CORNELL COLLEGE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

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YEARS ENDED JUNE 30, 2014 AND 2013

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cornell College
Mount Vernon, Iowa

We have audited the accompanying financial statements of Cornell College, which comprise the balance sheets as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

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

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

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

Board of Trustees
Cornell College

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cornell College as of June 30, 2014 and 2013, and the change 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 27, 2014

CORNELL COLLEGE
BALANCE SHEETS
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	$ 15,298,294	$ 7,498,149
Accounts Receivable, Less Allowance for Doubtful Accounts of $192,960 and $174,000 in 2014 and 2013, Respectively	247,348	171,413
Inventories and Prepaid Expenses	566,525	433,621
Contributions Receivable, Net	12,791,375	6,763,133
Student Loans Receivable, Net	2,195,531	2,089,440
Investments	73,329,705	68,707,507
Property, Plant and Equipment, Net	72,792,421	67,620,948
Total Assets	$ 177,221,199	$ 153,284,211
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable, Accrued Expenses and Deposits	$ 4,685,320	$ 4,818,383
Student Tuition Paid in Advance	163,811	130,803
Accrued Severance Plan Liability	824,567	1,042,012
Contract Advances	3,114,410	793,333
Asset Retirement Obligation	533,943	545,190
Long-Term Debt	23,563,848	14,983,119
Life-Income Payable	1,913,731	2,245,777
Due to U.S. Government, Refundable Loan Program	870,335	870,335
Total Liabilities	35,669,965	25,428,952
NET ASSETS		
Unrestricted		
Undesignated	3,840,201	(5,228,159)
Investment in Property, Plant and Equipment	49,228,573	52,637,829
Board Designated Endowment	3,522,528	2,917,147
Total Unrestricted	56,591,302	50,326,817
Temporarily Restricted	20,301,310	15,476,601
Permanently Restricted	64,658,622	62,051,841
Total Net Assets	141,551,234	127,855,259
Total Liabilities and Net Assets	$ 177,221,199	$ 153,284,211

See accompanying Notes to Financial Statements.

CORNELL COLLEGE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Tuition and Fees	$ 40,149,236	$ -	$ -	$ 40,149,236
Less: Scholarships and Grants	(23,522,324)	-	-	(23,522,324)
Net Tuition and Fees	16,626,912	-	-	16,626,912
Contributions and Grants	2,671,605	1,435,376	-	4,106,981
Investment Income, Net of Investment Expense of $214,375 and $195,905 in 2014 and 2013, Respectively	-	166,905	-	166,905
Investment Income - Spending Rate	878,699	1,884,723	-	2,763,422
Other Revenues	1,111,826	20	42,767	1,154,613
Sales and Services of Auxiliary Enterprises	8,902,641	-	-	8,902,641
Total Revenues	30,191,683	3,487,024	42,767	33,721,474
Net Assets Released from Restrictions	11,955,233	(11,955,233)	-	-
Total Revenues	42,146,916	(8,468,209)	42,767	33,721,474
EXPENSES				
Instruction	12,219,260	-	-	12,219,260
Academic Support and Research	2,823,110	-	-	2,823,110
Student Services	8,360,914	-	-	8,360,914
Institutional Support	4,438,641	-	-	4,438,641
Institutional Advancement	1,994,996	-	-	1,994,996
Auxiliary Enterprises	7,518,446	-	-	7,518,446
Total Expenses	37,355,367	-	-	37,355,367
CHANGE IN OPERATING NET ASSETS	4,791,549	(8,468,209)	42,767	(3,633,893)
Investment Income Greater (Less) Than Spending Rate	1,523,273	2,801,362	452,979	4,777,614
Contributions	-	10,777,032	2,022,993	12,800,025
Write-Off of Contribution Receivable	(50,337)	(100,697)	(19,768)	(170,802)
Actuarial Adjustment on Life Income and Annuity Agreements	-	(184,779)	107,810	(76,969)
Restructure of Severance Plan	-	-	-	-
CHANGE IN NET ASSETS	6,264,485	4,824,709	2,606,781	13,695,975
Net Assets - Beginning of Year	50,326,817	15,476,601	62,051,841	127,855,259
NET ASSETS - END OF YEAR	$ 56,591,302	$ 20,301,310	$ 64,658,622	$ 141,551,234

See accompanying Notes to Financial Statements.

2013			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 39,762,323	$ -	$ -	$ 39,762,323
(24,020,282)	-	-	(24,020,282)
15,742,041	-	-	15,742,041
1,833,512	2,100,346	-	3,933,858
-	152,583	-	152,583
858,861	1,797,620	-	2,656,481
1,305,225	105,316	87,050	1,497,591
8,658,101	-	-	8,658,101
28,397,740	4,155,865	87,050	32,640,655
17,464,476	(17,464,476)	-	-
45,862,216	(13,308,611)	87,050	32,640,655
11,779,271	-	-	11,779,271
2,509,013	-	-	2,509,013
7,485,717	-	-	7,485,717
3,538,824	-	-	3,538,824
1,895,986	-	-	1,895,986
6,770,469	-	-	6,770,469
33,979,280	-	-	33,979,280
11,882,936	(13,308,611)	87,050	(1,338,625)
(101,663)	2,208,706	(13,356)	2,093,687
-	1,455,561	2,088,782	3,544,343
(800)	(190,400)	(1,600)	(192,800)
-	(181,345)	185,687	4,342
1,098,521	-	-	1,098,521
12,878,994	(10,016,089)	2,346,563	5,209,468
37,447,823	25,492,690	59,705,278	122,645,791
$ 50,326,817	$ 15,476,601	$ 62,051,841	$ 127,855,259

CORNELL COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 13,695,975	5,209,468
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	4,177,692	3,334,843
Change in Asset Retirement Obligation	(11,247)	(454,507)
Write-Off of Contribution Receivable	170,802	192,800
Actuarial Adjustment of Annuities and Life Income Payable	76,969	(4,342)
Net Appreciation on Investments	(7,541,036)	(4,750,168)
Non-Cash Donations of Investments and Equipment	(567,351)	(394,880)
Contributions Restricted for Long-Term Investment and Property, Plant and Equipment	(12,026,149)	(2,211,456)
Loss on Disposal of Property, Plant and Equipment	-	17,510
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(75,935)	113,002
Increase in Contributions Receivable	(298,168)	(151,680)
Increase in Inventory and Prepaid Expenses	(132,904)	(22,079)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(133,063)	1,513,949
Decrease in Early Retirement Liability	(217,445)	(1,776,729)
Increase (Decrease) in Other Liabilities	33,008	(30,806)
Net Cash Provided (Used) by Operating Activities	(2,848,852)	584,925
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(27,581,686)	(27,731,068)
Proceeds from Sales and Maturities of Investments	31,067,875	30,302,032
Disbursements of Student Loans	(438,053)	(354,798)
Repayments of Student Loans	331,962	303,168
Purchase of Property and Equipment	(9,267,755)	(12,377,517)
Change in Cash Restricted for Land, Buildings and Equipment	-	-
Net Cash Used by Investing Activities	(5,887,657)	(9,858,183)

See accompanying Notes to Financial Statements.

CORNELL COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Indebtedness	8,855,000	600,000
Repayments of Principal on Indebtedness	(355,681)	(1,773,803)
Net Proceeds from Contract Advance	2,321,077	793,333
Cash Received from Contributions Restricted for Long-Term Investment and Property, Plant and Equipment	6,125,273	3,814,476
Decrease in U.S. Government Grants Refundable, Net	-	(31,272)
Increase (Decrease) in Annuities Payable	(353,498)	30,970
Investment Income Restricted for Life Income Agreements	189,293	60,512
Payments to Annuitants and Life Income Recipients	(244,810)	(172,119)
Net Cash Provided by Financing Activities	16,536,654	3,322,097
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,800,145	(5,951,161)
Cash and Cash Equivalent - Beginning of Year	7,498,149	13,449,310
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 15,298,294	$ 7,498,149
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payments for Interest	$ 874,688	$ 457,818
Re-Finance of Long-Term Debt	$ 14,135,000	$ -
Accounts Payable Incurred for Purchase of Property and Equipment	$ 949,852	$ 1,847,668

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Cornell College is a nationally ranked, highly selective liberal arts college of 1,100 students characterized by life-changing academic immersion in the One Course At A Time curriculum. This intensive focus lays the foundation for a student's entire Cornell education: Transformative intellectual partnerships that bring out the best in our ambitious students. Within our curriculum, students dive in, focus intensely, and learn authentically in every course they take. Unlike the semester system, Cornell offers an education at the speed of life with no slow intros, far off exams or papers, or gaps between classes. At the heart of a Cornell College education are frequent opportunities for experiential learning. The One Course curriculum frees students to explore new ways to learn—faculty can take entire classes on field trips for a day or an entire block—in whatever venues best suit the subject of the class. Cornell's distinctive calendar immerses students in full-time internships, research, or other hands-on opportunities, producing substantial real-world experiences.

Cornell attracts an engaged student body from across the nation and around the world. They become quickly involved in campus life, living in a common rhythm due to their focused academic calendar schedules that brings them closer together as a community on a socially, culturally, and politically engaged campus. Cornell students come from 47 states, 2 U.S. territories, and 17 foreign countries, and a typical first-year class includes more than 20% domestic students of color and 5% international students. The campus is diverse on many levels and expands its global environment by drawing international speakers, artists, and authors to campus.

Cornell's setting on a wooded hilltop in Mount Vernon, Iowa, offers a classic, beautiful and safe collegiate setting. A brick pedestrian mall along the ridge of the hilltop links modern facilities with numerous buildings on the National Register of Historic Places. Mount Vernon—noted as one of the 10 Coolest Small Towns in America—provides students an idyllic small college town atmosphere but also connects them to the Eastern Iowa Creative Corridor. Cornell is consistently described as a "Best Buy," most recently in the 2014 Fiske Guide. 93% of Cornell graduates complete their degrees in four years or less, and 55% of Cornell graduates complete an advanced degree. Cornell's law school acceptance rate since 2011 has been 100%. Our medical acceptance rate is 70%, compared to the national average of 40%. Cornell has since 1996 been known as one of the 40 "Colleges that Change Lives," based on the Loren Pope book now in its fourth edition. Its distinctive curriculum within the liberal arts provides a solid path to professional achievement and personal fulfillment.

Accounting 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the College and/or the passage of time and accumulated earnings for restricted endowment fund assets. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.
- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be retained permanently by the College. Generally, the donors of these assets permit the College to use all of, or part of, the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, other than endowment and similar funds, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets; net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of property, plant and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenue of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire property, plant and equipment are reported as revenue of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Income, realized gains and losses, and unrealized gains and losses on investments of endowment and similar funds are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift or the College's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- As increases in temporarily restricted net assets in all other cases unless the individual endowment is underwater; and
- As increases in unrestricted net assets if the individual endowment is underwater.

The Board of Trustees designates a portion of the College's cumulative unrestricted investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines.

Cash and Cash Equivalents

The College considers all highly liquid debt instruments purchased with a maturity date of less than three months to be cash equivalents except for money market funds held for long-term investment and deposits with bond trustees.

Cash in excess of daily requirements is invested in interest bearing accounts and money market funds of qualified financial institutions in amounts that frequently exceed insured limits. The College has not experienced any losses in these investments.

Student Accounts Receivable and Student Loans Receivable

Student accounts receivable are carried at the unpaid balance of the original amount billed to students and student loans receivable are carried at the amount of unpaid principal. Both receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience. Student accounts and loans receivable are written off when deemed uncollectible and student loans receivable may be assigned to the U.S. Department of Education. Recoveries of student accounts and loans receivable previously written off are recorded when received. The provision for bad debts charged to expense, net of recoveries, was a net expense of $31,722 and $38,841 for the years ended June 30, 2014 and 2013, respectively.

Interest is charged on student accounts receivable that are past due and is recognized as it is charged. A student account receivable is considered to be past due if any portion of the receivable balance is outstanding at the beginning of the term to which the charges relate. Once a student is no longer enrolled, accrual of interest is suspended.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Accounts Receivable and Student Loans Receivable (Continued)

Interest is charged and recognized on student loans receivable after a student is no longer enrolled in an institution of higher education and after a grace period. Interest is recognized as charged. Late charges are charged if payments are not paid by the payment due date and are recognized as they are received. Students may be granted a deferment, forbearance or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education or in the case of loan funds of the College, based on the respective loan program.

Contributions Receivable

Contributions Receivable include pledges that are recorded at their present value using discount rates ranging from approximately 2% to 6% depending on the year of pledge inception. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity. For the years ended June 30, 2014 and 2013, the College had an allowance of $200,000.

Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with unrealized gains and losses included in the statement of activities. Donated investments are recorded at fair value on the date received.

Alternative investments, such as private equity, absolute return hedge funds, real estate investment trusts, and natural resource funds consist primarily of investments that are not readily marketable. Investments in these categories are valued utilizing the most current information provided by the general partner or manager of the fund. Because these alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

Farms and city real estate are carried at cost or, if received as a donation, at the fair market value at the date received less applicable accumulated depreciation.

Realized gains are calculated using the average cost method.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property. Plant and Equipment

Land and campus improvements, buildings, rental properties, equipment and library books are stated at cost at date of acquisition or fair value at date of gift, less accumulated depreciation computed on a straight-line basis over the following estimated useful lives. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Campus land Improvements	20 Years
Buildings and Rental Properties	50 Years
Equipment	5 -10 Years
Library Books	10 Years

Pension Plan

The College has a pension plan covering substantially all of its employees. The total pension expense for the years ended June 30, 2014 and 2013 was $886,774 and $728,920, respectively. The Plan is of the defined-contribution type whereby the College contributes a specified percentage of the employee's salary and the employee's benefit is whatever amount the accumulated contributions will buy.

Self Insurance

The College is self-insured with respect to its health insurance coverage. The College maintains reinsurance that carries a specific stop-loss of $50,000 per participant covered for the period January 1, 2014 to December 31, 2014 and an aggregate stop-loss of 125% of total expected claims. Expected claims are estimated to be approximately $1,388,089. For the years ended June 30, 2014 and 2013, the amount of health insurance expense, including administrative costs and reinsurance costs, net of stop loss recoveries received or receivable, was $2,014,516 and $1,651,497, respectively.

Severance Plan

The College provides certain retirement, health care and life insurance benefits for all employees who meet eligibility requirements. The College's estimated costs of benefits that will be paid after retirement is generally being accrued by charges to expenses over the employees' service periods to the dates they are fully eligible for benefits.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset Retirement Obligations

The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the retirement obligation is capitalized by increasing the carrying value of the related asset. Over time, the liability is accreted to its present value each year and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities. The College reviews its estimates annually and adjusts the recorded liability as needed (see Note 11).

Due to U.S. Government

Amounts due to the U.S. Government include advances under the Perkins Loan Program and the program's cumulative net income as these funds are ultimately refundable to the U.S. Government.

Student Tuition Paid in Advance and Contract Advances

The College records cash received for future services as deferred revenue. This revenue is recognized when services are provided. Deferred revenue consists primarily of unearned tuition and advances received on long-term contracts.

Revenue Recognition

Tuition, fees and room and board revenue is recognized in the year the services are performed. Net tuition and fees are computed after deducting financial aid awarded to students. In order to assist students in meeting tuition and other costs of attendance, the College administers a variety of federal, state, institutional and private programs. Financial aid packages to students may include direct grants, loans and employment during the academic year. Investment income is recognized as it is earned.

Income Tax Status

The College is recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The College may be subject to federal and state income taxes on any net income from unrelated business activities. The College files a Form 990 (Return of Organization Exempt from Income Tax) annually and unrelated business income (UBI) is reported on Form 990-T, as appropriate. Management has evaluated their material tax positions, which include such matters as the tax exempt status and various positions relative to potential sources of UBI. As of June 30, 2014 and 2013, there were no uncertain tax benefits identified and recorded as a liability. Forms 990 and 990-T filed by the College are no longer subject to examination by the Internal Revenue Service for the fiscal years ended June 30, 2010 and prior.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The College follows the policy of charging advertising costs to expense as incurred. Total advertising expense is not material to the College's financial statements.

Functional Expenses

The College reports expenditures in categories reflecting core operational objectives for higher education as defined by Integrated Postsecondary Education Data System (IPEDS). During the year expenses are directly coded to program (instruction, academic support and research, student services, and auxiliary enterprises) or support services (institutional support and institutional advancement) whenever possible. Expenses which are not directly identifiable by program or support service are allocated based on the best estimates of management.

The College incurred fundraising costs of approximately $1,384,000 and $1,284,000 for the years ended June 30, 2014 and 2013, respectively. These expenses are included with institutional advancement on the statements of activities.

Measure of Operations

In its statements of activities, the College includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Non-operating activity consists primarily of investment income greater (less) than spending rate, change in value of split interest agreements, 2013 restructure of severance plan, contributions restricted for capital campaign, permanently restricted contributions and contributions receivable which have been written off.

Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Accounts Receivable and Accounts Payable

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

Contributions Receivable

The carrying amount approximates fair value as they are discounted to present value based on rates commensurate with the risks involved.

Student Loans Receivable

The fair value of the student loans receivable and liability for U.S. Government loans refundable, in which the College acts as an agent for the U.S. Government Perkins Loan Program, are not practical to determine. These loans are subject to restrictions on interest rates and transferability.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Investments

Debt and equity securities are carried at fair values which are based on quoted market prices on the last day of the year for those or similar investments. Alternative investments are based on fair value as determined by management based on information provided by the general partner or manager of the fund.

Long-Term Debt and Life-Income Payable

The carrying amount of notes, bonds and life-income payable approximates fair value, as borrowing rates currently available to the College for similar instruments are consistent with existing terms.

Subsequent Events

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through October 27, 2014, the date the financial statements were available to be issued.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows as of June 30, 2014 and 2013:

	2014	2013
Contributions Receivable Expected to be Collected in:		
Less than One Year	$ 5,153,999	$ 2,546,447
One Year to Five Years	7,065,400	5,063,302
Over Five Years	1,699,926	92,500
Gross Contributions Receivable	13,919,325	7,702,249
Less:		
Allowance for Uncollectibles	(200,000)	(200,000)
Unamortized Discount for Time Value of Money *	(927,950)	(739,116)
Net Contributions Receivable	$ 12,791,375	$ 6,763,133

* The discount rate used ranged from 2% to 6%.

NOTE 2 CONTRIBUTIONS RECEIVABLE (CONTINUED)

The above contributions receivable have been included in the following net asset categories as of June 30, 2014 and 2013:

	2014	2013
Temporarily Restricted	$ 11,110,328	$ 5,881,147
Permanently Restricted	1,681,047	881,986
Total	$ 12,791,375	$ 6,763,133

Of total gross contributions receivable as of June 30, 2014 and 2013, approximately $5,344,000 and $4,566,000, respectively, are due from current and life members of the Board of Trustees of the College.

NOTE 3 STUDENT LOANS RECEIVABLE

The College's student loans receivable consist of a revolving loan fund for Federal Perkins Loans for which the College acts as an agent for the federal government in administering the loan program and an institutional loan fund created by the College to assist students in funding their education.

The College determined their allowance for doubtful accounts on these student loans by looking at historical default rates and analyzing the aging of the past due loans. During the years ended June 30, 2014 and 2013, the College has not significantly changed its methodology for the allowance for doubtful accounts on student loans.

The aging of the student loan portfolio by classes of loans as of June 30, 2014 and 2013 is presented as follows:

	2014						
Classes Of Loans	Not in Repayment	Current	Less Than 240 Days Past Due	Greater Than 240 Days, but Less Than 2 Years Past Due	Greater Than 2 Years, Less Than 5 Years Past Due	Greater Than 5 Years Past Due	Total
Federal Perkins Loans	$ 779,021	$ 340,425	$ 68,497	$ 47,345	$ 44,029	$ 91,588	$ 1,370,905
Institutional Loans	396,960	325,614	51,768	43,153	51,005	85,126	953,626
	$ 1,175,981	$ 666,039	$ 120,265	$ 90,498	$ 95,034	$ 176,714	$ 2,324,531
As a Percentage of Total Loan Portfolio	50.59%	28.65%	5.17%	3.89%	4.09%	7.60%	100.00%

	2013						
Classes Of Loans	Not in Repayment	Current	Less Than 240 Days Past Due	Greater Than 240 Days, but Less Than 2 Years Past Due	Greater Than 2 Years, Less Than 5 Years Past Due	Greater Than 5 Years Past Due	Total
Federal Perkins Loans	$ 686,192	$ 373,807	$ 101,668	$ 28,177	$ 33,968	$ 90,740	$ 1,314,552
Institutional Loans	347,769	325,961	60,248	54,600	36,333	78,977	903,888
	$ 1,033,961	$ 699,768	$ 161,916	$ 82,777	$ 70,301	$ 169,717	$ 2,218,440
As a Percentage of Total Loan Portfolio	46.61%	31.54%	7.30%	3.73%	3.17%	7.65%	100.00%

NOTE 3 STUDENT LOANS RECEIVABLE (CONTINUED)

The allowance for doubtful accounts on student loans in aggregate is $129,000 for the years ended June 30, 2014 and 2013.

The allowance for doubtful accounts on loans by portfolio segment as of June 30, 2014 and 2013 is presented as follows:

	2014		
	Federal Perkins Loans	Institutional Loans	Total
Less: Allowance for Loans Collectively Evaluated for Impairment	$ 88,680	$ 40,320	$ 129,000
Loans Collectively Evaluated for Impairment	1,370,905	953,626	2,324,531
Student Loans Receivable, Net	1,282,225	913,306	2,195,531
Allowance as a Percentage of Loans Collectively Evaluated for Impairment	6.47%	4.23%	5.55%

	2013		
	Federal Perkins Loans	Institutional Loans	Total
Less: Allowance for Loans Collectively Evaluated for Impairment	$ 85,680	$ 43,320	$ 129,000
Loans Collectively Evaluated for Impairment	1,314,552	903,888	2,218,440
Student Loans Receivable, Net	1,228,872	860,568	2,089,440
Allowance as a Percentage of Loans Collectively Evaluated for Impairment	6.52%	4.79%	5.81%

For each class of financing receivable, the following presents the recorded investment by credit quality indicator as of June 30, 2014 and 2013:

	2014		
	Federal Perkins Loans	Institutional Loans	Total
Performing	$ 1,187,943	$ 774,342	$ 1,962,285
Nonperforming	182,962	179,284	362,246
Total	$ 1,370,905	$ 953,626	$ 2,324,531

	2013		
	Federal Perkins Loans	Institutional Loans	Total
Performing	$ 1,161,667	$ 733,978	$ 1,895,645
Nonperforming	152,885	169,910	322,795
Total	$ 1,314,552	$ 903,888	$ 2,218,440

Performing loans are those which are less than 240 days past due. Nonperforming loans are those which are greater than or equal to 240 days past due.

NOTE 3 STUDENT LOANS RECEIVABLE (CONTINUED)

For student loans, the credit quality indicator is performance determined by delinquency status and, for Federal Perkins Loans, origination and servicing of the loan. Delinquency status is updated monthly by the College's loan servicer. Federal Perkins Loans that are originated and serviced properly under Department of Education regulations can be assigned to the Department of Education when deemed no longer collectible. The College is not aware of any material amount of loans not properly originated or serviced under Department of Education regulations.

NOTE 4 INVESTMENTS

The investments include funds traditionally considered the endowment of the College (including quasi-endowment) as well as other assets. As of June 30, 2014 and 2013, the carrying value of investments are as follows:

	2014	2013
Endowment:		
Money Market Funds	$ 1,618,382	$ 566,808
Common Stock	247,298	152,998
Bond Funds	17,497,915	18,436,759
Cash Value of Life Insurance	3,010,337	2,759,653
Equity Securities	23,133,075	21,194,283
Real Estate Investment Trusts **	7,779,678	6,397,345
Private Equity **	4,766,567	4,684,675
Hedge Funds **	8,330,571	7,315,206
Natural Resource Funds **	550,546	629,296
Contracts and Miscellaneous	10,342	10,342
Trusts Held by Others *	3,839,433	3,469,111
Charitable Remainder Trusts ***	1,792,826	1,969,003
	72,576,970	67,585,479
Other:		
Stocks	33,752	6,122
Land Held for Resale, Farms and City Real Estate	100,000	100,000
Cash Value of Life Insurance	419,786	401,652
Money Market Funds	-	438,056
Trusts Held by Others *	194,073	171,074
Other	5,124	5,124
	752,735	1,122,028
	$ 73,329,705	$ 68,707,507

* Trusts held by others are assets neither in the possession of nor under control of the College, but held and administered by outside fiscal agents, with the College deriving income from such funds. The value of such assets is supported by annual trust statements, and consists of publicly traded stocks and bonds.

NOTE 4 INVESTMENTS (CONTINUED)

** The College has the ability to liquidate these investments periodically in accordance with the provisions of the respective investment fund agreements. Under terms of certain limited partnership agreements, the College is obligated periodically to advance additional funding for private equity and real estate investments. As of June 30, 2014, the College had commitments of approximately $1,165,527 for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses. The College anticipates that it will maintain sufficient liquidity in its investment portfolio to cover such calls.

*** Assets held under charitable remainder trusts primarily consist of equity securities and bonds.

The investments of the College are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to the changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term would materially affect investment balances and the amounts reported in the financial statements.

Investment return consists of the following for the years ended June 30, 2014 and 2013:

	2014	2013
Net Realized Gains on Investments	$ 4,108,398	$ 3,727,083
Net Unrealized Gains on Investments	3,432,638	1,023,085
Total Investment Gains	$ 7,541,036	$ 4,750,168

	2014	2013
Investment Income - Operating	$ 2,763,422	$ 2,656,481
Investment Income - Non-Operating	4,777,614	2,093,687
Total Investment Income	$ 7,541,036	$ 4,750,168

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of June 30, 2014 and 2013 is as follows:

	2014	2013
Land and Real Estate Improvements	$ 3,430,019	$ 3,416,809
Buildings	99,970,706	83,807,449
Equipment and Library Books	18,464,901	15,223,062
Rental Properties	2,824,095	1,970,964
Construction in Progress	1,042,767	12,046,451
	125,732,488	116,464,735
Less: Accumulated Depreciation	52,940,067	48,843,787
	$ 72,792,421	$ 67,620,948

NOTE 6 ACCRUED SEVERANCE PLAN LIABILITY

The College has an unfunded retirement arrangement that covers full-time faculty and salaried administrative personnel who began service prior to April 14, 1991. To be eligible, the employee must complete at least 15 years of service and have accumulated at least 75 "points" (a combination of age and years of service). The arrangement provides a benefit equal to 110% of the participant's final year's compensation in a lump-sum payment. The arrangement also added health care benefits, which will be provided for the lesser of five years or Medicare eligibility and life insurance, which will be provided for up to five years.

The following table sets forth information related to the plan as of June 30, 2014 and 2013:

	2014	2013
Benefit Obligation at Beginning of Period	$ 1,042,012	$ 3,153,239
Service Cost	7,616	51,175
Interest Cost	21,551	92,086
Actuarial Gain	(54,006)	(1,607,192)
Benefits Paid	(192,606)	(647,296)
Benefit Obligation at End of Period	824,567	1,042,012
Plan Assets in Deficit of Projected Benefit Obligation	$ (824,567)	$ (1,042,012)
Rollforward of Accrued Benefit:		
Accrued Benefit on Balance Sheet, Beginning of Year	$ 1,042,012	$ 3,153,239
Change in Plan Liability	(217,445)	(2,111,227)
Accrued Benefit on Balance Sheet, End of Year	$ 824,567	$ 1,042,012
Benefits Cost	$ 19,114	$ 213,048
Benefits Paid	192,606	647,296

NOTE 6 ACCRUED SEVERANCE PLAN LIABILITY (CONTINUED)

Weighted-average assumptions used to determine benefit obligations for the year ended June 30, 2014 were as follows: discount rate was 3% and rate of compensation increase was 3% for administrative employees and faculty. Weighted-average assumptions used to determine benefit obligations for the year ended June 30, 2013 were as follows: discount rate was 3% and rate of compensation increase was 3% for administrative employees and faculty.

Weighted-average assumptions used to determine net cost for the year ended June 30, 2014 were as follows: discount rate was 3% and rate of compensation increase was 3% for administrative employees and faculty. Weighted-average assumptions used to determine net cost for the year ended June 30, 2013 were as follows: discount rate was 3% and rate of compensation increase was 3% for administrative employees and faculty.

Cash Flows

The benefits expected to be paid in each year 2015 - 2019 are as follows:

Year Ending June 30,	Amount
2015	$ 768,199
2016	42,668
2017	13,700
2018	-
2019	-

The expected benefits are based on the same assumptions used to measure the College's benefit obligation as of June 30 and include estimated future employee service.

NOTE 7 LONG-TERM DEBT

Long-term debt as of June 30, 2014 and 2013 is summarized as follows:

Description	2014	2013
Iowa Higher Education Loan Authority (IHELA) - Series 2013. Interest is payable semi-annually on April 1 and October 1 through maturity on October 1, 2038, at fixed rates ranging from 2.57 % to 3.41%. The bonds are collateralized by campus buildings. The College is required to maintain certain financial ratios including a liquidity ratio and a debt service ratio as well as nonfinancial covenants. Series 2006 and 2008 were re-financed in fiscal 2014 with IHELA Series 2013.	$ 22,990,000	$ -

NOTE 7 LONG-TERM DEBT (CONTINUED)

Description	2014	2013
Iowa Higher Education Loan Authority (IHELA) - Series 2006. Interest was payable semi-annually on April 1 and October 1 through maturity on October 1, 2036, at fixed rates ranging from 4.1 % to 4.875%. The remaining bond discount of $45,305 was being amortized over the bond term using the interest method. The College is required to maintain certain financial ratios including a liquidity ratio and a debt service ratio as well as nonfinancial covenants. The bonds are collateralized by a building with a net book value of approximately $4,990,000. The College was also required to maintain a bond reserve fund to handle the repayment of bond principal and interest. Series 2006 was re-financed in fiscal 2014 with IHELA Series 2013.	-	6,622,530
Iowa Higher Education Loan Authority (IHELA) - Series 2008. Interest is payable monthly through maturity on October 1, 2038, at a variable rate determined by the remarketing agent not to exceed 10% (current effective rate is 1.75% as of June 30, 2012). The entire principal balance is due at maturity in 2038. The remaining bond discount of $40,483 is being amortized over the bond term using the interest method. The bonds are collateralized by an irrevocable letter of credit in the amount of $8,897,112. The letter of credit expires on June 20, 2014. The letter of credit agreement requires the College to maintain certain financial ratios including a cash, investments and pledges to debt ratio and a debt service ratio as well as nonfinancial covenants. The letter of credit is collateralized by buildings with a net book value of approximately $5,520,000. The letter of credit agreement contains a covenant requiring the College to supply audited financial statements within a certain time period after the College's fiscal year-end. Series 2008 was re-financed in fiscal 2014 with IHELA Series 2013.	-	7,431,060

NOTE 7 LONG-TERM DEBT (CONTINUED)

Description	2014	2013
JPMorgan Chase Bank, NA - Original loan of $700,000 with principal payments due in quarterly installments of $50,000 starting January 1, 2012 with final payment on or before December 31, 2014. Interest is payable quarterly on the first day of January, April, July and October, at a floating rate based on LIBOR plus 190 basis points (effective interest rate is 2.09378% as of June 30, 2013). The loan is collateralized by contributions receivable related to the McLennan Center property. The College is required to maintain certain financial ratios including cash, investments and pledges to debt ratio and a debt service ratio as well as nonfinancial covenants.	200,000	400,000
JPMorgan Chase Bank, NA - Original loan of $600,000 with principal payments due in monthly installments of $12,500 starting January 31, 2013 with final payment on or before December 31, 2016. Interest is payable monthly at a floating rate based on LIBOR plus 190 basis points (effective interest rate is 2.093280% as of June 30, 2013). The loan is collateralized by contributions receivable related to the Garner President's House property. The College is required to maintain certain financial ratios including cash, investments and pledges to debt ratio and a debt service ratio as well as nonfinancial covenants.	362,500	512,500
Other	11,348	17,029
	$ 23,563,848	$ 14,983,119

The following schedule includes the debt maturities.

Year Ending June 30,	IHELA Series 2013	Other	Total
2015	$ 2,055,000	$ 355,681	$ 2,410,681
2016	970,000	155,667	1,125,667
2017	700,000	62,500	762,500
2018	900,000	-	900,000
2019	900,000	-	900,000
2020-2024	3,455,000	-	3,455,000
2025-2029	4,005,000	-	4,005,000
2030-2034	4,640,000	-	4,640,000
2035-2039	5,365,000	-	5,365,000
Total	$ 22,990,000	$ 573,848	$ 23,563,848

NOTE 8 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

As of June 30, 2014 and 2013, the College's restricted net assets were allocated as follows:

	2014	2013
Temporarily Restricted Net Assets:		
Instruction and Other Departmental Support	$ 3,624,955	$ 1,779,701
Accumulated Earnings on Endowment Funds	9,271,965	7,275,322
Acquisition of Buildings and Equipment	5,341,723	4,149,265
Life Income, Annuities and Cash Surrender Value of Life Insurance Policies	322,293	423,243
Student Loan Funds	1,740,374	1,849,070
Total	$ 20,301,310	$ 15,476,601

	2014	2013
Permanently Restricted Net Assets:		
Invested in Perpetuity, the Income from which is Expendable for:		
Scholarships	$ 27,074,274	$ 26,005,874
Unrestricted	10,755,140	10,755,140
Professorships	13,441,184	11,582,325
Library	1,338,862	1,063,424
Other Instructional Support	9,112,407	8,821,698
Student Loan Funds	193,927	171,074
Annuity, Life Income and Cash Surrender Value of Life Insurance Policies and Restricted Pledges	2,742,828	3,652,306
Total	$ 64,658,622	$ 62,051,841

Net assets during the years ended June 30, 2014 and 2013 were released from donor restrictions for the following purposes:

	2014	2013
Scholarships and Other Endowment Funds	$ 1,884,722	$ 1,745,707
Instruction and Other Departmental Support	2,456,669	2,088,021
Capital Projects	7,613,842	13,630,748
Total	$ 11,955,233	$ 17,464,476

NOTE 9 LIABILITY TO LIFE TENANTS UNDER CHARITABLE REMAINDER TRUSTS AND ANNUITIES PAYABLE

The College has several charitable remainder trust agreements whereby the College is required to pay certain amounts to the income beneficiary during their lifetime. The present value of these payments discounted using a rate of 6% is $962,066 and $1,032,987 as of June 30, 2014 and 2013, respectively. In addition, the College has received amounts from various individuals under annuity agreements that require the College to pay to the donors varying amounts during their lifetime. The present value of these payments using specified discount rate ranging from 3% to 14% totaled $951,665 and $1,212,790 as of June 30, 2014 and 2013, respectively.

NOTE 10 ALLOCATION OF FUNCTIONAL EXPENSES

The College is required to allocate the operations and maintenance of the physical plant, depreciation expense and interest to the various programs of the College. The allocations for the years ended June 30, 2014 and 2013 are as follows:

	Year Ended June 30, 2014		
	Expenses as Reported on the Statement of Activities	Allocations to Programs	Program Expenses Prior to Allocations
Operating Expenses:			
Instruction	$ 12,219,260	$ (2,770,386)	$ 9,448,874
Academic Support and Research	2,823,110	(593,798)	2,229,312
Student Services	8,360,914	(1,445,702)	6,915,212
Institutional Support	4,438,641	(358,570)	4,080,071
Institutional Advancement	1,994,996	(114,507)	1,880,489
Auxiliary Enterprises	7,518,446	(4,112,198)	3,406,248
Operation and Maintenance of Plant	-	4,433,622	4,433,622
Depreciation	-	4,096,282	4,096,282
Interest	-	865,257	865,257
	$ 37,355,367	$ -	$ 37,355,367

	Year Ended June 30, 2013		
	Expenses as Reported on the Statement of Activities	Allocations to Programs	Program Expenses Prior to Allocations
Operating Expenses:			
Instruction	$ 11,779,271	$ (2,343,131)	$ 9,436,140
Academic Support and Research	2,509,013	(500,376)	2,008,637
Student Services	7,485,717	(1,173,879)	6,311,838
Institutional Support	3,538,824	(307,688)	3,231,136
Institutional Advancement	1,895,986	(96,401)	1,799,585
Auxiliary Enterprises	6,770,469	(3,347,718)	3,422,751
Operation and Maintenance of Plant	-	3,976,532	3,976,532
Depreciation	-	3,334,843	3,334,843
Interest	-	457,818	457,818
	$ 33,979,280	$ -	$ 33,979,280

NOTE 11 ASSET RETIREMENT OBLIGATION

Under current accounting standards guidance, the College must accrue for costs related to legal obligations to perform certain activities in connection with the retirement, disposal or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional. The fair value of a liability for a legal obligation associated with an asset retirement is required to be recorded in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement is capitalized.

Substantially all of the College's conditional asset retirement obligation relates to the estimated cost to remove certain materials from campus facilities. The future value of the asset retirement obligation as of June 30, 2014 is estimated to be approximately $1.5 million. The liability was estimated using an inflation rate of 4%. Because accounting standards required retrospective application to the inception of the liability, the initial asset retirement obligation was calculated using a discount rate of 5%.

Changes in the accrual for asset retirement obligation during the years ended June 30, 2014 and 2013 are as follows:

	2014	2013
Balance Beginning	$ 545,190	$ 999,697
Adjustment of Asset Retirement Liability	(715)	(353,356)
Settlement of Asset Retirement Obligation	(10,532)	(101,151)
Balance Ending	$ 533,943	$ 545,190

NOTE 12 ENDOWMENT FUND AND NET ASSET CLASSIFICATIONS

The College's Endowment Fund consists of various donor restricted endowment funds and funds designated as quasi-endowment by the Board of Trustees. Net assets associated with endowment funds, including funds designated to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the 2008 Iowa legislature as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, (d) the original net present value of permanently restricted annuities, and (e) subsequent changes in amounts due under permanently restricted annuities. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the State of Iowa in its enacted version of UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the Endowment 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; and (7) the investment policies of the College.

The College has adopted investment and spending policies for its Endowment Fund. The objective of these policies is to provide the College a predictable funding stream for its programs while achieving an investment return greater than the combination of the current spending formula and the current rate of inflation in order to protect the purchasing power of the Endowment Fund. The College, through its investment policy, has established a target (inflation-adjusted) annualized rate of return over the long term of at least 8%; the total return during any single measurement period may deviate from the long-term return objective. To satisfy its long-term rate-of-return objective, the College expects to maintain appropriate diversification among equity, fixed income and alternative investment allocations. The purpose is to moderate the overall investment risk of the Endowment Fund.

The Board of Trustees of the College may appropriate for expenditure or accumulate so much of the Endowment Fund as the College determines is prudent for the uses, benefits, purposes and duration for which the Endowment Fund is established. The amount appropriated, per the spending policy, is a Board approved percentage applied to the average fair value of the endowment fund assets during the eight quarters ending December 31 of the prior calendar year. The Board approved spending percentage was 5% for the fiscal years ended June 30, 2014 and 2013.

NOTE 12 ENDOWMENT FUND AND NET ASSET CLASSIFICATIONS (CONTINUED)

Endowment net assets as of June 30, 2014 and 2013 were as follows:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ (3,813,239)	$ 9,599,285	$ 64,464,695	$ 70,250,741
Board-Designated Quasi-Endowment Funds	3,522,528	-	-	3,522,528
Total Endowment Funds	$ (290,711)	$ 9,599,285	$ 64,464,695	$ 73,773,269

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ (5,502,225)	$ 7,703,741	$ 61,880,767	$ 64,082,283
Board-Designated Quasi-Endowment Funds	2,917,147	-	-	2,917,147
Total Endowment Funds	$ (2,585,078)	$ 7,703,741	$ 61,880,767	$ 66,999,430

The changes in endowment net assets for the years ended June 30, 2014 and 2013 were as follows:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ (2,585,078)	$ 7,703,741	$ 61,880,767	$ 66,999,430
Investment Return:				
Investment Income Allocated to Operations	878,699	1,884,723	-	2,763,422
Net Appreciation (Realized and Unrealized)	1,511,779	2,774,951	452,979	4,739,709
Total Investment Return	(194,600)	12,363,415	62,333,746	74,502,561
Contributions	-	-	2,022,993	2,022,993
Appropriation of Endowment Funds for Expenditure	(87,836)	(2,675,586)	-	(2,763,422)
Other Changes	(8,275)	(88,544)	107,956	11,137
Endowment Net Assets, End of Year	$ (290,711)	$ 9,599,285	$ 64,464,695	$ 73,773,269

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ (3,284,187)	$ 7,328,963	$ 59,621,860	$ 63,666,636
Investment Return:				
Investment Income Allocated to Operations	858,861	1,797,620	-	2,656,481
Net Appreciation (Depreciation) (Realized and Unrealized)	(97,419)	1,352,651	(13,356)	1,241,876
Total Investment Return	(2,522,745)	10,479,234	59,608,504	67,564,993
Contributions	-	-	2,087,182	2,087,182
Appropriation of Endowment Funds for Expenditure	(62,333)	(2,594,148)	-	(2,656,481)
Other Changes	-	(181,345)	185,081	3,736
Endowment Net Assets, End of Year	$ (2,585,078)	$ 7,703,741	$ 61,880,767	$ 66,999,430

NOTE 12 ENDOWMENT FUND AND NET ASSET CLASSIFICATIONS (CONTINUED)

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration, underwater endowments. As of June 30, 2014 and 2013, donor restricted endowment funds were underwater by $3,813,239 and $5,502,225, respectively. This amount is reported in unrestricted net assets. These deficiencies, which the College believes are temporary, resulted from unfavorable market fluctuations. The Board determined that continued appropriation during fiscal years ended June 30, 2014 and 2013 for certain programs was prudent.

NOTE 13 FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value and requires disclosure of fair value measurements. The fair value hierarchy set forth in the Topic is as follows:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Investments measured using the practical expedient, that do not have any significant redemption restrictions, lockup periods, gates or other characteristics that would cause report and liquidation date net asset value (NAV) to be significantly different, if redemption were requested at the report date.

Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. The College reports the fair value of certain Level 3 investments using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the College based on various factors, to be used to determine fair value, under certain conditions. The fair value of the investment is based on a combination of audited financial statements of the investees and monthly or quarterly statements received from the investees. These investments would have significant redemption and other restrictions that would limit the Funds' ability to redeem out of the fund at report date NAV.

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Investments

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation including alternative investments, securities are classified within Level 3 of the valuation hierarchy. Level 3 securities include investments in limited partnerships, life insurance policies, real estate, land and mineral rights. Investments in limited partnerships are fund-of-funds that take custody of the assets and use partnership accounting to determine the unit value of each member's interest in the partnership. Annual audits are performed each year on the partnerships. The College obtains the fair value from the fund managers. The fund managers use various models, comparisons and assumptions to estimate fair value. Consideration is given to the type of investment, risks, marketability, restrictions on dispositions and quotations from other market participants. Life insurance policies are valued at cash surrender values determined by the life insurance companies. The value of real estate, land and mineral rights is determined through third-party appraisals. The value of charitable lead/remainder unitrusts is derived from the underlying investments of the unitrusts. The value of those investments is determined in the same manner as investments described above. Future expected cash flows are discounted using a risk adjusted discount rate.

There have been no changes in valuation techniques used for any assets measured at fair value during the years ended June 30, 2014 and 2013.

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables summarize assets measured at fair value on a recurring basis as of June 30, 2014 and 2013, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	2014			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Common Stocks:				
Miscellaneous	$ 247,298	$ -	$ -	$ 247,298
Equity Mutual Funds:				
International Funds	10,040,594	10,040,594	-	-
Multi Strategy Funds	7,880,329	4,702,323	3,178,006	-
Fixed Income Mutual Funds:				
Total Return Funds	22,710,066	21,205,729	1,504,337	-
Real Estate Investment Trust	7,779,678	-	7,779,678	-
Natural Resource Funds	550,546	-	-	550,546
Hedge Funds	8,330,571	-	-	8,330,571
Private Equity	4,766,567	-	-	4,766,567
Funds Held in Trust by Others	4,033,506	-	-	4,033,506
Charitable Remainder Trusts	1,792,826	1,792,826	-	-
Other	49,219	-	-	49,219
	$ 68,181,200	$ 37,741,472	$ 12,462,021	$ 17,977,707

	2013			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Common Stocks:				
Miscellaneous	$ 152,998	$ -	$ -	$ 152,998
Equity Mutual Funds:				
International Funds	6,272,558	6,272,558	-	-
Multi Strategy Funds	9,745,373	9,711,311	34,062	-
Fixed Income Mutual Funds:				
Total Return Funds	25,351,174	20,085,755	5,265,419	-
Tax Exempt Funds	230,940	230,940	-	-
Real Estate Investment Trust	6,397,345	-	6,397,345	-
Natural Resource Funds	629,296	-	-	629,296
Hedge Funds	7,315,206	-	-	7,315,206
Private Equity	4,684,675	-	-	4,684,675
Funds Held in Trust by Others	3,640,185	-	-	3,640,185
Charitable Remainder Trusts	1,969,003	1,969,003	-	-
Other	21,588	-	-	21,588
	$ 66,410,341	$ 38,269,567	$ 11,696,826	$ 16,443,948

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Included in investments on the balance sheets are money markets that are cash and cash equivalents and land which are recorded at a cost basis of $1,718,382 and $1,104,864 as of June 30, 2014 and 2013, respectively, and are excluded from the above table as they are not subject to fair value measurement guidance.

The following tables present additional information about assets measured at fair value on a recurring basis for which the College has utilized Level 3 inputs to determine fair value.

	2014						
	Common Stocks Miscellaneous	Natural Resource Funds	Hedge Funds	Private Equity	Funds Held in Trust by Others	Other	Total
Balance, Beginning	$ 152,998	$ 629,296	$ 7,315,206	$ 4,684,675	$ 3,640,185	$ 21,588	$ 16,443,948
Total Gains or Losses (Realized/Unrealized) Included in Change in Net Assets	94,300	(29,588)	635,203	793,421	393,321	27,631	1,914,288
Purchases	-	-	500,000	142,000	-	-	642,000
Sales	-	(49,162)	(119,838)	(853,529)	-	-	(1,022,529)
Balance, Ending	$ 247,298	$ 550,546	$ 8,330,571	$ 4,766,567	$ 4,033,506	$ 49,219	$ 17,977,707

	2013						
	Common Stocks Miscellaneous	Natural Resource Funds	Hedge Funds	Private Equity	Funds Held in Trust by Others	Other	Total
Balance, Beginning	$ 152,998	$ 778,814	$ 6,709,977	$ 5,115,646	$ 3,281,806	$ 34,288	$ 16,073,529
Total Gains or Losses (Realized/Unrealized) Included in Change in Net Assets	-	1,410	345,361	454,259	187,305	-	988,335
Purchases	-	-	562,555	133,854	171,074	-	867,483
Sales	-	(150,928)	(302,687)	(1,019,084)	-	(12,700)	(1,485,399)
Balance, Ending	$ 152,998	$ 629,296	$ 7,315,206	$ 4,684,675	$ 3,640,185	$ 21,588	$ 16,443,948

Gains and losses included in change in net assets for the period above are reported as realized and unrealized gains (losses) on investments.

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth additional disclosure of the College's investments whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2014 and 2013:

	Fair Value		Unfunded	Redemption	Redemption
	2014	2013	Commitment	Frequency	Notice Period
Fixed Income Mutual Funds:					
Total Return Funds (A)	$ 1,504,337	$ 5,265,419	$ -	Daily	10 days
Real Estate Investment Trust (B)	7,779,678	6,397,345	-	Quarterly	90 days
Natural resource Funds (C)	550,546	629,296	17,500	N/A	N/A
Hedge funds:					
(D)	3,511,691	3,397,511	-	Quarterly	90 days
(E)	3,944,768	3,085,647	-	Quarterly	100 days
(F)	750,905	706,518	-	Monthly	5 days
(G)	123,207	125,530	-	N/A	N/A
Private Equity:					
(H)	1,729,676	1,487,954	316,000	N/A	N/A
(I)	951,520	979,147	313,733	N/A	N/A
(J)	747,650	843,008	180,000	N/A	N/A
(K)	635,165	700,017	40,000	N/A	N/A
(L)	225,407	246,819	249,544	N/A	N/A
(M)	477,149	427,730	48,750	N/A	N/A

(A) This fund invests in a globally diversified portfolio of primarily debt or debt-like securities. The fair values of the investments in this category have been estimated using the College's Partner capital balance as provided by each investment's fund administrator. The capital balance is based on their percentage ownership of the overall fund.

(B) The fund invests in both publicly-owned real estate securities and privately owned real estate investments. Investors may request quarterly redemptions of 1% with written notice from the date of investment inception. The fair values of the investments in this category have been estimated using the College's Partner capital balance as provided by each investment's fund administrator. The capital balance is based on their percentage ownership of the overall fund.

(C) The fund invests in a select group of investment funds in the natural resource sector, with an emphasis on depleting resources. These funds are valued on a regular basis; however, these investments cannot be redeemed during the life of the partnership. Distributions will be received as the underlying funds of the investment are liquidated over time. The fair values of the investments in this category have been estimated using the College's Partner capital balance as provided by each investment's fund administrator. The capital balance is based on their percentage ownership of the overall fund.

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

(D) The fund invests the majority of its assets in related commodity pools, all of which engage in various investing and trading activities including investing in other funds and the speculative trading of futures contracts, forward currency contracts, securities and other financial instruments. The fair values of the investments in this category have been estimated using the College's Partner capital balance as provided by each investment's fund administrator. The capital balance is based on their percentage ownership of the overall fund.

(E) The fund is a "feeder" fund in a "master-feeder' structure whereby the fund invests substantially all of its assets in the Master Fund. The Master Fund pursues its investment objectives by allocating its capital among various portfolio managers (the Portfolio Managers) through investments in collective investment vehicles (the Investee Funds) and individually managed accounts. The Investee Funds may engage in the trading of equity and debt securities of U.S. and non U.S. corporations, U.S. government securities, non U.S. government securities, futures contracts, options, options on futures, other derivatives including swaps, forward contracts, currencies and physical commodities, partnership interests, money market instruments and derivatives on securities. The Master Fund may also make investments directly rather than, or in addition to investing in Investee Fund including without limitation, for purposes of hedging certain exposures. This fund has a 25% quarterly investor-level redemption restriction. The fair values of the investments in this category have been estimated using the College's Partner capital balance as provided by the investment's fund administrator. The capital balance is based on their percentage ownership of the overall fund.

(F) The fund is a "feeder" fund in a "master-feeder" structure whereby the fund invests substantially all of its assets in the Master Fund. The Master Fund pursues its investment objectives by allocating its capital among various portfolio managers (the Managers) through investments in pooled investment vehicles and individually managed accounts. Distributions are made to the members in cash pro rata in proportion to their capital accounts.

(G) The fund is a multi-strategy fund of hedge funds that only invests in funds that manage equity-like instruments comprising of four strategies: relative value, event-driven, equity market-neutral, and hedged equity. Distributions are made to members in cash pro rata in proportion to their capital accounts. The fund has only five small funds remaining with minimal market value.

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

(H) The limited partnership was created with the purpose of investing in the Master Fund which holds private equity and venture capital partnerships which invest in equity, equity-related, and debt securities. The limited partners have made commitments to classes of investments in the Partnership which include Developed Markets-Private Equity (the PE Class), Developed MarketsVenture Capital (the VC Class), and Emerging Markets-Private Equity and Venture Capital (the EM Class), (collectively, the "Classes" and, individually, a "Class"). These funds are valued on a regular basis; however, these investments cannot be redeemed during the life of the partnership. Distributions will be received as the underlying funds of the investment are liquidated over time. The fair values of the investments in this category have been estimated using the College's Partner capital balance as provided by each investment's fund administrator.

(I) This limited partnership was formed for the purpose of investing substantially all of its assets in the Offshore Holdings Partnership. The Offshore Holdings Partnership was formed for the purpose of investing in pooled investment vehicles purchased from the existing owners of such pooled vehicles and not from the issuers of such investments or transactions structured to share many of the characteristics and economics of such purchases (Secondary Investments). The Secondary Investments are generally held by Private Equity Opportunities (PEO). PEO may receive distributions-in-kind from the Secondary Investments representing securities of the Secondary Investments' underlying portfolio companies ("Security Investments" and together with Secondary Investments, "Portfolio Investments"). PEO may make investments directly or indirectly related to the Secondary Investments, including underlying portfolio companies owned by Secondary Investments, swaps, options and forward currency contracts. The Offshore Holdings Partnership may also make investments in swaps, options, forward currency contracts, and other alternative transactions. The Offshore Holdings Partnership is permitted to invest both domestically and internationally across all sectors of the private equity market directly and through PEO. These funds are valued on a regular basis; however, these investments cannot be redeemed during the life of the partnership. Distributions will be received as the underlying funds of the investment are liquidated over time. The fair values of the investments in this category have been estimated using the College's Partner capital balance as provided by each investment's fund administrator. The capital balance is based on their percentage ownership of the overall fund.

(J) The fund invests in following private equity industry sectors: Buyout, Venture Capital and Special Situations. These funds are valued on a regular basis; however, these investments cannot be redeemed during the life of the partnership. Distributions will be received as the underlying funds of the investment are liquidated over time. The fair values of the investments in this category have been estimated using the College's Partner capital balance as provided by each investment's fund administrator. The capital balance is based on their percentage ownership of the overall fund.

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

(K) The fund invests in securities in secondary market transactions primarily in leveraged buyout, growth equity, mezzanine and venture capital investment funds. In addition, the fund may make primary investments in Investment Partnerships, direct investments in companies alongside Investment Partnerships, and Secondary Investments in companies. These funds are valued on a regular basis; however, these investments cannot be redeemed during the life of the partnership. Distributions will be received as the underlying funds of the investment are liquidated over time. The fair values of the investments in this category have been estimated using the College's Partner capital balance as provided by each investment's fund administrator. The capital balance is based on their percentage ownership of the overall fund.

(L) This fund invests primarily in secondary transactions in privately offered direct investment funds and portfolio companies established by a select number of experienced and well established sponsors. These funds are valued on a regular basis; however, these investments cannot be redeemed during the life of the partnership. Distributions will be received as the underlying funds of the investment are liquidated over time. The fair values of the investments in this category have been estimated using the College's Partner capital balance as provided by each investment's fund administrator. The capital balance is based on their percentage ownership of the overall fund.

(M) The fund invests in a select group of private equity funds in the venture capital, buyout and capital restructuring sectors. These funds are valued on a regular basis; however, these investments cannot be redeemed during the life of the partnership. Distributions will be received as the underlying funds of the investment are liquidated over time. The fair values of the investments in this category have been estimated using the College's Partner capital balance as provided by each investment's fund administrator. The capital balance is based on their percentage ownership of the overall fund.

NOTE 14 COMMITMENTS AND CONTINGENCIES

The College is involved in various legal actions arising in the normal course of activities and is subject to periodic audits and inquiries by various regulatory agencies. Although the ultimate outcome of such matters is not determinable at this time, management believes that the resolution of these pending matters will not have a materially adverse effect on the College's financial statements.

The College has entered into various contracts for residence hall improvements and other infrastructure improvements. As of June 30, 2014, the remaining commitment on these contracts totaled approximately $4.9 million.