Vassar College

Financial Statements
June 30, 2013 and 2012

Vassar College
Index
June 30, 2013 and 2012

Independent Auditor's Report

To the Board of Trustees of Vassar College:

We have audited the accompanying financial statements of Vassar College ("Vassar" or the "College"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College at June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the College changed its presentation of contributed securities in its statements of cash flows.

PricewaterhouseCoopers LLP

October 24, 2013

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Vassar College
Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
Assets		
Cash and cash equivalents	$ 20,219,732	$ 11,301,488
Accounts receivable, net		
Student accounts receivable	500,899	495,832
Student loans receivable	3,294,839	3,251,880
Grants receivable	1,231,918	800,757
Contributions receivable	38,984,679	24,584,361
Accrued investment income receivable	485,305	743,158
Inventories	729,695	920,223
Prepaid and other assets	3,481,418	4,854,289
Deposits held by trustee	105,939,811	36,568,779
Investments	908,138,207	843,653,397
Beneficial interests in outside trusts	8,631,501	8,082,840
Land, buildings and equipment, net	392,735,612	373,068,527
Total assets	$ 1,484,373,616	$ 1,308,325,531
Liabilities		
Accounts payable and accrued expenses	$ 19,587,456	$ 25,393,292
Deferred revenue and students' deposits	3,847,736	3,212,098
Refundable government loan funds	2,666,822	2,641,411
Present value of beneficiary payments	12,992,387	13,251,759
Deposits held for others	3,985,198	3,295,040
Long-term debt	254,615,000	169,260,000
Accrued pension obligation	7,913,921	12,713,277
Asset retirement obligation	7,906,552	7,896,770
Accrued postretirement benefit obligation	26,864,636	29,733,118
Total liabilities	340,379,708	267,396,765
Net assets		
Unrestricted	354,427,775	331,376,264
Temporarily restricted	482,039,551	425,496,533
Permanently restricted	307,526,582	284,055,969
Total net assets	1,143,993,908	1,040,928,766
Total liabilities and net assets	$ 1,484,373,616	$ 1,308,325,531

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

Vassar College
Statements of Activities
Year Ended June 30, 2013 with Summarized Comparative Totals for 2012

	2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenues					
Tuition and fees	$ 117,512,877	$ -	$ -	$ 117,512,877	$ 112,392,142
Room and board	22,391,226	-	-	22,391,226	21,505,111
	139,904,103	-	-	139,904,103	133,897,253
Less: Scholarships	(57,927,120)	-	-	(57,927,120)	(54,205,521)
Net tuition, fees, room and board	81,976,983	-	-	81,976,983	79,691,732
Investment return					
Interest and dividends	2,139,460	3,502,844	-	5,642,304	6,239,208
Realized accumulated gains used to meet spending policy	15,408,588	28,773,109	-	44,181,697	42,574,791
Government grants	2,183,547	-	-	2,183,547	1,846,900
Private gifts and grants	11,325,104	22,271,124	-	33,596,228	15,691,221
Other revenue	3,432,314	-	-	3,432,314	3,011,351
Auxiliary enterprises	4,647,874	-	-	4,647,874	4,938,295
Net assets released from restrictions	50,763,539	(50,763,539)	-	-	-
Total operating revenues	171,877,409	3,783,538	-	175,660,947	153,993,498
Operating expenses					
Instruction	71,965,616	-	-	71,965,616	70,677,947
Research	4,281,069	-	-	4,281,069	4,126,615
Academic support	18,799,634	-	-	18,799,634	17,703,635
Student services	16,234,339	-	-	16,234,339	16,344,442
Institutional support	35,722,339	-	-	35,722,339	35,198,761
Auxiliary enterprises	22,200,464	-	-	22,200,464	20,427,614
Total operating expenses	169,203,461	-	-	169,203,461	164,479,014
Change in net assets from operations	2,673,948	3,783,538	-	6,457,486	(10,485,516)
Nonoperating activities					
Private gifts and other additions	5,869,021	10,967,753	21,322,974	38,159,748	20,778,797
Government grants	328,831	-	-	328,831	607,461
Interest and dividends	43,617	319,500	-	363,117	542,948
Realized and unrealized gains (losses)	15,842,131	76,458,884	740,427	93,041,442	7,829,874
Realized gains used to meet spending policy	(15,408,588)	(28,773,109)	-	(44,181,697)	(42,574,791)
Terminated deferred gifts	144,733	(91,255)	(53,478)	-	-
(Loss)/gain on disposal of fixed assets	(83,135)	-	-	(83,135)	752,188
Changes in value of deferred gifts	(233,625)	(320,231)	85,178	(468,678)	(680,417)
Other nonoperating activity	(137,025)	(355,209)	-	(492,234)	(468)
Adjustment for pension liability	5,573,039	-	-	5,573,039	(7,401,623)
Insurance recovery of capital expenditures	-	-	-	-	2,257,247
Post-retirement benefits changes other than net periodic benefits cost	4,367,223	-	-	4,367,223	(4,697,224)
Replenishment of underwater funds	492,028	(492,028)	-	-	-
Net assets released from restrictions	3,579,313	(4,954,825)	1,375,512	-	-
Change in net assets from nonoperating activities	20,377,563	52,759,480	23,470,613	96,607,656	(22,586,008)
Change in net assets	23,051,511	56,543,018	23,470,613	103,065,142	(33,071,524)
Net assets					
Beginning of year	331,376,264	425,496,533	284,055,969	1,040,928,766	1,074,000,290
End of year	$ 354,427,775	$ 482,039,551	$ 307,526,582	$ 1,143,993,908	$ 1,040,928,766

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

Vassar College
Statement of Activities
Year Ended June 30, 2012

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues				
Tuition and fees	$ 112,392,142	$ -	$ -	$ 112,392,142
Room and board	21,505,111	-	-	21,505,111
	133,897,253	-	-	133,897,253
Less: Scholarships	(54,205,521)	-	-	(54,205,521)
Net tuition, fees, room and board	79,691,732	-	-	79,691,732
Investment return				
Interest and dividends	2,899,431	3,339,777	-	6,239,208
Realized accumulated gains used to meet spending policy	15,744,877	26,829,914	-	42,574,791
Government grants	1,846,900	-	-	1,846,900
Private gifts and grants	11,167,825	4,523,396	-	15,691,221
Other revenue	3,011,351	-	-	3,011,351
Auxiliary enterprises	4,938,295	-	-	4,938,295
Net assets released from restrictions	36,785,529	(36,785,529)	-	-
Total operating revenues	156,085,940	(2,092,442)	-	153,993,498
Operating expenses				
Instruction	70,677,947	-	-	70,677,947
Research	4,126,615	-	-	4,126,615
Academic support	17,703,635	-	-	17,703,635
Student services	16,344,442	-	-	16,344,442
Institutional support	35,198,761	-	-	35,198,761
Auxiliary enterprises	20,427,614	-	-	20,427,614
Total operating expenses	164,479,014	-	-	164,479,014
Change in net assets from operations	(8,393,074)	(2,092,442)	-	(10,485,516)
Nonoperating activities				
Private gifts and other additions	4,203,251	2,047,520	14,528,026	20,778,797
Government grants	607,461	-	-	607,461
Interest and dividends	33,461	509,487	-	542,948
Realized and unrealized gains (losses)	2,342,410	6,190,600	(703,136)	7,829,874
Realized gains used to meet spending policy	(15,744,877)	(26,829,914)	-	(42,574,791)
Terminated deferred gifts	70,107	(1,805,862)	1,735,755	-
Gain on disposal of fixed assets	752,188	-	-	752,188
Changes in value of deferred gifts	(249,096)	(853,513)	422,192	(680,417)
Other nonoperating activity	(468)	-	-	(468)
Adjustment for pension liability	(7,401,623)	-	-	(7,401,623)
Recovery (reversal) of capital expenditures	2,257,247	-	-	2,257,247
Post-retirement benefits changes other than net periodic benefits cost	(4,697,224)	-	-	(4,697,224)
Replenishment of underwater funds	(276,557)	276,557	-	-
Net assets released from restrictions	1,850,574	(2,351,904)	501,330	-
Change in net assets from nonoperating activities	(16,253,146)	(22,817,029)	16,484,167	(22,586,008)
Change in net assets	(24,646,220)	(24,909,471)	16,484,167	(33,071,524)
Net assets				
Beginning of year	356,022,484	450,406,004	267,571,802	1,074,000,290
End of year	$ 331,376,264	$ 425,496,533	$ 284,055,969	$ 1,040,928,766

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

Vassar College
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	$ 103,065,142	$ (33,071,524)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	19,024,856	18,840,444
Accretion on asset retirement obligation	394,839	405,504
Loss/(gain) on disposal of fixed assets	83,135	(752,188)
Investment income on life income and annuity agreements	(659,450)	(1,194,964)
Payments to beneficiaries	1,387,441	1,403,609
Nonoperating contributions	(22,924,551)	(11,135,136)
Gifts in kind	(4,337,919)	(299,244)
Realized and unrealized gains on investments	(92,492,782)	(8,516,811)
Beneficial interest in outside trusts	(548,661)	686,937
Changes in assets and liabilities that provide (use) cash		
Accounts receivable	(497,433)	(224,347)
Contributions receivable	(14,400,318)	103,000
Accrued investment income receivable	257,853	(27,576)
Inventories	190,529	(354,113)
Prepaid and other assets	1,372,871	217,962
Accounts payable and accrued expenses	(8,452,698)	(2,460,295)
Deferred revenue and students' deposits	635,638	(684,997)
Present value of beneficiary payments	(259,372)	(116,764)
Deposits held for others	690,158	116,402
Asset retirement obligation	(385,056)	(618,815)
Accrued pension obligation	(4,799,356)	6,229,497
Accrued post-retirement benefit obligation	(2,868,482)	4,390,118
Net cash used in operating activities	(25,523,616)	(27,063,301)
Cash flows from investing activities		
Purchases of land, buildings and equipment	(32,086,521)	(30,129,834)
Use of deposits held by trustee	17,522,475	13,017,702
Deposits with bond trustee	(87,085,000)	-
Proceeds from sale of land, buildings and equipment	296,223	1,131,963
Proceeds from student loan collections	330,695	372,956
Student loans issued	(312,449)	(296,153)
Purchases of investments	(331,532,191)	(207,179,603)
Proceeds from sales and maturities of investments	360,395,464	240,455,149
Net cash (used in) provided by investing activities	(72,471,304)	17,372,180
Cash flows from financing activities		
Contributions for endowment	12,594,135	7,625,485
Contributions for long-lived assets	9,812,029	2,823,546
Contributions for life income agreements	518,388	686,105
Investment income on life income and annuity agreements	659,450	1,194,964
Payments to beneficiaries	(1,387,441)	(1,403,609)
(Decrease) increase in refundable government loan funds	25,412	(40,720)
Issuance of long-term debt	87,085,000	-
Payments on long-term debt	(1,730,000)	(1,645,000)
Debt issuance cost	(663,809)	-
Net cash provided by financing activities	106,913,164	9,240,771
Net increase (decrease) in cash and cash equivalents	8,918,244	(450,350)
Cash and cash equivalents		
Beginning of year	11,301,488	11,751,838
End of year	$ 20,219,732	$ 11,301,488
Supplemental data		
Interest paid	$ 7,833,398	$ 8,057,521
Noncash investing activities		
Purchases of capital assets included in accounts payable	$ 4,337,919	$ 6,877,361

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

1. Summary of Significant Accounting Policies

Organization

Vassar College ("Vassar" or the "College") was founded in 1861 and is a coeducational, independent, liberal arts college located in Poughkeepsie, New York.

Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting.

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into the following categories:

- ***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 investment return on these assets. Such assets primarily include the College's permanent endowment funds.

- ***Temporarily Restricted***
  Net assets whose use by the College is subject to donor imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

- ***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.

Unconditional contributions are recognized as contributions receivable at their estimated net present value when pledged. Contributions and investment return with donor-imposed restrictions are reported as permanently or temporarily restricted revenues. Temporarily restricted net assets are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction. Temporarily restricted contributions and investment return received and expended for the restricted purpose in the same fiscal year are recorded as unrestricted net assets. Expenses are reported as decreases in unrestricted revenues.

Contributions restricted for the acquisition of land, buildings and equipment are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets upon acquisition of the assets or when the assets are placed in service.

Nonoperating activities include contributions to be used for facilities and equipment or to be invested by the College to generate a return that will support operations. Nonoperating activities also include the realized and unrealized gains or losses on investments, net of amounts appropriated for operations for the year, the adjustment for pension and postretirement benefit liabilities other than periodic benefit cost, changes in deferred gifts as well as investment income on deferred gifts and gifts to support land, buildings and equipment.

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. The College's significant estimates include the valuation of its investments, its valuation of contributions receivable and recognition of its pension and postretirement benefit obligations. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include operating funds that are short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash and cash equivalents are reported at cost which approximates fair value.

Investments

Investments are reported at fair value with realized and unrealized gains and losses included in the statements of activities. Realized gains and losses on the sale of the College's investments are based upon the average cost of the investment. All investment transactions are recorded on a trade date basis.

Beneficial Interest in Outside Trusts

The College is the beneficiary of various trusts created by donors, the assets of which are not in the possession of Vassar. The College has legally enforceable rights or claims to such assets, including the right to income generated. The fair value of these interests is recorded in the permanently restricted net asset class and the net realized and unrealized gains or losses are recorded in the permanently or temporarily restricted net asset categories as designated by the donor(s).

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investments securities, it is at least reasonably possible that changes in risk in the near term could materially affect the amounts reported in the statements of financial position and the statements of activities.

Plan contributions and the actuarial present value of accumulated plan benefits for the pension and postretirement obligations are estimated based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

Valuation

The College adopted Accounting Standards Codification 820 (ASC 820); “Fair Value Measurements and Disclosures”, formerly known as Statement of Financial Accounting Standards No. 157, “Fair Value Measurements (SFAS 157) in the preparation of its financial statements as of June 30, 2009. ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset, or paid to transfer a liability (an exit price), in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

In September 2009, the FASB issued FASB Accounting Standards Update No. 2009-12, "Investment in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" (ASU 2009-12). The standard amends existing guidance by enhancing disclosures and providing guidance for estimating the fair value of investments in funds that calculate net asset value per share, allowing the Net Asset Value per Share (NAV) to be used as a practical expedient for fair value where such funds follow the American Institute of Certified Public Accountants (AICPA) Guide in arriving at their reported NAV. The College adopted the practical expedient provisions of the standard in the preparation of its 2009 financial statements and the disclosure provisions of the standard for its 2010 financial statements.

In January 2010, the FASB issued ASU No. 2010-06, "Improving Disclosures about Fair Value Measurements". This standard amends ASC 820 and requires entities to disclose significant transfers of assets in and out of Levels 1 and 2, and all transfers in or out of Level 3, of the fair value hierarchy, and the reasons for those transfers. The College adopted ASU 2010-06 in the preparation of its financial statements as of June 30, 2010. (See Investments in Footnote 2.) In addition, the guidance requires separate presentation of purchases and sales in the Level 3 asset reconciliation. The College adopted this additional disclosure requirement in the preparation of its financial statements as of June 30, 2012.

Receivables
The College extends credit to students in the form of accounts receivable and loans for educational purposes.

At June 30, 2013 and 2012, student accounts receivable are net of an allowance for doubtful accounts of $106,148 and $123,958, and student loans receivable are net of an allowance for doubtful accounts of $271,861 and $330,066, respectively.

It is not practicable to determine the fair value of student loan receivables because they are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms, and are subject to significant restrictions as to their transfer or disposition.

Credit Losses
The College records an allowance for doubtful accounts (credit losses) for long term receivables including Perkins loans and other student loans. Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment, the level of delinquent loans, review of the default rate by category in comparison to prior years, the value of any collateral and, where, applicable, the existence of any guarantees or indemnifications. The level of the allowance is adjusted based on actual results. The College's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan program are able to be assigned to the Federal Government in certain nonrepayment situations. In these situations the Federal portion of the loan balance is guaranteed. Management believes that the allowance for credit losses at June 30, 2013 and 2012 is adequate to absorb credit risk inherent in the portfolio.

Reclassifications
During the year ended June 30, 2013 the College adopted new authoritative guidance related to the classification of contributed securities in the statements of cash flows. As a result, $11,277,539 in contributed securities for the year ended June 30, 2013 have been classified as cash provided

by operating activities. Additionally, contributed securities of $5,467,693 for the year ended June 30, 2012 have been reclassified to conform to current year presentation.

Contributions Receivable
Contributions receivable are as follows:

	2013	2012
Due within one year	$ 5,667,337	$ 2,576,019
Due in one to five years	33,787,760	23,731,827
Due in over five years	1,114,675	97,001
	40,569,772	26,404,847
Less: Present value discount	(1,091,862)	(1,004,143)
Allowance for uncollectable pledges	(493,231)	(816,343)
	$ 38,984,679	$ 24,584,361

Conditional pledges and bequest intentions totaling approximately $111,200,000 have been excluded from these amounts and are not recorded in the financial statements.

Inventories
Inventories are valued at the lower of cost, based upon the first-in, first-out method, or market. Inventories consist primarily of items used in food preparation, health services, computer related items for sale on campus, and fuel oil stores.

Land, Buildings and Equipment
Land, buildings and equipment are recorded at cost, or if donated, at estimated fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Land improvements	10 years
Buildings	50 years
Buildings improvements	10 to 50 years
Equipment	7 years
Computer equipment	4 years
Library books	10 years

Works of art, historical treasures and similar assets have been recognized at their estimated fair value based upon appraisals or similar valuations at the date of acquisition or donation.

When an asset retirement obligation is identified, the College records the fair value of the obligation as a liability. The fair value of the obligation is also capitalized as part of land, buildings, and equipment and then amortized over the estimated remaining useful life of the associated asset.

Deferred Gift Arrangements

The College's deferred gift arrangements with donors consist of irrevocable charitable remainder trusts, charitable gift annuities and pooled income funds for which the College is the remainder beneficiary. Assets held in these trusts are included in investments and recorded at their fair value when received. The fair value of these assets included in investments at June 30, 2013 and 2012 was approximately $25,740,000 and $24,698,000, respectively. Contribution revenues are recognized at the dates the trusts are established, net of the liabilities recorded for the present value of beneficiary payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount and other changes in the estimates of future benefits. The liability for the present value of deferred gifts is based upon actuarial estimates and assumptions regarding the duration of the arrangements and the assumed discount rate. Discount rates range from 1.0% to 1.6% and are established as of the date of the gift. Circumstances affecting these assumptions can change the estimate of this liability in future periods.

Workers' Compensation

The College recognizes a workers compensation liability for future payments for current and prior years' claims. The liability is based on estimated future payments discounted to present value at 4.0%.

Endowment and Similar Funds

Included in investments are assets of the College's endowment and similar funds. These institutional funds are invested in perpetuity to produce investment return to support the operations of the College. Investment guidelines are set under the direction of the Investments Committee of the Board of Trustees with the objective to enhance the real market value of the portfolio while providing a relatively predictable and growing stream of revenue to the College's operating budget. The majority of the endowment and similar funds are unitized and invested in a consolidated pool. Nonconsolidated endowed funds are invested separately. Consolidated funds are added to or withdrawn from the pool at the unit fair value of the fund at the beginning of the quarter in which the transaction occurred.

Following is information for the College's endowment and similar funds at June 30:

	2013	2012
Fair value of investments	$ 868,741,153	$ 804,912,006
Income utilized for operations	$ 49,824,000	$ 48,814,000
Number of units	10,290,370	10,226,593
Fair value per unit	$ 84.31	$ 78.71
Spending rate per unit	$ 3.98	$ 3.84
Yield per unit	$ .54	$ .56
Realized gains used to meet spending policy	$ 44,181,697	$ 42,574,791

Spending From Endowment Funds

The College utilizes a "total return" policy for endowment spending. This approach considers current yield (primarily interest and dividends) as well as the net appreciation in the fair value of investments when determining a spending amount. Under this policy, the Board of Trustees establishes a spending rate which is then applied to the average fair value of investments. Current yield is recorded as revenue and the difference between current yield and the spending rate produces the use of realized gains spent under the total return formula.

Annually, as part of the College's operating and capital budget plans, the Board approves a spending rate for endowment units. The guideline is to increase per unit spending annually based on the one year change in the Higher Education Price Index, lagged one year, provided that the resulting rate does not exceed 5.5% nor fall below 4.5% for the trailing 12-quarter average market value of the fund, lagged one year. For fiscal year 2012/13 the Board approved total draw on financial assets of up to $51,324,000. For the year ended June 30, 2013, $49,824,000 was spent from endowment income of which $9,211,329 represents a supplemental draw above per unit spending. For the year ended June 30, 2012, $48,814,000 was spent from endowment income of which $9,942,400 represents a supplemental draw above per unit spending.

Internal Revenue Code Status
The College has been granted tax-exempt status as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been recorded in the financial statements.

Asset Retirement Obligations
The College accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its estimated settlement value. Upon settlement of the liability, the College will recognize a gain or loss for any difference between the settlement amount and the liability recorded.

2. Financial Instruments

Investments
Investments consist of the following as of June 30:

	2013	2012
Short-term investments [(a)]	$ 10,793,465	$ 12,974,271
Fixed income-bonds	91,881,336	92,552,800
Marketable real estate [(b)]	3,424,719	3,419,284
Equity investments		
U.S. stocks	186,966,528	210,109,779
International stocks	146,971,273	135,712,679
Hedge funds [(c)]	265,968,377	192,656,155
Real estate, oil and gas partnerships	98,533,602	91,400,221
Venture capital/private placements	81,275,275	80,765,572
Institutional mutual fund [(d)]	20,960,416	22,716,519
Balanced accounts [(e)]	1,363,216	1,346,117
	$ 908,138,207	$ 843,653,397

[(a)] Amounts temporarily invested in money market instruments, commercial paper, and cash management funds.

[(b)] Real estate investment trusts and other real estate investments.

(c) Investments in limited partnerships with managers of long and short positions in U.S. and international stocks and bonds, often through offshore fund companies.

(d) A fund investing in commodities, including derivative securities related to commodities, and fixed income.

(e) Amounts invested in equity and fixed income mutual funds.

Short-term investments are intended to provide liquidity for operating and nonoperating activities. Fixed income investments are intended to provide income, liquidity, and diversification benefits. Equity investments, real estate, oil and gas partnerships, venture capital/private placements, institutional mutual funds, and balanced funds are intended to provide growth, income, and diversification benefits.

Total dividends, interest and realized and unrealized gains and losses reflected in operating and nonoperating activities are as follows for the years ended June 30:

	2013	**2012**
Dividends and interest	$ 6,005,421	$ 6,782,156
Realized gains	24,184,349	9,494,519
Unrealized gains/(losses)	68,857,093	(1,664,645)
Total return	$ 99,046,863	$ 14,612,030

The fair value of the College's investments has been determined in the following manner:

Investments	**Fair Value**
Short-term investments consisting principally of money market instruments, commercial paper, and cash management funds	At quoted market value which approximates cost
Equity securities, debt securities, mutual funds, shares in real estate investment trusts and other publicly traded securities	At quoted market value
Privately held partnerships, including alternative investments such as private equity and hedge fund limited partnerships	Net asset value as determined by the general partner

The investments portfolio is shown below at fair value by investment asset class and hierarchy, for the years ended June 30, 2013 and 2012 (there have been no investments transfers between levels):

	2013			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ 10,793,465	$ -	$ -	$ 10,793,465
Fixed income-bonds	91,881,336	-	-	91,881,336
Marketable real estate	3,191,992	-	232,727	3,424,719
Equity investments				
U.S. stocks	125,398,523	14,369,194	47,198,811	186,966,528
International stocks	29,325,568	117,645,705	-	146,971,273
Hedge funds	-	-	265,968,377	265,968,377
Real estate, oil and gas partnerships	-	-	98,533,602	98,533,602
Venture capital/private placements	-	-	81,275,275	81,275,275
Institutional mutual fund	-	-	20,960,416	20,960,416
Balanced accounts	1,363,216	-	-	1,363,216
	$ 261,954,100	$ 132,014,899	$ 514,169,208	$ 908,138,207

	2012			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ 12,974,271	$ -	$ -	$ 12,974,271
Fixed income-bonds	92,552,800	-	-	92,552,800
Marketable real estate	3,186,557	-	232,727	3,419,284
Equity investments				
U.S. stocks	111,826,550	46,898,811	51,384,418	210,109,779
International stocks	30,843,048	104,869,631	-	135,712,679
Hedge funds	-	-	192,656,155	192,656,155
Real estate, oil and gas partnerships	-	-	91,400,221	91,400,221
Venture capital/private placements	-	-	80,765,572	80,765,572
Institutional mutual fund	-	-	22,716,519	22,716,519
Balanced accounts	1,346,117	-	-	1,346,117
	$ 252,729,343	$ 151,768,442	$ 439,155,612	$ 843,653,397

Fair value for Level 1 is based upon quoted prices in active markets that the College has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets.

Fair value for Level 2 is based on quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers. These assets consist of commingled fund investments that the College can enter and exit regularly, with underlying fund assets that are priced on exchanges or in dealer markets. Approximately 97.7% of the underlying investments held by these funds consist of securities with quoted market prices.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all. Investments included in Level 3 consist of the College's ownership in alternative investments, principally limited partnership interests in hedge, private equity, real estate, and other similar funds. The value of certain alternative investments represents the ownership interest in the net asset value ("NAV") of the respective partnership. Approximately 42.6% of investments held by the partnerships consist of securities with quoted market prices and 57.4% are securities that do not have readily determinable fair values. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner taking into consideration, among other things, the cost of the securities being appraised, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

In accordance with ASU 2010-06 the College is required to disclose significant transfers in or out of Levels 1 and 2. There were no such transfers during the year.

The methods described above may produce a fair value determination that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with methods used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following tables summarize the change in value of investments within Level 3 as defined in the fair value hierarchy above. It also identifies as net transfers the capital added and withdrawn from Level 3 investments, which represents capital calls and distributions and portfolio rebalancing:

	June 30, 2012	Purchases	Sales, Settlements	Realized Gain	Unrealized Gain (Loss)	Net Transfers	June 30, 2013
Short-term investments	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Fixed income-bonds	-	-	-	-	-	-	-
Marketable real estate	232,727	-	-	-	-	-	232,727
Equity investments							
U.S. stocks	51,384,418	-	-	-	10,814,393	(15,000,000)	47,198,811
International stocks	-	-	-	-	-	-	-
Hedge funds	192,656,155	-	(1,942,643)	193,066	32,061,801	43,000,000	265,968,379
Real estate, oil and gas partnerships	91,400,221	6,007,723	(9,163,532)	446,224	9,842,965	-	98,533,601
Venture capital/private placements	80,765,572	8,956,860	(11,498,032)	2,728,351	322,523	-	81,275,274
Institutional mutual fund	22,716,519	-	-	-	(1,756,103)	-	20,960,416
	$ 439,155,612	$ 14,964,583	$ (22,604,207)	$ 3,367,641	$ 51,285,579	$ 28,000,000	$ 514,169,208

	June 30, 2011	Purchases	Sales, Settlements	Realized Gain	Unrealized Gain (Loss)	Net Transfers	June 30, 2012
Short-term investments	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Fixed income-bonds	-	-	-	-	-	-	-
Marketable real estate	232,727	-	-	-	-		232,727
Equity investments							
U.S. stocks	46,590,257	-	-	-	4,794,161	-	51,384,418
International stocks	-	-	-	-	-	-	-
Hedge funds	182,289,693	-	(491,413)	1,996,669	249,466	8,611,740	192,656,155
Real estate, oil and gas partnerships	82,634,735	13,299,385	(17,107,759)	6,154,327	6,419,533	-	91,400,221
Venture capital/private placements	76,313,497	9,590,446	(7,712,820)	5,335,032	(2,760,583)	-	80,765,572
Institutional mutual fund	26,232,059	-	-	-	(3,515,540)	-	22,716,519
	$ 414,292,968	$ 22,889,831	$ (25,311,992)	$ 13,486,028	$ 5,187,037	$ 8,611,740	$ 439,155,612

The following table provides additional disclosures related to funds where fair value is not readily determinable:

Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Liquidity Restrictions
Marketable real estate	$ 232,727	$ -	Not applicable	Not applicable	Not applicable
Equity investments					
U.S. stocks	47,198,811	-	Quarterly	60 days	10% gate
Hedge funds					
No lock-ups; monthly liquidity	39,858,262	-	Monthly	15 - 90 days	Gates from 0-25%
No lock-ups; quarterly liquidity	119,028,997	-	Quarterly	45–90 days	Gates from 0–25%; one fund limits redemptions to 25% per quarter
No lock-ups; annual liquidity	93,780,721	-	Annual	45–65 days	Gates from 0–25%; one fund limits redemptions to 50% per year
With lock-ups	13,300,397	-	Semiannual	65 days	None
Real assets					
Natural resources	62,617,839	24,882,809	Not redeemable	Not redeemable	Not redeemable
Real estate	35,915,763	2,614,126	Not redeemable	Not redeemable	Not redeemable
Venture capital/private placements					
Buyouts	50,640,927	25,892,972	Not redeemable	Not redeemable	Not redeemable
Venture capital	30,634,348	11,718,607	Not redeemable	Not redeemable	Not redeemable
Institutional mutual fund	20,960,416	-	Monthly	10 days	None
	$ 514,169,208	$ 65,108,514			

The estimated life of the real assets funds ranges from 7 to 15 years and the venture capital/private placements funds ranges from 7 to 15 years.

3. Land, Buildings and Equipment

Land, buildings and equipment consist of the following as of June 30:

	2013	2012
Land	$ 2,125,873	$ 2,125,873
Land improvements	28,793,829	27,018,323
Buildings and improvements	409,068,254	389,050,496
Equipment (including computers)	82,343,342	78,943,844
Library books	52,253,283	50,191,258
Art works and collectibles	49,897,555	45,218,807
Construction in progress	51,897,941	45,233,371
	676,380,077	637,781,972
Less: Accumulated depreciation	(283,644,465)	(264,713,445)
	$ 392,735,612	$ 373,068,527

Depreciation expense for the years ended June 30, 2013 and 2012 was $19,024,856 and $18,840,444, respectively.

The College's Board of Trustees approved a capital budget of $4,868,000 for construction projects in fiscal year 2014. This figure includes project completion costs and retainage that will be paid in the 2014-15 fiscal year. The College Board of Trustees also approved a capital budget of $125,000,000 for the construction of a new science facility to be constructed over the next 3 years.

In March 2011 management discovered that a former employee had submitted invoices for payment to several companies purporting to have provided construction services. An internal review determined that these invoices were fraudulent. The matter was immediately reported to the Audit Committee of the Board of Trustees and to local authorities, leading to an independent private investigation and a criminal investigation by local law enforcement. A grand jury indicted the former employee in June 2011, and in January 2012 the case was concluded when the defendant pled guilty. The fraudulent billings amounted to approximately $2.5 million, recorded as capital expenditures. Through insurance claims and other settlements the College received net recoveries totaling approximately $2.3 million as of June 30, 2012.

4. Long-Term Debt

Long-term debt consists of the following as of June 30:

	2013	2012
Dormitory Authority of the State of New York Revenue Bonds, Series 2007, maturing in 2046, with interest ranging from 4% to 5%. The bonds are general obligations of the College	$ 117,530,000	$ 119,260,000
Dormitory Authority of the State of New York Revenue Bonds, Series 2010, maturing in 2049, with interest of 5%. The bonds are general obligations of the College	50,000,000	50,000,000
Dutchess County Local Development Corporation Revenue Bonds, Series 2013, maturing in 2049, with interest ranging from 4% to 5%. The bonds are general obligations of the College	87,085,000	-
	$ 254,615,000	$ 169,260,000

Principal maturities on the long-term debt are as follows as of June 30, 2013:

2014	$ 1,815,000
2015	1,905,000
2016	2,005,000
2017	735,000
2018	755,000
Thereafter	247,400,000
	$ 254,615,000

Interest expense for the years ended June 30, 2013 and 2012 was $7,929,896 and $8,016,396, respectively.

Management's estimate of the fair value of the College's long-term debt at June 30, 2013 and 2012 approximates $255,206,000 and $180,693,000, respectively.

On April 18, 2007, the College entered into an agreement with the Dormitory Authority of the State of New York, which provided for the issuance of $125,455,000 Vassar College Revenue Bonds, Series 2007. A portion of the proceeds were deposited into trustee escrow accounts to defease the Vassar College Revenue Series 1995 and 2001 Bonds. A portion was received by the College to pay certain costs associated with the issuance and the remaining amount was deposited into a trustee escrow account to be used for capital renovations and improvements to various facilities throughout the College's campus. The escrowed funds are invested in United States Treasury obligations, which will provide for future payments of all interest, principal and call premiums on the defeased bonds. In order to meet these future obligations, the amount deposited in escrow was greater than the par value of the defeased bonds. Neither the assets of the trustee escrow account nor the outstanding defeased issues are included in the accompanying statements of financial position.

On March 31, 2010, the College entered into an agreement with the Dormitory Authority of the State of New York, which provided for the issuance of $50,000,000 Vassar College Revenue Bonds, Series 2010. A portion of the proceeds was received by the College to pay certain costs associated with the issuance and the remaining amount was deposited into a trustee escrow account to be used for capital renovations and improvements to various facilities throughout the College's campus. The funds are invested in United States Treasury obligations.

On June 6, 2013, the College entered into an agreement with the Dutchess County Local Development Corporation, which provided for the issuance of $87,085,000 Vassar College Revenue Bonds, Series 2013. A portion of the proceeds was received by the College to pay certain costs associated with the issuance and the remaining amount was deposited into a trustee escrow account to be used for capital renovations and improvements to various facilities throughout the College's campus. The funds are invested in an institutional mutual fund that holds United States Treasury obligations.

The Dormitory Authority of the State of New York and the Dutchess County Local Development Corporation require the College to establish certain reserve funds. As of June 30, included in the caption "deposits held by trustee", are the following:

	2013	2012
Dormitory Authority of the State of New York (Series 2007)		
Construction fund	$ -	$ -
Debt service reserve	4,530,106	4,488,248
	4,530,106	4,488,248
Dormitory Authority of the State of New York (Series 2010)		
Construction fund	19,122,904	30,696,043
Debt issuance reserve	-	67,228
Capitalized interest reserve	-	-
Debt service reserve	1,250,042	1,317,260
	20,372,946	32,080,531
Dutchess County Local Development Corporation (Series 2013)		
Construction fund	78,767,370	-
Debt issuance reserve	103,291	-
Capitalized interest reserve	2,166,098	-
	81,036,759	-
	$ 105,939,811	$ 36,568,779

In addition, the Dormitory Authority of the State of New York requires the College to maintain certain liquidity ratios.

Line of Credit

The College maintains a line of credit for $10,000,000 which was unused as of June 30, 2013 and 2012. The College also maintains standby letters of credit in the amount of $1,324,000 and $949,000 as of June 30, 2013 and 2012, respectively, which were not accessed during the year.

5. Employee Benefits – Pension Plan

Retirement benefits for substantially all full-time employees are provided under a defined contribution plan with Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments. The College makes monthly contributions to TIAA-CREF and Fidelity based on eligible employees' earnings and age. Contributions for the years ended June 30, 2013 and 2012 totaled approximately $6,461,000 and $6,364,000, respectively.

Retirement benefits for secretarial, clerical and technical employees were provided under a defined benefit plan until December 31, 1983. Since 1984, these employees have participated in the defined contribution plan through TIAA-CREF and Fidelity.

Retirement benefits for service, auxiliary and security employees are provided under a defined benefit plan. The College's contributions for the years ended June 30, 2013 and 2012 were $1,062,700 and $2,428,000, respectively. Based on the current funding level, the College anticipates making a contribution of at least $36,700 in 2014.

The following table sets forth information related to the College's defined benefit pension plan:

	2013	2012
Change in projected benefit obligation		
Benefit obligation at beginning of year	$ 37,511,018	$ 29,124,001
Service cost	1,097,616	814,263
Interest cost	1,433,367	1,575,506
Plan amendment	-	795,410
Benefits paid	(1,382,516)	(1,311,019)
Actuarial (gain) loss	(3,285,755)	6,512,857
Benefit obligation at end of year	35,373,730	37,511,018
Change in plan assets		
Fair value of plan assets at beginning of year	24,797,741	22,640,221
Actual return on plan assets	2,981,884	1,040,539
Employer contributions	1,062,700	2,428,000
Benefits paid	(1,382,516)	(1,311,019)
Fair value of plan assets at end of year	27,459,809	24,797,741
Funded status at June 30-amount recognized in statement of financial position	$ (7,913,921)	$ (12,713,277)
Amounts recognized in unrestricted net assets		
Net prior service cost	$ 2,102,446	$ 2,428,368
Net actuarial loss	11,376,225	16,623,342

The estimated net prior service cost and net actuarial loss for the defined benefit pension plan that will be amortized into net periodic benefit costs over the next fiscal year are $325,922 and $583,248, respectively.

The accumulated benefit obligation for the defined benefit pension plan was $35,373,730 and $37,511,018 as of June 30, 2013 and 2012, respectively.

Components of net periodic benefit cost for the years ended June 30 are as follows:

	2013	2012
Service cost	$ 1,097,616	$ 814,263
Interest cost	1,433,367	1,575,506
Expected return on plan assets	(1,988,360)	(1,973,613)
Amortization of prior service cost	325,922	360,966
Recognized actuarial loss	967,838	478,752
Net periodic pension cost	$ 1,836,383	$ 1,255,874

Other changes in plan assets and benefit obligations recognized in unrestricted net assets for the years ended June 30 are as follows:

	2013	2012
Prior service cost arising during period	$ -	$ (795,410)
Net actuarial gain (loss)	4,279,279	(7,445,931)
Amortization of prior service cost	325,922	360,966
Amortization of actuarial loss	967,838	478,752
Total recognized in nonoperating activities	$ 5,573,039	$ (7,401,623)

The weighted average rates forming the basis of net periodic benefit cost and amounts recognized in the College's statements of financial position at June 30 are as follows:

	2013	2012
Year end benefit obligation		
Discount rate	4.60 %	3.90 %
Rate of compensation increase	4.00 %	4.00 %
Net periodic benefit cost		
Discount rate	3.90 %	5.40 %
Expected return on plan assets	8.10 %	8.50 %
Rate of compensation increase	4.00 %	4.00 %

The discount rate as of June 30, 2012 was used to estimate the benefit obligation as of that date, and was used to estimate the annual expense for 2013. The discount rate as of June 30, 2013 was used to estimate the benefit obligation as of that date, and will be used to estimate the annual expense for 2014.

The expected long-term rate of return assumption represents the expected average rate of return or earnings on funds invested or to be invested to provide for the benefits included in the benefit obligations. This assumption is based on a number of factors, including historical market index returns, the anticipated long-term asset allocation of the plan, historical plan return data, plan expenses and the potential to out-perform market index returns.

The estimated future benefit payments from the Plan are as follows:

2014	$ 1,587,000
2015	1,631,000
2016	1,671,000
2017	1,766,000
2018	1,852,000
Succeeding 5 years	10,404,000

Defined Benefit Plan Investment Policy

The Committee on Investments of the Board of Trustees directs the investment of the Plan's assets. The Committee has established a formal investment policy for the Plan the goal of which is to generate a long-term real rate of return of 5.5% - 6.0% while sustaining moderate levels of risk. Target weightings for asset classes in the investment policy have been established based upon long-term expected real rates of return and correlation of returns as developed by the College's investment consultant and staff. These target weightings, bounded by allowable ranges, are expected to allow the Plan assets to meet its objectives over the long-term with respect to investment return, volatility, and liquidity.

Target and actual weightings for each asset class in the Plan are as follows:

		Actual	
	2014	June 30	
Asset Mix	**Target**	**2013**	**2012**
Equities	60 %	59 %	59 %
Fixed income	30	30	30
Real estate	10	10	10
Other	0	1	1
	100 %	100 %	100 %

The Plan's investments by asset class and fair value hierarchy, for the years ended June 30, 2013 and 2012 are as follows:

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Common/collective trusts	$ -	$ 27,306,762	$ -	$ 27,306,762
Real estate, oil and gas partnerships			82,094	82,094
Venture capital/private placements			70,953	70,953
	$ -	$ 27,306,762	$ 153,047	$ 27,459,809

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Common/collective trusts	$ -	$ 24,609,601	$ -	$ 24,609,601
Real estate, oil and gas partnerships	-	-	97,445	97,445
Venture capital/private placements	-	-	90,695	90,695
	$ -	$ 24,609,601	$ 188,140	$ 24,797,741

The following table summarizes the change in value of the Plan's investments within Level 3 as defined in the fair value hierarchy above. It also identifies as net transfers the capital added and withdrawn from Level 3 investments, which represents capital calls and distributions and portfolio rebalancing:

	Beginning	Purchases	Sales	Realized Gain	Unrealized Gain	Ending
Real estate, oil and gas partnerships	$ 97,445	$ -	$ (28,808)	$ 18,570	$ (5,113)	$ 82,094
Venture capital/private placements	90,695	-	(34,841)	21,276	(6,177)	70,953
	$ 188,140	$ -	$ (63,649)	$ 39,846	$ (11,290)	$ 153,047

The College uses the Net Asset Value (NAV) as determined by each general partner as the fair value of all Plan fund investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table provides additional disclosures related to these funds:

Category	Value	Commitments	Frequency	Period	Restrictions
Real assets					
Natural resources	$ 82,094	$ 27,600	Not redeemable	Not redeemable	Not redeemable
Venture capital/private placements					
Venture capital	70,953	8,000	Not redeemable	Not redeemable	Not redeemable
	$ 153,047	$ 35,600			

6. Employee Benefits – Postretirement Health Insurance

The College provides postretirement medical benefits for certain retirees and employees. The cost of postretirement benefits is accrued as earned during an employee's service with the College.

During 2011 the College adopted a plan revision that establishes an annual account for each eligible retiree, which is to be used to cover qualified medical expenses as defined by the Internal Revenue Service.

The following table presents the postretirement medical plan's funded status and amounts recognized in the financial statements. The calculations were based upon data as of July 1, 2012 and 2011, the latest available actuarial valuation date.

	Postretirement Benefits	
	2013	**2012**
Change in benefit obligation		
Benefit obligation at beginning of year	$ 29,733,118	$ 25,343,000
Service cost	1,939,947	1,676,000
Interest cost	1,108,791	1,337,000
Plan participants' contributions	12,648	24,215
Retiree drug subsidy receipts	-	100,714
Benefits paid	(674,517)	(755,035)
Actuarial (gain) loss	(5,255,351)	2,007,224
Benefit obligation at end of year	26,864,636	29,733,118
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Retiree drug subsidy receipts	-	100,714
Employer contributions	661,869	630,106
Plan participants' contributions	12,648	24,215
Benefits paid	(674,517)	(755,035)
Fair value of plan assets at end of year	-	-
Funded status at June 30 - amount recognized in statements of financial position	$ (26,864,636)	$ (29,733,118)
Amounts recognized in unrestricted net assets		
Net prior service credit	$ 6,431,000	$ 8,696,000
Net actuarial loss	(6,943,001)	(13,575,224)

The estimated net prior service credit and net actuarial loss for the postretirement plan that will be amortized into net periodic benefit costs over the next fiscal year are $2,075,000 and $560,000, respectively.

The College funds its postretirement medical benefits on a cash basis. The College's contributions in the next fiscal year are anticipated to be $932,000.

	2013	**2012**
Components of net periodic benefit cost		
Service cost	$ 1,939,947	$ 1,676,000
Interest cost	1,108,791	1,337,000
Amortization of prior service cost	(2,265,000)	(3,999,000)
Recognized actuarial loss	1,376,872	1,309,000
Total postretirement benefit cost	$ 2,160,610	$ 323,000

Other changes in plan assets and benefit obligations recognized in unrestricted net assets for the years ended June 30 are as follows:

	2013	2012
Net prior service credit	$ -	$ -
Net actuarial gain (loss)	5,255,351	(2,007,224)
Amortization of		
Prior service credit	(2,265,000)	(3,999,000)
Actuarial gain	1,376,872	1,309,000
Prior service credit arising from plan change		-
Total recognized in nonoperating activities	$ 4,367,223	$ (4,697,224)

The estimated future benefit payments are as follows:

	Gross	Medicare Subsidy	Net
2014	$ 1,073,056	$ -	$ 1,073,056
2015	1,112,495	-	1,112,495
2016	1,137,304	-	1,137,304
2017	1,218,727	-	1,218,727
2018	1,334,018	-	1,334,018
Succeeding 5 years	8,289,891	-	8,289,891

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement benefit plan. Assumed health care cost trends are 7.57% and 7.81% for the years ended June 30, 2013 and 2012, respectively, decreasing at a rate between 0.21% and 0.25% annually over the expected life of the plan.

A one-percentage-point change in the assumed health care cost trend rates would have the following effects at June 30:

	2013	2012
Effect of 1% increase in health care cost trend rate		
Change in aggregate of current service cost and interest cost	$ 644,413	$ 726,133
Change in accumulated postretirement benefit obligation	4,058,166	4,314,275
Effect of 1% decrease in health care cost trend rate		
Change in aggregate of current service cost and interest cost	(513,474)	(570,361)
Change in accumulated postretirement benefit obligation	(3,370,640)	(3,582,841)

The subsidy related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Act”) was recognized during 2010. The liability shown for the year ended June 30, 2010 reflects the employer subsidy for that year. The need to consider a future employer subsidy for prescription drugs has been eliminated as a result of the plan revision during 2011.

The weighted average rates forming the basis of net periodic benefit cost and amounts recognized in the College's statements of financial position were as follows:

	2013	2012
Year end benefit obligation		
Discount rate	4.50 %	3.80 %
Net periodic benefit cost		
Discount rate	3.80 %	5.40 %

7. Endowment

The College endowment consists of approximately 900 individual donor-restricted endowment funds and 100 board-designated endowment funds for a variety of purposes. Pledges receivable and split interest agreements that have been designated for endowment are not considered to be part of the endowment until the funds are received. The net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The New York Prudent Management of Institutional Funds Act (NYPMIFA) became effective on September 17, 2010 and governs the management and investment of funds held by not-for-profit corporations and other institutions. Absent donor stipulations to the contrary, the statutory guidelines contained in NYPMIFA relate to the prudent management, investment and expenditure of donor-restricted endowment funds without regard to the original value of the gifts. NYPMIFA contains specific factors that must be considered prior to making investment decisions or appropriating funds for expenditure. For accounting purposes, the College applied the concepts included in NYPMIFA and ASC 958, Not-for-Profit Entities (formerly FASB Staff Position No. 117-1) regarding classification of accumulated total return as temporarily restricted net assets as of June 30, 2010 for the year ended June 30, 2011. Accordingly, accumulated total return of $286,569,774 as of June 30, 2010 was reclassified to temporarily restricted net assets from unrestricted net assets, as a cumulative effect of change in accounting principle.

The Board of Trustees has interpreted its fiduciary responsibilities for donor-restricted endowment funds under NYPMIFA to include the preservation of intergenerational equity to the extent possible by prudently managing, investing and spending from the endowment funds. As a result of this interpretation, the College classifies as permanently restricted net assets the unappropriated portion of (a) the original value of gifts donated to a true endowment fund, (b) the original value of subsequent gifts to a true endowment fund, and (c) accumulations to a true endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unspent appropriations related to donor-restricted endowment funds are classified as temporarily restricted net assets until the amounts are expended by the College in a manner consistent with the donor's intent. The remaining portion of the endowment fund that is not classified in permanently restricted or temporarily restricted net assets is classified as unrestricted net assets for expenditures that do not carry donor restrictions.

The College considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the College and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the College

(7) The investment policies of the College.

The College's endowment net asset composition by type of fund as of June 30 is:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Donor-restricted endowment funds	$ -	$ 445,875,905	$ 276,456,564	$ 722,332,469	$ 660,996,391
Funds functioning as endowment	146,408,684	-	-	146,408,684	143,915,615
Adjustment for underwater funds	(152,083)	152,083	-	-	-
Total endowment funds	$ 146,256,601	$ 446,027,988	$ 276,456,564	$ 868,741,153	$ 804,912,006

The College's changes in endowment net assets for the year ended June 30 are:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Net endowment assets at June 30, 2012	$ 143,271,504	$ 398,336,939	$ 263,303,563	$ 804,912,006	$ 814,130,058
Gifts and transfers					
Gifts received	1,414,721	-	11,709,935	13,124,656	14,737,743
Transfers and gifts further designated	1,377,183	-	1,307,671	2,684,854	2,821,048
Investment return					
Net gains (losses)	15,045,147	76,079,912	-	91,125,059	15,611,923
Amounts appropriated for spending	(15,408,588)	(28,773,109)	-	(44,181,697)	(42,574,791)
Income reinvested	64,606	876,274	135,395	1,076,275	186,025
Underwater endowment					
Current year appropriation of funds to cover permanent endowments where fair value is less than historic dollar value	492,028	(492,028)	-	-	-
Net endowment assets at June 30, 2013	$ 146,256,601	$ 446,027,988	$ 276,456,564	$ 868,741,153	$ 804,912,006

Endowment Funds With Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts. When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were $152,083 and $644,111 as of June 30, 2013 and 2012, respectively. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation that was deemed prudent.

8. Commitments and Contingencies

Operating Leases

At June 30, 2013, minimum annual commitments under operating leases for office equipment and buildings are as follows:

June 30,		
2014	$	241,000
2015		186,000
2016		174,000
2017		182,000
2018		193,000
Years thereafter		28,708,000
Total	$	29,684,000

Litigation

In the normal course of business, the College has been named a defendant in various claims. Although there can be no assurance as to the eventual outcome of litigation in which the College has been named, in the opinion of management, such litigation will not, individually or in the aggregate, have a material adverse effect on the College's financial position, statements of activities, or cash flows.

9. Subsequent Events

The College has performed an evaluation of subsequent events through October 24, 2013, the date on which the financial statements were issued.