

JUNIATA COLLEGE



Huntingdon, Pennsylvania



Audit Report

FOR FISCAL YEAR ENDED MAY 31, 2010

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

Certified Public Accountants
1210 Thirteenth Street
Altoona, PA 16603-6191

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, 2010 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, 2010 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 27, 2010

Junlata College
Statement of Financial Position
As of May 31, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
Cash and Cash Equivalents	10,675,028	\$ 17,724,912
Short-Term Investments	8,022	723,429
Accounts Receivable	1,748,277	1,236,009
Loans Receivable-Students	2,736,192	2,385,521
Pledges Receivable	3,414,559	13,726,005
Unexpended Grants Receivable	-	150,223
Accrued Interest Receivable	99,660	(5,281)
Inventories	305,205	335,527
Prepaid Expenses	544,828	806,140
Long-Term Investments	63,700,246	50,205,395
Real Estate Investments	3,011,625	3,778,162
Cash Value Life Insurance	182,417	164,884
Non Depreciable Assets/Collectibles	1,543,382	1,533,841
Land, Buildings & Equipment (Less Accumulated Depreciation)	<u>71,324,483</u>	<u>70,130,027</u>
TOTAL ASSETS	<u>\$ 159,293,924</u>	<u>\$ 162,894,794</u>
LIABILITIES AND NET ASSETS		
<u>Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 1,510,323	\$ 1,856,595
Accrued Wages, Salaries and Fringes	6,245,168	6,073,618
Student Deposits	439,386	398,505
Deferred Summer School and Conference Income	593,387	602,871
Annuity and Contracts Payable	3,809,293	3,885,649
Amounts Held on Behalf of Others	218,662	84,318
Advances from Federal Government	1,418,673	1,433,760
Interest Rate Swap Agreement Liability	517,771	964,526
Bonds and Notes Payable	35,813,292	36,993,126
Grants Refundable	<u>115,340</u>	<u>212,966</u>
Total Liabilities	<u>\$ 50,481,295</u>	<u>\$ 52,505,934</u>
<u>Net Assets</u>		
Unrestricted	\$ 41,930,669	\$ 42,327,141
Temporarily Restricted	14,656,025	17,428,214
Permanently Restricted	<u>52,225,935</u>	<u>50,633,505</u>
Total Net Assets	<u>\$ 108,812,629</u>	<u>\$ 110,388,860</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 159,293,924</u>	<u>\$ 162,894,794</u>

See accompanying notes and independent auditor's report.

Junata College
Statement of Activities
 For the years ended May 31, 2010 and 2009

	2010			Total	2009 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating Revenues and gains:					
Tuition and fees	\$ 45,711,653			\$ 45,711,653	\$ 44,710,815
Scholarship & grant allowances					
Unfunded scholarships & grants	(19,743,894)			(19,743,894)	(19,013,533)
Funded scholarships & grants		(1,321,830)		(1,321,830)	(1,280,046)
Net Tuition and fees	<u>\$ 25,967,759</u>	<u>\$ (1,321,830)</u>	<u>\$ -</u>	<u>\$ 24,645,929</u>	<u>\$ 24,417,236</u>
Investment Income	\$ 128,395	\$ 1,212,986	\$ 201,891	1,543,273	\$ 1,372,602
Gifts	(5,235,124)	856,073	1,227,485	(3,151,566)	5,018,348
Adjusted remainder interest on life income contracts		2,679	3,023	5,702	110,348
Student loan income			17,639	17,639	-
Allocated endowment income	725,145	2,510,005	19,288	3,254,438	3,483,668
Realized gains (losses) on investments	219,651	1,253,397	1,023,134	2,496,182	(7,926,822)
Unrealized gains (losses) on investments	2,728,785	2,554,695	(296,913)	4,986,567	(9,857,001)
Sales and services of educational activities	421,549			421,549	579,176
Contracts, grants and other exchange transactions	93,391	2,022,043		2,115,434	2,006,665
Other income	534,821	18,278		553,099	1,493,106
Auxiliary Services	<u>9,523,364</u>			<u>9,523,364</u>	<u>9,360,266</u>
Total operating revenue and gains	<u>\$ 35,107,736</u>	<u>\$ 9,108,326</u>	<u>\$ 2,195,547</u>	<u>\$ 46,411,610</u>	<u>\$ 30,057,592</u>
Net assets released from restrictions - operations	<u>9,527,630</u>	<u>(9,165,075)</u>	<u>(362,554)</u>		
Total operating revenues, gains and other support	<u>\$ 44,635,366</u>	<u>\$ (56,749)</u>	<u>\$ 1,832,993</u>	<u>\$ 46,411,610</u>	<u>\$ 30,057,592</u>
Expenses and losses:					
Educational and general:					
General Instruction	\$ 14,279,060			\$ 14,279,060	\$ 13,705,051
Payments on contracts and other exchange transactions	2,416,558			2,416,558	2,994,719
Academic Support Services	5,270,534			5,270,534	5,474,093
Student Services	7,583,510			7,583,510	7,313,131
Institutional Support					
General and Administration	6,471,028	-		6,471,028	6,119,399
Fund Raising	1,341,598			1,341,598	1,428,082
Auxiliary Services	7,084,232	-		7,084,232	6,707,934
Endowment spending	477,650			477,650	561,902
Payments to beneficiaries of life income contracts	389,994			389,994	451,233
Total operating expenses	<u>\$ 45,314,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,314,164</u>	<u>\$ 44,755,544</u>
Change in Net Assets from Operating Activities	<u>\$ (678,798)</u>	<u>\$ (56,749)</u>	<u>\$ 1,832,993</u>	<u>\$ 1,097,446</u>	<u>\$ (14,697,952)</u>
Nonoperating Activities					
Endowment spending		2,715,440		2,715,440	2,681,360
Change in fair value of interest rate swap agreement	(446,755)			(446,755)	397,565
Other expenses	164,429		240,563	404,992	9,576
Total Nonoperating expenses	<u>(282,326)</u>	<u>2,715,440</u>	<u>240,563</u>	<u>2,673,677</u>	<u>3,088,501</u>
Change in Net Assets	<u>(396,472)</u>	<u>(2,772,189)</u>	<u>1,592,430</u>	<u>(1,576,231)</u>	<u>(17,786,453)</u>
Net assets, beginning of year	<u>\$ 42,327,141</u>	<u>\$ 17,428,214</u>	<u>\$ 50,633,505</u>	<u>\$ 110,388,860</u>	<u>\$ 128,175,313</u>
Net assets, end of year	<u>\$ 41,930,669</u>	<u>\$ 14,656,025</u>	<u>\$ 52,225,935</u>	<u>\$ 108,812,629</u>	<u>\$ 110,388,860</u>

See accompanying notes and independent auditor's report.

Juniata College
Statement of Cash Flows
for the Years Ended May 31, 2010 and 2009

	May 31, 2010	May 31, 2009
Cash Flows from Operating Activities		
Change in Net Assets	\$ (1,576,231)	\$ (17,786,453)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	\$ 3,080,561	\$ 3,029,633
Net Realized & Unrealized (Gains) Losses on Investments	(7,482,749)	17,783,823
Pledge Writeoff	7,437,264	.
	\$ 3,035,076	\$ 20,813,456
Change in Assets and Liabilities		
Accounts Receivable	\$ (512,268)	\$ 3,390,766
Notes Receivable	(350,671)	(250,821)
Pledge Receivable	2,874,182	2,167,436
Accrued Interest Receivable	(104,941)	151,008
Inventories	30,322	(30,968)
Prepaid Expenses and Other Assets	261,312	104,347
Cash Value of Life Insurance	(17,533)	2,820
Accounts Payable & Accrued Expense	(502,220)	175,824
Grants Administered	52,597	(256,077)
Student Deposits	40,881	17,410
Deferred Income	(9,484)	(197,041)
	\$ 1,762,177	\$ 5,274,704
Total Adjustment	\$ 1,762,177	\$ 5,274,704
Net Cash Provided by Operating Activities	\$ 3,221,022	\$ 8,301,707
Cash Flows for Investing Activities		
Acquisition of Investments	\$ (72,599,964)	\$ (92,898,192)
Proceeds from Sales of Investments	66,587,862	88,565,727
Acquisition of Property & Equipment	(3,518,021)	(10,315,526)
	\$ (9,530,123)	\$ (14,647,991)
Net Cash Used in Investing Activities	\$ (9,530,123)	\$ (14,647,991)
Cash Flows from Financing Activities		
New Borrowings	\$ 475,166	\$ 5,700,145
Principal Paid on Long-Term Indebtedness	(1,655,000)	(1,370,000)
Repayment of Annuity Contracts	(276,356)	(116,860)
	\$ (1,456,190)	\$ 4,213,285
Net Cash (Used) Provided from Financing Activities	\$ (1,456,190)	\$ 4,213,285
Net (Decrease) in Cash	\$ (7,765,291)	\$ (2,132,999)
Cash and Cash Equivalents - June 1	18,448,341	20,581,340
Cash and Cash Equivalents - May 31	\$ 10,683,050	\$ 18,448,341
Cash Paid for Interest During the Year:	\$ 1,531,058	\$ 1,208,707

See accompanying notes and independent auditor's report.

JUNIATA COLLEGE
NOTES TO FINANCIAL STATEMENTS
May 31, 2010 and 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 Financial Accounting Standard Board guidance for "Accounting for Contributions Received and Made," and "Financial Statements of Not-for-Profit Organizations." This guidance related to financial statement presentation 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. Guidance related to contributions received 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. Expenses are generally reported as decreases in unrestricted net assets. 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

Temporarily restricted net assets are reclassified to unrestricted when an expense is incurred that satisfies the donor-imposed restriction, or when a time restriction lapses.

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.

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 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 2009-10, spending was 5.0% of a 5-year moving average. For fiscal year 2010-11, spending will be 5.0% of a 5-year moving average of the previous 5 years' year-end market values.

f. 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.

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, 2010 and 2009, the amount of cash restricted by this indenture was \$119,307 and \$115,914, respectively

g. Inventories

Inventories are valued at cost, determined using a first-in, first-out basis. Inventories consist primarily of items used in operations and instruction

h. 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 1/2 year Treasury Bill rate applicable to each year end.

i. Investments

Investments are stated at fair 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.

j. 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>	<u>Capitalization Thresholds</u>
Buildings, Residences, and Other Structures	40	\$10,000/Item
Land Improvements	20	\$5,000/Item
Equipment	10	\$3,000/Item

k. 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.

l. 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.

m. Leases

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

n. 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.

o. 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.

p. Advertising Costs

The College recognizes all of its advertising costs as the expenses are incurred. During the years ended May 31, 2010 and 2009, the amount of advertising expense was \$360,500 and \$335,940, respectively.

q. 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 \$199,180 and \$147,946 accruals as of May 31, 2010 and 2009, respectively.

f. Reclassifications

Certain information for the prior year has been reclassified to make it consistent with the current year format where applicable.

Note 2: Loans Receivable

Loans receivable reflected on the Statement of Financial Position includes \$1,508,332 and \$1,623,267 of Perkins Loans and \$1,286,628 and \$811,945 of Junata College-provided loans, less an allowance for doubtful accounts of \$58,768 and \$49,691 for May 31, 2010 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 \$1,418,673 (2010) and \$1,433,760 (2009) liability on the Statement of Financial Position.

Note 3: Investments in Securities

Investments are stated at fair value. The primary objective is to earn an average annual return above the spending rate to support operations. Accordingly, the investment Committee of The Board of Trustees has approved a diversified asset allocation program for its long-term investments that is actively managed by various external managers. Equity investments include assets across all sectors and styles, including US large, mid and small-cap and, in the current year, hedge funds. Fixed income securities include treasuries, corporates, and other issues. The investment Committee, in combination with the College's investment advisors and management, performs continuous monitoring of actual results and operating styles. In 2010 the College's asset allocation included exposure to hedge funds. These funds are comprised of a diversified fund of funds and a long/short fund of funds. Management has estimated that the risk associated with these derivatives is not material to the College as of May 31, 2010. As of May 31, 2010 and 2009, the securities held by the College are comprised of the following:

2010	Total		Bonds		Stocks		Hedge Funds	
	Cost	Market	Cost	Market	Cost	Market	Cost	Market
Endowment-Pooled	\$53,981,050	\$56,629,394	\$14,985,797	\$15,506,051	\$35,995,253	\$38,135,656	\$3,000,000	\$2,987,687
Charitable Rem. Annuity Trusts	\$109,113	\$137,065	\$67,113	\$98,372	\$42,000	\$38,693		
Charitable Rem. Unitrusts	\$4,364,302	\$4,150,346	\$2,104,758	\$2,130,624	\$2,259,544	\$2,019,722		
Pooled Income	\$722,265	\$752,375	-\$80,000	\$78,212	\$642,265	\$674,163		
Gift Annuity	\$1,826,388	\$1,941,646	\$996,541	\$1,056,498	\$829,847	\$885,148		
Plant Fund	\$3,512	\$2,999	\$3,512	\$2,999				
Current Fund	\$97,732	\$86,420	\$0	\$0	\$97,732	\$86,420		
Grand Total	\$61,104,962	\$63,700,245	\$18,237,721	\$18,872,756	\$39,866,641	\$41,839,802	\$3,000,000	\$2,987,687

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	\$100,759	\$72,300
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

Note 4: Property and Equipment

Property and equipment values are summarized as follows at May 31, 2010 and May 31, 2009:

	<u>2010</u>	<u>2009</u>
Construction in Progress	\$87,259	\$194,983
Land	1,982,707	1,940,603
Buildings	96,140,822	92,255,253
Equipment	22,504,449	22,102,618
Land Improvements	<u>1,174,558</u>	<u>1,126,751</u>
	121,889,795	117,620,208
Less: Accumulated Depreciation	<u>(50,565,312)</u>	<u>(47,490,181)</u>
	<u>\$71,324,483</u>	<u>\$70,130,027</u>

Depreciation expense on these assets was \$3,005,287 and \$2,924,866 for 2010 and 2009, respectively.

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

	<u>2010</u>	<u>2009</u>
Land	\$ 610,158	\$ 652,261
Rental Properties	<u>3,008,600</u>	<u>3,930,511</u>
	\$ 3,618,758	\$ 4,582,802
Less: Accumulated Depreciation	<u>(607,133)</u>	<u>(804,640)</u>
	<u>\$ 3,011,625</u>	<u>\$ 3,778,162</u>

Depreciation expense on these rental properties was \$75,274 and \$104,767 for 2010 and 2009, respectively.

Non-depreciable assets such as collectibles, totaled \$1,543,382 and \$1,533,841 respectively as of May 31, 2010 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 \$1,609,018 and \$1,543,470 for the fiscal years ending May 31, 2010 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:

	2010	2009
Discount Rate:	7%	7%
Medical Trend Rate:	5%	5%
Turnover:	Moderate	Moderate
Utilization:	50% - 85%	50% - 85%

In accordance with FASB guidance regarding "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, 2010 and May 31, 2009:

	2010	2009
Accumulated postretirement benefit obligation	\$3,573,589	\$3,286,098
Unrecognized net transition liability		
Unrecognized prior service (assets) cost	46,094	61,043
Unrecognized net loss (gain)	(917,964)	(713,364)
Accrued postretirement benefit cost included in the accompanying Statement of Financial Position	\$2,701,719*	\$2,633,777
Net periodic postretirement benefit cost includes the following components:		
Normal service cost-benefits during the period	\$42,896	\$65,746
Interest cost on postretirement benefit obligation	215,242	210,231
Net amortization and deferral	6,848	9,055
Net periodic postretirement benefit cost	\$264,986	\$285,032

*This represents an increase of \$67,942, which is the difference between the net periodic postretirement benefit cost (\$264,986) and the net payments (\$197,044) for the year ending May 31, 2010.

Note 7: Bonds & Note Payable

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

	Balance 5/31/09	Additional Borrowing 09-10	Principal Retired 09-10	Balance 5/31/10
Huntingdon County General Authority:				
Series 2001	\$18,255,000		(\$955,000)	\$17,300,000
Series 2004	5,738,000		0	5,738,000
Note 2007	6,700,126	475,166	0	7,175,292
PA Higher Educational Facilities Authority:				
Series 2002	6,300,000		(700,000)	5,600,000
Total	\$36,993,126	\$475,166	(\$1,655,000)	\$35,813,292

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

	HCGA			PA HEFA	Totals
	2001	2004	2007	2002	
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
2014-2015	940,000	210,000	325,000	600,000	2,075,000
2015-2016	990,000	214,000	325,000	600,000	2,129,000
Thereafter	12,805,000	4,906,000	5,600,292	2,600,000	25,911,292
Totals	\$17,300,000	\$5,738,000	\$7,175,292	\$5,600,000	\$35,813,292

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 "A-".

Pursuant to a Trust Indenture dated June 1, 2002, between the Pennsylvania Higher Educational Facilities Authority (PA HEFA) and a bank, PA HEFA 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 "A-".

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 Oiler 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 Huntington 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 \$7.2 million dollars of this note. The maturity date is October 1, 2030. The tables above only reflect the amounts advanced through May 31, 2010.

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. The total amount of interest capitalized for the years ended May 31, 2010 and 2009 was \$0 and \$34,335 respectively. Total interest expense for the years ended May 31, 2010 and 2009 was \$1,531,058 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 balance owed on May 31, 2010 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:

	5/31/10	5/31/09
In One Year or Less	\$222,539	\$587,017
Between One Year and Five Years	3,120,392	9,029,176
More Than Five Years	<u>1,395,003</u>	<u>8,667,853</u>
Face Value Pledges	4,737,934	18,284,046
Less: Discount	<u>(1,143,661)</u>	<u>(3,835,881)</u>
Present Value of Pledges	3,594,273	14,448,165
Less: Allowance for Uncollectibles	<u>(179,714)</u>	<u>(722,160)</u>
Pledges Receivable	<u>\$3,414,559</u>	<u>\$13,726,005</u>

At May 31, 2010 and 2009 management estimated that 5% of the present value of the pledges receivable will be uncollectible.

In fiscal 2010, the College learned that the William J. von Liebig Foundation, Inc would not be able to fulfill its pledge obligation to the college. This obligation had been included in the pledge information as a Support Agreement between the College and The William J. von Liebig Foundation, Inc. It provided 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 \$.9 million was restricted for program support in the sciences; the remaining \$11.2 million "was to be used for any lawful charitable educational purpose of the College." The college recorded a write-off of this support agreement in the amount of \$7,437,264, which was the net receivable as of May 31, 2010.

Conditional pledges and bequest intentions totaling approximately \$29,774,000 have been excluded from the pledge receivable amounts and are not recorded in the financial statements due to the fact that they are conditional.

Note 9: Contributed Property and Services

The College receives donated property and services throughout the year. For the years ended May 31, 2010 and 2009, a total of \$49,373 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 \$9,541 of the above amount for the year ended May 31, 2010.

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, 2010 and 2009, some \$194,394 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:	
2010-11	\$209,868
2011-12	\$192,098
2012-13	\$183,372
2013-14	\$48,914
2014-15	\$10,166

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, 2010, the College has the following interest rate swap in effect:

Notional Amount	\$18,260,000
Strike Rate	3.74%
Period	5/1/06 to 5/1/11

The fair value of the interest rate swap agreement as of this date, was a liability to the College of \$517,771. The comparable amount as of May 31, 2009 was \$964,526. The change in fair value of this interest rate swap agreement of \$446,755 has been recorded as a revenue item for the year ended May 31, 2010.

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, 2010 and 2009, the College received \$101,987 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

Financial Accounting Standards Board guidance 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.

For the years ended May 31, 2010 and 2009, the College recognized accretion expense (an increase to this liability) of \$36,971 and \$36,457, respectively. The College has also been proactive in mitigation of these obligations. The balance of this liability was \$633,279 and \$624,479 as of May 31, 2010 and 2009 respectively.

Note 15: Endowments for Not-For-Profit Organizations

Financial Accounting Standards Board provides 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 guidance 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. 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

Junlata 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. Junlata 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, Junlata 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.

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, 2010 and 2009 were \$8,046,960 and \$9,828,367 respectively.

Endowment Net Asset Composition by Type of Fund As of May 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment funds	\$1,219,864	\$11,389,326	\$45,801,048	\$58,410,238
Board-designated	\$5,676,870	0	0	\$5,676,870
Total Funds	\$6,896,734	\$11,389,326	\$45,801,048	\$64,087,108

Changes in Endowment Net Assets for the Fiscal Year Ended May 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, beginning of year	\$4,167,075	\$9,355,181	\$43,964,356	\$57,486,612
Investment Return:				
Investment Income	\$66,387	\$1,165,009	\$5,685	\$1,237,081
Net Appreciation (realized and unrealized)	2,948,436	\$3,579,861		\$6,528,297
Total Investment Return	\$3,014,823	\$4,744,870	\$5,685	\$7,765,378
Contributions	\$192,486	\$4,715	\$1,831,007	\$2,028,208
Appropriation of endowment assets for expenditure	(\$477,650)	(\$2,715,440)		(\$3,193,090)
End of year	\$6,896,734	\$11,389,326	\$45,801,048	\$64,087,108

Note 16: Restrictions and Limitations on Net Asset Balances

At May 31, 2010 and 2009, the College's unrestricted net assets were allocated as follows:

	2010	2009
Investment in Plant	\$34,440,831	\$ 37,622,284
Other Endowment	6,896,734	4,204,208
Reserves and operating funds	593,104	500,649
Total	\$41,930,669	\$42,327,141

The College's temporary restricted net assets were allocated as follows:

	2010	2009
Long-term investment gains restricted as to purpose:		
Instruction	\$ 5,956,675	\$4,782,427
Student Aid	5,394,858	4,543,490
	11,351,533	9,325,917
Other Purpose restrictions	919,035	5,525,461
Time restrictions:		
Annuity trust agreements	1,622,669	726,078
Pledges receivable	762,788	1,850,758
Total	\$ 14,656,025	\$17,428,214

The College's permanently restricted net assets were allocated as follows:

	2010	2009
Assets for which earnings are restricted as to purpose:		
Instruction	\$ 23,226,381	\$ 22,927,936
Student Aid	24,518,955	22,961,040
Other	798,163	114,622
Time restrictions:		
Annuity trust agreements	2,270,905	2,652,696
Pledges receivable	1,411,531	1,977,211
Total	\$52,225,935	\$50,633,505

Note 17: Fair Value Measurements

The college has determined the fair value of certain assets and liabilities through the application of FASB guidance related to "Fair Value Measurements." The carrying amounts in the table that follows are included in the statement of financial position under the applicable captions

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short-term investments	\$ 8,022	\$ 8,022	\$ 723,429	\$ 723,429
Accounts & loans receivable	4,484,469	4,484,469	3,621,530	3,621,530
Pledges receivable	3,414,559	3,414,559	13,726,005	13,726,005
Investments in securities	63,700,246	63,700,246	50,205,395	50,205,395
Interest Rate Swap agreement	(517,771)	(517,771)	(964,526)	(964,526)
Bonds & Notes payable	(35,813,292)	(35,813,292)	(36,993,126)	(36,993,126)

Fair values of assets and liabilities measured on a recurring basis at May 31, 2010 and 2009 are as follows:

Fair Value Measurements at Reporting Date Using

May 31, 2010	Fair Value	Quoted Prices In Active Markets (Level I)	Significant Observable Inputs (Level II)	Significant Observable Inputs (Level III)
Short-term Investments	\$ 8,022	\$ 8,022		
Investments in securities	63,700,246	63,700,246		
Pledges receivable	3,414,559			3,414,559
Interest Rate Swap agreement	(517,771)		(517,771)	
Bonds & Notes payable	(35,813,292)		(35,813,292)	
May 31, 2009				
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, 2010 have been recognized in the financial statements. The change in fair value of the interest rate swap agreement (financial instrument) of \$446,755 has been included in the statement of activities.

Following is a reconciliation of activity for the year ended May 31, 2010 for pledges measured at fair value based on significant unobservable (non-market) information:

	2010	2009
Face value of pledges	\$4,737,934	\$18,284,046
Less: Present value adjustments	(1,143,661)	(3,835,881)
Gross Pledges	3,594,273	14,448,165
Less: Allowance for uncollectibles	(179,714)	(722,160)
Net pledges per financial statements	<u>\$3,414,559</u>	<u>\$13,726,005</u>
Amounts collected	(\$3,394,441)	
Pledges written off	(10,793,983)	
New pledges Received	577,507	
Decrease in Allowance for Uncollectibles	542,446	
Net decrease in Present Value Adjustments	<u>2,757,025</u>	
Activity for the year ended May 31, 2010	<u>(\$10,311,446)</u>	

Note 18: 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 guidance requires, under certain circumstances, that a liability be accrued over the requisite service period. The College adopted these pronouncements and has recorded a liability for the years ending May 31, 2010 and 2009 of \$498,764 and \$561,772 respectively.

Note 19: Subsequent Events

Juniata College has evaluated subsequent events through August 27, 2010, the date which the financial statements were available to be issued.

On July 20, 2010, Pursuant to a Trust Indenture dated July 20, 2010, between the Huntingdon County General Authority (HCGA) and a bank, HCGA issued \$23.5 million of Series 2010A and \$560 thousand of series 2010B (federally taxable) bonds on behalf of the College. The Bonds are issued and secured pursuant to the Indenture. The Bonds are subject to optional and mandatory redemption. The proceeds of the sale of the Bonds will be used to fund a loan to the College, to finance the (a) refunding of the outstanding principal balance of the Pennsylvania Higher Educational Facilities Authority Revenue Bonds (Association of Independent Colleges and Universities of Pennsylvania Financing Program - Juniata College Project), Series 2002 J1 (the "2002 Bonds"), previously issued for the benefit of the College, (b) refunding of the outstanding principal balance of the Authority's College Revenue Bonds, Series A of 2001 (Juniata College Project) (the "2001 Bonds"), previously issued for the benefit of the College, (c) termination of an interest rate swap agreement entered into by the College with respect to the 2001 Bonds, and (d) costs of issuance of the Bonds. Standard and Poor's rates the 2010 bonds as "A-".

The following table sets forth the principal debt service requirements for the five upcoming fiscal years:

	2004	2007	2010A	2010B	Totals
2010-2011	\$13,000	275,000	0	90,000	\$378,000
2011-2012	192,000	325,000	0	85,000	602,000
2012-2013	203,000	325,000	0	90,000	618,000
2014-2015	210,000	325,000	0	95,000	630,000
2015-2016	214,000	325,000	0	100,000	639,000
Thereafter	4,906,000	5,600,292	23,500,000	100,000	34,106,292
Totals	\$5,738,000	\$7,175,292	\$23,500,000	\$560,000	\$36,973,292