THE CORPORATION OF
HAVERFORD COLLEGE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

CliftonLarsonAllen LLP

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

THE CORPORATION OF HAVERFORD COLLEGE
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INDEPENDENT AUDITORS' REPORT

Board of Managers
The Corporation of Haverford College
Haverford, Pennsylvania

We have audited the accompanying financial statements of The Corporation of Haverford College, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Managers
The Corporation of Haverford College

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Corporation of Haverford College as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 2, 2017

THE CORPORATION OF HAVERFORD COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016
(DOLLARS IN THOUSANDS)

	2017	2016
ASSETS		
Cash and Cash Equivalents	$ 10,169	$ 13,686
Short-Term Investments (Note 3)	16,722	10,555
Accounts Receivable, Net (Note 1)	2,010	1,667
Inventories, Prepaid Expenses, and Other Assets	2,635	3,998
Student Loans Receivable, Net (Note 1)	467	538
Contributions Receivable, Net (Note 2)	13,076	8,801
Long-Term Investments (Note 3)		
Endowment and Similar Funds	502,942	464,632
Planned Giving Agreements	7,451	7,111
Assets Held in Trust by Others	8,591	6,761
Bond Funds Held by Trustee	13,120	-
Plant and Equipment, Net (Note 5)	159,107	138,999
Total Assets	$ 736,290	$ 656,748
LIABILITIES AND NET ASSETS		
Accounts Payable	$ 6,281	$ 4,804
Accrued Expenses	4,217	1,496
Deposits and Deferred Revenues	3,625	3,358
Federal Student Loan Advances	105	178
Interest Rate Swap Liability (Note 6)	9,745	12,426
Liabilities Under Planned Giving Agreements	5,268	4,087
Long-Term Debt (Note 6)	151,236	122,800
Other Liabilities	1,154	1,206
Total Liabilities	181,631	150,355
Net Assets (Note 9)		
Unrestricted	142,174	139,586
Temporarily Restricted	159,969	134,466
Permanently Restricted	252,516	232,341
Total Net Assets	554,659	506,393
Total Liabilities and Net Assets	$ 736,290	$ 656,748

See accompanying Notes to Financial Statements.

THE CORPORATION OF HAVERFORD COLLEGE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2017
(DOLLARS IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Tuition and Fees	$ 67,008	$ -	$ -	$ 67,008
Room and Board	17,612	-	-	17,612
Less: Student Aid	(28,149)	-	-	(28,149)
Student Revenues, Net	56,471	-	-	56,471
Investment Revenues				
Endowment Spending Payout (Notes 1 and 4)	22,507	2,583	-	25,090
Other Investment Income	324	3	-	327
Private Gifts and Grants	5,850	3,775	-	9,625
Government Grants and Contracts	1,306	27	-	1,333
Bookstore, Rents, and Other Income	6,285	5	-	6,290
Net Assets Released from Restrictions	5,481	(5,481)	-	-
Total Operating Revenues	98,224	912	-	99,136
OPERATING EXPENSES (NOTE 11)				
Instruction	36,372	-	-	36,372
Research	3,001	-	-	3,001
Library and Academic Support	10,118	-	-	10,118
Student Services	16,105	-	-	16,105
Auxiliary Enterprises	16,930	-	-	16,930
Supporting Services, Management, General, and Fundraising	18,186	-	-	18,186
Total Operating Expenses	100,712	-	-	100,712
Net Operating Gain (Loss)	(2,488)	912	-	(1,576)
NONOPERATING ACTIVITIES				
Capital, Endowment, and Planned Gifts	10	9,696	9,501	19,207
Net Change in Pledges Receivable	-	2,003	2,272	4,275
Net Realized and Unrealized Gains (Note 7)	14,583	29,408	8,766	52,757
Withdrawn for Endowment Payout (Notes 1 and 4)	(9,056)	(14,009)	-	(23,065)
Change in Interest Rate Swap Liability	2,682	-	-	2,682
Income Added to Endowment Principal	(146)	-	146	-
Loss on Extinguishment of Debt	(6,077)	-	-	(6,077)
Gain on Disposal of Plant and Equipment	63	-	-	63
Net Assets Released from Restrictions, Reclassifications, and Other Transfers	3,017	(2,507)	(510)	-
Change in Net Assets from Nonoperating Activities	5,076	24,591	20,175	49,842
CHANGE IN NET ASSETS	2,588	25,503	20,175	48,266
Net Assets - Beginning of Year	139,586	134,466	232,341	506,393
NET ASSETS - END OF YEAR	$ 142,174	$ 159,969	$ 252,516	$ 554,659

See accompanying Notes to Financial Statements.

THE CORPORATION OF HAVERFORD COLLEGE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2016
(DOLLARS IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Tuition and Fees	$ 62,857	$ -	$ -	$ 62,857
Room and Board	16,597	-	-	16,597
Less: Student Aid	(26,363)	-	-	(26,363)
Student Revenues, Net	53,091	-	-	53,091
Investment Revenues				
Endowment Spending Payout (Notes 1 and 4)	21,489	2,348	-	23,837
Other Investment Income	246	2	-	248
Private Gifts and Grants	5,732	3,765	-	9,497
Government Grants and Contracts	1,260	-	-	1,260
Bookstore, Rents, and Other Income	6,282	4	-	6,286
Net Assets Released from Restrictions	5,516	(5,516)	-	-
Total Operating Revenues (Losses)	93,616	603	-	94,219
OPERATING EXPENSES (NOTE 11)				
Instruction	34,906	-	-	34,906
Research	2,948	-	-	2,948
Library and Academic Support	9,965	-	-	9,965
Student Services	14,199	-	-	14,199
Auxiliary Enterprises	16,678	-	-	16,678
Supporting Services,				
Management, General, and Fundraising	18,088	-	-	18,088
Total Operating Expenses	96,784	-	-	96,784
Net Operating Gain (Loss)	(3,168)	603	-	(2,565)
NONOPERATING ACTIVITIES				
Capital, Endowment, and Planned Gifts	3,091	4,727	13,218	21,036
Net Change in Pledges Receivable	-	(2,600)	(962)	(3,562)
Net Realized and Unrealized Gains (Losses) (Note 7)	(6,404)	(12,203)	198	(18,409)
Withdrawn for Endowment Payout (Notes 1 and 4)	(7,996)	(11,368)	-	(19,364)
Change in Interest Rate Swap Liability	(2,714)	-	-	(2,714)
Income Added to Endowment Principal	(134)	-	134	-
Loss on Disposal of Plant and Equipment	(55)	-	-	(55)
Forgiveness of Mortgages	(58)	-	-	(58)
Net Assets Released from Restrictions,				
Reclassifications, and Other Transfers	2,681	(2,681)	-	-
Change in Net Assets from Nonoperating Activities	(11,589)	(24,125)	12,588	(23,126)
CHANGE IN NET ASSETS	(14,757)	(23,522)	12,588	(25,691)
Net Assets - Beginning of Year	154,343	157,988	219,753	532,084
NET ASSETS - END OF YEAR	$ 139,586	$ 134,466	$ 232,341	$ 506,393

See accompanying Notes to Financial Statements.

THE CORPORATION OF HAVERFORD COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016
(DOLLARS IN THOUSANDS)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 48,266	$ (25,691)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	7,626	7,006
Net Realized and Unrealized (Gains) Losses	(52,757)	18,409
(Gain) Loss on Disposal of Plant and Equipment	(63)	55
Loss on Extinguishment of Debt	6,077	-
Contributions Restricted for Long-Term Investment	(23,627)	(17,982)
Change in Fair Value of Swap Liability	(2,682)	2,714
Present Value of New Planned Giving Liabilities	370	399
Gifts In Kind and Other Adjustments, Net	(19)	(248)
Changes in Operating Assets and Liabilities:		
Accounts Receivable, Inventories, and Prepaid Expenses and Other Assets	1,040	89
Contributions Receivable, Net	(4,275)	3,562
Accounts Payable, Accrued Expenses, and Deposits and Deferred Revenues	4,414	1,823
Net Cash Used by Operating Activities	(15,630)	(9,864)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(134,676)	(79,366)
Sales of Investments	141,133	88,177
Purchases of Plant and Equipment	(27,888)	(10,019)
Student Loan Disbursements	-	(24)
Student Loan Repayments	71	91
Net Cash Used by Investing Activities	(21,360)	(1,141)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Long-Term Investment	23,627	17,982
Purchases of Bonds Held with Trustees	(136,032)	-
Sales of Bonds Held with Trustees	122,912	-
Proceeds from Issuance of Bonds	140,226	-
Payments on Refunding of Bonds	(115,323)	-
Payment of Bond Issuance Costs	(903)	-
Repayments on Bonds Payable	(1,405)	-
Payments to Planned Gift Beneficiaries, Net of Related Income	444	(1,777)
Federal Student Loan Advances	(73)	(570)
Net Cash Provided by Financing Activities	33,473	15,635
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,517)	4,630
Cash and Cash Equivalents - Beginning of Year	13,686	9,056
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 10,169	$ 13,686
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 3,455	$ 5,921
Accounts Payable for Capital Projects	$ 1,647	$ 1,491

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations

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 more than 1,200 full-time undergraduates is drawn from independent and public schools across the United States, Puerto Rico and over 30 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 (“U.S. GAAP”) for nonprofit organizations. Nonprofit 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 statements of activities and changes in net assets, nonoperating activities primarily reflect increases and decreases in net assets associated with long-term investments, including investment returns net of the amount the College has appropriated for current operational support in accordance with the College’s endowment spending guidelines, contributions (pledges) to be received in the future, and other transactions that are not accounted for as part of ongoing budgeted operations. 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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions affect, in particular, the reported amounts of contributions receivable, liabilities under planned giving agreements, interest rate swap liability, alternative investments and depreciation expense. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $14 at June 30, 2017 and 2016. Student loans receivable are reported at cost, less allowances for doubtful accounts of $12 at June 30, 2017 and 2016.

Fair Value of Investments and Other Financial Instruments

Fair value is defined 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 in accordance with generally accepted accounting principles. 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, 2017 and 2016.

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 was also tested and reviewed independently. This valuation represents the independent firm's current economic assessment of the transaction or instrument as of the date specified. The fair value assessment is typically derived all or in part from model prices, external sources, or market prices.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Investments and Other Financial Instruments (Continued)

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 increasing the prior year's payout amount by 4.25%, subject to a maximum draw of 5.25% and minimum of 3.75% of a preceding twelve-quarter average market value of the funds' investments. The amount by which the endowment payout exceeds actual endowment income is reported as "Withdrawn for Endowment Payout" in the nonoperating section of the statement of activities. For the years 2017 and 2016, the payout amount exceeded endowment income by $23,065 and $19,364, respectively. The total amount drawn from the Endowment for College operating, pursuant to the College's spending policy outlined herein, for 2017 and 2016 is $25,090 and $23,837, 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 2017 and 2016 were 5.02% and 4.82%, respectively.

Investment transactions are recorded as of the trade date.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 equipment are capitalized over $5,000, while construction for major renewals and replacements are capitalized over $20,000. 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 and changes in net assets 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 $721 at June 30, 2017 and 2016 represent estimated future asbestos removal costs which are included in other liabilities in the statement of financial position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The College evaluates 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.

Adoption of Accounting Standard

During the year ended June 30, 2017, the College early adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This provision eliminates the requirement for entities, other than public business entities, to disclose the fair values of financial instruments carried at amortized cost, as previously required by Accounting Standards Codification (ASC) 825-10-50. As such, the College has omitted this disclosure for the years ended June 30, 2017 and 2016. The early adoption of this provision did not have an impact on the College's financial position or results of operations.

NOTE 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. Significant fluctuation in the discount rates utilized in this calculation could result in a material change. The discount is computed using an estimated market interest rate that approximates the expected return of an intermediate term bond portfolio, which rate was 4.53% at June 30, 2017 and 5.23% as of June 30, 2016. 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:

	2017	2016
Unconditional Promises Expected to be Collected:		
Within One Year	$ 5,276	$ 4,793
Between One and Five Years	8,341	4,926
After Five Years	1,686	284
	15,303	10,003
Less:		
Present Value Discount	(1,539)	(739)
Allowance for Uncollectible Contributions Receivable	(688)	(463)
	$ 13,076	$ 8,801

At June 30, 2017 and 2016, the College had $8,000 and $10,000 in conditional promises to give, to be used for restricted purposes, which are not recorded in the financial statements, until the passage of time or the occurrence of a specific event.

(DOLLARS IN THOUSANDS)

NOTE 2 CONTRIBUTIONS RECEIVABLE (CONTINUED)

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

	2017	2016
Contributions, Operating	$ 9,625	$ 9,497
Contributions, Nonoperating	19,207	21,036
	28,832	30,533
Present Value of New Planned Giving Liabilities	370	399
Gifts Received	$ 29,202	$ 30,932

NOTE 3 INVESTMENTS

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

	2017	2016
Domestic Equity Funds	$ 129,078	$ 113,674
International Equity Funds	147,150	129,372
Fixed Income Funds	82,063	72,234
Hedge Funds	45,589	45,520
Real Assets	46,577	48,101
Private Equity and Venture Capital Partnerships	35,874	41,559
Cash and Cash Equivalents	40,784	31,838
	$ 527,115	$ 482,298

At June 30, 2017 and 2016, approximately 36% and 21% 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 $65,938 and $57,034 at June 30, 2017 and 2016, respectively.

As of June 30, 2017, $273,483 of total investments was redeemable and convertible to cash within one week; $73,817 was redeemable between one month and one year; $18,294 was redeemable between one year and three years; $16,018 was redeemable after three years; and $72,114 was illiquid except as distributions are made by the various general partners. Investments in the amount of $73,389 were restricted to planned giving agreements and the Trust.

(DOLLARS IN THOUSANDS)

NOTE 3 INVESTMENTS (CONTINUED)

As of June 30, 2017, the College had outstanding capital commitments to endowment limited partnerships in the amount of $45,239. These commitments are currently expected to be called over the next four years.

NOTE 4 ENDOWMENT NET ASSETS

Changes in Endowment and Similar Funds' net assets for the years ending June 30, 2016 and 2017 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets at June 30, 2015	$ 150,163	$ 124,078	$ 209,169	$ 483,410
Contributions	74	2,000	12,545	14,619
Transfers from Other Funds	-	-	1,839	1,839
Income Added to Endowment Principal	-	-	134	134
Subtotal	74	2,000	14,518	16,592
Net Realized & Unrealized Gains (Losses)	(6,502)	(12,146)	426	(18,222)
Measey Trust Income (Net)	1,160	-	-	1,160
Dividends & Interest Available (Gross)	1,498	2,982	-	4,480
Endowment Expenses	(390)	(777)	-	(1,167)
Endowment Spending Payout	(10,264)	(13,573)	-	(23,837)
Endowment Payout Net of Endowment Income	(7,996)	(11,368)	-	(19,364)
Endowment Net Assets at June 30, 2016	135,739	102,564	224,113	462,416
Contributions	438		7,338	7,776
Transfers from Other Funds	856	-	294	1,150
Income Added to Endowment Principal	-	-	146	146
Subtotal	1,294	-	7,778	9,072
Net Realized & Unrealized Gains	14,994	29,440	8,881	53,315
Measey Trust Income (Net)	1,208		-	1,208
Dividends & Interest Available (Gross)	664	1,337	-	2,001
Endowment Expenses	(390)	(794)	-	(1,184)
Endowment Spending Payout	(10,538)	(14,552)	-	(25,090)
Endowment Payout Net of Endowment Income	(9,056)	(14,009)	-	(23,065)
Endowment Net Assets at June 30, 2017	$ 142,971	$ 117,995	$ 240,772	$ 501,738

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 12.4% and (2.8)% for the fiscal years ending June 30, 2017 and 2016, respectively.

(DOLLARS IN THOUSANDS)

NOTE 5 PLANT AND EQUIPMENT

The components of plant and equipment at June 30, 2017 and 2016 were as follows:

	2017	2016
Land and Land Improvements	$ 17,280	$ 16,719
Buildings and Building Improvements	223,783	208,395
Equipment	29,447	28,176
Library Books	12,568	12,187
Works of Art, Historical Treasures, and Similar Assets	4,704	4,704
Construction-in-Progress	16,925	6,709
	304,707	276,890
Accumulated Depreciation	(145,600)	(137,891)
	$ 159,107	$ 138,999

Total depreciation expense for the year ended June 30, 2017 and 2016 totaled $7,863 and $7,172, respectively.

NOTE 6 LONG-TERM DEBT

Long-term debt at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Delaware County Authority Revenue Bonds, Series 2008, Net of Unamortized Discount of $165 at June 30, 2016.	$ -	$ 29,680
Delaware County Authority Revenue Bonds, Series 2010, Net of Unamortized Premium of $133 and $1,029 at June 30, 2017 and 2016, respectively.	9,088	44,074
Delaware County Authority Revenue Bonds, Series 2010A, Net of Unamortized Premium of $1,823 at June 30, 2016.	-	44,694
Delaware County Authority Taxable Revenue Bonds, Series 2010B, Net of Unamortized Costs of $30 and $32 at June 30, 2017 and 2016, respectively.	2,950	4,352
Delaware County Authority Revenue Bonds, Series 2017A, Net of Unamortized Premiums of $11,150 at June 30, 2017.	109,465	-
Delaware County Authority Taxable Revenue Bonds, Series 2017B, Net of Unamortized Costs of $112 at June 30, 2017.	29,733	-
	$ 151,236	$ 122,800

NOTE 6 LONG-TERM DEBT (CONTINUED)

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 were held by a trustee bank and were invested in a money market fund that invests in short-term U.S. government securities. These bonds were refinanced with the 2017A and 2017B bond issues.

The interest rate on the 2008 Bonds was reset weekly and interest was paid monthly. The annualized interest rate was 0.40% at June 30, 2016. The bonds were subject to scheduled mandatory principal redemption through 2039, and may have been redeemed at the option of the Delaware County 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 have been tendered by bondholders for purchase on any business day upon seven days prior notice. Any tendered 2008 Bonds were remarketed by the remarketing agent to new investors and the purchase price paid by such investors was used to pay tendering bondholders. The College was 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 $61,800 standby liquidity facility with a commercial bank. Coincident with the partial refunding of the 2008 Bonds by the 2010 Bonds, the standby liquidity facility was reduced to $30,300 effective May 12, 2010 and was in effect until May 1, 2014. On April 30, 2014, the liquidity facility was renewed for a 3 year period with the same commercial bank. If the 2008 Bonds had not been refunded, the expiration date of the liquidity facility was May 1, 2017. The liquidity facility may have been utilized by the College to purchase tendered 2008 Bonds in the event of a failed remarketing. As of June 30, 2016, the 2008 Bonds would have been classified as current debt in accordance with U.S. GAAP had the College presented a classified statement of financial position. The liquidity facility was terminated upon the redemption of the 2008 Bonds.

In April 2010, the College issued $43,045 in fixed rate Revenue Bonds. 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. The 2010 Revenue Bonds have interest rates from 4.00% to 5.00% depending upon the maturity dates, which range from November 2021 to 2040 in amounts ranging from $1,315 to $11,040. Interest is payable semi-annually. A portion of these bonds were advanced refunded with the 2017A Bonds. The remaining portion of the 2010 Bonds continues to have interest rates from 4.00% to 5.00% depending upon the maturity dates which range from November 2021 to 2040 with reduced payments that range from $240 to $1,420.

In November 2010, the College issued $42,870 in fixed-rate tax-exempt bonds, Series A. The bonds were issued to currently refund the Haverford College Revenue Bonds, Series 2000. The 2010 Series A (Tax-Exempt) Revenue Bonds had interest rates from 4.0% to 5.25% depending upon the maturity dates, which ranged from 2021 to 2031 in amounts ranging from $2,440 to $14,190. Interest was payable semi-annually. These bonds were advanced refunded with the 2017A Bonds.

(DOLLARS IN THOUSANDS)

NOTE 6 LONG-TERM DEBT (CONTINUED)

The 2010 Series B (Taxable) Revenue 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 2000 Bonds. The bonds had interest rates from 3.163% to 4.29% depending upon the maturity dates, which ranged from November 2017 to 2021 in amounts from $205 to $2,915. Interest is payable semi-annually.

In February 2017, the College issued $98,315 and $29,845 in Delaware County Authority College Revenue Bonds, Series 2017A and 2017B respectively. The proceeds from the sale of the 2017A Bonds were used to partially refund the 2008 Bond series. In addition, the proceeds of the Series 2017A Bonds were placed into an irrevocable escrow account held by the trustee (Escrow Agent) to advance refund the legally defeased 2010 and 2010A Bonds. The 2017A Bonds have interest rates from 3.0% to 5.0% depending upon the maturity dates, which ranges from 2018 to 2047 in amounts from $300 to $6,590. Interest is payable semi-annually.

The proceeds from the 2017B Bonds were used to completely refund the remaining portion of the 2008 Bonds which were not refunded by the 2017A Bonds. In addition the 2017B bond proceeds were transferred to a project fund to be used to reimburse for and pay for capital projects, including renovations to Sharpless Hall, the Visual, Cultural, Arts, and Media Building, the lower level of the dining center and other capital improvements to various academic, administrative, residential or athletic facilities, as well as for the implementation of new information technology and data systems, and telephone and communication systems. The 2017B Bonds have variable interest rates as a percentage of 3-month LIBOR plus spread. Interest is payable monthly.

Fiscal Year	Amount
2018	$ 510
2019	1,125
2020	1,180
2021	1,715
2022	2,255
Thereafter	133,310
Total	$ 140,095

Under the bond indentures, the College is subject to certain covenants, which among other things require the College to meet certain financial and debt service coverage tests. The College was not aware of any noncompliance with such requirements as of June 30, 2017.

(DOLLARS IN THOUSANDS)

NOTE 6 LONG-TERM DEBT (CONTINUED)

Swap Agreements

The College had previously entered into a swap agreement that became effective November 15, 2010 and was amended as of February 2017. As of June 30, 2016, this swap agreement was with Deutsche Bank AG ("DB"), was outstanding in the notional principal amount of $29,845 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 99.3% of the 3-month London Interbank Offered Rate (LIBOR). Internally the College had applied the swap to its outstanding variable rate Series 2008 Bonds. The 2008 Bonds and the swap agreement had comparable but not identical scheduled amortization. The effect of the swap agreement was to synthetically convert the variable rate 2008 Bonds into a primarily net fixed interest rate obligation.

In February 2017, the November 2010 swap agreement with DB was amended. The notional principal amount of $29,845 remains and is scheduled to amortize according to a revised schedule through October 1, 2030. Pursuant to the amended DB Swap Agreement, the College pays DB a fixed rate of 5.266% on the notional amount outstanding and DB pays the College a variable rate, on the same notional amount, based on 67% of the 3-month London Interbank Offered Rate (LIBOR).

In February 2017, the College entered into an interest rate management agreement with Barclays Bank, PLC. The Barclays swap agreement is also used to hedge the College's interest costs on its 2017B Bonds. The Barclays swap starts on October 1, 2020 and has a maturity date of October 1, 2046. The Barclays swap has an amortization schedule that varies over its duration to align with the DB swap and the 2017B Bonds. Once the swap commences, the College will pay a fixed rate of 2.229% and will receive a floating rate of 75% of 3 month LIBOR.

The two swaps had an estimated fair value (representing a liability) of $9,745 at June 30, 2017 and $12,426 at June 30, 2016. The original and amended DB and Barclays swap agreements contain certain derivative risks.

NOTE 7 REALIZED AND UNREALIZED GAINS (LOSSES)

A summary of the College's realized and unrealized gains (losses) for 2017 and 2016 are as follows:

	2017	2016
Endowment and Similar Funds' Investments	$ 53,315	$ (18,222)
Changes in Planned Giving	(653)	44
Assets Held in Trust by Others	110	(326)
Short-Term Investments	(15)	95
	$ 52,757	$ (18,409)

NOTE 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.

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 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.

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.

(DOLLARS IN THOUSANDS)

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables summarize the College's financial assets and liabilities measured at fair value by the above hierarchy as of June 30, 2017 and 2016:

	June 30, 2017			
	Level 1	Level 2	Level 3	Totals
Assets				
Equity Funds	$ 72,794	$ 17,438	$ -	$ 90,232
Fixed Income Funds	72,378	9,685	-	82,063
Hedge Funds and Real Assets	10,157	181	-	10,338
Assets Held in Trust by Others	-	-	8,591	8,591
Total Financial Assets	$ 155,329	$ 27,304	$ 8,591	191,224
Investments Measured at Fair Value Using Net Asset Value Per Share				303,698
Cash and Cash Equivalents included in Short-Term and Long-Term Investments				40,784
Total Assets				$ 535,706
Liabilities				
Interest Rate Swap	$ -	$ -	$ 9,745	$ 9,745
Total Financial Liabilities	$ -	$ -	$ 9,745	$ 9,745

	June 30, 2016			
	Level 1	Level 2	Level 3	Totals
Assets				
Equity Funds	$ 62,545	$ 2,382	$ -	$ 64,927
Fixed Income Funds	44,943	27,291	-	72,234
Hedge Funds and Real Assets	183	170	-	353
Assets Held in Trust by Others	-	-	6,761	6,761
Total Financial Assets	$ 107,671	$ 29,843	$ 6,761	144,275
Investments Measured at Fair Value Using Net Asset Value Per Share				312,965
Cash and Cash Equivalents included in Short-Term and Long-Term Investments				31,819
Total Assets				$ 489,059
Liabilities				
Interest Rate Swap	$ -	$ -	$ 12,426	$ 12,426
Total Financial Liabilities	$ -	$ -	$ 12,426	$ 12,426

(DOLLARS IN THOUSANDS)

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

The changes in financial assets and liabilities measured at fair value using Level 3 inputs for the year ended June 30, 2017 were as follows:

	Beginning Balance at June 30, 2016	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Purchases and Sales (Net)	Transfers In (Out) of Level 3	Ending Balance at June 30, 2017
Assets Held in Trust by Others	$ 6,761	$ 343	$ (233)	$ 1,720	$ -	$ 8,591
Total Assets	$ 6,761	$ 343	$ (233)	$ 1,720	$ -	$ 8,591
Interest Rate Swap	$ (12,426)	$ -	$ 2,681	$ -	$ -	$ (9,745)
Total Liabilities	$ (12,426)	$ -	$ 2,681	$ -	$ -	$ (9,745)

The changes in financial assets and liabilities measured at fair value using Level 3 inputs for the year ended June 30, 2016 were as follows:

	Beginning Balance at June 30, 2015	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Purchases and Sales (Net)	Transfers In (Out) of Level 3	Ending Balance at June 30, 2016
Assets Held in Trust by Others	$ 9,489	$ -	$ (326)	$ (2,402)	$ -	$ 6,761
Total Assets	$ 9,489	$ -	$ (326)	$ (2,402)	$ -	$ 6,761
Interest Rate Swap	$ (9,712)	$ -	$ (2,714)	$ -	$ -	$ (12,426)
Total Liabilities	$ (9,712)	$ -	$ (2,714)	$ -	$ -	$ (12,426)

The College follows guidance related to the fair value measurement standard that 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 U.S. GAAP. As a practical expedient, the College is permitted under U.S. 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 U.S. 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 U.S. 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. The guidance also requires additional disclosures to enable users of the financial statements to understand the nature and risk of the College's investments.

(DOLLARS IN THOUSANDS)

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table details the amount of the College's unfunded commitments related to investments at June 30, 2017 and the terms and conditions upon which the College may redeem its investments for each major category of investment measured at fair value using net asset value per share as a practical expedient that have redemption restrictions.

Category	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Hedge Funds/Absolute Return				
Credit/Distressed	$ 12,641	$ -	Annually, Biennially	90 days
Long/Short	25,133	-	Quarterly, Annually, 3-Years, 5-Years	60 - 90 days
Open Mandate/Multi-Strategy	7,814	-	Biennially	90 days
Private Equity				
Buyout and Fund-of-Funds*	29,616	25,848	Illiquid	n/a
Venture Capital	-	-		
Mezzanine/Private Debt	2,119	100	Illiquid	n/a
Distressed Debt	4,139	80	Illiquid	n/a
Real Assets				
Natural Resources	7,585	2,777	Illiquid	n/a
Real Estate	28,655	16,434	Illiquid	n/a
Domestic Equity	126,199	-	Daily	**
International Equity	59,797	-	Daily	***
	$ 303,698	$ 45,239		

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

**Two funds fulfill redemption requests within two days of the redemption request. One fund fulfills redemption requests within seven days of the redemption request.

***Two funds require a 6 and 10 day notice period for redemptions, fulfilling redemption requests within five and seven days thereafter. Two funds fulfill redemption requests within three and seven days of the redemption request.

(DOLLARS IN THOUSANDS)

NOTE 9 NET ASSETS

The composition of temporarily and permanently restricted net assets at June 30, 2017 and 2016 was as follows:

	2017	2016
Temporarily Restricted		
Contributions and Income for Restricted Purposes	$ 9,639	$ 9,175
Contributions for Acquisition of Plant and Equipment	21,330	13,998
Donor Advised Fund	156	155
Term Endowments	7,535	7,860
Realized and Unrealized Endowment Gains	110,460	94,704
Contributions Receivable, Planned Giving, and Outside Trusts	10,849	8,574
	$ 159,969	$ 134,466
Permanently Restricted		
Donor Restricted Endowment Funds	$ 176,037	$ 168,260
William Maul Measey Trust	64,735	55,853
Contributions Receivable, Planned Giving, and Outside Trusts	11,744	8,228
	$ 252,516	$ 232,341

NOTE 10 RETIREMENT PLANS

The College has a defined contribution pension plan for eligible faculty, administration and staff employees (the “Pension Plan”). The participants’ interests are fully vested and the College funds the Pension Plan each year. The College’s contributions to the Pension Plan, based on 11% of eligible salaries were $3,884 and $3,930 in 2017 and 2016, 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 “Healthcare Plan”). The College 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 $434 and $439 in 2017 and 2016, respectively.

Both the Pension Plan and the Healthcare Plan permit additional employee contributions.

NOTE 11 OPERATING EXPENSES

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

	2017	2016
Salaries and Wages	$ 44,164	$ 41,403
Benefits	14,451	15,025
Total Compensation	58,615	56,428
Services and Contracting	10,381	9,334
Food, Supplies, and Minor Equipment	8,562	8,412
Utilities	2,638	2,417
Travel and Training	3,908	3,768
Insurance and Taxes	1,193	1,060
Depreciation	7,863	7,172
Interest and Accretion	5,753	5,755
Internships and Other	1,799	2,438
Total Expenses	$ 100,712	$ 96,784

The statements of activities and changes in net assets present 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 $3,958 and $4,191 in 2017 and 2016, respectively.

NOTE 12 VOLUNTARY RETIREMENT PROGRAM EXPENSES

During the year ended June 30, 2017 , the College initiated two voluntary retirement programs for current employees: one program for non-faculty and one program for faculty. To qualify, the employee needed to have achieved a certain age and certain number of years of full-time employment at the College. The programs had limited time periods in which the employee could elect to enroll and a limited window or set of windows in which to select his or her retirement date. The College has accrued costs of $1,425 within its accrued liabilities at June 30, 2017 for the payouts or estimated payouts for employees who submitted their letter of intent on or before September 1, 2016.

NOTE 13 COMMITMENTS, CONTINGENCIES, AND RELATED PARTY TRANSACTION

In July, 2007, the College made a $20,000 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, 2017 was $584.

The College's commitment to fund certain endowment limited partnerships is disclosed in Note 8.

NOTE 13 COMMITMENTS, CONTINGENCIES, AND RELATED PARTY TRANSACTION (CONTINUED)

As of June 30, 2017 the College has outstanding construction and professional commitments totaling approximately $6,500 for the Visual, Cultural, Arts, and Media Building and the Sharpless Hall renovations, and for the design work for the Magill Library renovation. In addition to these construction-related commitments, the College has a contract commitment in place for $1,845 of which $42 was outstanding for consulting services.

From time to time, in its ordinary course of business, the College may be subject to various legal matters, including threatened or pending litigation. With the review and advice of counsel, management is not aware of any pending or threatened litigation that is likely to have a material adverse effect on the financial condition of the College.

NOTE 14 SUBSEQUENT EVENTS

Management evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through November 2, 2017, the date on which the financial statements were issued. No significant subsequent events were noted.

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