

# **The Corporation of Haverford College**

**Financial Statements  
June 30, 2011 and 2010**

**The Corporation of Haverford College**  
**Financial Statements**  
**June 30, 2010 and 2009**

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## Report of Independent Auditors

To the Board of Managers  
The Corporation of Haverford College

In our opinion, the accompanying consolidated 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, 2011 and 2010, 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. The prior year summarized comparative information has been derived from the College's 2010 financial statements, and in our report dated October 11, 2010, we expressed an unqualified opinion on those financial statements. 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*

October 28, 2011

**The Corporation of Haverford College**  
**Statements of Financial Position**  
**June 30, 2011 and 2010**

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| <i>(dollars in thousands)</i>                                 | <b>2011</b>       | <b>2010</b>       |
|---|-------------------|-------------------|
| <b>Assets</b>   |                   |                   |
| Cash and cash equivalents                                     | \$ 6,161          | \$ 6,838          |
| Short-term investments (Note 3)                               | 13,699            | 15,564            |
| Accounts receivable, net (Note 1)                             | 3,387             | 1,961             |
| Inventories, prepaid expenses and other assets                | 2,711             | 943               |
| Bond proceeds held by trustee (Note 6)                        | 11,177            | 15,415            |
| Student loans receivable, net (Note 1)                        | 876               | 950               |
| Contributions receivable and bequest in probate, net (Note 2) | 15,184            | 6,489             |
| Long-term investments (Note 3):                               |                   |                   |
| Endowment and similar funds                                   | 402,730           | 355,500           |
| Planned giving agreements                                     | 17,205            | 14,862            |
| Assets held in trust by others                                | 3,203             | 2,731             |
| Plant and equipment, net (Note 5)                             | 122,156           | 122,645           |
|   | <u>\$ 598,489</u> | <u>\$ 543,898</u> |
| <b>Liabilities and Net Assets</b>                             |                   |                   |
| Accounts payable  | \$ 3,236          | \$ 2,850          |
| Accrued expenses  | 1,234             | 1,746             |
| Deposits and deferred revenues                                | 3,029             | 2,619             |
| Federal student loan advances                                 | 748               | 748               |
| Interest rate swap liability (Note 6)                         | 8,861             | 11,915            |
| Liabilities under planned giving agreements                   | 8,996             | 8,827             |
| Long-term debt (Note 6)                                       | 123,650           | 117,963           |
| Other liabilities   | 1,200             | 1,213             |
|   | <u>\$ 150,954</u> | <u>\$ 147,881</u> |
| <b>Net assets (Note 9)</b>                                    |                   |                   |
| Unrestricted  | \$ 155,853        | \$ 149,218        |
| Temporarily restricted  | 121,251           | 91,400            |
| Permanently restricted  | 170,431           | 155,399           |
|   | <u>447,535</u>    | <u>396,017</u>    |
| Total net assets  | <u>447,535</u>    | <u>396,017</u>    |
| Total liabilities and net assets                              | <u>\$ 598,489</u> | <u>\$ 543,898</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**  
(with summarized financial information for the year ended June 30, 2010)  
**Years Ended June 30, 2011 and 2010**

(dollars in thousands)

|   | Unrestricted | Restricted  |             | 2011<br>Total | 2010<br>Total |
|---|--------------|-------------|-------------|---------------|---------------|
|   |              | Temporarily | Permanently |               |               |
| <b>Operating revenues</b>                           |              |             |             |               |               |
| Tuition and fees                                    | \$ 50,570    | \$ -        | \$ -        | \$ 50,570     | \$ 48,402     |
| Room and board                                      | 13,209       | -           | -           | 13,209        | 12,586        |
| Less: student aid                                   | (19,444)     | -           | -           | (19,444)      | (16,875)      |
| Student revenues, net                               | 44,336       | -           | -           | 44,336        | 44,113        |
| Investment revenues                                 |              |             |             |               |               |
| Endowment spending payout (Notes 1 and 4)           | 17,010       | 1,326       | -           | 18,335        | 17,912        |
| Other investment income                             | 1,475        | -           | -           | 1,475         | 613           |
| Private gifts and grants                            | 5,369        | 2,991       | -           | 8,360         | 6,808         |
| Government grants and contracts                     | 2,499        | -           | -           | 2,499         | 3,190         |
| Bookstore, rents and other income                   | 4,246        | 20          | -           | 4,266         | 3,979         |
| Net assets released from restrictions               | 2,817        | (2,817)     | -           | -             | -             |
| Total operating revenues                            | 77,752       | 1,520       | -           | 79,272        | 76,615        |
| <b>Operating expenses (Note 11)</b>                 |              |             |             |               |               |
| Instruction   | 33,060       | -           | -           | 33,060        | 30,098        |
| Research  | 3,236        | -           | -           | 3,236         | 2,797         |
| Library and academic support                        | 8,328        | -           | -           | 8,328         | 7,718         |
| Student services                                    | 10,543       | -           | -           | 10,543        | 9,928         |
| Auxiliary enterprises                               | 13,701       | -           | -           | 13,701        | 13,719        |
| Supporting services                                 |              |             |             |               |               |
| Management, general and fundraising                 | 14,256       | -           | -           | 14,256        | 12,867        |
| Total operating expenses                            | 83,124       | -           | -           | 83,124        | 77,127        |
| Change in net assets from operating activities      | (5,372)      | 1,520       | -           | (3,852)       | (512)         |
| <b>Nonoperating activities</b>                      |              |             |             |               |               |
| Endowment and planned gifts                         | 886          | 1,072       | 4,468       | 6,426         | 4,461         |
| Net change in pledges receivable                    | -            | 6,725       | 1,969       | 8,695         | (1,786)       |
| Net realized and unrealized gains (losses) (Note 7) | 15,829       | 29,283      | 8,542       | 53,655        | 25,524        |
| Withdrawn for endowment payout (Notes 1 and 4)      | (4,834)      | (7,101)     | -           | (11,935)      | (14,108)      |
| Fixed asset retirements                             | (27)         | -           | -           | (27)          | -             |
| Income added to endowment principal                 | 0            | -           | 45          | 45            | -             |
| Loss on bond refinancing                            | (1,489)      | -           | -           | (1,489)       | (219)         |
| Net assets released from restrictions               | 1,641        | (1,649)     | 8           | -             | -             |
| Change in net assets from nonoperating activities   | 12,007       | 28,330      | 15,033      | 55,369        | 13,872        |
| Increase (decrease) in net assets                   | 6,635        | 29,850      | 15,033      | 51,517        | 13,360        |
| <b>Net assets, beginning of year</b>                | 149,219      | 91,400      | 155,399     | 396,017       | 382,657       |
| <b>Net assets, end of year</b>                      | \$ 155,853   | \$ 121,251  | \$ 170,431  | \$ 447,534    | \$ 396,017    |

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

**The Corporation of Haverford College**  
**Statements of Cash Flows**  
**Years Ended June 30, 2011 and 2010**

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| <i>(dollars in thousands)</i>  | <b>2011</b>     | <b>2010</b>     |
|--|-----------------|-----------------|
| <b>Cash flows from operating activities</b>  |                 |                 |
| Increase (decrease) in net assets  | \$ 51,517       | \$ 13,360       |
| Adjustments to reconcile change in net assets to net cash used in operating activities |                 |                 |
| Depreciation and amortization  | 6,656           | 6,809           |
| Net realized and unrealized (gains) losses   | (53,655)        | (25,524)        |
| Loss on bond refinancing   | 1,489           | 219             |
| Contributions restricted for long-term investment                                      | (6,820)         | (4,020)         |
| Present value of new planned giving liabilities  | 528             | 270             |
| Conditional asset retirement obligation  | 13              | 37              |
| Gifts in kind and other adjustments, net   | 18              | (74)            |
| Changes in operating assets and liabilities  |                 |                 |
| Accounts receivable, inventories and prepaid expenses                                  | 342             | 1,643           |
| Contributions receivable, net  | (8,695)         | 1,786           |
| Accounts payable, accrued expenses, and deposits and deferred revenues                 | 285             | 240             |
| Net cash used in operating activities  | <u>(8,322)</u>  | <u>(5,254)</u>  |
| <b>Cash flows from investing activities</b>  |                 |                 |
| Purchases of investments   | (359,478)       | (130,345)       |
| Sales of investments   | 367,541         | 123,549         |
| Purchases of plant and equipment   | (6,159)         | (3,698)         |
| Student loan disbursements   | (69)            | (69)            |
| Student loan repayments  | 130             | 107             |
| Net cash provided by (used in) investing activities                                    | <u>1,965</u>    | <u>(10,456)</u> |
| <b>Cash flows from financing activities</b>  |                 |                 |
| Contributions restricted long-term investment  | 6,820           | 4,020           |
| Proceeds from issuance of long-term debt   | 49,813          | 44,350          |
| Repayments of long-term debt   | (50,232)        | (30,120)        |
| Payments to planned gift beneficiaries, net of related income                          | (721)           | (860)           |
| Federal student loan (repayments) advances   | -               | -               |
| Net cash provided by financing activities  | <u>5,680</u>    | <u>17,390</u>   |
| Net increase (decrease) in cash and cash equivalents                                   | (677)           | 1,680           |
| Cash and cash equivalents, beginning of year   | 6,838           | 5,158           |
| Cash and cash equivalents, end of year   | <u>\$ 6,161</u> | <u>\$ 6,838</u> |
| <b>Supplemental disclosure of cash flow information</b>                                |                 |                 |
| Interest paid  | <u>\$ 5,493</u> | <u>\$ 3,322</u> |

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

# The Corporation of Haverford College

## Notes to Financial Statements (dollars in thousands)

### Years Ended June 30, 2011 and 2010

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#### 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](http://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.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

##### 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.

**The Corporation of Haverford College**  
**Notes to Financial Statements (dollars in thousands)**  
**Years Ended June 30, 2011 and 2010**

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**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.

**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 \$125 in 2011 and \$124 in 2010. Student loans receivable are reported at cost, less allowances for doubtful accounts of \$90 in 2011 and \$76 in 2010.

**Fair Value of Investments and Other Financial Instruments**

Effective July 1, 2008, the College adopted new accounting guidance for fair value measurement. This guidance defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America and expands disclosures about the use of fair value measurements. Fair value is defined under the new guidance as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance 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 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, 2011 and 2010.

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 swap agreement was provided by the relevant counterparty to the transaction and the methodology for valuation tested independently.

# The Corporation of Haverford College

## Notes to Financial Statements (dollars in thousands)

### Years Ended June 30, 2011 and 2010

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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.

#### **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 the pattern of spending to be held constant or move in a countercyclical direction to the endowment's investment results. As a result, the spending rate should be held constant or decline in years of strong investment performance and held constant or increase in years of poor investment performance. It typically entails annual spending rates between 3.5% and 5% of total endowment value, although special circumstances may dictate that spending move outside of this range on a temporary basis. 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 2011 and 2010, the payout amount exceeded endowment income by \$11,428 and \$14,108, respectively.

The Commonwealth of Pennsylvania has not adopted the Uniform Management of Institutional Funds Act (UMIFA) or the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Rather, the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act) governs the investment, use and management of the College's endowment funds. Commonwealth of Pennsylvania law permits the College to define as income each year a portion of these net realized gains. 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 2011 and 2010 were 5.53% and 3.86%, 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

# The Corporation of Haverford College

## Notes to Financial Statements (dollars in thousands)

### Years Ended June 30, 2011 and 2010

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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 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 at the time of gift. 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 \$611 at June 30, 2011 and \$599 at June 30, 2010 represent estimated future asbestos removal costs which are included in other liabilities in the statement of financial position.

#### **Income Taxes**

The College evaluated 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 evaluation. The College will continue to monitor and evaluate its unrelated business income activity.

## **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 5.9% at June 30, 2011 and 6.6% as of June 30, 2010. 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 (dollars in thousands)**  
**Years Ended June 30, 2011 and 2010**

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

|                               | <b>2011</b>      | <b>2010</b>     |
|-------------------------------|------------------|-----------------|
| In one year or less           | \$ 3,848         | \$ 1,772        |
| Between one and five years    | 13,924           | 5,894           |
| In more than five years       | 862              | 327             |
|                               | <u>18,634</u>    | <u>7,993</u>    |
| Less: Discount                | (2,651)          | (1,162)         |
| Less: Allowance               | (799)            | (342)           |
| Contributions receivable, net | <u>\$ 15,184</u> | <u>\$ 6,489</u> |

At June 30, 2011, the College had \$11,366 in conditional promises to give, which are not recorded in the financial statements, until the passage of time or the occurrence of a specific event. The purposes of the conditional pledges are as follows (in thousands):

|   | <b>2011</b>      |
|---|------------------|
| Challenge pledge for a building project | \$ 10,219        |
| Unrestricted annual giving              | 52               |
| Restricted purposes                     | 1,050            |
| Endowment                               | 45               |
| Total conditional promises to give      | <u>\$ 11,366</u> |

A reconciliation of contributions recorded in the financial statements with gifts received by the College (excluding pledges) is as follows (in thousands) for the years ended June 30:

|   | <b>2011</b>      | <b>2010</b>      |
|---|------------------|------------------|
| Contributions, operating                        | \$ 8,360         | \$ 6,808         |
| Contributions, nonoperating                     | 6,426            | 4,461            |
|   | <u>14,786</u>    | <u>11,269</u>    |
| Present value of new planned giving liabilities | 1,054            | 270              |
| Gifts received                                  | <u>\$ 15,840</u> | <u>\$ 11,539</u> |

**The Corporation of Haverford College**  
**Notes to Financial Statements (dollars in thousands)**  
**Years Ended June 30, 2011 and 2010**

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**3. Investments**

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

|   | <b>2011</b>      | <b>2010</b>      |
|---|------------------|------------------|
| Domestic equity funds                           | \$ 87,851        | \$ 70,420        |
| International equity funds                      | 85,118           | 43,603           |
| Fixed income funds                              | 71,953           | 81,024           |
| Hedge funds                                     | 18,093           | 34,996           |
| Real assets                                     | 47,643           | 44,017           |
| Private equity and venture capital partnerships | 92,101           | 94,932           |
| Employee mortgages and other investments        | 1,935            | 2,118            |
| Cash and cash equivalents                       | 28,940           | 14,816           |
|   | <u>\$433,634</u> | <u>\$385,926</u> |

At June 30, 2011 and 2010, approximately 24% and 27% of the College's investments were invested in various funds managed by one index investment manager. Real assets include public and private real estate 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 \$35,150 and \$27,086 at June 30, 2011 and 2010, respectively.

As of June 30, 2011, \$212,720 of total investments was redeemable and convertible to cash within one week; \$11,301 was redeemable between one month and one year and \$157,257 was illiquid except as distributions are made by the various general partners. Investments in the amount of \$52,356 were restricted to planned giving agreements and the Trust.

As of June 30, 2011, the College had outstanding capital commitments to endowment limited partnerships in the amount of \$77,562. These commitments will likely be called over the next five years.

**The Corporation of Haverford College**  
**Notes to Financial Statements (dollars in thousands)**  
**Years Ended June 30, 2011 and 2010**

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**4. Endowment Net Assets**

Changes in endowment and similar funds' net assets for 2010 and 2011 were as follows (in thousands):

|   | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>      |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| <b>Endowment net assets, July 1, 2009</b>                       | \$ 121,466          | \$ 71,233                         | \$ 143,278                        | \$ 335,977        |
| Contributions   | 552                 | 19                                | 3,244                             | 3,815             |
| Transfers from other funds                                      | 1,636               | -                                 | -                                 | 1,636             |
| Contributions and other additions                               | 2,188               | 19                                | 3,244                             | 5,451             |
| Net realized and unrealized investment<br>(losses)              | 9,852               | 15,583                            | 2,623                             | 28,058            |
| Dividends and interest available, net<br>of expenses of \$1,339 | 1,234               | 1,952                             | 582                               | 3,768             |
| Endowment spending payout                                       | (7,137)             | (10,157)                          | (582)                             | (17,876)          |
| Withdrawn for endowment payout                                  | (5,903)             | (8,205)                           | -                                 | (14,108)          |
| <b>Endowment net assets, June 30, 2010</b>                      | <b>127,603</b>      | <b>78,630</b>                     | <b>149,145</b>                    | <b>355,378</b>    |
| Contributions   | 830                 | 19                                | 4,468                             | 5,317             |
| Transfers from other funds                                      | 1,540               | -                                 | 9                                 | 1,549             |
| Contributions and other additions                               | 2,370               | 19                                | 4,477                             | 6,866             |
| Net realized and unrealized investment<br>(losses)              | 16,731              | 27,458                            | 8,064                             | 52,253            |
| Dividends and interest available, net<br>of expenses of \$2,740 | 2,172               | 3,565                             | 716                               | 6,453             |
| Endowment spending payout                                       | (7,006)             | (10,666)                          | (671)                             | (18,343)          |
| Withdrawn for endowment payout                                  | (4,834)             | (7,101)                           | 45                                | (11,890)          |
| <b>Endowment net assets, June 30, 2011</b>                      | <b>\$ 141,870</b>   | <b>\$ 99,006</b>                  | <b>\$ 161,731</b>                 | <b>\$ 402,607</b> |

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 16.5% and 9.0% for the fiscal years ending June 30, 2011 and 2010, respectively.

**The Corporation of Haverford College**  
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**5. Plant and Equipment**

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

|   | <b>2011</b>       | <b>2010</b>       |
|---|-------------------|-------------------|
| Land and land improvements                            | \$ 10,560         | \$ 10,250         |
| Buildings   | 177,855           | 175,904           |
| Equipment   | 21,149            | 19,847            |
| Library books   | 10,163            | 9,820             |
| Works of art, historical treasures and similar assets | 4,344             | 4,331             |
| Construction-in-progress                              | 3,474             | 1,068             |
|   | <u>227,545</u>    | <u>221,220</u>    |
| Accumulated depreciation                              | (105,389)         | (98,575)          |
|   | <u>\$ 122,156</u> | <u>\$ 122,645</u> |

**6. Long-Term Debt**

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

|  | <b>2011</b>       | <b>2010</b>       |
|--|-------------------|-------------------|
| Delaware County Authority Revenue Bonds, Series 2010A (4.87% weighted average interest rate), net of unamortized premium of \$2,475 and \$0    | \$ 45,345         | \$ -              |
| Delaware County Authority Taxable Revenue Bonds, Series 2010B (4.04% weighted average interest rate), net of unamortized costs of \$44 and \$0 | 4,341             | -                 |
| Delaware County Authority Revenue Bonds, Series 2010 (4.75% weighted average interest rate), net of unamortized premium of \$1,276 and \$1,322 | 44,321            | 44,367            |
| Delaware County Authority Revenue Bonds, Series 2008 (variable rate), net of unamortized discount of \$202 and \$210                           | 29,643            | 29,635            |
| Delaware County Authority Revenue Bonds, Series 2000 (6.04% weighted average interest rate), net of unamortized discount of \$0 and \$1,039    | -                 | 43,961            |
|  | <u>\$ 123,650</u> | <u>\$ 117,963</u> |

## **The Corporation of Haverford College**

### **Notes to Financial Statements (dollars in thousands)**

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In November, 2010, the College issued \$47,255 in fixed rate tax exempt and taxable Revenue Bonds (Series A and B, respectively). The 2010 Series A (Tax-Exempt) Revenue Bonds have interest rates from 4.0% to 5.25% depending upon the maturity dates, which range from 2021 to 2031 in amounts ranging from \$2,440 to \$14,190. Interest is payable semi-annually. The bonds were issued to currently refund the Haverford College Revenue Bonds, Series 2000. The 2010 Series B (Taxable) Revenue Bonds have interest rates from 2.86% to 4.29% depending upon the maturity dates, which range from 2016 to 2021 in amounts ranging from \$205 to \$2,915. Interest is payable semi-annually. The bonds were used to pay a termination payment pursuant to the termination of the portion of the Interest Rate Management Agreement dated June 29, 2005 (the "Swap Agreement") related to the refunded bonds.

In April, 2010, the College issued \$43,045 in fixed rate Revenue Bonds. The 2010 Revenue Bonds have interest rates from 4.00% to 5.00% depending upon the maturity dates, which range from 2021 to 2040 in amounts ranging from \$1,315 to \$11,040. Interest is payable semi-annually. The bonds were issued to currently refund a portion of the Haverford College Revenue Bonds, Series 2008, construct a new dormitory and finance other miscellaneous capital improvement projects on the College's campus. 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.

The interest rate on the 2008 Bonds currently is reset weekly and interest is paid monthly. The annualized interest rate was .04% at June 30, 2011 and .18% at June 30, 2010. 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. Coincident with the partial refunding of the 2008 Bonds, the standby liquidity facility was reduced to \$30.3 million effective May 12, 2010 and is in effect until May 1, 2014. 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 principles. As of October 31, 2011, there were no draws against the liquidity facility.

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.

The 2000 Bonds were redeemed by the Authority, at the College's direction, on November 15, 2010, at a redemption price of 101% plus accrued interest. Unamortized bond issue costs of \$1,489 related to the redemption of the 2000 Bonds were written off during fiscal 2011 and are included in the Statement of Activities as "loss on bond refinancing".

The 2008, 2010, 2010A and 2010B Bonds are secured by a general pledge of unrestricted College revenues.

**The Corporation of Haverford College**  
**Notes to Financial Statements (dollars in thousands)**  
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The fair value of the College's long-term debt, based upon current interest rates for similar obligations, was approximately \$124,324 and \$121,318 at June 30, 2011 and 2010, respectively.

Aggregate scheduled principal payments on long-term debt for each of the next five fiscal years and thereafter are as follows: 2012 – \$0; 2013 – \$0; 2014 – \$0; 2015 – \$0; 2016 – \$0; and thereafter \$120,145. These scheduled payments could change in the unlikely event that any tendered 2008 bonds could not be remarketed.

**Swap Agreements**

The College previously entered into an interest rate swap ("Swap Agreement") that became effective November 15, 2010. As of June 30, 2011, the Swap Agreement was with Deutsche Bank AG ("DB"), was outstanding in the notional principal amount of \$29,845,000 and was scheduled to amortize according to a schedule through November 15, 2030. Pursuant to the Swap Agreement, the College pays DB a fixed rate of 5.797% on the notional amount outstanding and DB pays the College a variable rate, on the same notional amount, based on the Securities Industry and Financial Markets Association ("SIFMA") municipal swap index plus 0.26%. Internally the College has applied the swap to its outstanding variable rate Series 2008 Bonds. The 2008 Bonds and the Swap Agreement have similar but not identical scheduled amortization. The effect of the Swap Agreement is to convert the variable rate 2008 Bonds into a primarily net fixed interest rate obligation. The swap had an estimated fair value (representing a liability) of \$8,861 at June 30, 2011 and \$11,915 at June 30, 2010. Unrealized losses of \$2,178 in fiscal 2011 and \$3,384 in fiscal 2010 are included in net realized and unrealized losses in the statements of activities.

**7. Realized and Unrealized Gains and Losses**

A summary of the College's realized and unrealized gains and (losses) for 2011 and 2010 are as follows:

|  | <b>2011</b>      | <b>2010</b>      |
|--|------------------|------------------|
| Endowment and similar funds' investments | \$ 52,253        | \$ 28,059        |
| Planned giving investments               | 2,732            | 1,334            |
| Changes in planned giving liabilities    | 159              | (1,577)          |
| Assets held in trust by others           | 472              | 269              |
| College rental house                     | -                | 181              |
| Short-term investments                   | 217              | 643              |
| Interest rate swap and swaption          | (2,178)          | (3,384)          |
| Total realized and unrealized losses     | <u>\$ 53,655</u> | <u>\$ 25,525</u> |

**8. Fair Value Measurements**

In accordance with the *Fair Value Measurement* standard, 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.

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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 swap 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.

The following tables summarize the College's financial assets and liabilities measured at fair value by the above hierarchy as of June 30, 2011 and June 30, 2010 (in thousands):

| <b>June 30, 2011:</b>                           | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b>   | <b>Totals</b>   |
|---|----------------|----------------|------------------|-----------------|
| <b>Assets</b>                                   |                |                |                  |                 |
| Cash and cash equivalents                       | \$28,940       |                |                  | \$28,940        |
| Equity funds                                    | 33,667         | 139,303        |                  | 172,970         |
| Fixed income funds                              | 39,722         | 27,072         | 5,159            | 71,953          |
| Hedge funds and real assets                     | 582            | 186            | 64,968           | 65,736          |
| Private equity and venture capital partnerships |                |                | 92,101           | 92,101          |
| Assets held in trust by others                  |                |                | 3,203            | 3,203           |
| <b>Total financial assets</b>                   | <b>102,911</b> | <b>166,561</b> | <b>165,431</b>   | <b>434,903</b>  |
| <b>Liabilities</b>                              |                |                |                  |                 |
| Interest rate swap                              | -              | -              | 8,861            | 8,861           |
| <b>Total financial liabilities</b>              | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ 8,861</b>  | <b>\$ 8,861</b> |
| <br>  |                |                |                  |                 |
| <b>June 30, 2010:</b>                           | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b>   | <b>Totals</b>   |
| <b>Assets</b>                                   |                |                |                  |                 |
| Cash and cash equivalents                       | \$14,816       | \$ -           | \$ -             | \$14,816        |
| Equity funds                                    | 36,528         | 77,495         | -                | 114,023         |
| Fixed income funds                              | 53,252         | 27,771         | -                | 81,023          |
| Hedge funds and real assets                     | 6,605          | 204            | 72,204           | 79,013          |
| Private equity and venture capital partnerships | -              | -              | 94,932           | 94,932          |
| Assets held in trust by others                  | -              | -              | 2,732            | 2,732           |
| <b>Total financial assets</b>                   | <b>111,201</b> | <b>105,470</b> | <b>169,868</b>   | <b>386,539</b>  |
| <b>Liabilities</b>                              |                |                |                  |                 |
| Interest rate swaption                          | -              | -              | 11,915           | 11,915          |
| <b>Total financial liabilities</b>              | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ 11,915</b> | <b>\$11,915</b> |

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The changes in financial assets and liabilities measured at fair value using Level 3 inputs for the year ended June 30, 2011 were as follows:

|  | <b>Beginning<br/>balance at<br/>6/30/10</b> | <b>Net<br/>realized<br/>gains<br/>(losses)</b> | <b>Net<br/>unrealized<br/>gains<br/>(losses)</b> | <b>Purchases<br/>and sales<br/>(net)</b> | <b>Transfers<br/>in (out) of<br/>Level 3</b> | <b>Ending<br/>balance at<br/>6/30/11</b> |
|--|---|--|--|--|--|--|
| Hedge funds and<br>real assets                 | \$ 72,204                                   | \$ 3,758                                       | \$ 274   | \$ (11,268)                              | \$ -   | \$ 64,968                                |
| Private equity and<br>venture capital          | 94,932                                      | 10,315   | (1,215)  | (11,931)                                 | -  | 92,101                                   |
| Fixed income                                   | -   |  | 159  | 5,000                                    |  | 5,159                                    |
| Interest in perpetual<br>trusts held by others | 2,732                                       | -  | 846  | (375)                                    | -  | 3,203                                    |
| <b>Total assets</b>                            | <b>\$ 169,868</b>                           | <b>\$ 14,073</b>                               | <b>\$ 64</b>                                     | <b>\$ (18,574)</b>                       | <b>\$ -</b>                                  | <b>\$ 165,431</b>                        |
| Swap liability                                 | \$ (11,915)                                 |  | \$ (2,178)                                       | \$ 5,232                                 |  | \$ (8,861)                               |
| <b>Total liabilities</b>                       | <b>\$ (11,915)</b>                          | <b>\$ -</b>                                    | <b>\$ (2,178)</b>                                | <b>\$ 5,232</b>                          | <b>\$ -</b>                                  | <b>\$ (8,861)</b>                        |

**The Corporation of Haverford College**  
**Notes to Financial Statements (dollars in thousands)**  
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The changes in financial assets and liabilities measured at fair value using Level 3 inputs for the year ended June 30, 2010 were as follows:

|  | Beginning<br>balance at<br>6/30/09 | Net<br>realized<br>gains<br>(losses) | Net<br>unrealized<br>gains<br>(losses) | Purchases<br>and sales<br>(net) | Transfers in<br>(out) of<br>Level 3 | Ending<br>balance at<br>6/30/10 |
|--|------------------------------------|--------------------------------------|--|---------------------------------|-------------------------------------|---------------------------------|
| Hedge funds and real<br>assets                 | \$ 55,380                          | \$ 463                               | \$ 3,605                               | \$ 12,756                       | \$ -                                | \$ 72,204                       |
| Private equity and<br>venture capital          | 85,125                             | 1,544                                | 8,217                                  | 46                              | -                                   | 94,932                          |
| Interest in perpetual<br>trusts held by others | 2,463                              | -                                    | 269                                    | -                               | -                                   | 2,732                           |
|  | <u>          </u>                  | <u>          </u>                    | <u>          </u>                      | <u>          </u>               | <u>          </u>                   | <u>          </u>               |
| Total assets                                   | \$ 142,968                         | \$ 2,007                             | \$ 12,091                              | \$ 12,802                       | \$ -                                | \$ 169,868                      |
|  | <u>          </u>                  | <u>          </u>                    | <u>          </u>                      | <u>          </u>               | <u>          </u>                   | <u>          </u>               |
| Swaption liability                             | \$ (8,531)                         |                                      | \$ (3,384)                             |                                 |                                     | \$ (11,915)                     |
|  | <u>          </u>                  | <u>          </u>                    | <u>          </u>                      | <u>          </u>               | <u>          </u>                   | <u>          </u>               |
| Total liabilities                              | \$ (8,531)                         | \$ -                                 | \$ (3,384)                             | \$ -                            | \$ -                                | \$ (11,915)                     |
|  | <u>          </u>                  | <u>          </u>                    | <u>          </u>                      | <u>          </u>               | <u>          </u>                   | <u>          </u>               |

The \$11,800 and \$10,714 net realized and unrealized gains of the Level 3 asset and liabilities for the years ended June 30, 2011 and 2010, respectively, are included in net realized and unrealized gains and losses in the Non-operating section of the Statement of Activities.

In 2009, new guidance related to the *Fair Value Measurement* standard was issued for estimating the fair value of investments in investment companies (limited partnerships) that have a calculated value of their capital account or net asset value (NAV) in accordance with, or in a manner consistent with US generally accepted accounting principles (US GAAP). As a practical expedient, the College is permitted under US GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US GAAP. The College's investments in private equity, natural resources, real estate and certain hedge funds in the absolute return portfolio are fair valued based on the most current NAV received adjusted for cash flows when the reported NAV is not at the measurement date.

The College performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with US GAAP. The College has assessed factors including, but not limited to, managers' compliance with *Fair Value Measurement* standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

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The guidance also requires additional disclosures to enable users of the financial statements to understand the nature and risk of the College's investments. Furthermore, investments which can be redeemed at NAV by the College on the measurement date or in the near term are classified as Level 2. Investments which cannot be redeemed on the measurement date or in the near term are classified as Level 3. The new guidance did not materially affect the College's consolidated financial statements.

The following table details assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) by major security type.

| Category                                    | Fair Value        | Unfunded Commitments | Redemption Frequency (if currently eligible) | Redemption Notice Period |
|---|-------------------|----------------------|--|--------------------------|
| <b>Hedge Funds/Absolute Return</b>          |                   |                      |  |                          |
| Event driven                                | \$ 17,517         | -                    | Bi-annually (on each tranche)                | 90 days                  |
| Multi-strategy                              | 576               | -                    | N/A - Distributing                           | N/A                      |
| <b>Private Equity</b>                       |                   |                      |  |                          |
| Buyout & fund of funds*                     | 60,904            | \$ 19,048            | Illiquid - not redeemable                    | N/A                      |
| Venture capital                             | 8,503             | 1,788                | Illiquid - not redeemable                    | N/A                      |
| Mezzanine debt                              | 15,283            | 1,600                | Illiquid - not redeemable                    | N/A                      |
| Distressed debt                             | 7,411             | 16,050               | Illiquid - not redeemable                    | N/A                      |
| <b>Real Assets</b>                          |                   |                      |  |                          |
| Natural resources                           | 16,611            | 5,585                | Illiquid - not redeemable                    | N/A                      |
| Real estate                                 | 30,264            | 33,491               | Illiquid - not redeemable                    | N/A                      |
| <b>Fixed Income</b>                         |                   |                      |  |                          |
| High yield bond funds                       | 5,159             | -                    | Monthly                                      | 60 days                  |
| <b>Other Assets</b>                         |                   |                      |  |                          |
| Interest in perpetual trusts held by others | 3,203             | -                    |  |                          |
| <b>Total Level 3 Investments</b>            | <u>\$ 165,431</u> | <u>\$ 77,562</u>     |  |                          |

\* Fund of funds are mostly buyout, but may also include smaller allocations of strategies such as venture capital, mezzanine debt and distressed debt.

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**9. Net Assets**

The composition of net assets at June 30, 2011 and 2010 was as follows (in thousands):

|   | <b>2011</b>       | <b>2010</b>       |
|---|-------------------|-------------------|
| <b>Unrestricted</b>   |                   |                   |
| Unallocated   | \$ 2,503          | \$ 2,475          |
| Designated for operations and student loans   | 7,995             | 8,667             |
| Designated for the acquisition of plant and equipment                                     | 1,575             | 2,157             |
| Board designated quasi-endowment funds  | 141,870           | 127,602           |
| Gift annuities  | 2,919             | 2,022             |
| Net investment in plant and equipment   | (1,009)           | 6,295             |
|   | <u>155,853</u>    | <u>149,218</u>    |
| <b>Temporarily restricted</b>   |                   |                   |
| Contributions and income for specific operating purposes                                  | 5,391             | 4,649             |
| Contributions for the acquisition of plant and equipment                                  | 1,754             | 1,019             |
| Donor-restricted endowments available for specific purposes                               | 12,240            | 11,105            |
| Realized and unrealized endowment gains   | 86,766            | 67,525            |
| Contributions receivable, planned giving agreements<br>and assets held in trust by others | 15,099            | 7,102             |
|   | <u>121,250</u>    | <u>91,400</u>     |
| <b>Permanently restricted</b>   |                   |                   |
| Donor-restricted endowment funds  | 126,581           | 122,060           |
| William Maul Measey trust   | 35,150            | 27,086            |
| Assets held in trust by others  | 2,742             | 2,331             |
| Contributions receivable and planned giving agreements<br>for permanent endowment         | 5,958             | 3,922             |
|   | <u>170,431</u>    | <u>155,399</u>    |
| Total Net Assets  | <u>\$ 447,534</u> | <u>\$ 396,017</u> |

**10. Retirement Plans**

The College has a defined contribution pension plan for eligible faculty, administration and staff employees. The participants' interests are fully vested and the College funds the plan each year. The College's contributions to the plan, based on 11% of eligible salaries in 2011 and 10% of eligible salaries in 2010, were \$3,429 and \$3,264 in 2011 and 2010, 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. The College also funds the plan each year; 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 \$401 and \$331 in 2011 and 2010, respectively.

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

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**Notes to Financial Statements (dollars in thousands)**  
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**11. Operating Expenses**

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

|                                    | <b>2011</b>      | <b>2010</b>      |
|------------------------------------|------------------|------------------|
| Salaries and wages                 | \$ 35,209        | \$ 34,290        |
| Benefits                           | 12,472           | 11,638           |
| Total compensation                 | <u>47,681</u>    | <u>45,928</u>    |
| Services and contracting           | 10,091           | 7,601            |
| Food, supplies and minor equipment | 6,669            | 7,005            |
| Utilities                          | 2,699            | 2,866            |
| Travel and training                | 1,804            | 1,623            |
| Insurance and taxes                | 783              | 836              |
| Depreciation and amortization      | 6,656            | 6,809            |
| Interest                           | 5,493            | 3,322            |
| Internships and other              | 1,248            | 1,137            |
| Total expenses                     | <u>\$ 83,124</u> | <u>\$ 77,127</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 \$4,626 and \$3,445 in 2011 and 2010, 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 was, at the time of the commitment, also a member of the College's Board of Managers. The uncalled partnership commitment at June 30, 2011 was \$5.5 million.

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 annually for the next three fiscal years.

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