoted market prices of similar bonds. 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.

The estimated fair value of the College's liability related to its interest rate swaption agreement was provided by the relevant counterparty to the transaction.

Investments are exposed to various risks such as market, interest rate and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in values of investments could occur in the near term and that such change could materially affect the investment balances and activity included in the financial statements.

The Corporation of Haverford College

Notes to Financial Statements

Years Ended June 30, 2009 and 2008

Endowment Investment Policies and Spending

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 maximum of 5.75% of a one-year average market value of the funds' investments. The actual endowment payout each year must be approved by the Board of Managers. 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 2009 and 2008, the payout amount exceeded endowment income by \$18,261,000 and \$9,967,000, 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. The actual percentages spent for 2009 and 2008 were 5.18% and 4.61%, respectively.

Investment transactions are recorded as of the trade date.

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 beneficiary of certain 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.

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 improvements 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

The Corporation of Haverford College

Notes to Financial Statements

Years Ended June 30, 2009 and 2008

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.

Conditional Asset Retirement Obligations

Conditional asset retirement obligations of \$562,000 at June 30, 2009 and \$586,000 at June 30, 2008 represent estimated future asbestos removal costs which are included in other liabilities in the statement of financial position.

Income Taxes

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.

Other New Accounting Pronouncements

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 was effective for fiscal years beginning after November 15, 2007. The College made no fair value elections pursuant to FAS 159.

In August 2008, FASB issued Staff Position 117-1, which requires enhanced disclosure requirements about an organization's investment policies and changes in endowment net assets by asset class. The College fully adopted these requirements for the fiscal year ended June 30, 2009.

Effective June 30, 2009, the College adopted FASB Statement No. 165, *Subsequent Events*, which establishes standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued. The College has evaluated subsequent events in accordance with this Statement through October 2, 2009.

Reclassifications

Certain reclassifications were made to the 2008 financial statement amounts to conform to the current year presentation.

The Corporation of Haverford College
Notes to Financial Statements
Years Ended June 30, 2009 and 2008

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 market interest rate that approximates the expected return of an intermediate term bond portfolio, which rate was 6.2% as of June 30, 2009. An allowance for uncollectible contributions is provided based upon management's judgment of the collectibility of outstanding pledges.

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

	2009	2008
In one year or less	\$ 4,249	\$ 6,503
Between one and five years	5,377	4,863
In more than five years	328	3,052
	<u>9,954</u>	<u>14,418</u>
Less: Discount	(980)	(2,139)
Less: Allowance	(699)	(939)
Contributions receivable, net	<u>\$ 8,275</u>	<u>\$ 11,340</u>

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

	2009	2008
Contributions, operating	\$ 7,500	\$ 8,010
Contributions, nonoperating	4,873	13,251
	<u>12,373</u>	<u>21,261</u>
Present value of new planned giving liabilities	356	1,673
Gifts received	<u>\$ 12,729</u>	<u>\$ 22,934</u>

The Corporation of Haverford College
Notes to Financial Statements
Years Ended June 30, 2009 and 2008

3. Investments

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

	2009	2008
Domestic equity funds	\$ 62,973	\$ 138,860
International equity funds	20,342	152,532
Fixed income funds	109,992	69,499
Hedge funds	28,151	29,338
Real assets	37,244	57,209
Private equity and venture capital partnerships	85,125	87,925
Employee mortgages and other investments	2,231	2,136
Cash and cash equivalents	17,207	13,584
	<u>\$ 363,265</u>	<u>\$ 551,083</u>

At June 30, 2009 and 2008, approximately 34% and 50% of the College's investments were invested in various funds managed by one index investment manager. Real assets include public and private real estate, a commodities fund and energy related partnership 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 \$24,463,000 and \$36,673,000 at June 30, 2009 and 2008, respectively.

As of June 30, 2009, \$162,062,000 of total investments was redeemable and convertible to cash within one week; \$32,220,000 was redeemable between one month and one year and \$130,560,000 was illiquid except as distributions are made by the various general partners. Investments in the amount of \$38,423,000 were restricted to planned giving agreements and the Measey Trust.

As of June 30, 2009, the College had outstanding capital commitments to endowment limited partnerships in the amount of \$139,570,000. These commitments will likely be called over the next four years.

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Notes to Financial Statements
Years Ended June 30, 2009 and 2008

4. Endowment Net Assets

Changes in endowment and similar funds' net assets for 2008 and 2009 were as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2007	<u>\$ 194,387</u>	<u>\$ 195,510</u>	<u>\$ 149,583</u>	<u>\$ 539,480</u>
Contributions	478	247	12,104	12,829
Transfers from other funds	<u>324</u>	<u>-</u>	<u>125</u>	<u>449</u>
Contributions and other additions	<u>802</u>	<u>247</u>	<u>12,229</u>	<u>13,278</u>
Net realized and unrealized investment (losses)	<u>(4,583)</u>	<u>(6,548)</u>	<u>(10,461)</u>	<u>(21,592)</u>
Dividends and interest available, net of expenses of \$1,223	4,282	6,739	954	11,975
Endowment spending payout	<u>(9,580)</u>	<u>(11,488)</u>	<u>(874)</u>	<u>(21,942)</u>
Withdrawn for endowment payout	<u>(5,298)</u>	<u>(4,749)</u>	<u>80</u>	<u>(9,967)</u>
Endowment net assets, June 30, 2008	<u>185,308</u>	<u>184,460</u>	<u>151,431</u>	<u>521,199</u>
Contributions	645	183	3,880	4,708
Transfers from other funds	<u>5,926</u>	<u>-</u>	<u>4</u>	<u>5,930</u>
Contributions and other additions	<u>6,571</u>	<u>183</u>	<u>3,884</u>	<u>10,638</u>
Net realized and unrealized investment (losses)	<u>(63,396)</u>	<u>(101,992)</u>	<u>(12,211)</u>	<u>(177,599)</u>
Dividends and interest available, net of expenses of \$1,001	2,063	3,298	871	6,232
Endowment spending payout	<u>(9,080)</u>	<u>(14,716)</u>	<u>(697)</u>	<u>(24,493)</u>
Withdrawn for endowment payout	<u>(7,017)</u>	<u>(11,418)</u>	<u>174</u>	<u>(18,261)</u>
Endowment net assets, June 30, 2009	<u>\$ 121,466</u>	<u>\$ 71,233</u>	<u>\$ 143,278</u>	<u>\$ 335,977</u>

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 -32.8% and -2.0% for the fiscal years ending June 30, 2009 and 2008, respectively.

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Notes to Financial Statements
Years Ended June 30, 2009 and 2008

5. Plant and Equipment

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

	2009	2008
Land and land improvements	\$ 10,250	\$ 8,177
Buildings	175,035	172,371
Equipment	18,254	16,930
Library books	9,472	9,194
Works of art, historical treasures and similar assets	4,297	4,189
Construction-in-progress	-	1,406
	<u>217,308</u>	<u>212,267</u>
Accumulated depreciation	<u>(91,828)</u>	<u>(85,387)</u>
	<u>\$ 125,480</u>	<u>\$ 126,880</u>

6. Long-Term Debt

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

	2009	2008
Delaware County Authority Revenue Bonds, Series 2008 (variable rate), net of unamortized discount of \$429 and \$444	\$ 59,536	\$ 60,556
Delaware County Authority Revenue Bonds, Series 2000 (6.04% weighted average interest rate), net of unamortized discount of \$1,091 and \$1,143	<u>43,909</u>	<u>43,857</u>
	<u>\$ 103,445</u>	<u>\$ 104,413</u>

The interest rate on the 2008 Bonds currently is reset weekly and interest is paid monthly. The annualized interest rate was 0.18% at June 30, 2009 and 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.

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. Accordingly, the 2008 bonds are classified as long-term debt in accordance with generally accepted accounting principals. As of September 1, 2009, there were no draws against the liquidity facility.

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Years Ended June 30, 2009 and 2008

The 2008 Bonds were issued to redeem the College's 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. Unexpended bond proceeds are held by a trustee bank and are invested in a money market fund that invests in short-term U.S. government securities. 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 \$106,693,000 and \$108,310,000 at June 30, 2009 and 2008, respectively.

Aggregate scheduled principal payments on long-term debt for each of the next five fiscal years and thereafter are as follows: 2010 – \$1,120,000; 2011 – \$1,245,000; 2012 – \$1,365,000; 2013 – \$1,505,000; 2014 – \$1,660,000; and thereafter \$98,070,000. These scheduled payments could change in the unlikely event that any tendered 2008 bonds could not be remarketed.

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 an estimated fair value (representing a liability) of \$8,531,000 at June 30, 2009 and \$6,440,000 at June 30, 2008. Unrealized losses of \$2,091,000 in fiscal 2009 and \$2,245,000 in fiscal 2008 are included in net realized and unrealized losses in the statements of activities.

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 \$64,000 during fiscal 2008 through April 10, 2008.

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7. Realized and Unrealized Gains and Losses

A summary of the College's realized and unrealized gains and (losses) for 2009 and 2008 are as follows:

	2009	2008
Endowment and similar funds' investments	\$ (177,599)	\$ (21,592)
Planned giving investments	(3,714)	(1,793)
Changes in planned giving liabilities	653	(560)
Assets held in trust by others	(584)	(305)
Short-term investments	134	(327)
Interest rate swap and swaption	<u>(2,091)</u>	<u>(1,954)</u>
Total realized and unrealized losses	<u>\$ (183,201)</u>	<u>\$ (26,531)</u>

8. Fair Value Measurements

In accordance with FAS 157, the College measures and categorizes its financial assets and liabilities based on the following three-level hierarchy:

Level 1- Fair values using unadjusted, quoted prices in active markets for identical instruments as of the reporting date. These include money market funds, mutual and exchange-traded funds and publicly traded securities held directly by the College.

Level 2- Fair values using quoted prices for identical instruments in inactive markets, quoted prices for similar instruments in active markets, or alternative pricing sources, including broker quotes, which are either directly or indirectly observable as of the reporting date. Level 2 assets include common trust and similar commingled equity and fixed income funds.

Level 3- Fair values using unobservable inputs that are not based on market prices and that are significant to the valuations. Level 3 financial assets and liabilities typically trade infrequently or not at all. Their estimated fair values require significant judgment and estimation and are based on various factors including historical cost, market comparables, discounted cash flow analyses, appraisals and other analytical techniques. The College's Level 3 financial instruments generally include private equity and other illiquid alternative investments and the interest rate swaption agreement.

Assets and liabilities are classified within the three-level hierarchy based on the lowest level of pricing transparency that is significant to the determination of fair value and is not necessarily indicative of relative level of risk.

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The following table summarizes the College's financial assets and liabilities measured at fair value by the FAS 157 hierarchy as of June 30, 2009 (in thousands):

	Level 1	Level 2	Level 3	Totals
Assets				
Cash and cash equivalents	\$ 17,207	\$ -	\$ -	\$ 17,207
Equity funds	17,887	65,454	-	83,341
Fixed income funds	53,341	56,651	-	109,992
Hedge funds and real assets	4,486	5,529	55,380	65,395
Private equity and venture capital partnerships	-	-	85,125	85,125
Assets held in trust by others	-	-	2,463	2,463
Total financial assets	<u>92,921</u>	<u>127,634</u>	<u>142,968</u>	<u>363,523</u>
Liabilities				
Interest rate swaption	-	-	8,531	8,531
Total financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,531</u>	<u>\$ 8,531</u>

The changes in financial assets and liabilities measured at fair value using Level 3 inputs for the year ended June 30, 2009 were as follows:

	Hedge funds and real assets	Private equity and venture capital	Other assets	Total Assets	Swaption Liability
Balances, beginning of year	\$ 64,983	\$ 87,925	\$ 3,013	\$ 155,921	\$ (6,440)
Net realized gains (losses)	(8,087)	2,683	-	(5,404)	-
Net unrealized gains (losses)	(9,623)	(22,013)	(887)	(32,523)	(2,091)
Purchases and sales, net	8,107	16,530	-	24,637	-
Transfers in/out of Level 3	-	-	337	337	-
Balances, end of year	<u>\$ 55,380</u>	<u>\$ 85,125</u>	<u>\$ 2,463</u>	<u>\$ 142,968</u>	<u>\$ (8,531)</u>

The (\$40,018) net realized and unrealized losses of the Level 3 asset and liabilities for the year ended June 30, 2009 are included in net realized and unrealized losses in the Non-operating section of the Statement of Activities.

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9. Net Assets

The composition of net assets at June 30, 2009 and 2008 was as follows (in thousands):

	2009	2008
Unrestricted		
Unallocated	\$ 1,639	\$ 1,462
Designated for operations and student loans	7,562	6,331
Designated for the acquisition of plant and equipment	1,939	2,118
Board designated quasi-endowment funds	121,466	185,308
Gift annuities	1,687	4,012
Net investment in plant and equipment	<u>13,454</u>	<u>21,203</u>
	<u>147,747</u>	<u>220,434</u>
Temporarily restricted		
Contributions and income for specific operating purposes	4,571	4,222
Contributions for the acquisition of plant and equipment	819	977
Donor-restricted endowments available for specific purposes	10,669	16,820
Realized and unrealized endowment gains	60,564	167,641
Contributions receivable, planned giving agreements and assets held in trust by others	<u>10,291</u>	<u>11,078</u>
	<u>86,914</u>	<u>200,738</u>
Permanently restricted		
Donor-restricted endowment funds	118,815	114,758
William Maul Measey trust	24,463	36,673
Assets held in trust by others	2,126	2,709
Contributions receivable and planned giving agreements for permanent endowment	<u>2,592</u>	<u>5,801</u>
	<u>147,996</u>	<u>159,941</u>
Total Net Assets	<u>\$ 382,657</u>	<u>\$ 581,113</u>

10. 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 \$3,609,000 and \$3,281,000 in 2009 and 2008, respectively.

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 \$328,000 and \$298,000 in 2009 and 2008, respectively.

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

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11. Operating Expenses

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

	2009	2008
Salaries and wages	\$ 35,493	\$ 32,515
Benefits	<u>13,082</u>	<u>11,912</u>
Total compensation	<u>48,575</u>	<u>44,427</u>
Services and contracting	10,046	9,408
Food, supplies and minor equipment	6,880	6,993
Utilities	3,110	2,814
Travel and training	1,556	1,612
Insurance and taxes	811	855
Depreciation and amortization	6,521	6,333
Interest	3,515	4,761
Internships and other	<u>907</u>	<u>795</u>
Total expenses	<u>\$ 81,921</u>	<u>\$ 77,998</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 \$3,332,000 and \$2,573,000 in 2009 and 2008, respectively.

12. Commitments and Related Party Transaction

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, 2009 was \$13,619,000.

The College leases certain copier and related equipment under non-cancelable operating leases that expire July 1, 2014. Future minimum payments under these leases are \$146,000 annually for the next five fiscal years.

The College's commitment to fund certain endowment limited partnerships is disclosed in Note 3.