

Bryn Mawr College

Financial Statements

May 31, 2011 and 2010

Bryn Mawr College
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May 31, 2011 and 2010

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Report of Independent Auditors

To the Board of Trustees
Bryn Mawr College

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Bryn Mawr College (the "College") at May 31, 2011 and 2010, and changes in its net assets and its cash flows for the years ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 4, 2011

Bryn Mawr College
Statements of Financial Position
Years Ended May 31, 2011 and 2010

(in thousands)

	<u>May 2011</u>	<u>May 2010</u>
Assets:		
Cash	\$ 34,109	\$ 44,529
Short-term investments	8,386	2,509
Accounts receivable (less allowance of \$464 in 2011 & \$320 in 2010)	5,414	4,499
Other assets	2,116	861
Contributions receivable (less allowance of \$521 in 2011 & \$388 in 2010)	6,001	7,738
Student loans receivable (less allowance of \$246 in 2011 & \$219 in 2010)	2,375	2,318
Deposits with trustees of debt obligations	33,567	4,755
Plant and equipment, net of accumulated depreciation	201,456	201,013
Long term investments	723,826	630,232
Total assets	<u>\$ 1,017,250</u>	<u>\$ 898,454</u>
Total Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 3,286	\$ 5,331
Accrued expenses	4,821	3,906
Student deposits	1,393	1,742
Deferred revenue	2,781	2,850
Annuity obligations	7,747	7,090
Debt	138,433	108,797
Other long-term liabilities	6,404	7,558
Advances from US government for student loans	1,825	1,814
Total Liabilities	<u>166,690</u>	<u>139,088</u>
Net Assets:		
Unrestricted	430,513	389,481
Temporarily restricted	228,211	183,268
Permanently restricted	191,836	186,617
Total net assets	<u>850,560</u>	<u>759,366</u>
Total Liabilities and Net Assets	<u>\$ 1,017,250</u>	<u>\$ 898,454</u>

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

Bryn Mawr College

Statements of Activities

May 31, 2011 and 2010

(with comparative totals for 2010, in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	Total 2010
Operating revenues:					
Tuition and fees, net of discount of \$26,467 in 2011 and \$23,833 in 2010	\$ 36,205			\$ 36,205	\$ 35,844
Private contributions	5,264	6,367		11,631	10,672
Government grants	6,907			6,907	5,670
Endowment payout under spending formula	15,585	14,158		29,743	27,280
Other	3,957			3,957	4,301
Auxiliary enterprises, net of discount of \$553 in 2011 and \$620 in 2010	19,577			19,577	18,483
Interest income on cash and short-term investments	1,608			1,608	1,165
Satisfaction of program restrictions	17,454	(17,454)		-	-
Total operating revenues	106,557	3,071	-	109,628	103,415
Operating expenses:					
Instruction	41,249			41,249	38,629
Research	2,135			2,135	2,210
Public service	2,078			2,078	2,107
Academic support	12,202			12,202	11,429
Student services	8,243			8,243	7,931
Institutional support	17,865			17,865	16,265
Scholarships and fellowships	4,807			4,807	5,062
Auxiliary enterprises	17,760			17,760	16,675
Total operating expenses	106,339	-	-	106,339	100,308
Net changes from operations	218	3,071	-	3,289	3,107
Non-operating items:					
Private contributions	1,625	400	2,975	5,000	5,106
Actuarial changes, interest and payments	(906)	(174)	(271)	(1,351)	(456)
Net assets whose restrictions have changed	2,739	(2,817)	78	-	-
Other	327			327	140
Realized and unrealized gains (losses) on investments, net of \$24,553 in 2011 and \$23,010 in 2010 appropriated for endowment spending payout	37,029	44,463	2,437	83,929	54,379
Net changes from non-operating activities	40,814	41,872	5,219	87,905	59,169
Change in net assets	41,032	44,943	5,219	91,194	62,276
Net assets at beginning of year	\$ 389,481	\$ 183,268	\$ 186,617	\$ 759,366	\$ 697,090
Net assets at end of year	\$ 430,513	\$ 228,211	\$ 191,836	\$ 850,560	\$ 759,366

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

Bryn Mawr College

Statements of Activities

May 31, 2011 and 2010

(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010
Operating revenues:				
Tuition and fees, net of discount of \$23,833 in 2010 and \$20,557 in 2009	\$ 35,844			\$ 35,844
Private contributions	4,956	5,716		10,672
Government grants	5,670			5,670
Endowment payout under spending formula	14,309	12,971		27,280
Other	4,301			4,301
Auxiliary enterprises, net of discount of \$620 in 2010 and \$447 in 2009	18,483			18,483
Interest income on cash and short-term investments	1,165			1,165
Satisfaction of program restrictions	23,071	(23,071)		-
Total operating revenues	107,799	(4,384)	-	103,415
Operating expenses:				
Instruction	38,629			38,629
Research	2,210			2,210
Public service	2,107			2,107
Academic support	11,429			11,429
Student services	7,931			7,931
Institutional support	16,265			16,265
Scholarships and fellowships	5,062			5,062
Auxiliary enterprises	16,675			16,675
Total operating expenses	100,308	-	-	100,308
Net changes from operations	7,491	(4,384)	-	3,107
Non-operating items:				
Private contributions	2,269	894	1,943	5,106
Actuarial changes, interest and payments	(214)	(154)	(88)	(456)
Net assets whose restrictions have changed	1,546	(1,616)	70	-
Other	140			140
Realized and unrealized gains (losses) on investments, net of \$23,010 in 2010 and \$25,626 in 2009 appropriated for endowment spending payout	21,721	30,721	1,937	54,379
Net changes from non-operating activities	25,462	29,845	3,862	59,169
Change in net assets	32,953	25,461	3,862	62,276
Net assets at beginning of year	\$ 356,528	\$ 157,807	\$ 182,755	\$ 697,090
Net assets at end of year	\$ 389,481	\$ 183,268	\$ 186,617	\$ 759,366

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

Bryn Mawr College
Statements of Cash Flows
May 31, 2011 and 2010

(in thousands)

For fiscal years ended May 31	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 91,194	\$ 62,276
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,490	9,414
(Gain)/Loss on disposal of equipment	243	76
Provision for losses/(benefits) on accounts/loans receivable	304	35
Contributions designated for long-term investment	(5,325)	(5,831)
Net realized and unrealized (gains) losses on investments	(108,636)	(77,940)
Change in net present value of annuities	657	(138)
Other	106	101
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(948)	1,136
Accounts payable, accruals, deferred revenue and student deposits	(1,548)	(2,031)
Contributions receivable	1,604	3,197
Termination of swaption	(2,340)	
Net cash used in operating activities	(15,199)	(9,705)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	68,506	195,300
Purchase of long-term investments	(60,662)	(171,033)
Alumnae Association investments	464	81
Payments on student loans and employee mortgages	1,370	1,688
Student loans and employee mortgages advanced	(883)	(2,082)
Purchase of property, plant and equipment	(10,764)	(14,927)
Decrease(increase) in deposits held by trustees of debt obligations	(28,812)	11,461
Net cash provided by (used in) investing activities	(30,781)	20,488
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions designated for long-term investment	5,325	5,831
Proceeds from long-term borrowing	28,400	15,520
Debt issuance costs	3,494	144
Repayment of debt	(1,670)	(15,490)
Government advance for loans	11	(43)
Net cash provided by financing activities	35,560	5,962
Net increase(decrease) in cash and cash equivalents	(10,420)	16,745
Cash and cash equivalents at beginning of year	44,529	27,784
Cash and cash equivalents at end of year	\$ 34,109	\$ 44,529
Supplemental data for financing activities:		
Non-cash gifts-in-kind	368	27
Interest paid	4,503	4,110
Construction related payables	698	1,593

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

Bryn Mawr College

Notes to the Financial Statements

May 31, 2011

(All Information is reported in thousands)

1 Organization

Bryn Mawr College (the College) is a private institution of higher education located in Bryn Mawr, Pennsylvania. The College has been granted tax-exempt status as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code.

The Undergraduate College offers a four-year, liberal arts curriculum to women and has cooperative exchanges for academic courses, library use and certain other administrative functions with other area schools. Undergraduate full-time equivalent enrollment for the fiscal year was approximately 1,286 students.

Geographically, 33% of undergraduate students come from the Middle Atlantic region of the United States, 48% from states in other regions, and 19% from foreign countries. Bryn Mawr also has coeducational graduate schools of Arts and Sciences and of Social Work and Social Research. The graduate school enrollment full-time equivalent enrollment was 371.

2 Summary of Significant Accounting Policies

Basis of Presentation

The College's financial statements have been prepared on an accrual basis. Resources are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Permanently restricted: 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 these assets.

Temporarily restricted: Net assets whose use by the College is subject to donor-imposed restrictions which can be fulfilled by actions of the College in accordance with those restrictions or by the passage of time. Endowment income and spendable contributions with donor-imposed restrictions are reported as temporarily restricted. Such net assets are reclassified to unrestricted net assets when the donor-imposed restrictions have been met.

Unrestricted: Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Expenses are reported as decreases in unrestricted net assets. Expirations or changes in donor-imposed stipulations are reported as net assets released from restrictions and treated as reclassifications between the applicable classes of net assets.

Investments

Effective June 1, 2008 the FASB issued a standard on *Fair Value Measurements*. This standard defines the term fair value, establishes a framework for measuring it within generally accepted accounting principles and expands disclosures about its measurements. The standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The standard also establishes a three-level hierarchy for fair value measurements based on inputs that market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of the College as follows:

- Level I – Quoted prices in active markets for identical assets or liabilities, at the reporting date, without adjustment. Market price is data generally obtained from relevant exchange or dealer markets.
- Level II – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date.
- Level III – Pricing inputs are unobservable for the investment and includes situations where a) there is minimal, if any, market activity for the investment and b) the inputs used in determination of fair value require significant management judgment or estimation.

Bryn Mawr College
Notes to the Financial Statements
May 31, 2011

(All Information is reported in thousands)

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. The College considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the College's perceived risk of that instrument.

Assets and liabilities are disclosed in the Notes to Financial Statements within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. The College's assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy. The fair value of assets and liabilities using Level III inputs are generally determined by using pricing models, discounted cash flow methods or calculated net asset value per share, which all require significant management judgment or estimation.

The College is permitted under the pronouncement to estimate the fair value of an investment in an investment company at the measurement date using the reported net asset value (NAV). The College's investments in private equity, real assets and certain hedge funds are generally valued based on the most current NAV adjusted for cash flows when the reported NAV is not at the measurement date. This amount represents fair value of these investments at May 31, 2011.

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

Bryn Mawr's investment policy goal is primarily to maintain the purchasing power of the endowment and secondarily, to increase the portion of the colleges operating budget that comes from endowment over time. The College utilizes a highly diversified investment portfolio to reduce the risk and increase the return over a full market cycle. Protecting assets from downside risk increase the investment returns and reduce the risk over time. In both our spending policy and our investment strategy we try to reduce volatility to produce more predictable and stable results.

Short-Term Investments

Short-term investments include cash equivalents and fixed income investments with maturities of less than one year. Short-term investments are valued using observable market data to the degree that they can be valued based on quoted market prices in active markets. The majority of these short-term investments are held in US Treasury accounts.

Equity Funds

Equity investments consist of separate accounts, daily traded mutual funds, commingled funds and limited partnerships. Securities held in separate accounts and daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets with no valuation adjustment applied. Commingled funds and limited partnership interests are valued at NAV by the respective external investment managers.

Bryn Mawr College
Notes to the Financial Statements
May 31, 2011

(All Information is reported in thousands)

Real Assets

Real assets primarily represent real estate, commodity and energy related interests held through limited partnerships. These investments are valued at NAV by the respective general partners and adjusted for subsequent cash flow activity if applicable.

Private Equity

Investments in private equity are in the form of limited partnership interests. The fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These limited partnership investments are valued at NAV as reported by the general partners and adjusted for subsequent cash flow activity if applicable.

Hedge Funds

Investments in hedge funds, also known as marketable alternatives, represent multi-strategy, global and US equity interests. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These investments are valued at NAV as reported by the general partners and adjusted for subsequent cash flow activity if applicable.

Split Interest Agreements

Split interest agreements represent a variety of funds including pooled growth, pooled income, charitable gift annuity, charitable remainder unitrust and annuity trusts and income trusts. The discounted present value of any income beneficiary interest is reported as a liability in the Statement of Financial Position based on actuarial tables established by the Internal Revenue Service using discount rates ranging from 3% to 6%.

Endowment Spending

Commonwealth of Pennsylvania law permits the College to allocate to income each year a portion of endowment net realized gains. The law allows non-profit organizations to spend a percentage of the market value of their endowment funds, including realized and unrealized gains. The percentage, between 2% and 7%, is elected annually. The endowment market value is determined based on an average spanning at least three years.

Bryn Mawr College uses a constant growth spending policy as follows: a 4.5% increase over the prior years spending plus 5% of gifts received in the most recently closed fiscal year; subject to a floor/ceiling band of 4.5% and 5.5% of the trailing 12 quarter average of the endowment value.

New Accounting Standards

In January 2010, the FASB issued two new investment disclosure requirements and clarified guidance on existing investment disclosure requirements. The new guidance requires entities to disclose transfers of assets in and out of Levels I and II of the fair value hierarchy and the reasons for those transfers, effective for the College's fiscal year 2011.

This guidance also requires entities to disclose gross, rather than net, reporting of changes in Level III fair value measurements. This standard is effective for the College's fiscal year 2012.

Bryn Mawr College
Notes to the Financial Statements
May 31, 2011

(All Information is reported in thousands)

The first clarification requires entities to further disaggregate the presentation of investments by class of asset and liabilities rather than by major category.

Plant and Equipment

Plant assets are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, as follows: buildings (60 years); building systems, renovations and land improvements (20-25 years); information systems, equipment and furnishings (5-10 years); and books (20 years). Depreciation expense is allocated to functional categories in the statement of operations based on building square footage. Expenditures for new construction, major renovations, equipment, and library acquisitions are capitalized. Gains or losses on sale or retirement of plant assets are recorded in the year of disposition.

Works of art, special collections and similar assets have been capitalized at their estimated fair value at the date of acquisition, based upon appraisals or similar valuations. Such assets are not depreciated.

Long-lived assets to be held and used are reviewed for impairments whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. Management does not believe that there are any impairments at May 31, 2011.

Cash and Cash Equivalents

Cash and other investments with a maturity of three months or less at the time of purchase are reported as cash equivalents. Cash and cash equivalents representing assets of endowment and similar funds are included in long-term investments.

Deposit with Trustees of Debt Obligations

Deposits with trustees of debt of debt obligations are invested in cash, money market and various government securities according to the requirements established by the associated bond agreements.

Non-operating items

Endowment and other non-operating activity reflect increases and decreases in net assets associated with long-term investments. The College generally designates unrestricted bequests over \$25 for long-term investment.

Deferred Revenue

Revenues received prior to the end of the fiscal year which relate to the following fiscal year are recorded and reflected in student deposits and deferred revenue.

Other Assets

Other assets include prepaid expenses and inventories which are valued the lower of cost or market.

Use of Estimates

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

Fund Raising Expenses

Direct expenses for fundraising were \$3,483 in 2011 and \$2,900 in 2010.

Contributions Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received at their net present value, less an allowance for estimated uncollectible amounts.

Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

Bryn Mawr College
Notes to the Financial Statements
May 31, 2011

(All Information is reported in thousands)

3 Contributions Receivable

Contributions receivable consisted of the following at May 31. The discount rates applied to new pledges was 4.0% and 3.5% at May 31, 2011 and 2010, respectively.

Contributions receivable in:	2011	2010
Less than one year	\$ 4,656	\$ 2,238
One to five years	1,981	6,266
More than five years	45	8
	<u>6,682</u>	<u>8,512</u>
Less allowance for doubtful contributions	(521)	(388)
	<u>6,161</u>	<u>8,124</u>
Less discount to present value	(160)	(386)
	<u>\$ 6,001</u>	<u>\$ 7,738</u>
Contributions Receivable	\$ 6,001	\$ 7,738

4 Property, Plant and Equipment

At May 31 property, plant and equipment consisted of the following:

	2011	2010
Land and land improvements	\$ 9,451	\$ 9,441
Buildings and fixed equipment	261,014	248,373
Information systems	5,226	5,024
Equipment and library books	44,545	48,581
Fine arts and special collections	5,455	5,425
Construction in progress	1,885	6,084
	<u>327,576</u>	<u>322,928</u>
Accumulated depreciation	(126,120)	(121,915)
	<u>\$ 201,456</u>	<u>\$ 201,013</u>
Net property, plant and equipment	\$ 201,456	\$ 201,013

Depreciation expense was \$10,078 and \$9,238 at May 31, 2011 and 2010, respectively.

Included in Land and land improvements is a property valued at \$4,033 which was acquired by gift. The College reviews the value of this gift annually and intends to sell this property after certain events transpire.

5 Investments

Endowment and similar funds are classified as long-term investments and include the College's permanent endowment funds, term endowment funds, and quasi-endowment funds. Quasi-endowment funds have been established by the Board of Trustees for the same purposes as endowment funds; however, any portion of quasi-endowment funds may be expended.

Annuity, life income, and trust agreements are also classified as long-term investments. The College pays periodically either the income earned or a fixed percentage of the assets to the beneficiary designated by the donor. Upon termination of an annuity, life income, or trust agreement the College's remainder interest in the assets is available for use by the College as restricted by the donor or designated by the Board of Trustees. The

Bryn Mawr College
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May 31, 2011

(All Information is reported in thousands)

College has recorded an accrued liability and deferred revenue of \$7,747 at May 31, 2011 and \$7,090 at May 31, 2010 representing gift annuities payable and pooled income fund liabilities.

Long-term investments include mortgages held on residences for eligible employees that amount to \$9,462 and \$10,033 as of May 31, 2011 and 2010 respectively. The portfolios 4.8% average interest rate approximates the market rates and the assets are fully collateralized with a zero deficiency and default rate, therefore the face value equals the market value.

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Notes to the Financial Statements
May 31, 2011

(All Information is reported in thousands)

Changes to the reported amounts of investments measured at fair value on a recurring basis listing Level III (unobservable) inputs as of May 31 are as follows:

	Private					Total
	Real Assets	Equity	Hedge Funds	Trusts	Swaps	
Balance, May 31, 2010	\$ 82,435	\$ 102,332	\$ 158,229	\$ 22,218	\$ (1,723)	\$ 363,491
Net purchases, sales and settlements	24,978	17,368	(20,931)	(371)	2,340	23,384
Net Interest, dividends and fees	1,777	(263)	(19)	118		1,613
Net Distributions	(3,577)	(20,745)		(256)		(24,578)
Net change in realized/unrealized gains/(losses)	8,703	25,613	18,300	2,713	750	56,079
Balance, May 31, 2011	\$ 114,316	\$ 124,305	\$ 155,579	\$ 24,422	\$ 1,367	\$ 419,989

	Private					Total
	Real Assets	Equity	Hedge Funds	Trusts	Swaps	
Balance, May 31, 2009	\$ 61,877	\$ 71,459	\$ 121,857	\$ 19,430	\$ (2,276)	\$ 272,347
Net purchases, sales and settlements	12,783	18,270	19,792	880		51,725
Net Interest, dividends and fees	1,568	(1,576)	(166)	106		(68)
Net Distributions	(2,491)	(5,192)		(229)		(7,912)
Net change in realized/unrealized gains/(losses)	8,698	19,371	16,746	2,031	553	47,399
Balance, May 31, 2010	\$ 82,435	\$ 102,332	\$ 158,229	\$ 22,218	\$ (1,723)	\$ 363,491

Transfers between leveled assets are based on the actual date of the event which caused the transfer. As of May 31, 2011 and 2010 there were no significant transfers between Levels I, II, or III.

The realized and unrealized gains and losses of the Level III investments for fiscal years 2011 and 2010 are included in Realized and unrealized gains (losses) on investments in the Non-operating section of the Statement of Activities. Realized and unrealized gains of \$52,616 and \$2,713 are attributable to assets held at year end in investments and trusts respectively for 2011 and \$44,815 and \$2,031 for 2010.

Deposits with trustees of debt obligations of \$33,567 and \$4,755, as of May 31, 2011 and 2010 respectively, are considered Level II investments.

Liquidity risk is the risk that the College will not be able to meet its obligations due to restrictions on ability to redeem investments. The College has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that limit its ability to initiate redemptions due to notice periods, lock-ups, side-pocket investments and investment periods. \$354 million or 49% of our assets are redeemable within 6 months, 63% or \$455 million within one year, approximately \$8.1 million or 1% of our assets are designated illiquid investments. The College closely monitors liquidity and has a \$25 million available line of credit.

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Notes to the Financial Statements
May 31, 2011

(All Information is reported in thousands)

Details on current redemption terms and restrictions by asset class and type of investment are provided below. Standard redemption notices are between 30 and 60 days.

Liquidity of Assets	Value
1 to 7 days	
Cash & cash equivalents	\$ 2,588
Equity (domestic)	51,239
Real Assets	14,371
Fixed income (domestic)	63,589
Between 1 week and 1 month	
Equity	
Domestic	5,761
International	119,250
Fixed income	34,694
1 to 3 months	
Hedge Funds	
Global Equity (long/short)	13,912
Multi-Strategy	21,176
US Equity (long/short and event driven)	15,559
Real Assets	6,832
3 to 6 months	
Real Assets	5,192
6 months to 1 year	
Hedge Funds	
Global Equity (long/short)	7,004
Multi-Strategy	55,109
US Equity (long/short and event driven)	29,160
Real Assets	9,912
Long-Term greater than 1 year	
Hedge Funds	
Global Equity (long/short)	5,714
Multi-Strategy	405
US Equity (long/short and event driven)	7,540
Real Assets	92,380
Private Equity	124,305
Trusts	37,058
TOTAL	\$ 722,750

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May 31, 2011

(All Information is reported in thousands)

Endowment investment activity for 2011 and 2010 is as follows:

	Endowment & similar funds	Gift annuities and trusts	Trusts held by others	2011	2010
Investments at beginning of year	\$ 587,527	\$ 27,305	\$ 5,367	\$ 620,199	\$ 556,789
Contributions restricted by donor	3,070	1,194		4,264	3,618
Contributions designated for long term investment	1,061			1,061	2,213
Payout returned to long-term investments	282			282	59
Other increases	5,542			5,542	4,260
	<u>597,482</u>	<u>28,499</u>	<u>5,367</u>	<u>631,348</u>	<u>566,939</u>
Investment returns net of expenses of \$5,662 in 2011 and \$6,090 in 2010.					
Investment dividends and interest	5,685			5,685	4,535
Realized/Unrealized gains/losses	103,418	3,561	1,008	107,987	77,124
	<u>109,103</u>	<u>3,561</u>	<u>1,008</u>	<u>113,672</u>	<u>81,659</u>
Endowment spending payout	(29,743)			(29,743)	(27,280)
	<u>79,360</u>	<u>3,561</u>	<u>1,008</u>	<u>83,929</u>	<u>54,379</u>
Alumnae Association	464			464	81
Annuity and trust income		479		479	466
Payments to annuitants and trust expenses		(1,167)		(1,167)	(1,059)
Maturities of annuities		(689)		(689)	(607)
Investments at end of year	<u>\$ 677,306</u>	<u>\$ 30,683</u>	<u>\$ 6,375</u>	<u>\$ 714,364</u>	<u>\$ 620,199</u>

6 Debt

Long-term debt, net of unamortized issuance costs, discounts, or premiums at May 31, consisted of the following:

	Date	Rate	Issue, Net	2011	2010
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2010A	12/1/2019	3.0%-5.0%	31,549	31,549	-
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2010	12/1/2029	2.0%-5.0%	\$ 15,665	\$ 15,203	\$ 15,665
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2009	12/1/2039	Variable	29,671	29,139	29,683
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2007	12/1/2037	5.0%	23,162	22,965	22,995
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2002	12/1/2012	4.0%-5.25%	42,790	39,577	40,454
				<u>\$ 138,433</u>	<u>\$ 108,797</u>

The Series 2009 debt issue is a multi-mode document currently in a one year term-rate option with an interest rate of .43%. The interest rate and mode are scheduled to reset in February 2012.

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Principal payments on long-term debt are as follows:

	Series 2010A	Series 2010	Series 2009	Series 2007	Series 2002	Total
2012	\$ -	\$ 555	\$ 580	\$ -	\$ 700	\$ 1,835
2013		575	600		38,665	39,840
2014	920	600	620			2,140
2015	945	625	645			2,215
2016	985	640	670			2,295
Thereafter	25,550	12,075	26,330	22,170		86,125
						\$ 134,450

Hedging Activity

In conjunction with the interest rate swap, the College adopted the Statement of Financial Accounting Standard on *Accounting for Derivative Instruments and Hedging Activities* as amended.

Swap Agreement

In 2006, the College sold a swap option related to its 1999 Bonds to UBS AG (UBS) and entered into basis swaps with UBS related to the College's 1997 and 1999 Bonds, respectively. The College entered into the swap option for the purpose of locking in interest rate savings that were available as the result of the decline in interest rates between the date of the issuance of the 1999 Bonds and the date that the College entered into the swap option. UBS paid the College a premium for the swap option, which generally reflected this decline in interest rates. In December 2010, UBS exercised the swap option and put the College into a swap pursuant to which the College was required to pay a fixed rate of 5.104% to UBS and received from UBS a variable rate based on the Securities Industry and Financial Markets Association ("SIFMA") Municipal Swap Index plus 26 basis points on certain notional principal amounts related to the 1999 Bonds. In March 2011, the College terminated the swap agreement by agreeing to make a payment to UBS that reflected the then-current present value of the expected difference in future payments to be exchanged by UBS and the College under the swap agreement.

The basis swaps provide for the College and UBS to exchange variable rate payments in amounts and for time periods tied to the College's 1997 Bonds (subsequently refunded by the 2007 Bonds) and 1999 Bonds (subsequently refunded by the 2010 Bonds). The variable rate payments paid by the College are based on a tax-exempt index. The variable rate payments paid by UBS are based on a taxable index plus a spread. The basis swaps expose the College to basis risk based on the future relationship between the tax-exempt index paid by the College and the taxable index paid by UBS.

At May 31, 2011, the fair value of the basis swaps were \$702 and \$665, resulting in a total net fair value of \$1,367, and is recorded in Other Assets on the College's Statement of Financial Position. The realized and unrealized gains of \$750 for fiscal year 2011 are included in Other Non-operating Income in the Statement of Activities.

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Notes to the Financial Statements
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7 Net Assets

Net assets at May 31, 2011 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current funds:	\$ 8,830	\$ 14,978		\$ 23,808
Loan funds:	538	1,223		1,761
Endowment and similar funds:				
True endowment		201,979	169,904	371,883
Quasi endowment	298,091	3,535		301,626
Term endowment		1,580		1,580
Annuities and trusts	2,902	4,470	21,932	29,304
Plant funds:				
Unexpended Plant	24,989			24,989
Capital projects		446		446
Net investment in plant	95,163			95,163
Total	<u>\$ 430,513</u>	<u>\$ 228,211</u>	<u>\$ 191,836</u>	<u>\$ 850,560</u>

Net assets at May 31, 2010 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current funds:	\$ 9,063	\$ 15,058		\$ 24,121
Loan funds:	538	1,270		1,808
Endowment and similar funds:				
True endowment		158,452	166,648	325,100
Quasi endowment	256,936	2,800		259,736
Term endowment		1,264		1,264
Annuities and trusts	1,423	4,190	19,969	25,582
Plant funds:				
Unexpended Plant	22,524			22,524
Capital projects		234		234
Net investment in plant	98,996			98,996
Total	<u>\$ 389,481</u>	<u>\$ 183,268</u>	<u>\$ 186,617</u>	<u>\$ 759,366</u>

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Changes to the reported amount of the College's endowment net assets as of May 31 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, May 31, 2010	\$ 256,936	\$ 162,516	\$ 166,648	\$ 586,100
Investment return:				
Investment income	2,525	3,160		5,685
Net appreciation (realized and unrealized)	45,926	57,469	23	103,418
Total investment return	48,451	60,629	23	109,103
New gifts	820	237	2,749	3,806
Appropriation of endowment assets for spending	(13,211)	(16,532)		(29,743)
Transfers	5,095	244	484	5,823
 Net assets, May 31, 2011	 \$ 298,091	 \$ 207,094	 \$ 169,904	 \$ 675,089
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, May 31, 2009	\$ 229,781	\$ 132,094	\$ 164,698	\$ 526,573
Investment return:				
Investment income	2,140	2,394		4,534
Net appreciation (realized and unrealized)	30,532	43,858	16	74,406
Total investment return	32,672	46,252	16	78,940
New gifts	2,099	115	1,843	4,057
Appropriation of endowment assets for spending	(11,051)	(16,228)		(27,279)
Transfers	3,435	283	91	3,809
 Net assets, May 31, 2010	 \$ 256,936	 \$ 162,516	 \$ 166,648	 \$ 586,100

The aggregate amount of all donor-related endowment funds for which the fair value of assets at May 31 is less than the level required by donor stipulations was \$247 in 2011 and \$1,850 in 2010.

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8 Employee Benefits

Eligible faculty, administration, and staff are provided pension benefits under the College's defined contribution retirement program administered principally by TIAA/CREF. The policy of the College is to pay its share of the annual premium accrued in connection with this program; there are no unfunded benefits. Pension plan expense for the program was \$3,980 in 2011 and \$3,945 in 2010.

9 Commitments and Contingencies

Certain of the College's long-term investments involve future cash commitments which total approximately \$132,331 at May 31, 2011.

The College has outstanding construction contracts totaling approximately \$6,887. Completion of these projects is estimated to extend through June 2012.

The College is a defendant in various legal actions. While the final amount of these claims cannot be determined at this time, management does not expect that the resolution of the outstanding claims and litigation will have a material adverse effect upon the College's financial position.

10 Expenses by Natural Classifications

Expenses were incurred in the following categories for the years ended May 31:

	2011	2010
Salaries and wages	\$ 44,835	\$ 43,321
Benefits	14,616	14,133
Scholarships and fellowships	4,807	5,062
Services and contracting	15,464	12,899
Supplies and minor equipment	2,614	2,826
Travel and entertainment	3,086	2,153
Auxiliaries' cost of goods sold	2,689	2,799
Utilities	2,988	2,968
Insurance	659	799
Depreciation	10,078	9,238
Interest	4,503	4,110
Total	\$ 106,339	\$ 100,308

11 Disclosures about the Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Equivalents

The carrying amount approximates fair value because of the short maturity of those instruments.

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Bonds Payable

The fair value of the College's bonds payable approximates \$141,995 and \$111,598 at May 31, 2011 and 2010 respectively. The fair value of bonds is estimated based on quoted market prices for the same or similar issues. The market prices utilized reflect the rate that the College would have to pay to a credit worthy third party to assume its obligation and do not reflect an additional liability to the College.

Student Loan Receivables

Determination of the fair value of student loan receivables, which are primarily federally-sponsored student loans with U.S. Government mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, could not be made without incurring excessive costs.

12 Line of Credit

The College holds two lines of credit, with varying terms, totaling \$25,000 of which \$10,000 expires in November 2011 and the remaining \$15,000 expires February 2012. As of May 31, 2011 there was no outstanding balance on either line of credit.

13 Subsequent Events

The College evaluated subsequent events after the balance sheet date of May 31, 2011 through its distribution date of October 4, 2011. No subsequent events were noted during this period.