KPMG

HAMILTON COLLEGE

Financial Statements

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

HAMILTON COLLEGE

June 30, 2010 and 2009

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

Board of Trustees
Hamilton College:

We have audited the accompanying statements of financial position of Hamilton College (College) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hamilton College as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 22, 2010

HAMILTON COLLEGE

Statements of Financial Position

June 30, 2010 and 2009

(Dollars in thousands)

Assets		**2010**	**2009**
Cash and cash equivalents	$	45,870	44,453
Student and other accounts receivable, net		972	967
Loans to students, net		3,105	3,133
Contributions receivable, net		17,796	9,474
Beneficial interest trusts		4,143	4,081
Deposits with trustees of debt obligations		276	2,878
Collateral received for securities lending		7,000	90,484
Investments		607,490	540,154
Deferred financing costs		2,932	3,124
Other assets		1,973	2,019
Property, plant and equipment, net		223,442	221,052
Total assets	$	914,999	921,819
Liabilities and Net Assets			
Accounts payable and accrued liabilities	$	4,438	5,438
Deposits and advances		6,006	4,445
Long-term debt		139,006	142,845
Liability under securities lending transactions		7,000	90,484
Annuity and life income obligations		20,549	20,462
Funds held in trust for others		1,424	1,328
Asset retirement obligation		1,493	1,457
Accumulated postretirement benefit obligation		4,559	4,517
Refundable government student loan funds		1,557	1,576
Total liabilities		186,032	272,552
Net assets:			
Unrestricted		418,965	371,896
Temporarily restricted		132,158	109,720
Permanently restricted		177,844	167,651
Total net assets		728,967	649,267
Total liabilities and net assets	$	914,999	921,819

See accompanying notes to financial statements.

HAMILTON COLLEGE

Statement of Activities

Year ended June 30, 2010
(with summarized information for the year ended June 30, 2009)

(Dollars in thousands)

	2010				2009
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Total**
Operating revenues:					
Tuition and fees	$ 78,241	—	—	78,241	75,901
Scholarship aid	(24,339)	—	—	(24,339)	(22,889)
Net tuition and fees	53,902	—	—	53,902	53,012
Auxiliary enterprises	19,421	—	—	19,421	18,840
Investment return designated for operations	3,884	22,958	—	26,842	27,015
Private gifts and grants	5,929	3,267	—	9,196	6,986
Government grants and contracts	454	1,637	—	2,091	2,090
Other income	583	42	—	625	931
Net assets released from restrictions	24,950	(24,950)	—	—	—
Total operating revenues	109,123	2,954	—	112,077	108,874
Operating expenses:					
Instruction	49,614	—	—	49,614	49,160
Research	1,705	—	—	1,705	1,914
Public service	195	—	—	195	185
Academic support	13,390	—	—	13,390	13,036
Student services	12,154	—	—	12,154	12,107
Institutional support	15,081	—	—	15,081	14,835
Auxiliary enterprises	19,200	—	—	19,200	18,664
Total operating expenses	111,339	—	—	111,339	109,901
Increase (decrease) in net assets from operating activities	(2,216)	2,954	—	738	(1,027)
Nonoperating activities:					
Private gifts	599	10,038	5,554	16,191	7,146
Investment return, net of amounts designated for operations	47,799	10,783	6,958	65,540	(203,828)
Change in value of split interest agreements	—	(1,006)	(1,902)	(2,908)	142
Net assets released from restriction and changed restrictions	822	(360)	(462)	—	—
Change in fair value of interest rate swap	—	—	—	—	(1,780)
Other	65	29	45	139	1,338
Increase (decrease) in net assets from nonoperating activities	49,285	19,484	10,193	78,962	(196,982)
Increase (decrease) in net assets	47,069	22,438	10,193	79,700	(198,009)
Net assets, beginning of year	371,896	109,720	167,651	649,267	847,276
Net assets, end of year	$ 418,965	132,158	177,844	728,967	649,267

See accompanying notes to financial statements.

HAMILTON COLLEGE

Statement of Activities

Year ended June 30, 2009

(Dollars in thousands)

	2009			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Operating revenues:				
Tuition and fees	$ 75,901	—	—	75,901
Scholarship aid	(22,889)	—	—	(22,889)
Net tuition and fees	53,012	—	—	53,012
Auxiliary enterprises	18,840	—	—	18,840
Investment return designated for operations	4,443	22,572	—	27,015
Private gifts and grants	6,015	971	—	6,986
Government grants and contracts	436	1,654	—	2,090
Other income	931	—	—	931
Net assets released from restrictions	23,136	(23,136)	—	—
Total operating revenues	106,813	2,061	—	108,874
Operating expenses:				
Instruction	49,160	—	—	49,160
Research	1,914	—	—	1,914
Public service	185	—	—	185
Academic support	13,036	—	—	13,036
Student services	12,107	—	—	12,107
Institutional support	14,835	—	—	14,835
Auxiliary enterprises	18,664	—	—	18,664
Total operating expenses	109,901	—	—	109,901
Increase (decrease) in net assets from operating activities	(3,088)	2,061	—	(1,027)
Nonoperating activities:				
Private gifts	797	3,186	3,163	7,146
Investment return, net of amounts designated for operations	(154,608)	(40,068)	(9,152)	(203,828)
Change in value of split interest agreements	—	(744)	886	142
Net assets released from restriction and changed restrictions	1,045	(1,274)	229	—
Change in fair value of interest rate swap	(1,780)	—	—	(1,780)
Other	1,169	117	52	1,338
Decrease in net assets from nonoperating activities	(153,377)	(38,783)	(4,822)	(196,982)
Decrease in net assets	(156,465)	(36,722)	(4,822)	(198,009)
Net assets, beginning of year	528,361	146,442	172,473	847,276
Net assets, end of year	$ 371,896	109,720	167,651	649,267

See accompanying notes to financial statements.

HAMILTON COLLEGE

Statements of Cash Flows

Years ended June 30, 2010 and 2009

(Dollars in thousands)

		2010	2009
Net cash flows from operating activities:			
Change in net assets	$	79,700	(198,009)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Contributions to endowment and facilities		(16,331)	(6,906)
Depreciation and amortization		13,544	12,614
Realized and unrealized (gains) losses on investments		(88,020)	184,708
Interest on capital appreciation bonds		1,789	3,576
Asset retirement obligation		36	(140)
Loss on disposal of plant and equipment		308	743
Changes in assets and liabilities that provide (use) cash:			
Student and other accounts receivable, net		(5)	(188)
Contributions receivable		(8,322)	4,591
Beneficial interest trusts		(62)	999
Other assets		46	36
Accounts payable and accrued liabilities		(2,325)	(4,029)
Deposits and advances		1,561	(663)
Accumulated postretirement benefit obligation		42	693
Annuity and life income obligations		3,282	(2,215)
Cash flows used in operating activities		(14,757)	(4,190)
Net cash from investing activities:			
Purchase of property, plant and equipment, net of change in construction costs payable		(14,945)	(21,562)
Purchases of investments		(247,267)	(229,005)
Proceeds from sales and maturities of investments		267,951	246,684
Decrease in deposits held by trustees of debt obligations		2,602	17,175
Student loans, net		28	223
Cash flows provided by investing activities		8,369	13,515
Net cash from financing activities:			
Contributions to endowment and facilities		16,331	6,906
Proceeds from issuance of bonds payable		13,985	54,967
Payments for extinguishment of bonds payable		(15,468)	(51,795)
Payments on long-term debt		(3,918)	(3,898)
Payments to beneficiaries of split interest agreements		(3,195)	(3,726)
Payments for debt financing costs		(487)	(386)
Other financing activities		557	(1,491)
Cash flows provided by financing activities		7,805	577
Net increase in cash and cash equivalents		1,417	9,902
Cash and cash equivalents:			
Beginning of year		44,453	34,551
End of year	$	45,870	44,453
Supplemental disclosure of noncash investing and financing activities:			
Change in construction related payables	$	(1,325)	(1,008)
Supplemental disclosure:			
Cash paid for interest, including capitalized interest	$	4,693	4,148
Gifts in kind		442	102

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of Hamilton College (the College), which is a coeducational, independent, liberal arts college located in Clinton, New York, are prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the 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. Unrestricted net assets may be designated for specific purposes by the board of trustees or may otherwise be limited by contractual agreements with outside parties.

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. Generally, such net assets are available for program purposes such as financial aid, specified operating activities, facilities and equipment.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors permit the College to use all or part of the income earned on these assets for general or specific purposes.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

Contributions restricted for the acquisition of land, buildings and equipment and specific programs are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets upon acquisition of the assets.

Nonoperating activities primarily include transactions of a capital nature, that is, contributions to be used for facilities and equipment or to be invested by the College to generate a return that will support operations.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Significant items subject to such estimates and assumptions include the valuation of investments classified as Level 3 investments, the carrying amount of property, plant and equipment, valuation allowances for receivables, and the accrual for postretirement benefits. Actual results could differ from those estimates.

(Continued)

(c) Cash and Cash Equivalents

The College considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at June 30, 2010 and 2009, are $44,707 and $43,173, respectively, of cash equivalents primarily representing interest bearing money market and other short-term investment accounts.

(d) Investments

Investments are stated at fair value. Net appreciation or depreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation on those investments, is recognized in the statement of activities. Realized gains and losses on the sale of investments are generally determined on the specific identification method on the trade date.

The fair values of debt and equity securities with readily determinable fair values are generally based on quoted market prices obtained from active markets. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year. Limited partnership interests, including private equity, real estate and energy, as well as other nonmarketable investments, including hedge funds, for which a readily determinable fair value does not exist, are carried at fair values provided by the investment managers. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets that require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and consider variables such as financial performance of investments, including comparison of comparable companies' earnings multiples, cash flows analysis, recent sales prices of investments, and other pertinent information and may reflect discounts for the illiquid nature of certain investments held. Because of the inherent uncertainty of valuation of these investments, the investment manager's estimate may differ from the values that would have been used had a ready market existed. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments.

The College utilized the net asset value (NAV) or the rolled forward capital balance reported by each of the alternative investment funds as a practical expedient for determining the fair value of the investment. In cases where NAV is used as a practical expedient, these investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. For those alternative investment funds valued at the rolled forward capital balance, distributions to the College are dependent on the realization of cash from the underlying investments held by the funds. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the value of the funds and, consequently, the fair value of the College's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the College's interest in the funds. Additionally, although certain investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the College were to sell a fund in the secondary market, the sale could occur at an amount different than the reported value, and the difference could be material.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Major U.S. and foreign equity and fixed income indices have experienced volatility and, in some cases, significant declines. Management is monitoring investment market conditions and the impact such declines are having on College's investment portfolio. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

(e) Gifts and Private Grants

The College reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When stipulated time restriction ends or donor purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Net assets released from restrictions in the same year the underlying gift is received, or endowment income is appropriated under the spending policy, are reported as operating revenues within the statement of activities.

(f) Endowment Income

The Board of Trustees designates only a portion of the College's cumulative investment return for support of current operations; the remainder, classified as nonoperating, is retained to support operations of future years and to offset potential market declines. The amount computed under the endowment spending policy of the investment pool and all investment income earned by investing cash in excess of daily requirements are used to support current operations. Further discussion of the College's endowment spending policy is provided within footnote 3.

(g) Inventories

Inventories are stated at the lower of cost or market, based upon the first-in, first-out method and are included in other assets.

(h) Deposits with Trustees of Debt Obligations

Deposits with trustees of debt obligations are recorded at fair value, and are invested in cash, money market and short-term government securities according to the requirements established by the associated bond agreements.

(i) Property, Plant and Equipment

Property, plant and equipment are recorded at cost, including interest on funds borrowed to finance construction, at the date of acquisition or fair value at the date of donation.

Depreciation is recorded on a straight-line basis over the estimated useful lives under the following guidelines: artwork (50 years), buildings (40 years), land improvements, HVAC, roofing and electrical (15 years), landscaping, carpeting and sprinkler systems (10 years), office furniture (7 years) vehicles, computer hardware and related equipment (5 years), and computer software (3 years).

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

(j) Deferred Financing Costs

Deferred financing costs represent bond issuance costs that are amortized on a straight-line basis over the period to bond maturity.

(k) Annuity and Life Income Gifts

The College accepts certain gifts on the condition that periodic annuity or life income distributions are made to designated beneficiaries. Assets associated with these gifts are recorded at their fair value. The College recognizes contribution revenue in an amount equal to the difference between the fair value of the contributed asset and the net present value of the payment obligations, and classifies contribution revenue as an increase in temporarily restricted or permanently restricted net assets, based on the donor stipulations. Liabilities associated with these gifts (the annuity or life income obligation) represent the present value of payments expected to be made to beneficiaries. Significant assumptions used to determine the annuity and life income obligations include the discount rates, which range from 3.2% to 11%, and mortality assumptions of the beneficiaries. Changes in annuity and life income obligations resulting from changes in actuarial assumptions and the accretion of the discount are recorded as increases or decreases in temporarily or permanently restricted net assets based on the donor stipulations. During 2010 and 2009, the College received \$443 and \$170, respectively, for annuity and life income gifts.

(l) Beneficial Interest Trusts

The College is the beneficiary of certain perpetual trusts held and administered by others. The trusts are recorded at their respective fair market values.

(m) Revenue Recognition

Tuition and fees and certain auxiliary enterprise revenues are earned over the academic year as services are provided. Funds received in advance of services provided are included in deposits and advances.

(n) Taxation

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income tax on related income.

The College recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

(o) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, and other sources are recorded when it is possible that a liability has been incurred and the amount can be reasonably estimated. Legal costs associated with loss contingencies are expensed as incurred.

The College recognizes a liability for the fair value of conditional asset retirement obligations if their fair values can be reasonably estimated. This liability is initially recorded as an increase to the associated asset and depreciated over the remaining useful life of the asset.

The College has identified asbestos abatement as a conditional asset retirement obligation. Asbestos abatement costs are estimated using a per square foot estimate for each impacted location. As of June 30, 2010 and 2009, the College has recorded a liability of $1,493 and $1,457, respectively, representing the fair value of these conditional asset retirement obligations. Also, at June 30, 2010 and 2009, $7 and $10, respectively, of these costs, net of accumulated depreciation, is included in property, plant and equipment.

(p) Reclassifications

Reclassifications are made to prior year amounts to conform to current year presentation.

(2) Investments and Fair Value

The investment objective of the College is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The College's investment strategy incorporates a diversified asset allocation approach that maintains, within defined limits, exposure to domestic and international equity, fixed income, real estate, commodities, and private equity markets. The majority of the College's investments are managed in a pooled fund that consists primarily of endowment assets. Other investments are managed separately from the pool. These investments consist primarily of fixed-income securities, principally government securities and money market funds held for the College's working capital needs, and various bond and equity portfolios associated with split interest agreements.

(Continued)

HAMILTON COLLEGE

Notes to Financial Statements

June 30, 2010 and 2009

(Dollars in thousands)

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments are measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. Significant professional judgment is used in determining the fair value assigned to such assets or liabilities.

The following table summarizes the valuation of the College's financial instruments under the fair value hierarchy levels as of June 30, 2010:

	Total	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Cash and cash equivalents	$ 6,198	6,198	—	—	Daily	1
Fixed income securities	12,900	12,900	—	—	Daily	1
Equity securities:						
US	229,198	229,198	—	—	Daily	1
International	47,185	47,185	—	—	Daily	1
Hedge funds:						
Multistrategy	24,591	—	24,591	—	Semi-annually	65
Global	39,168	—	39,168	—	Quarterly	30
Other	74,150	—	—	74,150	Not applicable	
Private equity:						
Buy-out	50,488	—	—	50,488	Not applicable	
Venture capital	28,867	—	155	28,712	Not applicable	
Debt related	78	—	78	—	Not applicable	
Real estate	24,757	—	—	24,757	Not applicable	
Energy	68,124	—	—	68,124	Not applicable	
Other	1,786	1,786	—	—	Not applicable	
Total investments	607,490	297,267	63,992	246,231		
Deposits with trustees of debt obligations	276	276	—	—		
Total assets	$ 607,766	297,543	63,992	246,231		

(Dollars in thousands)

Changes to reported investments measured at fair value using unobservable (Level 3) inputs during the year ended June 30, 2010 are as follows:

		Hedge funds	Private equity	Real estate	Energy	Total
Fair value, June 30, 2009	$	65,534	68,995	25,577	50,453	210,559
Net purchases, sales, settlements		(5,371)	(2,477)	6,458	(3,635)	(5,025)
Unrealized gains/losses		13,987	11,363	(7,278)	21,306	39,378
Transfers		—	1,319	—	—	1,319
Fair value, June 30, 2010	$	74,150	79,200	24,757	68,124	246,231

The following table summarizes the valuation of the College's financial instruments under the fair value hierarchy levels as of June 30, 2009:

		Total	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Cash and cash equivalents	$	6,659	6,659	—	—	Daily	1
Fixed income securities		13,215	13,215	—	—	Daily	1
Equity securities:							
US		194,183	194,183	—	—	Daily	1
International		21,856	21,856	—	—	Daily	1
Hedge funds:							
Long/short		288	—	288	—		
Multistrategy		33,008	—	33,008	—	Semi-annually	65
Global		58,420	—	58,420	—	Quarterly	30
Other		65,534	—	—	65,534	Not applicable	
Private equity:							
Buy-out		43,002	—	—	43,002	Not applicable	
Venture capital		26,143	—	150	25,993	Not applicable	
Real estate		25,577	—	—	25,577	Not applicable	
Energy		50,453	—	—	50,453	Not applicable	
Other		1,816	1,745	71	—	Not applicable	
Total investments		540,154	237,658	91,937	210,559		
Deposits with trustees of debt obligations		2,878	2,878	—	—		
Total assets	$	543,032	240,536	91,937	210,559		

Changes to reported investments measured at fair value using unobservable (Level 3) inputs during the year ended June 30, 2009 are as follows:

		Hedge funds	Private equity	Real estate	Energy	Total
Fair value, June 30, 2008	$	87,427	82,071	24,386	56,563	250,447
Net purchases, sales, settlements		—	11,137	11,150	(1,762)	20,525
Unrealized gains/losses		(21,893)	(24,213)	(9,959)	(4,348)	(60,413)
Fair value, June 30, 2009	$	65,534	68,995	25,577	50,453	210,559

(Dollars in thousands)

The following schedule summarizes total investment return and its classification in the statements of activities for the years ended June 30, 2010 and 2009:

		2010	2009
Endowment income	$	4,362	7,895
Net realized and unrealized gains (losses)		88,020	(184,708)
Total return on investments		92,382	(176,813)
Investment return designated for current operations (spending policy distributions)		(26,842)	(27,015)
Investment return net of amounts designated for current operations	$	65,540	(203,828)

Endowment income is presented net of investment management and custodial fees of $2,385 and $2,688 for the years ended June 30, 2010 and 2009, respectively.

Liquidity

The limitations and restrictions on the College's ability to redeem or sell investments vary by investment and range from required notice periods (generally 30 to 180 days after initial lock-up periods) for certain limited partnership and hedge funds, to specified terms at inception (generally 10 years) associated with private equity and venture capital interests. Based upon the terms and conditions in effect at June 30, 2010, the College's investments, can be redeemed or sold as follows:

Investments redemption period:		
Daily	$	297,267
Quarterly		39,168
Semi-annual		24,591
Lock up until liquidated		246,464
Total	$	607,490

(Dollars in thousands)

Lock up until liquidation is primarily related to private equity, real estate and energy investments, where the College has no liquidity terms until the investments are sold by the fund manager. The expiration of lock up periods are summarized in the table below:

		Amount
Fiscal year:		
2011	$	38,158
2012		23,602
2013		6,463
2014		16,859
2015		23,624
Thereafter		137,758
	$	246,464

Commitments

Private equity, energy and real estate investments are generally made through limited partnerships. Under the terms of these agreements, the College is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the manager. These partnerships have a limited existence, generally between ten and fifteen years, and provide for annual one year extensions for the purpose of disposing portfolio positions and returning capital to the investors. At June 30, 2010 the College has the following outstanding commitments to these partnerships based on manager expectations of when the funds will be called:

		Amount
Fiscal year:		
2011	$	37,800
2012		18,900
2013		7,900
2014		400
2015		200
Thereafter		6,600
	$	71,800

Securities Lending

The College participates in a securities lending program that is designed to enhance return on certain asset holdings. Collateral required under the program is a minimum of 102% of the fair value of securities lent and is adjusted on a daily basis to reflect changes in the market value of the securities lent. The College receives lending fees and continues to earn interest and dividends from the securities on loan. The College's collateral is generally invested in short-term, high-grade investments to minimize the College's overall exposure to market conditions. All rights to this collateral, of a secured party under applicable law,

(Continued)

(Dollars in thousands)

are available to the College in the case of a borrower's failure to deliver securities for any reason within the time specified by the applicable securities loan agreement. The security lending agent indemnifies the College against losses arising from the failure of a borrower to return securities. As of June 30, 2010 and 2009, the College had loaned certain securities, which are included in the endowment investments, with a fair value of $6,838 and $86,943 to several financial institutions that have provided collateral of $7,000 and $90,484, respectively, for the loaned securities. During 2009, the College decided to exit the securities lending program in a manner that will limit its exposure to any significant financial loss.

(3) Endowment

The College's endowment and similar funds consist of gifts restricted by donors, unrestricted net assets designated by management and the Board of Trustees for long-term support of the College's activities, and the accumulated investment return on these gifts and designated assets. Accumulated investment return consists of total endowment net investment return that has not been appropriated by the Board of Trustees for expenditures to support the operating and nonoperating activities of the College. Generally, only a portion of accumulated net investment return is made available for spending each year in accordance with an endowment utilization policy approved by the Board of Trustees and in accordance with the State of New York law.

Certain donor restricted endowment funds allow for the expenditure of principal. College designated endowment funds are unrestricted net assets that may be re-designated for authorized expenditures.

Endowment net assets were available for the following purposes at June 30, 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment funds restricted for support of:				
Scholarship	$ 145,591	11,789	80,490	237,870
Faculty	100,487	16,587	39,232	156,306
Program	44,827	29,161	20,184	94,172
Library	18,776	—	2,921	21,697
Plant	—	4,221	—	4,221
Board-designated for general purpose	38,503	—	—	38,503
	$ 348,184	61,758	142,827	552,769

Included in the unrestricted amounts above, are Board-designated funds for the support of scholarships, faculty, library and programs of $27,027, $11,855, $4,951 and $2,661, respectively.

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, June 30, 2009	$ 299,893	51,102	137,822	488,817
Investment return:				
Investment income	3,473	888	—	4,361
Net appreciation	65,701	13,503	1,728	80,932
Private gifts	154	46	3,277	3,477
Released from restriction and changed restrictions	337	1,687	—	2,024
Appropriation of endowment assets for spending	(21,374)	(5,468)	—	(26,842)
Net assets, June 30, 2010	$ 348,184	61,758	142,827	552,769

Endowment net assets were available for the following purposes at June 30, 2009:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment funds restricted for support of:				
Scholarship	$ 123,095	9,421	78,007	210,523
Faculty	86,664	13,704	38,146	138,514
Program	40,050	24,507	18,750	83,307
Library	16,404	—	2,919	19,323
Plant	—	3,470	—	3,470
Board designated for general purpose	33,680	—	—	33,680
	$ 299,893	51,102	137,822	488,817

Included in the unrestricted amounts above, are Board-designated funds for the support of scholarships, faculty, library and programs of $24,120, $10,580, $4,380 and $2,375, respectively.

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2009 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, June 30, 2008	$	451,932	84,349	134,041	670,322
Investment return:					
Investment income		6,318	1,577	—	7,895
Net appreciation (depreciation)		(139,306)	(30,150)	268	(169,188)
Private gifts		524	345	3,513	4,382
Released from restriction and changed restrictions		2,045	376	—	2,421
Appropriation of endowment assets for spending		(21,620)	(5,395)	—	(27,015)
Net assets, June 30, 2009	$	299,893	51,102	137,822	488,817

Funds with Deficiencies

From time to time, the fair values of assets associated with individual donor restricted endowment funds may fall below the level that the donor or applicable law requires to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets and were $1,394 and $3,074 as of June 30, 2010 and 2009, respectively. These deficits generally resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments. Endowment earnings shortfalls are covered by investments held in unrestricted net assets.

Spending Policy

For the year ended June 30, 2009, the College adopted a new spending policy with respect to endowment income. Known as the “mixed rule”, this policy uses 70% of the prior year’s spending adjusted for inflation, plus 5% of the average of the prior four quarters endowment value weighted at 30%. For the year ended June 30, 2010, the College suspended a portion of spending authorized by the formula and approved a 1.5% increase in spending over the prior year, to preserve funds needed in future years. For the fiscal year ended June 30, 2009, the Board approved special appropriations of endowment investment return amounting to $565 to fund the capital campaign.

Return Objectives and Risk Parameters

The overall financial objective for the endowment is to achieve a total return that preserves the real value of the principal of the endowment and to augment as much as possible, the real purchasing power of the endowment while exercising due care and fiduciary responsibility, and avoiding excessive risk. It is expected the endowment will need to earn a 6% real annualized return over the long term to meet this goal and provide adequate support for operations while protecting against inflation. The Investment Committee of the Board of Trustees has determined that a well diversified mix of assets offers the best opportunity to achieve this level of return with an appropriate level of risk. To that end, the securities of any one issuer, except for those of the U.S. government, shall not exceed 7% of the total market value of the endowment and no external investment manager shall manage more than 20% of the market value of the endowment.

(Dollars in thousands)

(4) Receivables

The College extends credit, primarily to students, in the form of notes and accounts receivable for educational expenses. Notes receivable for student loans are expected to be collected over an average of 10 years with interest rates averaging 4.2%. Notes receivable are recorded at their current unpaid principal balance and associated interest income is accrued based on the principal amount outstanding and applicable interest rates.

Allowances for doubtful accounts are recorded and represent the amounts that, in the opinion of management of the College, are necessary to account for probable losses related to current receivables. Allowances are determined based upon numerous considerations, including economic conditions, the specific composition of the receivable balances, as well as trends of delinquencies and write-offs. On a periodic basis, these factors are considered and the allowances for doubtful accounts are adjusted accordingly with a corresponding adjustment to the provision for allowance for doubtful notes and accounts receivable.

Student and other accounts receivable are net of an allowance of $200 at June 30, 2010 and 2009. Loans to students are net of an allowance of $440 and $550 at June 30, 2010 and 2009, respectively.

(5) Contributions Receivable

Contributions receivable are recorded at their estimated net present value assuming a discount rate in effect at the time the pledge was received, ranging from 3% to 6% at June 30, 2010 and 2009. Contributions estimated to be collected at June 30, 2010 and 2009 are as follows:

	2010	2009
Less than one year	$ 6,900	4,921
One to five years	13,049	5,709
	19,949	10,630
Less:		
Present value discount	(1,403)	(656)
Reserve for uncollectible receivables	(750)	(500)
	$ 17,796	9,474

At June 30, 2010 and 2009, the College also had received conditional promises to give of $850, which are not recognized as assets until the removal or lapse of the condition.

(Dollars in thousands)

(6) Property, Plant, and Equipment

Property, plant, and equipment consists of the following at June 30, 2010 and 2009:

	2010	2009
Land and improvements	$ 19,446	17,777
Buildings	260,920	257,033
Equipment	53,636	51,908
	334,002	326,718
Less accumulated depreciation	(122,622)	(110,023)
	211,380	216,695
Projects in process	12,062	4,357
	$ 223,442	221,052

Depreciation expense of $13,572 and $12,473 in 2010 and 2009, respectively, has been allocated to the functional operating expense categories within the accompanying statements of activities based primarily on specific identification of buildings utilized within each function. The College has estimated it will incur $16,700 of additional costs to complete the construction projects in process, which will be primarily financed with donations. Capitalized interest for the years ended June 30, 2010 and 2009 is $0 and $2,085.

(7) Long-Term Debt

Long-term debt consists of the following at June 30, 2010 and 2009:

	2010			
	Maturity date	Interest rate	Original issue	Outstanding at June 30, 2010
Oneida County Industrial Development Agency Civic Facility (a):				
Revenue Bonds Series 2002 (b)	09/15/32	5.2%	$ 60,000	53,061
Revenue Bonds Series 2005	07/01/15	3.0% – 4.0%	8,775	5,595
Revenue Bonds Series 2007A (c)	07/01/37	3.8% – 4.65%	36,107	41,694
Revenue Bonds Series 2007B	07/01/21	4.0% – 5.0%	23,170	23,170
Dormitory Authority of the State of New York Revenue Bonds, Series 2010 (d)	07/01/21	3.0% – 5.0%	12,700	13,830
Banco Popular Espanol (e)	02/01/22	Variable	1,883	1,656
				$ 139,006

(Dollars in thousands)

	2009			
	Maturity date	**Interest rate**	**Original issue**	**Outstanding at June 30, 2009**
Oneida County Industrial Development Agency Civic Facility (a):				
Revenue Bonds Series 2002 (b)	09/15/32	5.2%	$ 60,000	54,967
Revenue Bonds Series 2005	07/01/15	3.0% – 4.0%	8,775	6,430
Revenue Bonds Series 2007A (c)	07/01/37	3.8% – 4.65%	36,107	39,683
Revenue Bonds Series 2007B	07/01/21	4.0% – 5.0%	23,170	23,170
Dormitory Authority of the State of New York Revenue Bonds, Series 1999 (d)	07/01/28	3.0% – 5.1%	52,160	16,565
Banco Popular Espanol (e)	02/01/22	Variable	1,883	2,030
				$ 142,845

(a) Civic Facility Revenue Bonds are collateralized by the financed property and equipment.

(b) The College refinanced the Series 2002 bonds in September 2008. The bonds were issued at a premium of $3,172, at a fixed rate of 5.2%.

(c) The Series 2007A bonds are capital appreciation bonds issued at a discount of $58,268. Interest accretes to the full par value at maturity. Interest accreted at June 30, 2010 and 2009 was $5,587 and $3,798 respectively.

(d) Dormitory Authority Revenue Bonds are general obligations of the College and are supported by pledges of tuition or net revenues from operation of the financed properties. The College refinanced the Series 1999 bonds in February 2010. The Series 2010 bonds were issued at a premium of $1,285 and interest rates varying from 3 – 5%. Cash held by the trustee of $2,005 was used to pay off a portion of the Series 1999 debt.

(e) The College maintains a Euro 1,900 note with Banco Popular Espanol. The note is collateralized by a standby letter of credit, which in turn is collateralized by a pledge of cash equivalents to the outstanding balance of the note. The balance of the note has been converted using the applicable exchange rate as of June 30, 2010.

Based on rates currently available to the College for debt with similar terms and remaining maturities, the estimated fair value of long-term debt at June 30, 2010 and 2009 is approximately $141,401 and $143,841, respectively.

(Dollars in thousands)

The scheduled principal payments for the next five years on long-term debt is reflected in the following table.

2011	$	4,066
2012		4,266
2013		4,759
2014		4,879
2015		5,009

Interest expense was $6,486 and $3,554, net of capitalized interest of $0 and $2,085, for the years ended June 30, 2010 and 2009, respectively.

Line of Credit

During the fiscal year ended June 30, 2010, the College obtained a revolving, unsecured line of credit in the amount of $10,000, renewable annually, to support the College's working capital needs. Interest on the outstanding balance of advanced funds is equal to the current 30 day LIBOR plus 200 basis points, subject to a floor of 3%. There is no annual fee charged for the line of credit. As of June 30, 2010, no funds have been advanced.

(8) Employee and Pension Benefits

(a) Postretirement Health Care Benefits

The College provides health insurance benefits for eligible employees upon retirement and recognizes the overfunded or underfunded status of a defined benefit post retirement plan (the Plan) as an asset or liability and to recognize changes in that funded status in the year they occur. The College uses a June 30 measurement date for the Plan. The Plan's funded status, amounts recognized, significant assumptions used, contributions made, and benefits paid included in the College's financial statements as of June 30, 2010 and 2009 are as follows:

		2010	**2009**
Change in benefit obligation:			
Benefit obligation at beginning of year	$	4,517	3,824
Service cost		163	167
Interest cost		231	257
Actuarial (gain) loss		(325)	298
Participant contributions		270	276
Benefits paid		(297)	(305)
Benefit obligation at end of year	$	4,559	4,517

(Dollars in thousands)

		2010	2009
Change in plan assets:			
Fair value of assets, beginning of year	$	—	—
Employer contribution		27	29
Participant contribution		270	276
Benefits paid		(297)	(305)
Fair value of assets, end of year	$	—	—
Amount recognized in the statement of financial position:			
Funded status	$	(4,559)	(4,517)

Amounts recorded in unrestricted net assets as of June 30, 2010 and 2009, not yet amortized as components of net periodic benefit costs are as follows:

		2010	2009
Unamortized prior service costs	$	85	119
Unamortized actuarial loss		(606)	(931)
Amount recognized as a decrease in unrestricted net assets	$	(521)	(812)

The amortization of the above items expected to be recognized in net periodic costs for the year ending June 30, 2011 is $24.

A summary of the components of net periodic postretirement benefit cost for the years ended June 30, 2010 and 2009, is as follows:

		2010	2009
Components of net periodic benefit cost:			
Service cost	$	163	167
Interest cost		232	257
Amortization of unrecognized actuarial loss		—	18
Amortization of unrecognized prior service cost		(35)	(35)
Net periodic postretirement benefit cost	$	360	407

(Continued)

(Dollars in thousands)

Assumptions

A summary of the weighted average assumptions used to determine the benefit obligation at June 30, 2010 and 2009 is presented below:

	2010	2009
Discount rate	5.35%	6.18%
Mortality	RP-2000	RP-2000

A summary of the weighted average assumptions used to determine the net periodic postretirement benefit cost for the years ended June 30, 2010 and 2009 is presented below:

	2010	2009
Discount rate	6.18%	6.83%

A summary of the assumed healthcare cost trend rates at June 30, 2010 is presented below:

	Pre-65 Medical trend rates	Post-65 Medical trend rates	Prescription drugs trend rates
Healthcare cost trend rate for next year	9.00%	7.00%	10.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2017	2017	2017

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. From a sensitivity perspective, a one percentage point change in the assumed health care cost trend rates would have the following effects:

	2010		2009	
	One percentage point		One percentage point	
	Increase	Decrease	Increase	Decrease
Effect on total of service and interest cost components	$ 72	(61)	77	(66)
Effect on postretirement benefit obligation	1,050	(768)	694	(604)

(Dollars in thousands)

The following benefit payments, which reflect expected future service for each fiscal year, are expected to be paid:

2011	$	150
2012		203
2013		215
2014		241
2015		242
2016 – 2019		1,528

(b) Pension Benefits

The College participates in contributory retirement plans administered by the Teachers Insurance Annuity Association (TIAA), College Retirement Equities Fund (CREF) and Fidelity Services Corporation for eligible employees. Total pension expense charged to operations relating to these plans for the years ended June 30, 2010 and 2009 amounted to $3,965 and $3,625, respectively.

(9) Net Assets

Temporarily restricted net assets at June 30, 2010 and 2009 are available for the following purposes:

		2010	2009
Program and student support	$	76,772	63,975
Acquisition of buildings and equipment		28,892	26,422
Planned giving arrangements		13,017	12,169
Contributions receivable, net		13,477	7,154
	$	132,158	109,720

Permanently restricted net assets consist entirely of endowment corpus with donor stipulations that they be invested in perpetuity for the following purposes:

		2010	2009
Restricted for scholarship support	$	80,490	78,007
Restricted for faculty support		39,232	38,146
Restricted for library support		2,921	2,919
Restricted for program support		20,184	18,750
Planned giving arrangements		23,875	21,459
Other		11,142	8,370
	$	177,844	167,651

(Continued)

(Dollars in thousands)

(10) Expenses

Included in institutional support are $5,817 and $5,927 of fundraising expenses for the years ended June 30, 2010 and 2009, respectively.

Operating expenses for the years ended June 30, 2010 and 2009, were incurred as follows:

		2010	2009
Salaries and wages	$	45,693	45,051
Benefits		14,105	13,700
Total compensation		59,798	58,751
Services and contracting		4,804	4,737
Supplies and minor equipment		9,046	9,323
Auxiliaries, costs of sales		5,081	4,925
Utilities		4,658	4,739
Travel and entertainment		4,160	4,374
Insurance and taxes		1,436	1,403
Depreciation and amortization		13,544	12,614
Interest		6,486	5,639
Other		2,326	3,396
Total expenses	$	111,339	109,901

(11) Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2010 and through October 22, 2010, the date on which the financial statements were issued.

On September 17, 2010, the State of New York adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). This legislation amended the Uniform Management Act (UMIFA) enacted in the State of New York in 1978. UPMIFA provides guidance and authority to New York's charitable organizations concerning the management and investment of funds held by those organizations, and imposes additional duties on those who manage and invest charitable funds. The new law replaces the "historic dollar value test", which prevented not for profit organizations from accessing the endowed funds if the market value of those funds decreased below the historical value of the gift, by establishing certain prudent investment criteria, thus allowing not for profit organizations to utilize their endowment funds in furtherance of their created purpose. Additionally, New York UPMIFA includes provisions to ensure that donors can decide whether an institution's ability to use their gifts would continue to be limited by the historic dollar value of those gifts, or whether those gifts should be freed up under UPMIFA to better accomplish their intended purposes. UPMIFA is effective as of September 17, 2010 and applies to endowment funds existing on, or established after the effective date of the article. The College is currently in the process of evaluating the impact of the new legislation to its current investment and appropriation policies.