KPMG

HAMILTON COLLEGE

Financial Statements

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

HAMILTON COLLEGE

June 30, 2009 and 2008

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KPMG LLP
515 Broadway
Albany, NY 12207

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, 2009 and 2008, 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, 2009 and 2008, 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 2, 2009

HAMILTON COLLEGE

Statements of Financial Position

June 30, 2009 and 2008

(Dollars in thousands)

Assets		**2009**	**2008**
Cash and cash equivalents	$	44,453	34,551
Student and other accounts receivable, net		967	779
Loans to students, net		3,133	3,356
Contributions receivable, net		9,474	14,065
Beneficial interest trusts		4,081	5,080
Deposits with trustees of debt obligations		2,878	20,053
Collateral received for securities lending		90,484	148,983
Investments		540,154	742,541
Deferred financing costs		3,124	2,879
Other assets		2,019	2,055
Property, plant and equipment, net		221,052	211,698
Total assets	$	921,819	1,186,040
Liabilities and Net Assets			
Accounts payable and accrued liabilities	$	5,438	8,459
Deposits and advances		4,445	5,108
Long-term debt		142,845	139,995
Liability under securities lending transactions		90,484	148,983
Annuity and life income obligations		20,462	26,403
Funds held in trust for others		1,328	2,830
Asset retirement obligation		1,457	1,597
Accumulated postretirement benefit obligation		4,517	3,824
Refundable government student loan funds		1,576	1,565
Total liabilities		272,552	338,764
Net assets:			
Unrestricted net assets:			
Net investment in plant		71,106	73,679
Board designated for endowment		75,135	102,748
Appreciation on endowment funds		224,758	349,184
Other		897	2,750
Total unrestricted net assets		371,896	528,361
Temporarily restricted net assets:			
Appreciation on endowment funds		51,102	84,349
Planned giving arrangements		12,169	18,190
Other		46,449	43,903
Total temporarily restricted net assets		109,720	146,442
Permanently restricted net assets:			
Endowment principal		137,822	134,041
Planned giving arrangements		21,459	29,876
Other		8,370	8,556
Total permanently restricted net assets		167,651	172,473
Total net assets		649,267	847,276
Total liabilities and net assets	$	921,819	1,186,040

See accompanying notes to financial statements.

HAMILTON COLLEGE

Statement of Activities

Year ended June 30, 2009
(with summarized information for the year ended June 30, 2008)

(Dollars in thousands)

	2009				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**2008 Total**
Operating revenues:					
Tuition and fees	$ 75,901	—	—	75,901	70,999
Scholarship aid	(22,889)	—	—	(22,889)	(21,577)
Net tuition and fees	53,012	—	—	53,012	49,422
Auxiliary enterprises	18,840	—	—	18,840	17,644
Investment return designated for operations	4,443	22,572	—	27,015	24,961
Private gifts and grants	6,015	971	—	6,986	8,419
Government grants and contracts	436	1,654	—	2,090	2,163
Other income	931	—	—	931	1,698
Net assets released from restrictions	23,136	(23,136)	—	—	—
Total operating revenues	106,813	2,061	—	108,874	104,307
Operating expenses:					
Instruction	49,160	—	—	49,160	43,656
Research	1,914	—	—	1,914	1,424
Public service	185	—	—	185	180
Academic support	13,036	—	—	13,036	13,002
Student services	12,107	—	—	12,107	11,448
Institutional support	14,835	—	—	14,835	15,257
Auxiliary enterprises	18,664	—	—	18,664	18,652
Total operating expenses	109,901	—	—	109,901	103,619
Increase (decrease) in net assets from operating activities	(3,088)	2,061	—	(1,027)	688
Nonoperating activities:					
Private gifts	797	3,186	3,163	7,146	11,541
Investment return, net of amounts designated for operations	(154,608)	(40,068)	(9,152)	(203,828)	(49,860)
Change in value of split interest agreements	—	(744)	886	142	(611)
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)	(2,381)
Other	1,169	117	52	1,338	(102)
Decrease in net assets from nonoperating activities	(153,377)	(38,783)	(4,822)	(196,982)	(41,413)
Decrease in net assets	(156,465)	(36,722)	(4,822)	(198,009)	(40,725)
Net assets, beginning of year	528,361	146,442	172,473	847,276	888,001
Net assets, end of year	$ 371,896	109,720	167,651	649,267	847,276

See accompanying notes to financial statements.

HAMILTON COLLEGE

Statement of Activities

Year ended June 30, 2008

(Dollars in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues:				
Tuition and fees	$ 70,999	—	—	70,999
Scholarship aid	(21,577)	—	—	(21,577)
Net tuition and fees	49,422	—	—	49,422
Auxiliary enterprises	17,644	—	—	17,644
Investment return designated for operations	5,350	19,611	—	24,961
Private gifts and grants	5,794	2,625	—	8,419
Government grants and contracts	464	1,699	—	2,163
Other income	1,698	—	—	1,698
Net assets released from restrictions	20,589	(20,589)	—	—
Total operating revenues	100,961	3,346	—	104,307
Operating expenses:				
Instruction	43,656	—	—	43,656
Research	1,424	—	—	1,424
Public service	180	—	—	180
Academic support	13,002	—	—	13,002
Student services	11,448	—	—	11,448
Institutional support	15,257	—	—	15,257
Auxiliary enterprises	18,652	—	—	18,652
Total operating expenses	103,619	—	—	103,619
Increase (decrease) in net assets from operating activities	(2,658)	3,346	—	688
Nonoperating activities:				
Private gifts	2,150	1,477	7,914	11,541
Investment return, net of amounts designated for operations	(35,815)	(10,010)	(4,035)	(49,860)
Change in value of split interest agreements	—	(198)	(413)	(611)
Net assets released from restriction and changed restrictions	128	(255)	127	—
Change in fair value of interest rate swap	(2,381)	—	—	(2,381)
Other	(347)	208	37	(102)
Increase (decrease) in net assets from nonoperating activities	(36,265)	(8,778)	3,630	(41,413)
Increase (decrease) in net assets	(38,923)	(5,432)	3,630	(40,725)
Net assets, beginning of year	567,284	151,874	168,843	888,001
Net assets, end of year	$ 528,361	146,442	172,473	847,276

See accompanying notes to financial statements.

HAMILTON COLLEGE

Statements of Cash Flows

Years ended June 30, 2009 and 2008

(Dollars in thousands)

		2009	2008
Net cash flows from operating activities:			
Change in net assets	$	(198,009)	(40,725)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Contributions to endowment and facilities		(6,906)	(11,281)
Depreciation and amortization		12,614	11,234
Realized and unrealized losses on investments		184,708	31,788
Interest on capital appreciation bonds		3,576	—
Asset retirement obligation		(140)	25
Loss on disposal of plant and equipment		743	2,165
Changes in assets and liabilities that provide (use) cash:			
Student and other accounts receivable, net		(188)	97
Contributions receivable		4,591	4,372
Beneficial interest trusts		999	—
Other assets		36	58
Accounts payable and accrued liabilities		(4,029)	(559)
Deposits and advances		(663)	18
Accumulated postretirement benefit obligation		693	1,442
Annuity and life income obligations		(2,215)	1,168
Cash flows used in operating activities		(4,190)	(198)
Net cash from investing activities:			
Purchase of property, plant and equipment, net of change in construction costs payable		(21,562)	(27,793)
Purchases of investments		(229,005)	(383,724)
Proceeds from sales and maturities of investments		246,684	393,320
Decrease in deposits held by trustees of debt obligations		17,175	15,713
Student loans, net		223	31
Cash flows provided by (used in) investing activities		13,515	(2,453)
Net cash from financing activities:			
Contributions to endowment and facilities		6,906	11,281
Proceeds from issuance of bonds payable		54,967	—
Extinguishment of bonds payable		(51,795)	—
Payments on long-term debt		(3,898)	(3,153)
Payments to beneficiaries of split interest agreements		(3,726)	(4,051)
Payments for debt financing costs		(386)	—
Other financing activities		(1,491)	(510)
Cash flows provided by financing activities		577	3,567
Net increase in cash and cash equivalents		9,902	916
Cash and cash equivalents:			
Beginning of year		34,551	33,635
End of year	$	44,453	34,551
Supplemental disclosure of noncash investing and financing activities:			
Change in construction related payables	$	(1,008)	(739)
Increase in capital appreciation bonds		3,576	—
Supplemental disclosure:			
Cash paid for interest, including capitalized interest	$	4,148	4,319
Gifts in kind		102	10

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 include primarily 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, 2009 and 2008, are $43,173 and $33,260, 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 value of all debt and equity securities with a readily determinable fair value 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 which 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 NAV 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 10.

(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) 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.

(i) Deferred Financing Costs

Deferred financing costs represent bond issuance costs whose amortization is recorded on a straight-line basis over the period to bond maturity.

(j) Annuity and Life Income Gifts

The College accepts certain gifts on the condition 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. 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 2009 and 2008, the College received $170 and $1,617, respectively, for annuity and life income gifts.

(k) 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.

(l) 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.

(m) 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.

(n) 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, 2009 and 2008, the College has recorded a liability of $1,457 and $1,597, respectively, representing the fair value of these conditional asset retirement obligations. Also, at June 30, 2009 and 2008, $10 and $15, respectively, of these costs, net of accumulated depreciation, is included in property, plant and equipment.

(o) Reclassifications

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

(p) Recently Issued Accounting Standards

Effective July 1, 2008 the College adopted FASB Statement No. 157, *Fair Value Measurements* (Statement 157). Statement 157 requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that the College would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Effective June 30, 2009, the College adopted Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This provision allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent provided that it has been calculated in a manner consistent with U.S. GAAP for investment companies. The College elected to apply the concept of this provision to its hedge fund, private equity, real estate, and energy investments.

(Dollars in thousands)

Effective July 1, 2008, the College adopted FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (Statement 159). Statement 159 permits entities to choose to measure eligible items at fair value at specified election dates. It does not affect any existing accounting literature requiring certain assets and liabilities to be carried at fair value, and does not eliminate disclosure requirements included in other accounting standards. The fair value option may be applied instrument by instrument, is irrevocable, and is applied only to entire instruments and not to portions of instruments. The College elected not to change the valuation methodology of financial assets and liabilities, and thus the adoption of Statement 159 had no impact on the College's financial statements.

Effective July 1, 2008, the College adopted FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), and requires disclosures about endowment funds, both donor restricted endowment funds and board-designated (quasi) endowment funds. As of June 30, 2009, the state of New York had not enacted the provisions of UPMIFA and, accordingly, the impact of FSP 117-1 has been limited to additional disclosures regarding the College's endowment funds.

(2) Investments

Investments consist of the following at June 30, 2009 and 2008:

	2009		2008	
	Fair value	**Cost**	**Fair value**	**Cost**
Cash and cash equivalents	$ 6,659	6,659	14,238	14,238
Fixed income securities	13,215	13,255	15,480	15,416
Equity securities	216,039	248,693	327,692	304,217
Hedge funds	157,250	156,206	220,664	176,058
Private equity	69,145	86,069	82,301	73,427
Real estate	25,577	33,554	24,387	23,259
Energy	50,453	34,968	56,563	32,233
Other	1,816	1,745	1,216	1,132
	533,495	574,490	728,303	625,742
	$ 540,154	581,149	742,541	639,980

Certain investments are pooled on a fair value basis, with individual funds subscribing to or disposing of units based on the approximate fair value. As of June 30, 2009 and 2008, the total pool had a cost basis of $530,314 and $584,794, a fair value of $497,044 and $683,934 and a fair value per unit of $20.58 and $28.61, respectively.

(Dollars in thousands)

The following schedule summarizes total investment return and its classification in the statements of activities for the years ended June 30, 2009 and 2008:

		2009	2008
Endowment income	$	7,895	6,889
Net realized and unrealized losses		(184,708)	(31,788)
Total return on investments		(176,813)	(24,899)
Investment return designated for current operations (spending policy distributions)		(27,015)	(24,961)
Investment return net of amounts designated for current operations	$	(203,828)	(49,860)

Endowment income is presented net of investment management and custodial fees of $2,688 and $4,418 for the years ended June 30, 2009 and 2008, respectively.

The College participates in certain limited partnership arrangements as part of its endowment portfolio, the terms of which require the College to periodically advance additional funding. Outstanding unfunded capital commitments as of June 30, 2009 and 2008, on these investments approximated $86,119 and $106,831, respectively. Such commitments generally have fixed expiration dates or other termination clauses. The College maintains sufficient liquidity in its investment portfolio to cover such calls.

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'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, 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, 2009 and 2008, the College had loaned certain securities, which are included in the endowment investments, with a fair value of $86,943 and $142,309 to several financial institutions that have provided collateral of $90,484 and $148,983, respectively, for the loaned securities. The College receives lending fees and continues to earn interest and dividends from the securities on loan.

(Continued)

(3) Financial Instruments

(a) Fair Value

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

Cash and cash equivalents, student and other accounts receivable, contributions receivable, collateral received for securities lending, deposits with trustees of debt obligations, accounts payable and accrued liabilities, liability under securities lending transactions, funds held in trust for others – The carrying amounts approximate fair value because of the short maturity of these instruments or they have been otherwise recorded at their estimated fair value.

Loans to students – Determination of the fair value cannot be made as these notes are comprised of federally sponsored student loans that bear interest rates and repayment terms, and are subject to significant restrictions on their transfer and disposition.

Long-term debt – 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, 2009 and 2008 is approximately $143,841 and $137,603, respectively.

(b) Fair Value Hierarchy

The College adopted Statement 157 on July 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Statement 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- *Level 1 inputs* are quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at the measurement date.
- *Level 2 inputs* are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- *Level 3 inputs* are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(Dollars in thousands)

A summary of investments, measured at fair value on a recurring basis as of June 30, 2009 is as follows:

		Level 1	Level 2	Level 3	Total
Assets:					
Cash and Cash Equivalents	$	6,659	—	—	6,659
Fixed Income Securities		13,215	—	—	13,215
Equity Securities		216,039	—	—	216,039
Hedge Funds		—	109,659	47,591	157,250
Private Equity		—	150	68,995	69,145
Real Estate		—	—	25,577	25,577
Energy		—	—	50,453	50,453
Other		1,745	71	—	1,816
Total investments		237,658	109,880	192,616	540,154
Deposits with trustees of debt obligations		2,878	—	—	2,878
Total assets	$	240,536	109,880	192,616	543,032

The investments fair values as of June 30, 2009 are broken out below by redemption period:

Investments redemption period:		
Daily	$	237,658
Quarter end		58,420
Semi-annual		33,296
Annual		—
Lock up until liquidated		163,189
Suspended		47,591
Total	$	540,154

(Dollars in thousands)

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

	Hedge Funds	Private Equity	Real Estate	Energy	Total
Fair value, June 30, 2008	$ 62,601	82,071	24,386	56,563	225,621
Net purchases, sales, settlements	—	11,137	11,150	(1,762)	20,525
Realized gains/losses	—	—	—	—	—
Unrealized gains/losses	(15,010)	(24,213)	(9,959)	(4,348)	(53,530)
Net interest, dividends and fees	—	—	—	—	—
Transfers	—	—	—	—	—
Fair value, June 30, 2009	$ 47,591	68,995	25,577	50,453	192,616

The limitations and restrictions on the College's ability to redeem or sell these 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, 2009, the College's level 3 alternative investment funds can be redeemed or sold as follows:

Fiscal year:	
Terminated	$ 2,296
2010	55,818
2011	32,356
2012	10,162
2013	7,749
2014	16,660
Thereafter	67,575
	$ 192,616

(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 4.3%. 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.

(Dollars in thousands)

Student and other accounts receivable are net of an allowance of $200 at June 30, 2009 and 2008. Loans to students are net of an allowance of $550 at June 30, 2009 and 2008.

(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, 2009 and 2008. Contributions estimated to be collected at June 30, 2009 and 2008 are as follows:

	2009	2008
Less than one year	$ 4,921	5,436
One to five years	5,709	10,727
	10,630	16,163
Less:		
Present value discount	(656)	(1,358)
Reserve for uncollectible receivables	(500)	(740)
	$ 9,474	14,065

At June 30, 2009 and 2008, 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.

(6) Deposits with Trustees of Debt Obligations

The following is a summary of deposits with trustees of debt obligations at June 30, 2009 and 2008:

	2009	2008
Debt service fund	$ 2,878	3,241
Construction fund	—	16,812
	$ 2,878	20,053

The deposits with trustees of debt obligations, which are recorded at fair value, are invested in cash, money market and short-term government securities according to the requirements established by the associated bond agreements. The construction fund represents unexpended bond proceeds and yield-restricted income on those proceeds. Deposits with trustees of debt obligations were utilized during 2009 for construction costs related to completion of the Kirner-Johnson building project.

(Dollars in thousands)

(7) Property, Plant, and Equipment

Property, plant, and equipment consists of the following at June 30, 2009 and 2008:

		2009	2008
Land and improvements	$	17,777	11,106
Buildings		257,033	226,147
Equipment		51,908	44,891
		326,718	282,144
Less accumulated depreciation		(110,023)	(98,726)
		216,695	183,418
Projects in process		4,357	28,280
	$	221,052	211,698

Depreciation expense of $12,473 and $11,098 in 2009 and 2008, 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 $9,000 of additional costs to complete the construction projects in process, which will be primarily financed with donations. Capitalized interest for the year ended June 30, 2009 is $2,085.

(8) Long-Term Debt

Long-term debt consists of the following at June 30, 2009 and 2008:

	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

 (Continued)

(Dollars in thousands)

	2008			
	Maturity date	**Interest rate**	**Original issue**	**Outstanding at June 30, 2008**
Oneida County Industrial Development Agency Civic Facility (a):				
Revenue Bonds Series 2002 (b)	09/15/32	4.1%	$ 60,000	53,305
Revenue Bonds Series 2005	07/01/15	3.0% – 4.0%	8,775	7,240
Revenue Bonds Series 2007A (c)	07/01/37	3.8% – 4.65%	36,107	36,107
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	17,770
Banco Popular Espanol (e)	02/01/22	Variable	1,883	2,391
Other note payable	12/01/08	5.0%	150	12
				$ 139,995

(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%. In addition, the College maintained an interest rate swap agreement related to the Series 2002 bonds until the bonds were refinanced in September 2008. The original agreement had a notional amount of $60,000, which decreased consistent with scheduled principal payments on the Series 2002 bonds. At June 30, 2008, the fair value of the interest rate swap of $2,102 was recorded as a liability within accounts payable and accrued liabilities on the accompanying statements of financial position. The amount due on the interest rate swap at the time of refinancing was $3,882, of which $2,748 was paid with proceeds from the refinancing of the Series 2002 bonds.

(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, 2009 was $3,576.

(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.

(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, 2009.

(Dollars in thousands)

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

2010	$	3,667
2011		4,533
2012		4,663
2013		4,767
2014		4,898

Interest expense was $3,554 and $4,171, net of capitalized interest of $2,085 and $148, for the years ended June 30, 2009 and 2008, respectively.

(9) Employee and Pension Benefits

(a) Postretirement Health Care Benefits

The College provides health insurance benefits for eligible employees upon retirement and applies the provisions of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, which requires an employer to recognize 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, 2009 and 2008 are as follows:

		2009	2008
Change in benefit obligation:			
Benefit obligation at beginning of year	$	3,824	2,382
Service cost		167	158
Interest cost		257	220
Actuarial loss		298	1,092
Participant contributions		276	288
Benefits paid		(305)	(316)
Benefit obligation at end of year	$	4,517	3,824

(Dollars in thousands)

		2009	2008
Change in plan assets:			
Fair value of assets, beginning of year	$	—	—
Employer contribution		29	28
Participant contribution		276	288
Benefits paid		(305)	(316)
Fair value of assets, end of year	$	—	—
Amount recognized in the *Statement of Financial Position:*			
Funded status	$	(4,517)	(3,824)

Amounts recorded in unrestricted net assets as of June 30, 2009 and 2008, not yet amortized as components of net periodic benefit costs are as follows:

		2009	2008
Unamortized prior service costs	$	119	154
Unamortized actuarial loss		(931)	(651)
Amount recognized as a decrease in unrestricted net assets	$	(812)	(497)

The amortization of the above items expected to be recognized in net periodic costs for the year ended June 30, 2010 is $2.

A summary of the components of net periodic postretirement benefit cost for the years ended June 30, 2009 and 2008, is as follows:

		2009	2008
Components of net periodic benefit cost:			
Service cost	$	167	158
Interest cost		257	220
Amortization of unrecognized actuarial loss		18	29
Amortization of unrecognized prior service cost		(35)	(35)
Net periodic postretirement benefit cost	$	407	372

(Continued)

(Dollars in thousands)

Assumptions

A summary of the weighted average assumptions used to determine the benefit obligation at June 30, 2009 and 2008 is presented below:

	2009	**2008**
Discount rate	6.18%	6.83%
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, 2009 and 2008 is presented below:

	2009	**2008**
Discount rate	6.83%	6.29%

A summary of the assumed healthcare cost trend rates at June 30, 2009 is presented below:

	Pre-65 Medical trend rates	**Post-65 Medical trend rates**	**Prescription drugs trend rates**
Healthcare cost trend rate for next year	8.75%	7.00%	12.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%	5.0%
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:

	2009		**2008**	
	One percentage point		**One percentage point**	
	Increase	**Decrease**	**Increase**	**Decrease**
Effect on total of service and interest cost components	$ 77	(66)	69	(59)
Effect on postretirement benefit obligation	694	(604)	588	(512)

(Dollars in thousands)

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

2010	$	149
2011		176
2012		209
2013		236
2014		264
2015 – 2019		1,540

(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, 2009 and 2008 amounted to $3,625 and $3,470, respectively.

(10) Net Assets

Temporarily restricted net assets at June 30, 2009 and 2008 are available for the following purposes:

		2009	2008
Program and student support	$	63,975	95,805
Acquisition of buildings and equipment		26,422	21,230
Planned giving arrangements		12,169	18,190
Contributions receivable, net		7,154	11,217
	$	109,720	146,442

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

		2009	2008
Restricted for scholarship support	$	78,007	75,373
Restricted for faculty support		38,146	37,835
Restricted for library support		2,919	2,916
Restricted for program support		18,750	17,917
	$	137,822	134,041

(Dollars in thousands)

Endowment Composition

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 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.

Unrestricted net assets (endowment only) were available for the following purposes:

		2009	2008
Restricted for scholarship support	$	123,095	193,770
Restricted for faculty support		86,664	131,434
Restricted for library support		16,404	23,866
Restricted for program support		40,050	56,547
Board designated unrestricted		33,680	46,315
	$	299,893	451,932

Temporarily restricted net assets (endowment only) were available for the following purposes:

		2009	2008
Restricted for scholarship support	$	9,421	17,778
Restricted for faculty support		13,704	22,881
Restricted for program support		24,507	39,457
Term endowment		3,470	4,233
	$	51,102	84,349

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 $3,074 and $87 as of June 30, 2009 and 2008, 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.

(Dollars in thousands)

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, 2008, the College operated under the former spending policy with respect to endowment income equal to 5% of a twelve quarter moving average of the fair value of endowment assets. The spending policy was subject to a ceiling and floor of 108% and 104%, respectively, of the prior year spending amount. For fiscal year 2009 and 2008, the Board approved special appropriations of endowment investment return amounting to $565 and $1,994, respectively, to fund the capital campaign.

Changes in endowment net assets for the years ended June 30, 2009 and 2008 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, June 30, 2008	$	451,932	84,349	134,041	670,322
Investment return		(132,988)	(28,573)	268	(161,293)
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

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, June 30, 2007	$	485,607	88,671	129,204	703,482
Investment return		(15,809)	(1,894)	—	(17,703)
Private gifts		2,140	2,309	6,112	10,561
Released from restriction and changed restrictions		—	218	(1,275)	(1,057)
Appropriation of endowment assets for spending		(20,006)	(4,955)	—	(24,961)
Net assets, June 30, 2008	$	451,932	84,349	134,041	670,322

(Dollars in thousands)

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.

(11) Expenses

Included in institutional support are $5,927 and $5,907 of fundraising expenses for the years ended June 30, 2009 and 2008, respectively.

Operating expenses for the years ended June 30, 2009 and 2008, were incurred as follows:

		2009	2008
Salaries and wages	$	45,051	41,913
Benefits		13,700	12,803
Total compensation		58,751	54,716
Services and contracting		4,737	4,470
Supplies and minor equipment		9,323	8,942
Auxiliaries, costs of sales		4,925	4,878
Utilities		4,739	4,888
Travel and entertainment		4,374	4,320
Insurance and taxes		1,403	1,254
Depreciation and amortization		12,614	11,234
Interest		5,639	4,171
Other		3,396	4,746
Total expenses	$	109,901	103,619

(12) Subsequent Events

The College has evaluated subsequent events through October 2, 2009, which is the date the financial statements were issued.