

# JUNIATA COLLEGE



Huntingdon, Pennsylvania



# Audit Report

FOR FISCAL YEAR ENDED MAY 31, 2009

YOUNG, OAKES, BROWN & COMPANY, P.C.

Certified Public Accountants  
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Altoona, PA 16601

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Young, Oakes, Brown & Company, P.C.  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Juniata College  
Huntingdon, PA 16652

We have audited the accompanying statements of financial position of Juniata College (a nonprofit organization) as of May 31, 2008 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the overall accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Juniata College as of May 31, 2008 and 2009, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Young, Oakes, Brown & Company, P.C.*

August 31, 2009

**JUNIATA COLLEGE**  
**Statement of Financial Position**  
for the Years Ended May 31, 2008 and 2009

|   | May 31, 2008   | May 31, 2009   |
|---|----------------|----------------|
| <b>ASSETS</b>   |                |                |
| Cash and Cash Equivalents                                   | \$ 19,869,881  | \$ 17,724,912  |
| Short-Term Investments                                      | 711,459        | 723,429        |
| Accounts Receivable   | 4,626,775      | 1,236,009      |
| Loans Receivable-Students                                   | 2,134,700      | 2,385,521      |
| Pledges Receivable  | 15,883,865     | 13,726,005     |
| Unexpended Grants Receivable                                | 17,326         | 150,223        |
| Accrued Interest Receivable                                 | 145,727        | (5,281)        |
| Inventories   | 304,559        | 335,527        |
| Prepaid Expenses  | 878,329        | 773,982        |
| Long-Term Investments                                       | 63,656,753     | 50,205,395     |
| Real Estate Investments                                     | 3,741,205      | 3,778,162      |
| Cash Value Life Insurance                                   | 167,704        | 164,884        |
| Perpetual Insurance Deposit                                 | 32,158         | 32,158         |
| Land, Buildings & Equipment (Less Accumulated Depreciation) | 64,414,932     | 71,663,868     |
|   | \$ 176,585,373 | \$ 162,894,794 |
| <b>TOTAL ASSETS</b>   |                |                |
| <b>LIABILITIES AND NET ASSETS</b>                           |                |                |
| <u>Liabilities</u>  |                |                |
| Accounts Payable and Accrued Expenses                       | \$ 2,372,101   | \$ 1,856,595   |
| Accrued Wages, Salaries and Fringes                         | 5,779,853      | 6,073,618      |
| Student Deposits  | 381,095        | 398,505        |
| Deferred Summer School and Conference Income                | 799,912        | 602,871        |
| Annuity and Contracts Payable                               | 4,002,509      | 3,885,649      |
| Amounts Held on Behalf of Others                            | 84,318         | 84,318         |
| Advances from Federal Government                            | 1,422,181      | 1,433,760      |
| Interest Rate Swap Agreement Liability                      | 566,961        | 964,526        |
| Bonds and Notes Payable                                     | 32,662,981     | 36,993,126     |
| Grants Refundable   | 347,725        | 212,966        |
|   | \$ 48,419,636  | \$ 52,505,934  |
| <u>Total Liabilities</u>                                    |                |                |
| <u>Net Assets</u>   |                |                |
| Unrestricted  | \$ 54,007,359  | \$ 50,647,870  |
| Temporarily Restricted                                      | 6,783,737      | 6,711,197      |
| Permanently Restricted                                      | 67,374,641     | 53,029,793     |
|   | \$ 128,165,737 | \$ 110,388,860 |
| <u>Total Net Assets</u>                                     |                |                |
|   | \$ 176,585,373 | \$ 162,894,794 |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                     |                |                |

*See accompanying notes and Independent auditor's report*

**JUNIATA COLLEGE**  
**Statement of Activities**  
**for the Years Ended May 31, 2008 and 2009**

|  | May 31, 2008         | May 31, 2009          |
|--|----------------------|-----------------------|
| <b><u>Changes in Unrestricted Net Assets</u></b>           |                      |                       |
| <b>Unrestricted Revenues and Gains</b>                     |                      |                       |
| Tuition and Fees   | \$ 40,490,187        | \$ 44,710,815         |
| Scholarships and Grant Allowances                          |                      |                       |
| Unfunded Scholarships and Grants                           | (16,993,102)         | (19,013,533)          |
| Funded Scholarships and Grants                             | (1,448,703)          | (1,280,046)           |
| Total Scholarships and Grant Allowances                    | \$ (18,441,805)      | \$ (20,293,579)       |
| Net Tuition and Fees                                       | \$ 22,048,382        | \$ 24,417,236         |
| Auxiliary Enterprises                                      | 8,649,069            | 9,360,266             |
| Gifts  | 3,190,965            | 2,927,626             |
| Allocated Endowment Income                                 | 3,385,182            | 3,483,668             |
| Realized Gain/Loss   | 477,916              | (1,453,394)           |
| Unrealized Gain/Loss                                       | (835,289)            | (2,034,926)           |
| Educational Sales  | 499,077              | 579,176               |
| Contracts and Grant  | 2,138,163            | 2,006,665             |
| Other  | 780,201              | 1,315,569             |
| Net Assets Released  | 845,927              | 540,912               |
| <b>Total Unrestricted Revenue, Gains &amp; Support</b>     | <b>\$ 41,179,593</b> | <b>\$ 41,142,798</b>  |
| <b>Unrestricted Expenses and Losses</b>                    |                      |                       |
| General Instruction  | \$ 11,252,702        | \$ 12,045,083         |
| Contract and Other Exchange Transactions                   | 2,829,463            | 2,849,354             |
| Academic Support Services                                  | 5,158,305            | 5,074,340             |
| Student Services   | 5,981,234            | 6,622,550             |
| General and Administration                                 | 5,429,009            | 6,010,376             |
| Fund Raising   | 1,302,935            | 1,428,082             |
| Physical Plant Operations                                  | 3,334,167            | 3,452,287             |
| Interest on Indebtedness                                   | 1,378,799            | 1,212,197             |
| Auxiliary Enterprises                                      | 4,543,517            | 5,048,140             |
| Change-Fair Value of Interest Rate Swap Agreement          | -                    | 397,565               |
| Transfers  | 525,345              | 362,312               |
| <b>Total Unrestricted Expenses and Losses</b>              | <b>\$ 41,735,476</b> | <b>\$ 44,502,286</b>  |
| <b>Increase(Decrease) in Unrestricted Net Assets</b>       | <b>\$ (555,883)</b>  | <b>\$ (3,359,488)</b> |
| <b><u>Changes in Temporarily Restricted Net Assets</u></b> |                      |                       |
| <b>Temporarily Restricted Revenues and Gains</b>           |                      |                       |
| Other Income   | \$ 321,953           | \$ 177,537            |
| Investment Income  | (77,861)             | (79,445)              |
| Gifts  | 2,241,426            | 585,501               |
| Adj Rem Int--Life  | (6,840)              | 54,719                |
| Realized Gain/Loss   | 238,035              | 193,145               |
| Unrealized Gain/Loss                                       | (78,867)             | (348,102)             |
| Net Assets Released from Restrictions                      | (223,559)            | (9,576)               |
| <b>Total Temporarily Restricted Revenues and Gains</b>     | <b>\$ 2,414,287</b>  | <b>\$ 573,779</b>     |

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**JUNIATA COLLEGE**  
**Statement of Activities**  
**for the Years Ended May 31, 2008 and 2009**

|  | May 31, 2008          | May 31, 2009           |
|--|-----------------------|------------------------|
| <b>Temporarily Restricted Expenses and Losses</b>              |                       |                        |
| Payments to Beneficiaries                                      | \$ 52,663             | \$ 45,298              |
| Net Assets Released from Restrictions                          | 845,927               | 584,059                |
| Transfers  | 336,282               | 16,962                 |
| <b>Total Temporarily Restricted Expenses and Losses</b>        | <b>\$ 1,234,872</b>   | <b>\$ 646,319</b>      |
| <b>Increase(Decrease) Temp. Rest. Net Assets</b>               | 1,179,415             | (72,540)               |
| <b><u>Changes in Permanently Restricted Net Assets</u></b>     |                       |                        |
| <b>Permanently Restricted Revenues and Gains</b>               |                       |                        |
| Investment Income  | \$ 1,942,014          | \$ 1,615,123           |
| Gifts  | 5,497,809             | 1,505,221              |
| Adjusted Life Contracts  | 194,822               | 55,629                 |
| Student Loan   | 19,220                | -                      |
| Realized Gains/Losses  | 2,784,354             | (6,666,573)            |
| Unrealized Gains/Losses  | (5,054,420)           | (7,473,973)            |
| Transfers  | 223,559               | 9,576                  |
| <b>Total Permanently Restricted Revenues and Gains</b>         | <b>\$ 5,607,358</b>   | <b>\$ (10,954,997)</b> |
| <b>Permanently Restricted Expenses and Losses</b>              |                       |                        |
| Endowment Spending   | \$ 2,534,540          | \$ 2,681,360           |
| Depreciation   | 93,687                | 104,767                |
| Interest   | 81,548                | 58,309                 |
| Payments to Beneficiaries                                      | 437,046               | 405,935                |
| Net Assets Released from Restrictions                          | (861,627)             | -                      |
| Transfers  |                       | 139,481                |
| <b>Total Permanently Restricted Expenses and Losses</b>        | <b>\$ 2,285,194</b>   | <b>\$ 3,389,852</b>    |
| <b>Increase(Decrease) in Permanently Restricted Net Assets</b> | \$ 3,322,164          | \$ (14,344,849)        |
| <b>Summary of changes to Net Asset Classes</b>                 |                       |                        |
| Unrestricted   | \$ (555,883)          | \$ (3,359,488)         |
| Temporarily Restricted   | 1,179,415             | (72,540)               |
| Permanently Restricted   | 3,322,164             | (14,344,849)           |
| <b>Total Changes to Net Asset Classes</b>                      | <b>\$ 3,945,696</b>   | <b>\$ (17,776,877)</b> |
| Net Assets - June 1  | \$ 124,487,843        | \$ 128,165,737         |
| Prior Period Adjustments - See Note 17                         | (267,802)             | -                      |
| <b>Net Assets - May 31</b>                                     | <b>\$ 128,165,737</b> | <b>\$ 110,388,860</b>  |

*See accompanying notes and independent auditor's report*

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**JUNIATA COLLEGE**  
**Statement of Cash Flows**  
**for the Years Ended May 31, 2008 and 2009**

|  | May 31, 2008    | May 31, 2009    |
|--|-----------------|-----------------|
| <b>Cash Flows from Operating Activities</b>                      |                 |                 |
| Change in Net Assets   | \$ 3,945,696    | \$ (17,776,877) |
| <b>Adjustments to Reconcile Change in Net Assets to Net Cash</b> |                 |                 |
| Provided by Operating Activities:                                |                 |                 |
| Depreciation   | \$ 2,792,915    | \$ 3,029,633    |
| Net Realized & Unrealized (Gains) Losses on Investments          | 2,468,271       | 17,783,823      |
|  | \$ 5,261,186    | \$ 20,813,456   |
| <b>Change in Assets and Liabilities</b>                          |                 |                 |
| Accounts Receivable  | \$ (3,588,420)  | \$ 3,390,766    |
| Notes Receivable   | (50,303)        | (250,821)       |
| Pledge Receivable  | 219,753         | 2,157,860       |
| Accrued Interest Receivable                                      | (100)           | 151,008         |
| Inventories  | 1,132           | (30,968)        |
| Prepaid Expenses and Other Assets                                | 237,034         | 104,347         |
| Cash Value of Life Insurance                                     | (4,060)         | 2,820           |
| Accounts Payable & Accrued Expense                               | 277,963         | 175,824         |
| Grants Administered  | 161,003         | (256,077)       |
| Student Deposits   | (91,321)        | 17,410          |
| Deferred Income  | 421,456         | (197,041)       |
|  | \$ (2,415,863)  | \$ 5,265,128    |
| <b>Total Adjustment</b>  |                 |                 |
| <b>Net Cash Provided by Operating Activities</b>                 | \$ 6,791,019    | \$ 8,301,707    |
| <b>Cash Flows for Investing Activities</b>                       |                 |                 |
| Acquisition of Investments                                       | \$ (50,244,208) | \$ (92,898,192) |
| Proceeds from Sales of Investments                               | 47,876,699      | 88,565,727      |
| Acquisition of Property & Equipment                              | (4,018,777)     | (10,315,526)    |
|  | \$ (6,386,286)  | \$ (14,647,991) |
| <b>Net Cash Used in Investing Activities</b>                     |                 |                 |
| <b>Cash Flows from Financing Activities</b>                      |                 |                 |
| New Borrowings   | \$ 999,981      | \$ 5,700,145    |
| Principal Paid on Long-Term Indebtedness                         | (1,305,000)     | (1,370,000)     |
| Increase(Decrease) in Annuities Payable                          | (184,218)       | (116,860)       |
|  | \$ (489,237)    | \$ 4,213,285    |
| <b>Net Cash Provided from Financing Activities</b>               |                 |                 |
| <b>Net Increase(Decrease) in Cash</b>                            | \$ (84,504)     | \$ (2,132,999)  |
| <b>Cash and Cash Equivalents - June 1</b>                        | 20,665,844      | 20,581,340      |
| <b>Cash and Cash Equivalents - May 31</b>                        | \$ 20,581,340   | \$ 18,448,341   |
| <b>Cash Paid for Interest During the Year:</b>                   | \$ 1,454,623    | \$ 1,208,707    |

*See accompanying notes and independent auditor's report.*

JUNIATA COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2009

Note 1: Summary of Significant Accounting Policies

The significant accounting policies followed by the College are described below to enhance the usefulness of the financial statements to the reader.

a. Nature of Operations

The College, which is a nonprofit educational institution organized under the laws of the Commonwealth of Pennsylvania, was established in 1876 to provide higher education to students. The primary revenue sources include tuition and fees from students.

b. Basis of Presentation

The College recognizes Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Made," and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the College to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. A description of the three net asset categories follows:

Unrestricted net assets include all net assets that are not subject to donor imposed restrictions.

Temporarily restricted net assets include 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 and are available for the following purposes:

- Gifts and other unexpended revenues available for scholarships;
- Gifts and other unexpended revenues available for research;
- Gifts and other unexpended revenues available for instruction, library automation, and other support;
- Gifts and other unexpended revenues available for construction projects;
- Federally funded fixed assets for use with government grants

Permanently restricted net assets include net assets subject to donor imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes. They consist of the following:

- Donor Restricted Loan Funds
- Remainder Interest Trusts
- Annuity and Life Income Funds
- Endowment Funds

Government grants which are restricted to various uses are reflected as unrestricted since these funds are received and spent during the same year as permitted by SFAS No. 116.

c. Accrual Basis

The College's financial statements have been prepared on the accrual basis.

d. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



e. Endowment Investment Income

Unit Basis of Valuation is a method of allocating pooled investment income by prorating it to the funds making up the pool. The use of this system eliminates the need for keeping records of the income and changes in the securities of each individual endowment fund. Each endowment was assigned an initial number of units at June 30, 1974 by dividing the book value of the endowment by \$1,000, i.e., each unit valued at \$1,000. Future unit values are determined periodically by dividing the market value of the pooled assets by the number of units in existence. Unit additions and withdrawals in the pool are determined by dividing the book value of the endowment gift and related earnings by the most recently determined unit value to arrive at the number of units. During the years ended May 31, 2008 and 2009, endowment income from securities included \$1,524,397 and \$1,342,203 in interest and dividends \$2,869,090 and (\$6,858,999) in realized (losses) gains; (\$5,025,501) and (\$9,711,960) in unrealized (losses), respectively.

f. Endowment Spending Policy

The spending rate from the Endowment for current operations of the College shall be within the range of 3.5% and 6% of the 5-year moving average of the fiscal year-end market values, subject to the limitations, if any, of Pennsylvania law. The Committee on Investments will review and determine the actual spending rate annually. For fiscal year 2008-09, spending was 5.1% of a 5-year moving average. For fiscal year 2009-10, spending will be 5.0% of a 5-year moving average of the previous 5 years' year-end market values.

g. Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts with maturities of less than 90 days. At year end and during the year, the College's cash balances were deposited in several banks. Management believes the College is not exposed to any significant credit risk on cash and cash equivalents. As of May 31, 2009, the College had \$899,752 still invested in the Common Fund. The College expects to receive all of its investment from the Common Fund by the end of the next fiscal year.

The College is required to maintain a sinking fund with respect to the Huntingdon County General Authority Series 2001 bonds payable. As of May 31, 2008 and 2009, the amount of cash restricted by this indenture was \$50,902 and \$115,914, respectively

h. Inventories

Inventories are valued at cost, determined using a first-in, first-out basis.

i. Pledges Receivable

These amounts, less an appropriate allowance, are recorded at their estimated fair value. Each year, new pledge commitments received in that year are discounted to fair value using the 2 ½ year Treasury Bill rate applicable to each year end.

j. Investments

Investments are stated at fair market value. Real estate investments are stated primarily at cost. Securities not publicly traded are stated at cost which approximates market. The net realized and unrealized gains (losses) on investments are reflected in the Statement of Activities.

k. Property and Equipment

Property and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts.

Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Equipment purchased or received as a gift with an estimated useful life of less than ten years is not capitalized. A summary of depreciable lives follows:

|   | <u>Years</u> |
|---|--------------|
| Buildings, Residences, and Other Structures | 40           |
| Land Improvements                           | 20           |
| Equipment                                   | 10           |

l. Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts and unexpended grants receivable, inventories and prepaids approximate fair value because of the short maturity of these financial instruments. Investment securities are carried at fair values provided by an external investment custodian as quoted market values. Pledges receivable are carried at their present value of future cash flow less a 5% allowance as established by management.

A reasonable estimate of the fair value of the notes receivable from students under government loan programs and advances from the Federal Government for student loans could not be made because the notes receivable are not salable and can only be assigned to the U.S. Government or its designees; the fair value of notes receivable from students under College loan programs approximates carrying value.

The carrying amount of notes payable approximates fair value because these financial instruments bear interest at variable rates which approximate current market rates for notes with similar maturities and credit quality. The postretirement benefits liability is carried at an amount determined by an external actuarial firm.

m. Life Income Agreements

The College's life income agreements with donors consist of charitable remainder trusts, charitable gift annuities, and pooled income fund agreements for which the College serves as trustee. Assets held in these trusts are included in investments. Contribution revenues are recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries.

n. Leases

The College leases certain office equipment and vehicles. They are expensed as incurred using the operating method.

o. Concentrations of Credit and Market Risk

Financial instruments that potentially expose the College to concentrations of credit and market risk consist primarily of cash equivalents, pledges receivable, and investments. Cash equivalents are maintained at high-quality financial institutions, and, while certain amounts exceed Federally-insured amounts, credit exposure is considered limited at any one financial institution by management. The College has not experienced any losses on its cash equivalents. The College's investments do not represent significant concentrations of market risk inasmuch as the College's investment portfolio is adequately diversified among issuers.

p. Income Tax Status

The College is recognized as an organization exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code (the "Code") whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax. The College does not have any unrelated business income.

q. Advertising Costs

The College recognizes all of its advertising costs as the expenses are incurred. During the years ended May 31, 2008 and 2009, the amount of advertising expense was \$117,380 and \$86,894, respectively.

r. Estimated Liability for Health Care Claims

Accrued liabilities include the estimated cost of claims for medical and prescription drug benefits not covered by insurance. A substantial portion of the College's medical and prescription drug benefit costs are self-insured through significant self-pay deductibles. All the self-insured liability regarding the aforementioned claims are included in the liability section of the balance sheet as other accrued liabilities. The liability for unpaid losses and loss expense are estimated by the third party administrator using individual case-basis valuations. Those estimates are subject to the effect of trends in measuring loss severity. Although considerable variability is inherent in such estimates, management believes that the liabilities accrued for losses and loss expenses are adequate. The estimates are continually reviewed and adjusted as necessary, as experience develops, or new information becomes known and such adjustments are included in current operating results. An estimate of claims incurred but not reported has been included in the \$166,345 and \$147,946 accruals as of May 31, 2008 and 2009, respectively.

s. Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and the notes thereto.

Note 2: Loans Receivable

Loans receivable reflected on the Statement of Financial Position includes \$1,681,892 and \$1,623,267 of Perkins Loans and \$502,500 and \$811,945 of Juniata College-provided loans, less an allowance for doubtful accounts of \$49,691 for May 31, 2008 and 2009, respectively.

Advances from the Federal Government under the Perkins Loan programs are distributable to the Federal Government upon liquidation of the fund and, thus, are reflected as a \$1,422,181 (2008) and \$1,433,760 (2009) liability on the Statement of Financial Position.

Note 3: Investments in Securities

Securities purchased are initially recorded at cost in all funds but are adjusted for amortization of premiums and discounts on bonds in the Pooled Income Fund only. All securities received through gifts are recorded at market value at the date of constructive receipt. Market values are used as the carrying value for financial statement purposes. As of May 31, 2008 and 2009, the securities held by the various funds are comprised of the following:

| 2009                           | TOTAL        |              | BONDS        |              | STOCKS       |              |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                | Cost         | Market       | Cost         | Market       | Cost         | Market       |
| Endowment-Pooled               | \$46,735,437 | \$43,890,196 | \$14,682,114 | \$14,955,123 | \$32,053,323 | \$28,935,073 |
| Charitable Rem. Annuity Trusts | \$302,123    | \$365,374    | \$216,483    | \$246,185    | \$85,640     | \$119,189    |
| Charitable Rem. Unitrusts      | \$2,739,741  | \$3,177,828  | \$979,966    | \$1,018,079  | \$1,759,775  | \$2,159,749  |
| Pooled Income                  | \$772,265    | \$690,359    | \$130,000    | \$110,060    | \$642,265    | \$580,299    |
| Gift Annuity                   | \$1,965,445  | \$2,006,339  | \$1,052,389  | \$1,086,645  | \$913,056    | \$919,694    |
| Plant Fund                     | \$3,512      | \$2,999      | \$3,512      | \$2,999      | -0-          | -0-          |
| Current Fund                   | \$100,759    | \$72,300     | -0-          | -0-          | \$100,759    | \$72,300     |
| Grand Total                    | \$52,619,282 | \$50,205,395 | \$17,064,464 | \$17,419,091 | \$35,554,818 | \$32,786,304 |

| 2008                           | TOTAL        |              | BONDS        |              | STOCKS       |              |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                | Cost         | Market       | Cost         | Market       | Cost         | Market       |
| Endowment-Pooled               | \$51,608,365 | \$58,475,082 | \$15,836,980 | \$15,527,667 | \$35,771,385 | \$42,947,415 |
| Charitable Rem. Annuity Trusts | \$644,955    | \$557,257    | \$192,699    | \$192,656    | \$452,256    | \$364,601    |
| Charitable Rem. Unitrusts      | \$3,082,153  | \$3,652,516  | \$175,134    | \$159,580    | \$2,907,019  | \$3,492,936  |
| Pooled Income                  | \$730,594    | \$847,996    | \$130,000    | \$123,621    | \$600,594    | \$724,375    |
| Plant Fund                     | \$2,959      | \$2,959      | \$2,959      | \$2,959      | -0-          | -0-          |
| Current Fund                   | \$107,818    | \$120,943    | -0-          | -0-          | \$107,818    | \$120,943    |
| Grand Total                    | \$56,176,844 | \$63,656,753 | \$16,337,772 | \$16,006,483 | \$39,839,072 | \$47,650,270 |

Note 4: Property and Equipment

Property and equipment values are summarized as follows at May 31, 2008 and May 31, 2009:

|                                | 2008                 | 2009                 |
|--------------------------------|----------------------|----------------------|
| Construction in Progress       | \$ -0-               | \$194,983            |
| Land                           | 1,940,603            | 1,940,603            |
| Buildings                      | 85,017,675           | 92,255,253           |
| Equipment                      | 21,178,075           | 22,102,618           |
| Land Improvements              | 1,126,751            | 1,126,751            |
|                                | <u>\$108,136,353</u> | <u>\$117,620,208</u> |
| Less: Accumulated Depreciation | <u>(44,569,496)</u>  | <u>(47,490,181)</u>  |
|                                | <u>\$63,566,857</u>  | <u>\$70,130,027</u>  |

Depreciation expense on these assets was \$2,699,228 and \$2,924,866 for 2008 and 2009, respectively.

In addition to these assets, the College's Endowment owns investments in real estate as follows:

|                                | 2008                | 2009                |
|--------------------------------|---------------------|---------------------|
| Land                           | \$639,167           | \$ 652,261          |
| Rental Properties              | <u>3,801,911</u>    | <u>3,930,541</u>    |
|                                | \$4,441,078         | \$4 ,582,802        |
| Less: Accumulated Depreciation | <u>(699,873)</u>    | <u>(804,640)</u>    |
|                                | <u>\$ 3,741,205</u> | <u>\$ 3,778,162</u> |

Depreciation expense on these rental properties was \$93,687 and \$104,767 for 2008 and 2009, respectively.

Non-depreciable assets such as collectibles, totaled \$848,075 and \$1,533,841 respectively as of May 31, 2008 and 2009.

Note 5: Retirement Plan

The Juniata College Retirement Plan covers all eligible employees who have both completed one year of service and have attained age thirty, and optional participation is available after one year of service regardless of age. Each participant in the Plan contributes a percentage of his regular monthly compensation through a monthly payroll deduction or reduction. The College also contributes an additional percentage on behalf of the employees. The contributions are invested in individual annuity contracts with the Teachers Insurance and Annuity Association/College Retirement Equities Fund. Participants in the Plan normally retire at the end of the contract year in which they attain age 65. In the event of death, prior to retirement, the value of a participant's annuity accumulation is payable to his/her named beneficiary. Authorization for amendment to the Plan requires action by the Board of Trustees upon a recommendation by the President of the College. The College's contributions to this Plan were \$1,485,629 and \$1,543,470 for the fiscal years ending May 31, 2008 and 2009, respectively.

Note 6: Other Postretirement Benefits

The College provides certain healthcare and life insurance benefits for retired employees. Employees become eligible for those benefits if they reach early retirement age while working for the College and meet certain eligibility requirements. The College's postretirement benefit programs provide for specific benefits based on the retiree's age and years of service with the College.

The data below were developed using the following actuarial assumptions:

|                     | 2008      | 2009      |
|---------------------|-----------|-----------|
| Discount Rate:      | 7%        | 7%        |
| Medical Trend Rate: | 5%        | 5%        |
| Turnover:           | Moderate  | Moderate  |
| Utilization:        | 50% - 85% | 50% - 85% |

In accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," the College records the expected cost of these benefits as expense during the years that employees render service. The following tables set forth the postretirement benefit amounts recognized in the accompanying consolidated financial statements as of May 31, 2008 and May 31, 2009:

|  | 2008        | 2009         |
|--|-------------|--------------|
| Accumulated postretirement benefit obligation  | \$3,108,327 | \$3,286,098  |
| Unrecognized net transition liability  |             |              |
| Unrecognized prior service (assets) cost   | 75,992      | 61,043       |
| Unrecognized net loss (gain)   | (670,897)   | (713,364)    |
| Accrued postretirement benefit cost included in the accompanying Statement of Financial Position | \$2,513,422 | \$2,633,777* |
| <b>Net periodic postretirement benefit cost includes the following components:</b>               |             |              |
| Normal service cost-benefits during the period   | \$67,619    | \$65,746     |
| Interest cost on postretirement benefit obligation   | 198,443     | 210,231      |
| Net amortization and deferral  | 20,322      | 9,055        |
| Net periodic postretirement benefit cost   | \$286,384   | \$285,032    |

\*This represents an increase of \$120,355, which is the difference between the net periodic postretirement benefit cost (\$285,032) and the net payments (\$164,677) for the year ending May 31, 2009.

Note 7: Bonds & Note Payable

A summary of the College's debt service obligations are as follows:

|   | Balance<br><u>5/31/08</u> | Additional<br>Borrowing<br><u>08-09</u> | Principal<br>Retired<br><u>08-09</u> | Balance<br><u>5/31/09</u> |
|---|---------------------------|---|--------------------------------------|---------------------------|
| Huntingdon County General Authority:        |                           |   |                                      |                           |
| Series 2001                                 | \$19,025,000              |   | (\$770,000)                          | \$18,255,000              |
| Series 2004                                 | 5,738,000                 |   | 0                                    | 5,738,000                 |
| Note 2007                                   | 999,981                   | 5,700,145                               | 0                                    | 6,700,126                 |
| PA Higher Educational Facilities Authority: |                           |   |                                      |                           |
| Series 2002                                 | 6,900,000                 |   | ( 600,000)                           | 6,300,000                 |
| <b>Total</b>                                | <b>\$32,662,981</b>       | <b>\$5,700,145</b>                      | <b>(\$1,370,000)</b>                 | <b>\$36,993,126</b>       |

The principal debt service requirements for the five upcoming fiscal years are as follows:

|               | <u>HCGA</u>         |                    |                    | <u>PA HEFA</u>     | <u>Totals</u>       |
|---------------|---------------------|--------------------|--------------------|--------------------|---------------------|
|               | <u>2001</u>         | <u>2004</u>        | <u>2007</u>        | <u>2002</u>        |                     |
| 2009-2010     | \$ 775,000          |                    | \$275,000          | \$ 700,000         | \$ 1,750,000        |
| 2010-2011     | 815,000             | \$13,000           | 275,000            | 600,000            | 1,703,000           |
| 2011-2012     | 855,000             | 192,000            | 325,000            | 600,000            | 1,972,000           |
| 2012-2013     | 895,000             | 203,000            | 325,000            | 600,000            | 2,023,000           |
| 2013-2014     | 940,000             | 210,000            | 325,000            | 600,000            | 2,075,000           |
| Thereafter    | 13,975,000          | 5,120,000          | 5,175,126          | 3,200,000          | 27,470,126          |
| <b>Totals</b> | <b>\$18,255,000</b> | <b>\$5,738,000</b> | <b>\$6,700,126</b> | <b>\$6,300,000</b> | <b>\$36,993,126</b> |

Pursuant to a Trust Indenture dated May 1, 2001, between the Huntingdon County General Authority (HCGA) and a bank, HCGA issued \$23.4 million of Series 2001 bonds on behalf of the College. In order to secure the required payments under the terms of the bonds payable arrangement, the College delivered an irrevocable letter of credit. This letter of credit is secured by revenues of the College. A sinking fund was also required by the Indenture. Proceeds from this issue were used on construction of the new science building and related equipment, campus infrastructure, various campus site improvements, other capital projects and the payment of costs of issuance. An interest rate swap at 3.74% is in place for the period May 2, 2006 to May 1, 2011. Standard and Poor's rates the 2001 bonds as "AAA/A-1".

Pursuant to a Trust Indenture dated June 1, 2002, between the Pennsylvania Higher Educational Facilities Authority (PA HBFA) and a bank, PA HBFA issued \$10.7 million of Series 2002 J1 bonds on behalf of the College. The 2002 J1 bonds were issued to refinance \$10 million of previously existing debts, to finance \$500,000 of modifications to the central heating plant and to cover the \$200,000 costs of issuance. In order to secure the required payments, the College delivered an irrevocable letter of credit. This letter of credit is secured by the revenues of the College. Currently the interest rate varies on a weekly basis. Moody's rates the 2002 bonds as "A2/VMIG1".

Pursuant to a Financing Agreement dated November 30, 2004, between the Huntingdon County General Authority and a bank, the HCGA issued a \$6.0 million Revenue Note on behalf of the College. The proceeds of this tax exempt bank loan were used on construction of an addition to Oller Hall and related equipment, renovations to Oller Hall, other capital projects, and the payment of cost of issuance. The interest is 3.56% through the tender option date of November 30, 2014.

Pursuant to a Financing Agreement dated October 1, 2007, between the Huntingdon County General Authority and a bank, the HCGA issued a \$8.0 million or the amount advanced Revenue Note on behalf of the College. The proceeds of this tax exempt bank loan will be used for construction and renovation of Founders Hall, renovation of Good Hall, construction of a new 8 lane track, other capital projects, and the payment of cost of issuance. The College will pay interest only at a LIBOR-based rate until the completion of the Founders Hall project, which is expected to be on or around June, 2009, at which time the College will have the opportunity to convert to a fixed rate for the life of the loan. The College expects to advance no more than \$7 million dollars of this note. The maturity date is October 1, 2030. The tables above only reflect the amounts advanced through May 31, 2009.

The College capitalizes interest incurred on the cost of property, plant and equipment constructed for its own use along with related loan fees and costs. Total interest expense for the years ended May 31, 2008 and 2009 was \$1,360,694 and \$1,208,707, respectively.

During the fiscal year the College entered into a Line of Credit Agreement with Kish Bank. Total funds available to the College are \$3 million dollars. The College did not access these funds at any time during the fiscal year. The balance owed on May 31, 2009 is \$0.

Note 8: Pledges Receivable

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded after discounting to the present value of the future cash flows.

Unconditional promises are expected to be realized in the following periods:

|                                    | 5/31/08             | 5/31/09             |
|------------------------------------|---------------------|---------------------|
| In One Year or Less                | \$3,775,965         | \$587,017           |
| Between One Year and Five Years    | 9,031,825           | 9,029,176           |
| More Than Five Years               | <u>7,964,656</u>    | <u>8,667,853</u>    |
| Face Value Pledges                 | 20,772,446          | 18,284,046          |
| Less: Discount                     | <u>(4,052,588)</u>  | <u>(3,835,881)</u>  |
| Present Value of Pledges           | 16,719,858          | 14,448,165          |
| Less: Allowance for Uncollectibles | <u>(835,993)</u>    | <u>(722,160)</u>    |
| Pledges Receivable                 | <u>\$15,883,865</u> | <u>\$13,726,005</u> |

At May 31, 2008 and 2009 management estimated that 5% of the present value of the pledges receivable will be uncollectible.

Included in the pledge information is a Support Agreement between the College and The William J. von Liebig Foundation, Inc. It provides for annual payments to the College through 2015, for a face value of \$12.1 million (present valued at \$9.7 million) at May 31, 2009. Approximately \$0.9 million is restricted for program support in the sciences; the remaining \$11.2 million "may be used for any lawful charitable educational purpose of the College."

**Note 9: Contributed Property and Services**

The College receives donated property and services throughout the year. For the years ended May 31, 2008 and 2009, a total of \$81,823 and \$677,381, respectively, were recorded as revenue as a result of these gifts. Those items meeting the College's capitalization policy are depreciated over their useful lives. Gifts of collectibles and collections are capitalized and not depreciated and totaled \$659,422 of the above amount for the year ended May 31, 2009.

**Note 10: Commitments and Contingencies**

Certain Federally-funded financial aid programs are routinely subject to special audit. The reports on the examinations, which are conducted pursuant to specific regulatory requirements by the 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.

Other Federal programs are also subject to audit. Such audits could result in claims against the resources of the College. No provision has been made for any liabilities which may arise from such audits since the amounts, if any, cannot be determined at this date.

The Trustees entered into an employment agreement with the College's President for an eight-year term beginning July 1, 2003, along with a related deferred compensation plan. Annual compensation will be determined by the Trustees, and participation in the deferred compensation plan is contingent upon continuation as an employee. Since there is no obligation due the employee in the event of a termination, no liability is recorded in the financial statements.

**Note 11: Leases**

The College has leased certain office equipment and vehicles which are expensed as incurred utilizing the operating method. During the years ended May 31, 2008 and 2009, some \$196,894 and \$256,955 in rents were expensed. The scheduled lease payments to be made by the College over the upcoming five years are as follows:

|              |         |           |
|--------------|---------|-----------|
| Fiscal Year: |         |           |
|              | 2009-10 | \$196,860 |
|              | 2010-11 | \$115,141 |
|              | 2011-12 | \$ 85,104 |
|              | 2012-13 | \$ 85,290 |
|              | 2013-14 | \$ 20,494 |

**Note 12: Interest Rate Swap Agreement**

The College has an interest rate swap agreement with a bank which is considered a derivative instrument designated as a cash flow hedging instrument. The objective of the swap agreement is to minimize the risks associated with financing activities by reducing the impact of changes in the interest rates on variable rate debt. The swap agreement is a contract to exchange variable rate for fixed rate payments over the life of the swap agreement without the exchange of the underlying notional amount. The notional amount of the swap agreement is used to measure the interest to be paid or received and do not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable amount, if any, which may be generated as a result of the swap agreement. The net cash paid or received under the swap agreement is recognized as an adjustment to interest expense. The College does not utilize interest rate swaps or other financial instruments for trading or other speculative purposes.

At May 31, 2009, the College has the following interest rate swap in effect:

|                 |                  |
|-----------------|------------------|
| Notional Amount | \$19,035,000     |
| Strike Rate     | 3.74%            |
| Period          | 5/1/06 to 5/1/11 |

The fair value of the interest rate swap agreement has been adversely affected by the worldwide market conditions during the year ended May 31, 2009. As of this date, the mark-to-market value was a liability to the College of \$964,526. The comparable amount as of May 31, 2008 was \$566,961, and that amount had not been recorded on the financial statements.

The change in fair value of this interest rate swap agreement of \$397,565 has been recorded as an expense for the year ended May 31, 2009.

**Note 13: Funds Held in Trust by Others**

The College is an income beneficiary of all or a portion of seven perpetual trusts held and administered by various financial institutions. The College receives its share of distributions from the trusts annually and recognizes these amounts as contributions upon receipt. For the years ended May 31, 2008 and 2009, the College received \$64,915 and \$208,011 from these trusts. The present values of the estimated future cash receipts from the trusts are not recognized as assets, nor are the contributions considered as revenue at the dates the trusts were established. Since one or more of the trusts contains assets that cannot be readily valued, the College has elected to not reflect any estimated value of these trusts on its Statement of Financial Position.

**Note 14: Environmental Matters**

In March 2005, the Financial Accounting Standards Board (FASB) issued Interpretation (FIN) No. 47, "Accounting for Conditional Asset Retirement Obligations" which clarified the reporting requirements of SFAS No. 143, "Accounting for Asset Retirement Obligations." FIN No. 47 requires the recognition of a liability for the fair value of a conditional asset retirement obligation when the obligation is incurred -- generally upon the acquisition, construction, development and/or through the normal operation of the asset, if the fair value of the liability can be reasonably estimated. A conditional asset retirement obligation is a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty about the timing and/or method of settlement is required to be factored into the measurement of the liability when sufficient information exists.

The College adopted FIN No. 47 effective July 1, 2005. For the years ended May 31, 2008 and 2009, the College recognized accretion expense (an increase to this liability) of \$35,138 and \$36,457, respectively. The College has also been proactive in mitigation of these obligations. For the years ended May 31, 2008 and 2009 the results of those efforts have reduced the liability by \$0 and \$36,951 respectively. The balance of this liability was \$624,479 as of May 31, 2009.

**Note 15: FASB 117-1 Endowments for Not-For-Profit Organizations:**

In August 2006, the Financial Accounting Standards Board (FASB) issued Interpretation (FSP) No. 117-1 to provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC; formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. This FSP also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. This FSP is effective for fiscal years ending after December 15, 2008.

The College adopted FSB 117-1 effective May 31, 2009 and while it did not result in any adjustments to the financial statements since Pennsylvania has not adopted UPMIFA, the required disclosures are set forth below:

**Interpretation of Relevant Law**

The Board of Trustees of Juniata College has interpreted the State Law (the Act) as requiring the preservation of the purchasing power (real value) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Juniata College classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

Juniata College has a policy of appropriating for distribution each year an amount that will be no larger than 6% and not less than 3.5% of the average of the past 5 years of the endowment's closing market values. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow at an average of 6.8% annually. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**Return Objectives and Risk Parameters**

Juniata 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(s) 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 the Callan Associates Median Balanced Fund Database while assuming a moderate level of investment risk. Juniata College expects its endowment funds, over time, to provide an average rate of return of approximately 8.2 % net of fees annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, Juniata 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 a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Endowment Net Asset Composition by Type of Fund  
As of May 31, 2009**

|                                     | Unrestricted                | Temporarily<br>Restricted | Permanently<br>Restricted   | Total                       |
|-------------------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------|
| Donor-Restricted<br>Endowment funds | \$ 7,844,782                | \$ 0                      | \$ 46,081,504               | \$ 53,926,286               |
| Board-designated                    | <u>3,560,326</u>            | <u>-</u>                  | <u>-</u>                    | <u>3,560,326</u>            |
| <b>Total Funds</b>                  | <b><u>\$ 11,405,108</u></b> | <b><u>\$ 0</u></b>        | <b><u>\$ 46,081,504</u></b> | <b><u>\$ 57,486,612</u></b> |

**Changes in Endowment Net Assets for the Fiscal Year Ended May 31, 2009**

|   | Unrestricted                | Temporarily<br>Restricted | Permanently<br>Restricted   | Total                       |
|---|-----------------------------|---------------------------|-----------------------------|-----------------------------|
| Endowment Net Assets,<br>beginning of year              | \$ 12,377,136               | \$ -                      | \$ 59,337,210               | \$ 71,714,345               |
| Investment Return:                                      |                             |                           |                             |                             |
| Investment Income                                       | \$ 272,778                  | \$ -                      | \$ 1,014,546                | \$ 1,287,325                |
| Net Depreciation<br>(realized and unrealized)           | \$ (3,488,320)              | \$ -                      | \$ (13,082,690)             | \$ (16,571,009)             |
| Total Investment Return                                 | \$ (3,215,540)              | \$ -                      | \$ (12,068,143)             | \$ (15,283,684)             |
| Contributions   | \$ 2,930,747                | \$ -                      | \$ 1,368,466                | \$ 4,299,213                |
| Appropriation of endowment<br>assets for expenditure    | \$ (687,234)                | \$ -                      | \$ (2,556,028)              | \$ (3,243,262)              |
| Other charges:  |                             |                           |                             |                             |
| Transfers to create Board Designated<br>endowment funds | \$ -                        | \$ -                      | \$ -                        | \$ -                        |
| <b>Endowment Net Assets,<br/>End of year</b>            | <b><u>\$ 11,405,108</u></b> | <b><u>\$ -</u></b>        | <b><u>\$ 46,081,504</u></b> | <b><u>\$ 57,486,612</u></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 of the original donor gift. 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. The total deficiencies for years ended May 31, 2008 and 2009 were \$3,889,751 and \$9,688,014 respectively.

### Note 16: Fair Value Measurements

The college has determined the fair value of certain assets and liabilities through the application of SFAS No. 157, "Fair Value Measurements." The carrying amounts in the table that follows are included in the statement of financial position under the applicable captions

|                              | <u>2008</u>            |                   | <u>2009</u>            |                   |
|------------------------------|------------------------|-------------------|------------------------|-------------------|
|                              | <u>Carrying Amount</u> | <u>Fair Value</u> | <u>Carrying Amount</u> | <u>Fair Value</u> |
| Short-term investments       | \$ 711,459             | \$ 711,459        | \$ 723,429             | \$ 723,429        |
| Accounts & loans receivable  | 6,761,675              | 6,761,675         | 3,621,530              | 3,621,530         |
| Pledges receivable           | 15,883,865             | 15,883,865        | 13,726,005             | 13,726,005        |
| Investments in securities    | 63,656,753             | 63,656,753        | 50,205,395             | 50,205,395        |
| Interest Rate Swap agreement | (566,961)              | (566,961)         | (964,526)              | (964,526)         |
| Bonds & Notes payable        | (32,662,981)           | (32,662,981)      | (36,993,126)           | (36,993,126)      |

Fair values of assets and liabilities measured on a recurring basis at May 31, 2008 and 2009 are as follows:

#### Fair Value Measurements at Reporting Date Using

|                              | <u>Fair Value</u> | <u>Quoted Prices In Active Markets (Level I)</u> | <u>Significant Observable Inputs (Level II)</u> | <u>Significant Observable Inputs (Level III)</u> |
|------------------------------|-------------------|--|---|--|
| <u>May 31, 2008</u>          |                   |  |   |  |
| Short-term investments       | \$ 711,459        | \$ 711,459                                       |   |  |
| Investments in securities    | 63,656,753        | 63,656,753                                       |   |  |
| Pledges receivable           | 15,883,865        |  |   | 15,883,865                                       |
| Interest Rate Swap agreement | (566,961)         |  | (566,961)                                       |  |
| Bonds & Notes payable        | (32,662,981)      |  | (32,662,981)                                    |  |
| <u>May 31, 2009</u>          |                   |  |   |  |
| Short-term investments       | \$ 723,429        | \$ 723,429                                       |   |  |
| Investments in securities    | 50,205,395        | 50,205,395                                       |   |  |
| Pledges receivable           | 13,726,005        |  |   | 13,726,005                                       |
| Interest Rate Swap agreement | (964,526)         |  | (964,526)                                       |  |
| Bonds & Notes payable        | (36,993,126)      |  | (36,993,126)                                    |  |

All realized and unrealized gains and losses on these assets and liabilities which occurred for the year ending May 31, 2009 have been recognized in the financial statements. The change in fair value of the interest rate swap agreement (financial instrument) of (\$397,565) has been included in the statement of activities.

Following is a reconciliation of activity for the year ended May 31, 2009 for pledges measured at fair value based on significant unobservable (non-market) information:

|   | <u>2008</u>         | <u>2009</u>          |
|---|---------------------|----------------------|
| Face value of pledges                     | \$20,772,446        | \$18,283,351         |
| Less: present value adjustments           | 4,052,588           | (3,834,961)          |
| Gross Pledges                             | <u>\$16,719,858</u> | <u>14,448,390</u>    |
| Less: Allowance for uncollectibles        | 835,993             | (722,385)            |
| Net pledges per financial statements      | <u>15,883,865</u>   | <u>13,726,005</u>    |
| Amounts collected                         |                     | (\$3,591,032)        |
| Pledges written off                       |                     | (538,096)            |
| New pledges received                      |                     | 793,457              |
| Decrease in allowance for uncollectibles  |                     | 113,834              |
| Net decrease in present value adjustments |                     | <u>1,063,977</u>     |
| Activity for the year ended May 31, 2009  |                     | <u>(\$2,157,860)</u> |

**Note 17: Prior Period Adjustments**

**Sabbatical Leave**

The College makes a benefit available to certain employees known as a sabbatical leave. After meeting certain criteria and, if approved, the employee is compensated during the sabbatical leave but is not required to perform any duties for the College. Although this benefit vests to the employees, they are not entitled to compensation for the value of any unused benefit upon termination or retirement. Financial Accounting Standards Board Statement No. 43, Accounting for Compensated Absences, and more specifically, Emerging Issues Task Force (EITF) Issue No. 06-2, requires, under certain circumstances, that a liability be accrued over the requisite service period. The College adopted these pronouncements by recording a liability as of May 31, 2008, for \$470,077, and reducing the unrestricted net assets of the College as of that date. For the year ended May 31, 2009 an additional expense and liability was recorded for \$91,695 for an increase to this estimated amount.

**Cost of Issuance**

The College incurred \$292,115 in costs (that had not been amortized) relating to the outstanding notes and bonds payable owed by the College. These costs were inadvertently expensed during the prior fiscal year rather than continuing to be amortized over the remaining life of the debt. To allow for this prior period adjustment, the amount was recorded as a prepaid expense and an increase to the unrestricted net assets as of May 31, 2008 in these comparative financial statements.

**Collectibles**

The College did not recognize the receipt of the donation of certain collectibles during prior fiscal periods as non-depreciating assets and revenue. These items were recorded by the College's development office, receipted to the donors and, in most cases, appraisals as to the market value as of the date of the gift received. The amount of these items totaled \$477,120. The College maintains an inventory of collectible items and secures them from both a physical and insurance standpoint. The unrestricted net assets of the College, along with the asset—Collectibles, have been increased as of May 31, 2008, to allow for the recognition of this amount in these financial statements.

**Interest Rate Swap Agreement**

As discussed in Note 12, the interest rate swap agreement that the College has in effect has a negative value as of May 31, 2009. To record this liability, the College has recognized the 2008-09 change in value of (\$397,565) in the current year Statement of Activities as an expense. The beginning amount of (\$566,961) has been accounted for as a prior period adjustment in these financial statements