KPMG

MARTIN, HARPS, SYPHOE & CO,
CERTIFIED PUBLIC ACCOUNTANTS

SPELMAN COLLEGE

Financial Statements

June 30, 2013 and 2012

(With Independent Auditors’ Report Thereon)

KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

MARTIN, HARPS, SYPHOE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

The Board of Trustees
Spelman College:

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

KPMG LLP

Martin, Harps, Syphoe + Co.

Atlanta, Georgia
October 21, 2013

SPELMAN COLLEGE

Statements of Financial Position

June 30, 2013 and 2012

Assets		**2013**	**2012**
Cash and cash equivalents	$	14,211,512	13,728,594
Student accounts receivable (net of allowance for doubtful accounts of $2,700,000 in 2013 and $2,100,000 in 2012)		1,771,260	1,361,960
Grants and other receivables		1,195,290	678,535
Contributions receivable, net (note 2)		15,988,429	19,173,790
Student notes receivable (net of allowance for doubtful accounts of $1,200,000 in 2013 and 2012)		1,483,769	1,437,932
Investments (notes 3 and 10)		327,171,376	309,138,907
Bond issuance costs, net		1,140,678	1,222,575
Other assets		997,673	962,081
Property and equipment, net (notes 5 and 6)		159,743,182	160,403,863
Total assets	$	523,703,169	508,108,237
Liabilities			
Accounts payable and accrued expenses	$	5,088,658	8,019,960
Accrued compensation and related expenses		5,779,563	5,809,909
Deferred revenue		1,024,338	1,069,122
Bonds and note payable (notes 6 and 10)		96,911,884	101,227,790
Obligation under capital leases (note 13)		135,762	335,164
Advances from federal government		1,561,379	1,556,495
Total liabilities		110,501,584	118,018,440
Net assets:			
Unrestricted:			
Undesignated		125,856	120,015
Designated by the board of trustees as follows:			
Quasi-endowment, net (note 4)		53,751,963	50,519,502
Student loans		176,190	175,699
Facilities expansion		2,509,451	11,839,729
Investment in property and equipment		57,081,751	43,897,256
Total unrestricted net assets		113,645,211	106,552,201
Temporarily restricted (notes 4 and 9)		180,780,398	168,319,757
Permanently restricted (notes 4 and 9)		118,775,976	115,217,839
Total net assets		413,201,585	390,089,797
Commitments and contingencies (notes 3, 6, 12, and 13)			
Total liabilities and net assets	$	523,703,169	508,108,237

See accompanying notes to financial statements.

SPELMAN COLLEGE

Statement of Activities

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

	2013				2012
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Operating revenues:					
Tuition and fees	$ 48,131,241	—	—	48,131,241	46,296,416
Less student aid	(15,791,051)	—	—	(15,791,051)	(14,946,185)
Tuition and fees, net	32,340,190	—	—	32,340,190	31,350,231
Government grants and contracts	630,491	6,908,172	—	7,538,663	7,814,498
Private gifts and grants	2,353,361	8,265,061	—	10,618,422	10,410,774
Investment income (note 3)	13,945	3,545	—	17,490	19,815
Realized and unrealized gains on investments, net (note 3)	3,147	—	—	3,147	849
Endowment spending in accordance with College's spending rule (notes 3 and 4)	4,806,823	13,071,293	—	17,878,116	18,529,813
Sales and services of auxiliary enterprises	19,097,403	—	—	19,097,403	17,821,966
Other	1,096,591	—	—	1,096,591	1,035,806
Net assets released from restrictions (note 8)	27,468,658	(27,468,658)	—	—	—
Total operating revenues	87,810,609	779,413	—	88,590,022	86,983,752
Operating expenses (note 11):					
Instruction	26,156,698	—	—	26,156,698	26,483,903
Research	4,000,362	—	—	4,000,362	4,042,549
Public service	378,961	—	—	378,961	488,896
Academic support	7,324,982	—	—	7,324,982	7,631,228
Student services	10,146,198	—	—	10,146,198	9,988,348
Institutional support	22,401,214	—	—	22,401,214	21,236,127
Auxiliary enterprises	14,999,400	—	—	14,999,400	14,588,285
Total operating expenses	85,407,815	—	—	85,407,815	84,459,336
Change in net assets from operating activities	2,402,794	779,413	—	3,182,207	2,524,416
Nonoperating activities:					
Contributions	1,083	1,567,426	3,526,371	5,094,880	16,251,832
Investment income (note 3)	1,176,565	5,877,602	—	7,054,167	3,727,747
Investment income reinvested at request of donor	—	(30,449)	30,449	—	—
Change in present value of split interest agreements	—	3,537	—	3,537	(11,861)
Realized and unrealized gains (losses) on investments, net (note 3)	8,720,775	19,148,937	1,317	27,871,029	(6,717,941)
Endowment spending in accordance with College's spending rule (notes 3 and 4)	(4,806,823)	(13,071,293)	—	(17,878,116)	(18,529,813)
Net assets released from restriction for construction (note 8)	1,742,756	(1,742,756)	—	—	—
Net assets released from restriction from expired annuities (note 8)	71,776	(71,776)	—	—	—
Loss on early extinguishment of debt	—	—	—	—	(908,462)
Capital campaign expenditures	(2,158,056)	—	—	(2,158,056)	(2,294,055)
Other nonoperating expenses	(57,860)	—	—	(57,860)	(387,010)
Change in net assets from nonoperating activities	4,690,216	11,681,228	3,558,137	19,929,581	(8,869,563)
Change in net assets	7,093,010	12,460,641	3,558,137	23,111,788	(6,345,147)
Net assets at beginning of year	106,552,201	168,319,757	115,217,839	390,089,797	396,434,944
Net assets at end of year	$ 113,645,211	180,780,398	118,775,976	413,201,585	390,089,797

See accompanying notes to financial statements.

SPELMAN COLLEGE

Statement of Activities

Year ended June 30, 2012

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Operating revenues:				
Tuition and fees	$ 46,296,416	—	—	46,296,416
Less student aid	(14,946,185)	—	—	(14,946,185)
Tuition and fees, net	31,350,231	—	—	31,350,231
Government grants and contracts	720,616	7,093,882	—	7,814,498
Private gifts and grants	2,248,892	8,161,882	—	10,410,774
Investment income (note 3)	16,620	3,195	—	19,815
Realized and unrealized gains on investments, net (note 3)	849	—	—	849
Endowment spending in accordance with College's (notes 3 and 4)	6,016,162	12,513,651	—	18,529,813
Sales and services of auxiliary enterprises	17,821,966	—	—	17,821,966
Other	1,035,806	—	—	1,035,806
Net assets released from restrictions (note 8)	28,195,234	(28,195,234)	—	—
Total operating revenues	87,406,376	(422,624)	—	86,983,752
Operating expenses (note 11):				
Instruction	26,483,903	—	—	26,483,903
Research	4,042,549	—	—	4,042,549
Public service	488,896	—	—	488,896
Academic support	7,631,228	—	—	7,631,228
Student services	9,988,348	—	—	9,988,348
Institutional support	21,236,127	—	—	21,236,127
Auxiliary enterprises	14,588,285	—	—	14,588,285
Total operating expenses	84,459,336	—	—	84,459,336
Change in net assets from operating activities	2,947,040	(422,624)	—	2,524,416
Nonoperating activities:				
Contributions	—	14,644,650	1,607,182	16,251,832
Investment income (note 3)	617,297	3,110,450	—	3,727,747
Change in present value of split interest agreements	—	(11,861)	—	(11,861)
Realized and unrealized gains (losses) on investments, net (note 3)	2,726,048	(9,446,347)	2,358	(6,717,941)
Endowment spending in accordance with College's spending rule (notes 3 and 4)	(6,016,162)	(12,513,651)	—	(18,529,813)
Net assets released from restriction for construction (note 8)	5,574,077	(5,574,077)	—	—
Loss on early extinguishment of debt	(908,462)	—	—	(908,462)
Capital campaign expenditures	(2,294,055)	—	—	(2,294,055)
Other nonoperating expenses	(387,010)	—	—	(387,010)
Change in net assets from nonoperating activities	(688,267)	(9,790,836)	1,609,540	(8,869,563)
Change in net assets	2,258,773	(10,213,460)	1,609,540	(6,345,147)
Net assets at beginning of year	104,293,428	178,533,217	113,608,299	396,434,944
Net assets at end of year	$ 106,552,201	168,319,757	115,217,839	390,089,797

See accompanying notes to financial statements.

SPELMAN COLLEGE

Statements of Cash Flows

Years ended June 30, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Change in net assets	$	23,111,788	(6,345,147)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		5,442,177	5,246,658
Amortization of bond issuance costs		81,897	72,352
Amortization of bond premium		(542,296)	(271,390)
Loss on early extinguishment of debt		—	908,462
In-kind contribution of property		(248,850)	—
Net realized and unrealized (gains) losses on investments		(27,874,176)	6,717,092
Private gifts and grants restricted for long-term investment		(8,279,158)	(7,541,748)
(Increase) decrease in student accounts receivable		(409,300)	321,040
(Increase) decrease in grants and other receivables		(516,755)	24,144
Decrease (increase) in contributions receivable		3,185,361	(8,710,084)
Decrease (increase) in other assets		213,258	(123,055)
(Decrease) increase in accounts payable and accrued expenses, and accrued compensation and related expenses		(2,961,648)	3,558,269
(Decrease) increase in deferred revenue		(44,784)	290,864
Net cash used in operating activities		(8,842,486)	(5,852,543)
Cash flows from investing activities:			
Purchases and acquisitions of property and equipment		(4,781,496)	(10,158,525)
(Loans paid to) repayment of loans by students, net		(45,837)	156,133
Proceeds from sales of investments		174,917,611	79,081,156
Purchases of investments		(165,075,904)	(68,008,245)
Net cash provided by investing activities		5,014,374	1,070,519
Cash flows from financing activities:			
Principal repayments on bonds and notes payable		(3,773,610)	(31,441,567)
Principal repayments under capital lease obligations		(199,402)	(189,723)
Proceeds from issuance of bonds payable		—	28,349,973
Payments for bond issuance costs		—	(447,074)
Increase (decrease) in advances from federal government		4,884	(23,050)
Proceeds from private gifts and grants restricted for long-term investment		8,279,158	7,541,748
Net cash provided by financing activities		4,311,030	3,790,307
Net increase (decrease) in cash and cash equivalents		482,918	(991,717)
Cash and cash equivalents at beginning of year		13,728,594	14,720,311
Cash and cash equivalents at end of year	$	14,211,512	13,728,594
Supplemental disclosures:			
Equipment acquired under financing agreement	$	—	1,281,659
Cash paid for interest		4,302,674	4,611,774
In-kind gift – property		248,850	—

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) General

Spelman College (the College) is a private, nonprofit institution of higher education located in Atlanta, Georgia. The College provides education and training services for students at the undergraduate level and performs research, training, and other services under grants, contracts, and similar agreements with sponsoring organizations and governmental agencies.

(b) Basis of Presentation

The financial statements of the College have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles.

The College's net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, the net assets of the College and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the College and/or the passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations that these be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income and gains earned on the related investments for general or specific purposes.

Revenue from sources other than contributions is reported as increases in unrestricted net assets. Contributions are reported as increases in the appropriate net asset category. Contributions of assets other than cash and cash equivalents are initially recorded at their estimated fair value at the date of the gift, as determined by independent appraisal or other valuation methods as deemed appropriate by management. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue and classified in accordance with donor-imposed restrictions, if any, on the contributions.

Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired and placed in service and are reported as reclassifications from temporarily restricted net assets to unrestricted net assets.

(c) Investments

Investments consist of marketable securities, privately held limited partnerships and real estate.

Marketable securities are stated at fair value based on quoted market prices. The net realized and unrealized gains (losses) on investments are reflected in the statements of activities. Realized and unrealized gains (losses) are allocated to net asset classes dependent upon donor specifications.

Investments in private limited partnership interests are valued using the most current information provided by the general partner. The change in net assets related to limited partnership interests is presented as realized and unrealized (gains) and losses based upon the estimated fair value of each partnership as determined by the general partner. General partners typically value privately held companies at cost as adjusted based on recent arms' length transactions. Real estate partnerships and funds are valued based on appraisals of properties held and conducted by third-party appraisers retained by the general partner or investment manager. General partners of funds invested in marketable securities provide values based on quoted market prices and exchange rates for publicly held securities and valuation estimates of derivative instruments. Investment managers are authorized to employ derivative instruments, including swaps, futures, forwards, and options. These derivatives are generally used for managing interest rate or foreign currency risk or to attain or hedge a specific financial market position. The College does not have direct investments in such instruments. Management reviews and evaluates valuation information provided by general partners and investment managers, and management believes such values are reasonable estimates of fair value.

The College's investments include various types of investment securities and investment vehicles. Investment securities are exposed to various risks, such as liquidity, interest rates, currency, market, and credit risks.

Liquidity risk represents the possibility that the College may be unable to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price. If the College was compelled to dispose of a liquid investment at an inopportune time, it may be required to do so at a substantial discount to fair value.

The College invests in alternative investments, which can be highly illiquid. Under adverse market or economic condition, the secondary market for certain of these alternative investments could contract. As a result, the College could find it more difficult to sell these securities or may only be able to sell the securities at prices lower than if such securities were more widely traded. The College's interests in alternative investments are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the College's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2013, the College had no plans or intentions to sell investments at amounts different from NAV.

The College holds investments denominated in currencies other than the U.S. dollar. Thus, there is exposure to currency risk because the value of the investments denominated in other currencies may fluctuate due to changes in currency exchange rates and this can have an adverse effect on the reported value of assets and liabilities denominated in currencies other than the U.S. dollar.

The College's investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolio is also subject to the risk where the issuer of a security is not able to pay interest or repay principal when it is due.

The value of securities held by the College may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio. Those events impacting valuation may include (but may not be limited to) economic changes, market fluctuations, regulatory changes, global and political instability, and currency, interest rate, and commodity price fluctuations. The College attempts to manage these risks through diversification, ongoing due diligence of fund managers, and monitoring of economic conditions.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the College's financial statements.

(d) Property and Equipment

Property and equipment are stated at cost at date of acquisition or at estimated fair value at date of donation, less accumulated depreciation.

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. A summary of depreciable lives follows:

Land improvements	25 years
Buildings	50 years
Furniture and equipment	5 years
Investment in the Robert W. Woodruff library at the Atlanta University Center Consortium, Inc.	7 years

(e) Advances from Federal Government for Student Loans

The College owns a one-tenth interest in its Federal Perkins Loan fund used to advance loans to Spelman students. The remaining nine-tenths is distributable to the federal government upon liquidation of the federal loan program and is recorded as a liability in the accompanying statements of financial position.

(f) Income Tax Status

The College is recognized as an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3), whereby only unrelated business income, as defined by Section 512(a) of the Code, is subject to federal income tax. The College reviews its tax positions annually and has determined that there are no material uncertain tax positions that require recognition in the financial statements at June 30, 2013 and 2012.

(Continued)

(g) Atlanta University Center Consortium, Inc.

The College records as expense an allocated share of expenditures made through Atlanta University Center Consortium, Inc., an affiliated organization, for the benefit of the four affiliated institutions.

(h) Cash Equivalents

Cash equivalents consist primarily of money market accounts, commercial paper, and any other short-term investments with original maturities of three months or less. Cash and cash equivalents that are part of the pooled investments are shown within investments as these funds are generally not used for daily operating needs.

(i) Use of Estimates

Management of the College has made certain estimates and assumptions relating to the reporting of the allowance for uncollectible student receivables and contributions receivables, useful lives of property and equipment, investments without readily determinable fair values, and accrued expenses to prepare the financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

(j) Bond Issuance Costs

Bond issuance costs related to the registration and issuance of bonds are carried at cost, less accumulated amortization, and are being amortized over the life of the related bonds.

(k) Conditional Asset Retirement Obligations

The College has identified asbestos and lead paint abatement as conditional asset retirement obligations. Asbestos and lead paint abatement cost were estimated using a per/square foot estimate. The asset retirement obligations are included in accounts payable and accrued expenses in the accompanying statements of financial position.

The following table presents the activity of the College's asset retirement obligations for the years ended June 30, 2013 and 2012:

		2013	2012
Balance at beginning of year	$	2,460,681	2,420,535
Accretion expense		43,285	40,146
Balance at end of year	$	2,503,966	2,460,681

(l) Recently Implemented Accounting Standard

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS)*. This new standard does not extend the use of fair value, but rather provides guidance about how fair value should be applied where it already is required or permitted under IFRS or U.S. GAAP. For U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS. A nonpublic entity is required to apply the ASU prospectively for annual periods beginning after December 15, 2011. During 2013, the College adopted ASU 2011-04, which did not have a material impact on its financial statements, but enhanced certain disclosures.

(2) Contributions Receivable, Net

Contributions receivable as of June 30, 2013 and 2012 are summarized as follows:

	2013	2012
Unconditional promises expected to be collected in:		
Less than one year	$ 5,176,291	5,607,568
One year to five years	12,362,411	15,677,247
Greater than 5 years	245,260	207,500
	17,783,962	21,492,315
Less allowance for uncollectible contributions	409,204	474,620
Less unamortized discount	1,386,329	1,843,905
	$ 15,988,429	19,173,790

Contributions are discounted at rates ranging from 3.02% to 9.84% for the years ended June 30, 2013 and 2012, commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue and classified in accordance with donor-imposed restrictions, if any. The College's allowance for uncollectible contributions is estimated by using past collection history as an indication of future collections. At June 30, 2013 and 2012, the College's two largest outstanding donor pledge balances represented 72% and 75%, respectively, of the College's gross contributions receivable.

(3) Investments

The fair value of investments is summarized as follows at June 30, 2013 and 2012:

	2013	2012	2013 Unfunded capital commitments	2012 Unfunded capital commitments
Short-term investments	$ 5,090,337	6,798,244	—	—
U.S. equity	41,692,278	33,756,549	—	—
Non-U.S. equity:				
Developed markets	10,778,948	799,222	—	—
Emerging markets	17,745,512	18,461,784	—	—
	28,524,460	19,261,006	—	—

		2013	2012	2013 Unfunded capital commitments	2012 Unfunded capital commitments
Marketable alternatives	$	54,476,493	55,130,563	—	—
Real assets:					
Natural resources		11,322,346	18,224,475	6,444,599	8,493,749
Real estate		30,136,627	29,361,014	3,938,020	6,550,477
		41,458,973	47,585,489	10,382,619	15,044,226
Private equity:					
Private and venture capital		115,912,830	103,989,656	38,101,289	33,616,386
Distressed		10,256,623	12,979,403	6,096,263	7,502,500
		126,169,453	116,969,059	44,197,552	41,118,886
Fixed income		29,759,382	29,637,997	—	—
Total investments, at fair value	$	327,171,376	309,138,907	54,580,171	56,163,112

The College has investments in certain partnerships, and is obligated under the related partnership agreements to invest additional capital amounts. The College estimates that the additional capital amounts will be paid over the next five years depending on timing of potential investment opportunities identified by investment fund managers.

The following is a summary of the liquidation terms of investments as of June 30, 2013 and 2012:

		2013 Redemption period							
		Daily	Monthly	Quarterly	Semi-annually	Annually	Illiquid	Total	Day(s) notice
Short-term investments (a)	$	5,090,337	—	—	—	—	—	5,090,337	1
U.S. equity (b)		5,366,269	20,571,445	15,754,564	—	—	—	41,692,278	1 – 90
Non-U.S. equity (b)		1,038,172	12,500,861	3,612,329	—	11,373,098	—	28,524,460	60 – 120
Marketable alternatives (c)		9,616,787	—	10,130,597	6,525,190	24,071,086	4,132,833	54,476,493	30 – 90
Real assets (d)		122,649	—	—	—	2,138,183	39,198,141	41,458,973	5 – 90
Private equity (e)		—	—	—	—	—	126,169,453	126,169,453	—
Fixed income (f)		17,562,189	—	11,618,178	—	—	579,015	29,759,382	3 – 90
Total	$	38,796,403	33,072,306	41,115,668	6,525,190	37,582,367	170,079,442	327,171,376	

	2012							
	Redemption period							
	Daily	Monthly	Quarterly	Semi-annually	Annually	Illiquid	Total	Day(s) notice
Short-term investments (a)	$ 6,798,244	—	—	—	—	—	6,798,244	1
U.S. equity (b)	—	23,970,255	9,786,294	—	—	—	33,756,549	1 – 90
Non-U.S. equity (b)	799,222	2,397,947	11,188,513	4,875,324	—	—	19,261,006	60 – 120
Marketable alternatives (c)	—	14,764,303	27,186,516	—	13,179,744	—	55,130,563	30 – 90
Real assets (d)	—	—	4,833,394	—	3,923,027	38,829,068	47,585,489	5 – 90
Private equity (e)	—	—	—	—	—	116,969,059	116,969,059	—
Fixed income (f)	—	9,799,293	19,019,937	—	—	818,767	29,637,997	3 – 90
Total	$ 7,597,466	50,931,798	72,014,654	4,875,324	17,102,771	156,616,894	309,138,907	

(a) This category includes assets that are cash or readily convertible to cash, such as money market funds.

(b) This category includes investments in funds that take long positions in publicly traded equity securities. Approximately 62% of these investments are in U.S. companies and 38% are in non-U.S. companies. A range of styles, market caps, and geographic focuses is included. The public nature of the securities makes this category very liquid.

(c) This category includes investments in hedge funds that take long and short positions largely in equity securities, credit securities and event driven situations. Managers vary in style, market cap focus, geographic focus, sectors of focus, and types of securities, with some having considerable flexibility in each of these areas. The funds also vary in net long/short positioning with most equity funds generally maintaining a low net and little or no leverage. Most credit funds generally maintain a moderate net long position and little or no leverage.

(d) This category includes investments in real estate equity funds and commodity funds that take ownership of properties ranging from office, retail, multi-family, land, hotel, and various other commodities. These are investments that cannot be redeemed since the investment is distributed as the underlying investments are liquidated, which generally takes 4-10 years. There are currently no plans to sell any of these investments prior to their liquidation so the assets are carried at NAV as estimated by the manager.

(e) This category includes investments in private equity funds that provide growth equity or take full ownership of the companies in which they invest. Private equity funds take significant ownership positions in start up or early stage companies largely in the technology or healthcare spaces. These are private investments that cannot be redeemed since the investment is distributed as the underlying investments are liquidated, which generally takes 4-8 years. There are currently no plans to sell any of these investments prior to their liquidation, so the assets are carried at NAV as estimated by the manager.

(f) This category includes investments in funds that take long positions in publicly traded fixed income securities. Derivatives may be used to replicate securities or change the positioning of the portfolio without the need to buy or sell securities. The public nature of the securities makes this category very liquid.

As of June 30, 2013 and 2012, the College has $275,526,055 and $273,344,899, respectively, of investments that are reported at estimated fair value based on NAV of the funds. Unless it is probable that all or a portion of the investment will be sold for an amount different from NAV, the College has applied a practical expedient and concluded that the NAV reported by the underlying fund approximates the fair value of these investments. Management estimates of fair value are based upon information provided by general partners and investment managers. At June 30, 2013 and 2012, the College did not have any investments with redemption lock up provisions.

The College's investment return for the years ended June 30, 2013 and 2012 is as follows:

		2013	2012
Operating realized and unrealized gains on investments	$	3,147	849
Nonoperating realized and unrealized gains (losses) on investments		27,871,029	(6,717,941)
Total realized and unrealized gains (losses) on investments		27,874,176	(6,717,092)
Operating investment income		17,490	19,815
Nonoperating investment income		7,054,167	3,727,747
Total investment income		7,071,657	3,747,562
Total investment return		34,945,833	(2,969,530)
Investment return designated for current operations and endowment spending:			
Operating endowment spending		17,878,116	18,529,813
Nonoperating endowment spending		13,365	17,624
		17,891,481	18,547,437
Investment return in excess (less than) of amounts designated for current operations and endowment spending	$	17,054,352	(21,516,967)

Investment management fees approximated $1,773,000 and $1,612,000 for the years ended June 30, 2013 and 2012, respectively.

(4) Endowment Net Assets

The College's endowment consists of 255 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act), as adopted in Georgia, as providing among other things, expanded spending flexibility by allowing, subject to a standard of prudence, the institution to spend from an endowment fund without regard to the book value of the corpus of the fund. This flexibility under UPMIFA allows an expenditure that lowers the value of the corpus of an endowment fund below its book value, which was previously not allowed. The College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment policies of the College

Endowment net assets consisted of the following at June 30, 2013 and 2012:

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ (697,457)	156,251,858	118,775,976	274,330,377
Board-designated endowment funds	54,449,420	—	—	54,449,420
Total endowed net assets	$ 53,751,963	156,251,858	118,775,976	328,779,797

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ (1,418,898)	144,343,844	115,217,839	258,142,785
Board-designated endowment funds	51,938,400	—	—	51,938,400
Total endowed net assets	$ 50,519,502	144,343,844	115,217,839	310,081,185

Changes in endowment net assets for the years ended June 30, 2013 and 2012 were as follows:

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, June 30, 2012	$ 50,519,502	144,343,844	115,217,839	310,081,185
Investment return:				
Investment income	1,176,565	5,877,602	—	7,054,167
Net appreciation	8,720,775	19,148,937	1,317	27,871,029
Total investment return	9,897,340	25,026,539	1,317	34,925,196

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Contributions	$ —	—	3,526,371	3,526,371
Investment income reinvested at request of donor	—	—	30,449	30,449
Appropriation of endowment assets for:				
Operations	(3,045,063)	(13,084,658)	—	(16,129,721)
Support of the College's investments office	(1,761,760)	—	—	(1,761,760)
Appropriation of endowment assets for campaign support	(2,158,056)	(21,079)	—	(2,179,135)
Transfer to board designated funds	300,000	—	—	300,000
Transfer to annuity funds	—	(12,788)	—	(12,788)
Endowment net asset, June 30, 2013	$ 53,751,963	156,251,858	118,775,976	328,779,797

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, June 30, 2011	$ 55,486,374	163,191,077	113,608,299	332,285,750
Investment return:				
Investment income	617,297	3,110,450	—	3,727,747
Net appreciation (loss)	2,726,048	(9,446,347)	2,358	(6,717,941)
Total investment return (loss)	3,343,345	(6,335,897)	2,358	(2,990,194)
Contributions	—	—	1,607,182	1,607,182
Appropriation of endowment assets for:				
Operations	(4,298,219)	(12,531,275)	—	(16,829,494)
Support of the College's investments office	(1,717,943)	—	—	(1,717,943)
Appropriation of endowment assets for campaign support	(2,294,055)	—	—	(2,294,055)
Transfer to annuity funds	—	19,939	—	19,939
Endowment net asset, June 30, 2012	$ 50,519,502	144,343,844	115,217,839	310,081,185

(Continued)

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the College to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted endowed net assets were $697,457 and $1,418,898 as of June 30, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted endowed net assets.

(c) Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark composed of 60% of the Russell 3000, 10% of the European and Far East (MSCI) Index, and 30% of the Barclays Aggregate Bond Index while assuming a moderate level of investment risk. The College expects its endowment funds, over three to five years, to provide an average annual real rate of return of approximately 5% – 6% annually. Actual returns in any given year may vary from this amount.

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places emphasis on investments in equities, fixed income, hedge funds, and alternative assets (distressed, real estate, venture capital and private equities) to achieve its long-term objectives within prudent risk parameters.

(e) Spending Policy

The College utilizes the total return concept (income yield and appreciation) in the management of its endowment. The College has implemented a spending policy designed to stabilize annual spending levels and preserve the real value of the endowment over time. In accordance with the College's policy, a predetermined endowment spending rate, consistent with the College's total return objective, has been established. Should the actual return be insufficient to support this policy, the balance is provided from net accumulated appreciation. Should the return exceed the amounts withdrawn in accordance with the spending policy, the balance is reinvested in the endowment.

The College has a policy of appropriating for distribution each year 5.25% of a weighted average of its endowment funds values as of September 30 for each of the four fiscal years preceding the fiscal year in which the distribution is planned. In establishing these policies, the College considered the expected return on its endowment. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate at least equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. The College withdrew an additional 0.70% of the fair value of the endowment as of the beginning of the year for each of the years ended June 30, 2013 and 2012 in order to support its capital campaign. The actual spending rate used to support the College's operating budget for the years ended June 30, 2013 and 2012, calculated as a percentage of the fair value of the endowment as of the beginning of the year, was approximately 5.80% and 5.70%, respectively.

(5) Property and Equipment

Property and equipment as of June 30, 2013 and 2012 consist of the following:

	2013	2012
Land	$ 14,687,723	14,687,723
Land improvements	21,670,521	21,670,521
Buildings	187,647,637	174,770,827
Furniture and equipment	26,363,256	25,419,573
Robert W. Woodruff Library at the Atlanta University Center Consortium, Inc.	547,000	547,000
Construction in progress	2,000,110	11,039,107
	252,916,247	248,134,751
Less accumulated depreciation	93,173,065	87,730,888
	$ 159,743,182	160,403,863

Depreciation expense totaled $5,442,177 and $5,246,658 in 2013 and 2012, respectively.

(6) Bonds and Note Payable

Bonds and note payable as of June 30, 2013 and 2012 consist of the following:

	Interest rates	Maturity (serially)	Original issue	Outstanding as of June 30 2013	2012
Private Colleges and Universities:					
Authority Revenue Bonds – 2003 Series	3.90% – 5.25%	2022	$ 29,780,000	$ 4,560,000	5,550,000
Development Authority of Fulton County:					
Adjustable rate demand:					
Revenue Bonds of 1996	1.80%	2016	3,000,000	700,000	900,000
Revenue Bonds of 1999	1.80%	2019	8,000,000	5,000,000	5,400,000
Fixed rate:					
Revenue Bonds of 2007	3.75% – 5.00%	2032	34,760,000	27,540,000	28,855,000
Revenue Bonds of 2007	5.00%	2032	28,745,000	28,745,000	28,745,000
Revenue Bonds of 2012	2.00 %– 5.00%	2029	25,145,000	23,945,000	24,600,000
Revenue Bonds of 2012	4.00%	2029	725,000	725,000	725,000
				91,215,000	94,775,000
Unamortized premium				4,842,445	5,384,741
Total bonds payable				96,057,445	100,159,741
2011 note payable to equipment supplier	N/A	2016	1,281,659	854,439	1,068,049
Total bonds and note payable				$ 96,911,884	101,227,790

Under the terms of the agreements related thereto, the Revenue Bonds of 2003 (the 2003 bonds) are unsecured general obligations of the College. The proceeds of the 2003 bonds were for the purpose of financing or refinancing all or a portion of various projects and advance refunding of the 1994 bonds. In April 2012, $17,010,000 of the proceeds from the issuance of the Revenue Bonds of 2012 was held in escrow for advance refunding of a portion of the 2003 bonds.

Under the terms of the bond financing documents related thereto, the Revenue Bonds of 1996 and 1999 are general obligations of the College. The bonds were secured by irrevocable, direct pay letters of credit issued by a commercial bank from the date of the original issuance of the bonds until September 21, 2009. On that date, the bond financing documents were amended to include a tax-exempt bank qualified option. This allowed the bonds to be purchased by the bank which previously issued the letter of credit. The interest rate on the bonds changed to 67.0% of the sum of LIBOR plus 2.5%. The College continues to pledge “Unrestricted College Revenue” as security for its repayment obligations under the bonds. The maturity dates of the bonds did not change.

Under the terms of the agreements related thereto, the Revenue Bonds of 2007 (2007 bonds) are unsecured general obligations of the College. The proceeds of the 2007 bonds were for the purpose of financing all or a portion of various projects, as well as refunding the 1994 bonds, and repayment in full of the 2004 note payable.

Under the terms of the agreements related thereto, the Revenue Bonds of 2012 (2012 bonds) are unsecured general obligations of the College. The proceeds of the 2012 bonds were for the purpose of advance refunding a portion of the 2003 bonds and refunding the outstanding principal balances of the 2005 and 2008 notes payable to a commercial bank. Approximately $18,559,000 of the proceeds from the issuance of the 2012 bonds was placed in escrow in order to refund $17,010,000 of the 2003 bonds on June 1, 2012. In connection with the issuance of the 2012 bonds, the College incurred an accounting loss of $908,462 during 2012 related to the early extinguishment of debt.

The College had an unsecured line of credit of $5,000,000, which was converted to an unsecured note on February 28, 2005. The note required quarterly principal payments of $62,500, plus interest at LIBOR plus 0.325%, beginning March 31, 2005. On February 28, 2010, the unpaid principal balance of $3,875,000 was converted into a new note. The new note required quarterly payments of $62,500 plus interest, beginning March 31, 2010. The note bore interest at the rate of LIBOR plus 2.25%, and was subject to a floor of 3%. The final payment of $2,625,000, plus accrued and unpaid interest and any other amounts owed, was due February 28, 2015. In April 2012, the outstanding balance of $3,187,500 was paid in full with a portion of the proceeds from the issuance of the 2012 Bonds.

On October 28, 2008, the College borrowed $7,500,000 from a commercial bank in order to complete various construction projects. The note was unsecured and bore interest at a fixed rate of 6.15%. The note required quarterly payments of $93,750 plus interest, beginning March 31, 2009. The final payment of $5,812,500 plus accrued and unpaid interest and any other amounts owed, was due November 1, 2013. In April 2012, the outstanding balance of $6,281,250 was paid in full with a portion of the proceeds from the issuance of the 2012 bonds.

On September 16, 2011 the College entered into a computer equipment financing agreement with a manufacturer in the amount of $1,281,659. The note requires annual payments of $213,610, is noninterest bearing, and is secured by equipment having a book value of $897,161 at June 30, 2013. The note matures on September 16, 2016.

The maturity schedule for bonds and notes payable as of June 30, 2013 is as follows:

	Year ending June 30						
	2014	**2015**	**2016**	**2017**	**2018**	**Thereafter**	**Total**
Revenue Bonds of 1996	$ 200,000	200,000	300,000	—	—	—	700,000
Revenue Bonds of 1999	400,000	500,000	500,000	900,000	900,000	1,800,000	5,000,000
Revenue Bonds of 2003	320,000	420,000	425,000	500,000	520,000	2,375,000	4,560,000
Revenue Bonds of 2007	920,000	495,000	515,000	535,000	190,000	53,630,000	56,285,000
Revenue Bonds of 2012	1,825,000	2,180,000	2,175,000	2,415,000	2,510,000	13,565,000	24,670,000
2011 note	213,610	213,610	213,610	213,609	—	—	854,439
	$ 3,878,610	4,008,610	4,128,610	4,563,609	4,120,000	71,370,000	92,069,439
Unamortized premium							4,842,445
							$ 96,911,884

The terms of the bonds and notes provide for certain nonfinancial covenants. The College's management believes it is in compliance with these requirements at June 30, 2013.

(7) Interest Expense

Interest expense related to bonds and note payable and the obligation under capital lease approximated $3,751,000 and $4,351,000 for the years ended June 30, 2013 and 2012, respectively.

(8) Net Assets Released from Restrictions

Net assets were released from donor-imposed temporary restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30, 2013 and 2012 as follows:

		2013	2012
Operating:			
Scholarships and fellowships	$	12,596,669	12,422,739
Instruction		6,305,112	6,614,970
Research		2,614,890	3,024,679
Public service		278,734	368,934
Academic support		870,226	889,037
Student services		1,045,892	956,618
Institutional support		733,384	758,168
Auxiliary enterprises		21,521	47,888
Other		3,002,230	3,112,201
		27,468,658	28,195,234
Nonoperating:			
Construction		1,742,756	5,574,077
Expired annuities		71,776	—
	$	29,283,190	33,769,311

(9) Net Assets

Temporarily restricted net assets as of June 30, 2013 and 2012 were available for the following purposes:

		2013	2012
Scholarships and fellowships	$	78,716,679	71,526,740
Programs and other operating purposes		87,544,646	82,098,614
Purchase of property and equipment		14,519,073	14,694,403
	$	180,780,398	168,319,757

Permanently restricted net assets totaling $118,775,976 and $115,217,839 as of June 30, 2013 and 2012, respectively, consist of endowment investments whose income and net realized and unrealized gains are available for the College's operations, scholarships, and various academic programs.

(Continued)

(10) Fair Value

The College's estimates of fair value for financial assets and liabilities are based on the framework established in Accounting Standards Codification (ASC) Topic 820. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 inputs – Quoted prices for instruments that are identical or similar in markets that are not active and model-derived valuations for which all significant inputs are observable, either directly or indirectly in active markets.
- Level 3 inputs – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

As of June 30, 2013 and 2012, the College has approximately $276,000,000 and $273,000,000, respectively, of investments classified as either Level 2 or Level 3. While the College's investment in these funds is classified as Level 2 or 3, the underlying investments of the fund may be classified as Level 1 within the fund itself. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment to the investor and does not necessarily correspond to the perceived risk of that investment. The hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The funds and the College use inputs in applying various valuation techniques that consider assumptions which market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, operating statistics, specific and broad credit data, liquidity statistics, recent transactions, earnings forecasts, future cash flows, market multiples, discount rates and other factors.

Underlying fund investments made directly by the College whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include actively traded common and preferred stock, U.S. government fixed income instruments and non-U.S. government fixed income instruments. Level 1 investments may also include listed mutual funds, exchange traded funds (ETFs) and money market funds.

Investments that trade in markets that are considered to be active, but are based on dealer quotations or alternative pricing sources supported by observable inputs or investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. Alternative pricing sources include quotations from market participants and pricing models which are based on accepted industry modeling techniques. These investments include U.S. investment-grade and below investment-grade debt securities, international corporate bonds, mortgage-backed securities, asset-backed securities, senior loans and bank loans, most derivative contracts other than futures, and commingled fund investments that would otherwise be classified in Level 3 but for which the College had the ability to redeem at net asset value on or within 90 days after June 30.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 investments include limited partnerships, private placement investments, and commingled fund investments. Inputs used may include the original transaction price, recent transactions in the same or a similar market, completed or pending third-party transactions in the underlying investment or comparable issuers, and subsequent rounds of financing. When observable prices are not available, these investments are valued using one or a combination of the valuation techniques described below:

- Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Income Approach: This approach determines a valuation by discounting future cash flows.
- Cost Approach: This approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset.

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV.

The College's investments for which NAV is used as a practical expedient to estimate fair value are classified as either Level 2 or Level 3 in the fair value hierarchy, depending on the classifications of the underlying fund assets and the College's ability to redeem its interest in the fund, at or near the financial reporting date. If the underlying fund assets are available for redemption at NAV at or near the financial reporting date (generally within 90 days), then the College's interest in the fund may be classified as a Level 2 investment. The classification of assets and liabilities in the fair value hierarchy is not necessarily an indication of the risks or liquidity, but is based on the transparency of the valuation inputs.

The following tables present for each level within the fair value hierarchy, the College's recurring and nonrecurring fair value measurements for assets as of June 30, 2013 and 2012:

	June 30, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring:				
Assets:				
Cash and cash equivalents	$ 14,211,512	—	—	14,211,512
Investments:				
Short-term investments	5,090,337	—	—	5,090,337
U.S. equity	25,937,714	15,754,564	—	41,692,278
Non-U.S. equity	1,038,172	534,523	26,951,765	28,524,460
Marketable alternatives	9,616,787	36,674,789	8,184,917	54,476,493
Real assets	122,649	—	41,336,324	41,458,973
Private equity	—	—	126,169,453	126,169,453
Fixed income	9,839,662	19,340,706	579,014	29,759,382
Total investments	51,645,321	72,304,582	203,221,473	327,171,376
Total	$ 65,856,833	72,304,582	203,221,473	341,382,888
Disclosure:				
Bond and note payable	$ —	92,400,000	—	92,400,000

	June 30, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring:				
Assets:				
Cash and cash equivalents	$ 13,728,594	—	—	13,728,594
Investments:				
Short-term investments	6,798,244	—	—	6,798,244
U.S. equity	19,582,878	14,173,671	—	33,756,549
Non-U.S. equity	799,222	2,397,947	16,063,837	19,261,006
Marketable alternatives	8,613,664	46,516,899	—	55,130,563
Real assets	—	4,833,394	42,752,095	47,585,489
Private equity	—	—	116,969,059	116,969,059
Fixed income	—	28,819,230	818,767	29,637,997
Total investments	35,794,008	96,741,141	176,603,758	309,138,907
Total	$ 49,522,602	96,741,141	176,603,758	322,867,501
Disclosure:				
Bonds and note payable	$ —	96,500,000	—	96,500,000

The carrying amounts of cash and cash equivalents, student accounts receivable, and grants and other receivables approximate fair value because of the terms and relatively short maturity of these financial instruments. Split-interest obligations carrying amounts approximate fair value because these instruments are recorded at estimated net present value of future cash flows determined as of the date of the gift. Investments are reported at fair value as of the date of the financial statements.

Contributions receivable for current year gifts are initially measured at fair value in the year the receivable is recorded based on the present value of future cash flows discounted at a rate commensurate with risks involved, which is an application of the income approach. Current year gifts included in contributions receivable reflected at fair value at June 30, 2013 and 2012 were approximately $1,700,000 and $16,300,000, respectively, and are classified as Level 3 within the fair value hierarchy.

A reasonable estimate of the fair value of advances from the federal government and student loans could not be made because the notes receivable are not salable and can only be assigned to the federal government or its designees. The carrying value of institutional student notes receivable approximates fair value.

The carrying amounts of accounts payable, accrued payroll and employee withholdings, and other related accruals approximate fair value because of the relatively short maturity of these financial instruments.

The carrying amount of bonds and notes payable with variable interest rates approximates fair value because the variable rates reflect current market rates for bonds with similar maturities and credit quality. The fair value of bonds and notes payable with fixed interest rates is based on rates assumed to be currently available for bond issues and notes with similar terms and average maturities.

The following tables present additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that were classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category in the table below may include changes in fair value that were attributable to both observable and unobservable inputs.

Level 3 rollforward		Non-U.S. equity	Marketable alternatives	Real assets	Private equity	Fixed income	Total
Fair value as of June 30, 2012	$	16,063,837	—	42,752,095	116,969,059	818,767	176,603,758
Acquisitions		15,477,411	8,000,000	4,926,965	14,701,601	12,406	43,118,383
Dispositions		(2,848,180)	—	(1,801,478)	(9,078,592)	(276,424)	(14,004,674)
Transfers from Level 3		(4,875,324)	—	—	—	—	(4,875,324)
Net realized and unrealized gains (losses)		3,134,021	184,917	(4,541,258)	3,577,385	24,265	2,379,330
Fair value at June 30, 2013	$	26,951,765	8,184,917	41,336,324	126,169,453	579,014	203,221,473
Net gains (losses) in Level 3 attributable to changes in net unrealized gains (losses) relating to those investments still held at June 30, 2013	$	6,970,296	184,917	(9,762,598)	(11,539,475)	(643,917)	(14,790,777)

The College's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. During 2013, one fund modified its strategy to no longer hold investments with unobservable inputs and was transferred from Level 3 to Level 2. During 2013, there were no transfers into or out of Level 1.

				2012			
Level 3 rollforward	**U.S. equity**	**Non-U.S. equity**	**Marketable alternatives**	**Real assets**	**Private equity**	**Fixed income**	**Total**
Fair value as of June 30, 2011	$ 7,401,515	23,420,638	6,458,350	43,041,925	110,925,385	1,268,664	192,516,477
Acquisitions	—		—	9,774,778	45,011,431	187,347	54,973,556
Dispositions		(18,528)	—	(4,780,141)	(51,739,834)	(719,231)	(57,257,734)
Transfers from Level 3	(7,401,515)	(7,334,320)	(6,458,350)	—	—	—	(21,194,185)
Net realized and unrealized gains (losses)	—	(3,953)	—	(5,284,467)	12,772,077	81,987	7,565,644
Fair value at June 30, 2012	$ —	16,063,837	—	42,752,095	116,969,059	818,767	176,603,758
Net gains (losses) in Level 3 attributable to changes in net unrealized gains (losses) relating to those investments still held at June 30, 2012	$ —	5,666,075	—	(5,956,087)	(7,523,299)	(668,183)	(8,481,494)

During 2012, two funds changed their terms from an annual redemption period to redemption periods of less than 90 days and were transferred from Level 3 to Level 2. During 2012, one fund changed the terms from a quarterly redemption period to a two year redemption period and was transferred from Level 2 to Level 3.

(11) Operating Expenses

Expenses are reported in the accompanying statements of activities in categories recommended by the National Association of College and University Business Officers. The College's primary program service is instruction. Expenses reported as academic support, student services, institutional support, and auxiliary enterprises are incurred in support of this primary program service. Institutional support includes fund-raising expenses approximating $3,430,000 and $3,393,000 for the years ended June 30, 2013 and 2012, respectively.

Operating expenses classified by natural type for the years ended June 30, 2013 and 2012 were as follows:

	2013	**2012**
Salaries and wages	$ 36,129,903	34,851,678
Fringe benefits	9,149,533	8,824,372
Depreciation	5,442,177	5,246,658
Interest on indebtedness	3,750,902	4,351,195
Other expenses	30,935,300	31,185,433
Total operating expenses	$ 85,407,815	84,459,336

The College allocates operation and maintenance of plant, interest and depreciation to the program and support expenses reported in the accompanying statements of activities based upon various methods. The following table reports the amount of these expenses included in the accompanying statements of activities for the years ended June 30, 2013 and 2012:

	2013				
Functional category	**Direct expenses**	**Operation and maintenance of plant**	**Interest**	**Depreciation**	**Total expenses**
Instruction	$ 21,905,175	3,084,434	—	1,167,089	26,156,698
Research	3,596,116	—	—	404,246	4,000,362
Public service	355,962	—	—	22,999	378,961
Academic support	7,046,609	262,516	—	15,857	7,324,982
Student services	8,934,095	1,185,320	—	26,783	10,146,198
Institutional support	18,507,993	936,115	1,309,885	1,647,221	22,401,214
Auxiliary enterprises	10,130,391	270,010	2,441,017	2,157,982	14,999,400
	$ 70,476,341	5,738,395	3,750,902	5,442,177	85,407,815

	2012				
Functional category	**Direct expenses**	**Operation and maintenance of plant**	**Interest**	**Depreciation**	**Total expenses**
Instruction	$ 21,447,986	3,310,433	—	1,725,484	26,483,903
Research	3,720,513	—	—	322,036	4,042,549
Public service	488,896	—	—	—	488,896
Academic support	7,195,789	265,202	—	170,237	7,631,228
Student services	8,368,076	1,197,450	—	422,822	9,988,348
Institutional support	16,986,075	1,433,700	1,577,355	1,238,997	21,236,127
Auxiliary enterprises	10,174,590	272,773	2,773,840	1,367,082	14,588,285
	$ 68,381,925	6,479,558	4,351,195	5,246,658	84,459,336

(12) Pension Plan

The College has a defined contribution retirement plan with Teacher’s Insurance and Annuity Association and College Retirement Equities Fund, which covers substantially all full-time employees at time of employment. Employees are fully vested in the College’s contributions after completing three full years of service.

Total pension expense under this plan approximated $1,568,000 and $1,557,000 for the years ended June 30, 2013 and 2012, respectively.

(13) Commitments and Contingencies

(a) Federal Compliance Audits

Certain federally funded financial aid programs are routinely subject to compliance audit. The reports on the examinations, which are conducted pursuant to specific regulatory requirements by the independent auditors for the College, are required to be submitted to both the College and the

U.S. Department of Education. Such agency has the authority to determine liabilities, as well as to limit, suspend, or terminate federal student aid programs.

These audits could result in claims against the resources of the College. No provision has been recorded for any liabilities which may arise from such audits, since the amounts, if any, cannot be determined at this date. Management believes that any such amounts would not have a material adverse effect on its financial position at June 30, 2013.

(b) Litigation

The College is a defendant in various litigation considered to be in the normal course of business. Although the final results of any litigation cannot be predicted with certainty, the College believes the outcome of pending litigation will not have a material adverse effect on its financial position, changes in net assets, or cash flows.

(c) Operating Leases

The College has several noncancelable operating leases for equipment with expiration dates through 2018.

Future minimum lease payments for years ending June 30 are as follows:

2014	$	566,000
2015		357,000
2016		133,000
2017		55,000
2018		39,000
	$	1,150,000

Rent expense related to noncancelable operating leases with terms in excess of one year approximated $468,000 and $697,000 for the years ended June 30, 2013 and 2012, respectively.

(d) Capital Leases

Assets leased by the College under capital leases at June 30, 2013 and 2012 consist of the following:

		2013	2012
Telephone equipment	$	932,764	932,764
Less accumulated amortization		(932,764)	(641,006)
	$	—	291,758

The following is a schedule by year of future minimum lease payments under these capital leases, together with the present value of the minimum lease payments as of June 30, 2013:

Year ending June 30:		
2014	$	88,560
2015		51,654
Less amounts representing interest		(4,452)
Present value of minimum lease payments	$	135,762

(14) Subsequent Events

The College evaluated subsequent events from the financial reporting date of June 30, 2013 through October 21, 2013, which is the date the College's financial statements were available to be issued and determined that there were no significant subsequent events requiring disclosure.