



HAMILTON COLLEGE

Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

HAMILTON COLLEGE

Financial Statements

June 30, 2014 and 2013

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Trustees
Hamilton College:

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 14, 2014

HAMILTON COLLEGE
 Statements of Financial Position
 June 30, 2014 and 2013
 (Dollars in thousands)

Assets	2014	2013
Cash and cash equivalents	\$ 28,126	18,818
Short-term investments	19,917	19,721
Student and other accounts receivable, net	1,209	2,180
Loans to students, net	2,494	2,610
Contributions receivable, net	15,025	16,885
Beneficial interest trusts	7,587	7,137
Deposits with trustees of debt obligations	7,186	2,119
Collateral received for securities lending	4,500	4,476
Medium-term investments	100,715	99,414
Investments	927,520	773,828
Other assets	6,771	7,285
Property, plant and equipment, net	261,139	241,600
Total assets	\$ 1,382,189	1,196,073
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 13,622	8,828
Deposits and advances	5,423	3,857
Liability under securities lending transactions	4,500	4,476
Annuity and life income obligations	20,171	19,671
Accumulated postretirement benefit obligation	3,422	3,418
Other long-term obligations	4,917	4,763
Long-term debt	252,087	231,594
Total liabilities	304,142	276,607
Net assets:		
Unrestricted	230,615	210,520
Temporarily restricted	609,597	482,457
Permanently restricted	237,835	226,489
Total net assets	1,078,047	919,466
Total liabilities and net assets	\$ 1,382,189	1,196,073

See accompanying notes to financial statements.

HAMILTON COLLEGE
Statement of Activities
Year ended June 30, 2014
(with summarized information for the year ended June 30, 2013)
(Dollars in thousands)

	2014			Total	2013 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
Operating revenues:					
Tuition and fees	\$ 90,346	—	—	90,346	86,388
Room and board	21,120	—	—	21,120	20,186
Scholarship aid	(32,459)	—	—	(32,459)	(29,939)
Net student fees	79,007	—	—	79,007	76,635
Investment return designated for operations	4,182	26,743	—	30,925	30,149
Other investment income	4,555	—	—	4,555	—
Private gifts and grants	6,582	2,463	—	9,045	8,213
Other sources	2,636	1,611	—	4,247	1,063
Net assets released from restrictions	28,801	(28,801)	—	—	—
Total operating revenues	125,763	2,016	—	127,779	116,060
Operating expenses:					
Instruction	57,158	—	—	57,158	53,710
Research	1,048	—	—	1,048	1,357
Academic support	17,461	—	—	17,461	16,355
Student services	15,191	—	—	15,191	14,472
Institutional support	17,641	—	—	17,641	16,416
Auxiliary enterprises	20,724	—	—	20,724	19,279
Total operating expenses	129,223	—	—	129,223	121,589
Increase (decrease) in net assets from operations	(3,460)	2,016	—	(1,444)	(5,529)
Nonoperating activities:					
Private gifts	418	9,813	4,117	14,348	10,903
Investment return, net of amounts designated for operations	21,793	118,672	8,058	148,523	79,137
Change in annuity and life income obligations	—	(1,096)	(2,035)	(3,131)	(2,900)
Net assets released from restriction and changed restrictions	1,098	(2,265)	1,167	—	—
Other	246	—	39	285	1,243
Increase in net assets from nonoperating activities	23,555	125,124	11,346	160,025	88,383
Increase in net assets	20,095	127,140	11,346	158,581	82,854
Net assets, beginning of year	210,520	482,457	226,489	919,466	833,048
Net assets, end of year	\$ 230,615	609,597	237,835	1,078,047	915,902

See accompanying notes to financial statements.

HAMILTON COLLEGE

Statement of Activities

Year ended June 30, 2013

(Dollars in thousands)

	2013			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Operating revenues:				
Tuition and fees	\$ 86,388	—	—	86,388
Room and board	20,186	—	—	20,186
Scholarship aid	(29,939)	—	—	(29,939)
Net student fees	76,635	—	—	76,635
Investment return designated for operations	4,120	26,029	—	30,149
Private gifts and grants	5,960	2,253	—	8,213
Other sources	2,708	1,919	—	4,627
Net assets released from restrictions	27,507	(27,507)	—	—
Total operating revenues	116,930	2,694	—	119,624
Operating expenses:				
Instruction	53,710	—	—	53,710
Research	1,357	—	—	1,357
Academic support	16,355	—	—	16,355
Student services	14,472	—	—	14,472
Institutional support	16,416	—	—	16,416
Auxiliary enterprises	19,279	—	—	19,279
Total operating expenses	121,589	—	—	121,589
Increase (decrease) in net assets from operations	(4,659)	2,694	—	(1,965)
Nonoperating activities:				
Private gifts	3,667	4,288	2,948	10,903
Investment return, net of amounts designated for operations	10,539	62,363	6,235	79,137
Change in annuity and life income obligations	—	(717)	(2,183)	(2,900)
Net assets released from restriction and changed restrictions	19,418	(20,273)	855	—
Other	1,206	—	37	1,243
Increase in net assets from nonoperating activities	34,830	45,661	7,892	88,383
Increase in net assets	30,171	48,355	7,892	86,418
Net assets, beginning of year	180,349	434,102	218,597	833,048
Net assets, end of year	\$ 210,520	482,457	226,489	919,466

See accompanying notes to financial statements.

HAMILTON COLLEGE
 Statements of Cash Flows
 Years ended June 30, 2014 and 2013
 (Dollars in thousands)

	2014	2013
Net cash flows from operating activities:		
Change in net assets	\$ 158,581	86,418
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions for endowment and facilities	(14,348)	(10,653)
Depreciation and amortization	14,573	14,600
Realized and unrealized (gains) on investments	(167,690)	(100,830)
Interest on capital appreciation bonds	1,791	1,775
Asset retirement obligation	24	20
Loss on disposal of plant and equipment	725	309
Changes in assets and liabilities that provide (use) cash:		
Student and other accounts receivable, net	971	(1,036)
Contributions receivable	1,860	6,909
Beneficial interest trusts	(450)	(345)
Other assets	686	(823)
Accounts payable and accrued liabilities	6,269	2,476
Deposits and advances	1,566	(486)
Accumulated postretirement benefit obligation	4	(682)
Annuity and life income obligations	3,619	3,569
Cash flows provided by operating activities	8,181	1,221
Net cash from investing activities:		
Purchase of property, plant and equipment, net of change in construction costs payable	(36,465)	(26,831)
Purchases of investments	(592,353)	(386,301)
Proceeds from sales and maturities of investments	605,222	307,961
Change in deposits held by trustees of debt obligations	(5,067)	(844)
Change in short-term investments, net	(196)	274
Student loans, net	116	141
Cash flows used in investing activities	(28,743)	(105,600)
Net cash from financing activities:		
Contributions for endowment and facilities	14,348	10,653
Proceeds from new debt	23,797	99,413
Payments on long-term debt	(4,832)	(4,687)
Financing costs on new debt	(282)	(175)
Payments to beneficiaries of split interest agreements	(3,291)	(3,249)
Other financing activities	130	74
Cash flows provided by financing activities	29,870	102,029
Net increase (decrease) in cash and cash equivalents	9,308	(2,350)
Cash and cash equivalents:		
Beginning of year	18,818	21,168
End of year	\$ 28,126	18,818
Supplemental disclosure of noncash investing and financing activities:		
Change in construction related payables	\$ 1,475	504
Supplemental disclosure:		
Cash paid for interest	\$ 7,740	4,098
Gifts in kind	258	920

See accompanying notes to financial statements.

HAMILTON COLLEGE
Notes to Financial Statements
June 30, 2014 and 2013
(Dollars in thousands)

(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.

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 a donor restriction expires, that is, when a stipulated time restriction ends or 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.

The statement of activities reflects a subtotal for the change in net assets from operations. This subtotal includes revenues the College received for operating purposes, investment return used for operations and all expenses. Nonoperating activity reflects all other activity, including, but not limited to, the investment return in excess of the amount appropriated under the Board of Trustees' approved spending formula and contributions for endowment and plant purposes.

(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 certain 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.

HAMILTON COLLEGE
Notes to Financial Statements
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(Dollars in thousands)

(c) ***Cash and Cash Equivalents***

Cash equivalents representing operating funds that are short-term, highly liquid investments with an original maturity of three months or less are included in cash and cash equivalents unless they are part of short-term, medium-term or long-term investment funds. Cash and cash equivalents are reported at cost which approximates fair value. At June 30, 2014 and 2013, the College has cash and cash equivalents in banks exceeding the FDIC limit. The College has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. The College places its cash and cash equivalents with high quality financial institutions. Included in cash and cash equivalents at June 30, 2014 and 2013, are \$28,255 and \$17,415, respectively, of cash equivalents primarily representing interest bearing money market accounts.

(d) ***Short-Term and Medium-Term Investments***

Short-term investments are recorded at fair value. The College periodically invests excess operating cash generally in select fixed income securities on a short-term basis.

Medium-term investments are also recorded at fair value and represent the proceeds received by the College in connection with the Hamilton College Taxable Bonds, Series 2013. The investments are intended to be used by the College to refund all or a portion of certain existing bonds as further discussed in Long-Term Debt in note 6.

(e) ***Investments***

Investments are recorded 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.

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. Investments are then classified and disclosed in one of the following categories based on the lowest level input that is significant to the fair value measurement in its entirety:

- Level 1 inputs are quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 inputs are quoted prices for markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly. In addition, Level 2 includes investments reported using net asset value (NAV) as a practical expedient to estimate fair value that are redeemable in the near term.
- Level 3 inputs are unobservable inputs that are used when little or no market data is available. In addition, Level 3 includes investments reported at NAV that are not redeemable in the near term.

HAMILTON COLLEGE

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

With respect to investments reported at NAV as a practical expedient, classification in Level 2 or 3 is based on the College's ability to redeem its interest at or near the date of the statement of financial positions. If the interest can be redeemed in the near term, the investment is classified in Level 2. As of June 30, 2014 and June 30, 2013, the College had no specific plans or intentions to sell investments at amounts different than NAV.

The College's interest in alternative investment funds are generally reported at the net asset value (NAV) reported by each of the investment managers 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 either at NAV under the original terms of the subscription agreements and operations of the underlying funds, or at the discretion of the investment manager when the underlying investments are sold. 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. 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.

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 investment 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. The College reviews the net asset values provided by the investment managers in assessing the College's fair value of alternative investments.

(f) 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 a 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

HAMILTON COLLEGE
Notes to Financial Statements
June 30, 2014 and 2013
(Dollars in thousands)

income is appropriated under the spending policy, are reported as operating revenues within the statement of activities.

(g) Receivables

The College extends credit, primarily to students, in the form of loans and accounts receivable for educational expenses. Loans to students are expected to be collected over an average of 10 years with interest rates averaging 3.6%. Loans to students 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 loans and accounts receivable.

Student and other accounts receivable are net of an allowance of \$200 at June 30, 2014 and 2013. Loans to students are net of an allowance of \$440 at June 30, 2014 and 2013, respectively.

(h) Deposits with Trustees of Debt Obligations

Deposits with trustees of debt obligations are recorded at fair value, and may be invested in cash, money market and short-term government securities according to the requirements established by the associated bond agreements. The fair value of deposits has been determined using quoted, unadjusted prices in active markets and would be considered to be Level 1 in the fair value hierarchy.

(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.

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Notes to Financial Statements
June 30, 2014 and 2013
(Dollars in thousands)

(j) *Deferred Financing Costs*

Deferred financing costs represent bond issuance costs that are amortized over the period to bond maturity. Deferred financing costs are included within other assets on the accompanying statements of financial position.

(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 1.2% to 11.0% determined in accordance with applicable regulations of the Internal Revenue Code, 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 2014 and 2013, the College received annuity and life income gifts of \$366 and \$756, respectively.

(l) *Beneficial Interest Trusts*

The College is the beneficiary of certain perpetual trusts held and administered by others which are estimated at fair value of the College's share of the underlying assets. The present value of estimated future payments to beneficiaries is reported as a liability in the statement of financial position. Inputs used to estimate the fair value of the College's beneficial interest in perpetual trusts are considered unobservable and would be considered to be Level 3 in the fair value hierarchy.

(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. The College believes it has taken no significant uncertain tax positions.

HAMILTON COLLEGE

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

(o) *Commitments and Contingencies*

Liabilities for loss contingencies arising from claims, assessments, litigation, and other sources are recorded when it is probable 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, 2014 and 2013, the College has recorded a liability, included within other long-term obligations in the accompanying statements of financial position, of \$1,644 and \$1,619, respectively, representing the fair value of these conditional asset retirement obligations.

(p) *Reclassifications*

Certain reclassifications have been made to 2013 information to conform with the 2014 presentation.

(2) *Investments*

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 with exposure to domestic and international equity, fixed income, real estate, commodities, hedge funds, and private equity markets based on targets defined by the Investment Committee. 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 of various, bond and equity portfolios associated with split interest agreements. In addition, the proceeds of the Series 2013 taxable bond issue are invested in fixed income securities, principally money market funds, commingled bank loan funds, state lottery commission receivables, catastrophe bonds and a fund that structures transactions to provide capital relief to European banks.

HAMILTON COLLEGE

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

The College's investments at June 30, 2014, which include endowment assets of \$858,839, planned gifts of \$68,681, medium-term investments of \$100,715, and short-term investments of \$19,917, are summarized in the following table by their fair value hierarchy classification:

	Total			
	June 30, 2014	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents (a)	\$ 71,395	71,395	—	—
Fixed income securities	101,186	101,186	—	—
Equity securities:				
U.S.	259,413	166,711	92,702	—
International	244,949	57,295	187,654	—
Hedge funds:				
Multistrategy (b)	3,698	—	—	3,698
Other (c)	34,584	—	10,549	24,035
Private equity (d):				
Buy-out	41,065	—	151	40,914
Venture capital	45,452	—	159	45,293
Real estate (e)	32,580	—	26	32,554
Energy (f)	69,767	—	—	69,767
Insurance (g)	21,862	—	—	21,862
Other	1,569	—	1,569	—
	<u>927,520</u>	<u>396,587</u>	<u>292,810</u>	<u>238,123</u>
Medium-term investments:				
Cash and cash equivalents	2,050	2,050	—	—
Fixed income securities (h)	89,631	23,772	60,517	5,342
Other (i)	9,034	689	—	8,345
	<u>100,715</u>	<u>26,511</u>	<u>60,517</u>	<u>13,687</u>
Short-term investments:				
Fixed income securities	19,917	19,917	—	—
Total investments	<u><u>\$ 1,048,152</u></u>	<u><u>443,015</u></u>	<u><u>353,327</u></u>	<u><u>251,810</u></u>

HAMILTON COLLEGE

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

The College's investments at June 30, 2013, which include endowment assets of \$710,428, planned gifts of \$63,400, medium-term investments of \$99,414, and short-term investments of \$19,721, are summarized in the following table by their fair value hierarchy classification:

	Total			
	June 30, 2013	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	\$ 32,978	32,978	—	—
Fixed income securities	42,943	42,943	—	—
Equity securities:				
U.S.	294,521	248,129	46,392	—
International	148,362	33,877	114,485	—
Hedge funds:				
Multistrategy (b)	5,093	—	—	5,093
Other (c)	44,261	—	—	44,261
Private equity (d):				
Buy-out	41,748	—	27	41,721
Venture capital	42,654	—	159	42,495
Real estate (e)	40,219	—	25	40,194
Energy (f)	54,069	—	—	54,069
Insurance (g)	25,674	—	—	25,674
Other	1,306	—	1,306	—
	<u>773,828</u>	<u>357,927</u>	<u>162,394</u>	<u>253,507</u>
Medium-term investments:				
Cash and cash equivalents	68,414	68,414	—	—
Fixed income securities	31,000	1,000	30,000	—
	<u>99,414</u>	<u>69,414</u>	<u>30,000</u>	<u>—</u>
Short-term investments:				
Fixed income securities	19,721	19,721	—	—
Total investments	<u>\$ 892,963</u>	<u>447,062</u>	<u>192,394</u>	<u>253,507</u>

- (a) A portion of the cash is overlaid with exchange traded futures contracts to gain equity market exposure. This is done for cash balances in the short-term money market account that exceed 5% of the endowment's market value and for cash balances held in the domestic equity manager accounts.
- (b) This category includes a fund that invests in event-driven strategies (takeovers), merger arbitrage, private equity special situations, and long-short global equity. As of June 30, 2014, the remaining value is in side pocket investments. Redemptions are dependent upon the liquidation of the underlying funds.

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- (c) This category includes an investment in a hedge fund of funds referred to as the Master Fund that effective January 1, 2010, was divided into a continuation fund and a liquidation fund, with the College electing the liquidation fund. Net proceeds are paid out as they are received from the investments in the underlying funds and will continue until liquidation is complete. The redemption period is dependent on the liquidation of the underlying funds. In addition, this category includes a hedge fund that focuses on investments in event driven distressed corporate credit restructurings and other deep value and special situations in middle market companies. Lastly, this category includes a fund that structures Euro denominated transactions to reduce the regulatory capital burden for prime European banks under Basel II and Basel III. This Euro exposure is hedged back to US dollars. The final distribution from a specialized fund that held a portfolio of mortgage related securities was received in early October 2014.
- (d) This category includes investments in several buyout, venture capital, and distressed securities limited partnerships that in turn invest in companies within the technology, transportation, service, broadcast, manufacturing, retail, and health care sectors, as well as distressed debt, leveraged buyouts, and secondary private equity and venture capital market transactions. Investments cannot be redeemed upon request. Instead, distributions are received at the election of the general partner as the underlying investments are monetized, or as in-kind distributions of shares in the underlying investments. It is estimated that the underlying assets of each fund will be liquidated or distributed over a 7-15 year period from the effective date of the fund.
- (e) This category includes several real estate limited partnerships that invest in both U.S. and international commercial real estate, including secondary market transactions in other real estate limited partnerships/funds. Investments cannot be redeemed upon request. Instead, distributions are received at the election of the general partner as the underlying investments are monetized. Based upon the terms of the funds, it is estimated that the underlying assets of each fund will be liquidated or distributed over a 7-15 year period from the effective date of the fund.
- (f) This category includes limited partnerships that invest in oil and gas, direct and indirect investments in natural gas and oil royalty interests, and equity investments in energy and energy-related companies. Included within this category are certain funds which utilize significant unobservable inputs in determining the estimated fair value. These funds total approximately \$47.8 million as of June 30, 2014 and utilize the market approach adjusted for a 17.8% discount. Investments cannot be redeemed upon request. Instead, distributions are received as cash as the underlying investments are monetized, or as in-kind distribution of shares in the underlying investments at the election of the general partner. Based upon the terms of the funds, it is estimated that the underlying assets of each fund will be liquidated or distributed over a 7-20 year period from the effective date of the fund.
- (g) This category includes investments in a program that enables investors to participate in a broadly diversified property catastrophe and aviation reinsurance portfolio. Under the program, investors purchase notes issued by a special purpose insurer. The proceeds from the note issuance are deposited in a trust account and invested. Proceeds from the note issuance, ceded premiums and investment earnings remaining in the trust after the end of the risk period are then returned to investors.

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- (h) Included in this category are two commingled funds that invest primarily in bank loans (one of which is leveraged), two commingled funds that invest primarily in catastrophe bonds and catastrophe insurance related derivative instruments, and an LLC that invests in state lottery prize receivables.
- (i) This category includes a fund that structures transactions to help European banks meet their capital requirements under Basel II and Basel III.

There were no transfers between Level 1 and Level 2 investments during the fiscal year ended June 30, 2014 and 2013.

Changes to reported investments measured at fair value using unobservable (Level 3) inputs during the years ended June 30, 2014 and 2013 are as follows:

	<u>Hedge funds</u>	<u>Private equity</u>	<u>Real estate</u>	<u>Energy</u>	<u>Insurance</u>	<u>Other</u>	<u>Total</u>
Fair value, June 30, 2012 \$	61,007	90,674	35,805	59,280	—	—	246,766
Net purchases, sales, settlements	(18,153)	(17,219)	(1,381)	(6,976)	25,000	—	(18,729)
Unrealized gains/losses, net	6,500	10,797	5,795	1,765	674	—	25,531
Transfers	—	(36)	(25)	—	—	—	(61)
Fair value, June 30, 2013	49,354	84,216	40,194	54,069	25,674	—	253,507
Net purchases, sales, settlements	(23,251)	(12,256)	(13,043)	(4,197)	(11,903)	13,316	(51,334)
Unrealized gains/losses, net	1,630	14,361	5,403	19,895	8,091	371	49,751
Transfers	—	(114)	—	—	—	—	(114)
Fair value, June 30, 2014 \$	<u>27,733</u>	<u>86,207</u>	<u>32,554</u>	<u>69,767</u>	<u>21,862</u>	<u>13,687</u>	<u>251,810</u>

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Liquidity

The limitations and restrictions on the College’s ability to redeem or sell investments vary by investment and range from none for publicly traded securities, to required notice periods (generally 30 to 180 days after initial lock-up periods) for certain hedge funds, to dependency on the disposition of portfolio positions and return of capital by the investment manager for private equity, venture capital, commodity, fixed income related, and real estate limited partnership interests. Investments with daily liquidity generally do not require any notice prior to withdrawal. Based upon the terms and conditions in effect at June 30, 2014, expected liquidity for the College’s investments can be classified as follows:

	<u>Daily</u>	<u>Weekly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Semi-Annual</u>	<u>Annual</u>	<u>Illiquid</u>	<u>Total</u>
Cash & cash equivalents	\$ 48,445	—	—	—	—	25,000	—	73,445
Fixed income securities	144,875	—	21,697	38,820	—	—	5,342	210,734
Equity securities	192,081	76,868	190,731	—	44,682	—	—	504,362
Hedge funds	—	—	—	10,549	—	—	27,733	38,282
Private equity	—	—	—	—	—	310	86,207	86,517
Real estate	—	—	—	—	—	26	32,554	32,580
Energy	—	—	—	—	—	—	69,767	69,767
Insurance funds	—	—	—	—	—	—	21,862	21,862
Other	689	—	—	—	—	1,569	8,345	10,603
Total	\$ 386,090	76,868	212,428	49,369	44,682	26,905	251,810	1,048,152

The “illiquid” category is related to private equity, real estate, fixed income related, and energy limited partnership investments, insurance funds, and three hedge funds, where the College has no liquidity until the investments are sold and the monies are distributed by the fund manager. Insurance fund liquidity has generally occurred at the time the “at risk period” ends or within a few months. The table below summarizes the value of these investments by their stated terms assuming the partnerships are not extended. Two hedge funds, valued at \$20,293, are in the process of being liquidated and are classified within “Thereafter” because there is no stated term.

	<u>Amount</u>
Fiscal year:	
2015	\$ 42,801
2016	39,124
2017	51,356
2018	11,396
2019	24,882
Thereafter	82,251
	<u>\$ 251,810</u>

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Commitments

The College has outstanding commitments to private capital, credit-related hedge, and lottery receivable investments that have not yet been drawn down by these funds. Typically, committed capital is drawn down and invested over a several year period. Draw downs on outstanding commitments are funded by distributions from the private capital portfolio, cash, and other liquid investments. Based upon the expiration dates of funds' commitment periods, the College has the following outstanding commitments at June 30, 2014:

	<u>Amount</u>
Fiscal year:	
2015	\$ 51,870
2016	—
2017	11,620
2018	5,690
	<u>69,180</u>
	<u>\$ 69,180</u>

Securities Lending

The College has determined that it will exit its securities lending program in a manner that will limit its exposure to any significant financial loss. 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, asset backed securities. 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 College has rights to this collateral under applicable law. The security lending agent indemnifies the College against losses arising from the failure of a borrower to return securities. As of June 30, 2014 and 2013, the College had loaned certain securities, which are included in the endowment investments, with a fair value of \$4,397 and \$4,370 to several financial institutions that have provided collateral of \$4,500 and \$4,476, respectively, for the loaned securities.

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Investment Return

The following schedule summarizes total investment return and its classification in the statements of activities for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Investment income, net	\$ 16,313	8,456
Net realized and unrealized gains	167,690	100,830
Total return on investments	184,003	109,286
Investment return designated for current operations (spending policy distributions)	(30,925)	(30,149)
Other investment income	(4,555)	—
Investment return net of amounts designated for current operations	<u>\$ 148,523</u>	<u>79,137</u>

Endowment income is presented net of investment management and custodial fees of \$4,324 and \$3,948 for the years ended June 30, 2014 and 2013, respectively.

(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 laws of the State of New York.

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

The College follows the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA) in the management of its endowment. The College has interpreted NYPMIFA as allowing the College to spend or accumulate the amount of an endowment fund that the College determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The College has not changed the way permanently restricted net assets are classified as a result of this interpretation and classifies as permanently restricted net assets (a) the original values of gifts donated to permanent endowments, (b) the original values of subsequent gifts to permanent endowments, and (c) accumulations to permanent endowments made in accordance with the directions of the applicable donors' gift instruments at the times the accumulations are added to the funds. Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-205, *Not for*

HAMILTON COLLEGE

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Profit Entities, requires the portion of a donor restricted endowment fund that is not classified in permanently restricted net assets to be classified as temporarily restricted net assets until those amounts are appropriated for spending by the College's Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the investment committee considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the College and the endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the College
- Where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of an endowment fund, giving due consideration to the effect that such alternatives may have on the College
- The investment policies of the College

HAMILTON COLLEGE

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The following is a summary of the College's endowment net asset composition by type of fund, as well as a summary of the components of the return of the endowment pool and changes in endowment net assets as of and for the years ended June 30, 2014 and 2013:

2014				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment funds designated or restricted for support of:				
Scholarship	\$ 48,723	228,429	113,751	390,903
Faculty	18,854	169,122	45,760	233,736
Library	7,330	21,066	3,165	31,561
Program	4,645	115,914	25,241	145,800
Plant	—	1,073	—	1,073
Board-designated for general purpose	<u>55,766</u>	<u>—</u>	<u>—</u>	<u>55,766</u>
	<u>\$ 135,318</u>	<u>535,604</u>	<u>187,917</u>	<u>858,839</u>
2013				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment funds designated or restricted for support of:				
Scholarship	\$ 40,734	173,763	108,497	322,994
Faculty	15,798	134,385	44,620	194,803
Library	6,086	17,138	3,163	26,387
Program	3,718	92,982	22,791	119,491
Plant	—	298	—	298
Board-designated for general purpose	<u>46,455</u>	<u>—</u>	<u>—</u>	<u>46,455</u>
	<u>\$ 112,791</u>	<u>418,566</u>	<u>179,071</u>	<u>710,428</u>

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The unrestricted amounts at June 30, 2014 and 2013 represent Board-designated funds (quasi-endowment funds). Accumulated investment earnings on temporarily restricted and permanently restricted endowment funds are reflected as temporarily restricted net assets.

	2014			2013		
	Unrestricted	Temporarily restricted	Permanently restricted	Unrestricted	Temporarily restricted	Permanently restricted
Endowment net assets, beginning of year	\$ 112,791	418,566	179,071	98,387	363,454	173,394
Investment return:						
Investment income	2,430	12,754	—	1,295	7,161	—
Net appreciation	23,545	130,302	—	13,364	79,519	—
Private gifts	163	638	5,107	2,721	302	3,502
Released from restriction and changed restrictions	571	87	3,739	1,144	(5,841)	2,175
Appropriation of endowment assets for spending	(4,182)	(26,743)	—	(4,120)	(26,029)	—
Endowment net assets, end of year	\$ <u>135,318</u>	<u>535,604</u>	<u>187,917</u>	<u>112,791</u>	<u>418,566</u>	<u>179,071</u>

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 \$0 and \$82 as of June 30, 2014 and 2013, 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

The College uses a spending policy, 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%. Actual amounts with drawn for spending, as a percentage of the twelve quarter average market value of the endowment, were 4.7% and 4.4% for the years ended June 30, 2014 and 2013, respectively.

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 5% of the total market value of the endowment and no external investment manager shall manage more than 15% of the market value of the endowment.

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(4) 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 1.16% to 5.77% at June 30, 2014 and 2013. Contributions estimated to be collected at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 4,724	4,780
One to five years	11,876	13,650
More than five years	55	291
	<u>16,655</u>	<u>18,721</u>
Less: present value discount	(880)	(1,086)
Less: reserve for uncollectible receivables	(750)	(750)
	<u>\$ 15,025</u>	<u>16,885</u>

(5) Property, Plant, and Equipment

Property, plant, and equipment consists of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land and improvements	\$ 21,656	21,588
Buildings	306,741	302,141
Furniture and equipment	65,622	62,380
	<u>394,019</u>	<u>386,109</u>
Less accumulated depreciation	(178,889)	(164,347)
	215,130	221,762
Construction projects in process	46,009	19,838
	<u>\$ 261,139</u>	<u>241,600</u>

Depreciation expense of \$14,726 and \$14,750 in 2014 and 2013, 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 approximately \$16,000 of additional costs to complete the construction projects in process, which include the theater and studio arts building, and the conversion of the existing theater facility into a residence hall. These projects will be financed through a combination of donations and the remainder of the proceeds from the Series 2013 Revenue Bonds of approximately \$5.9 million.

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(6) Long-Term Debt

Long-term debt consists of the following at June 30, 2014 and 2013:

	<u>Maturity date</u>	<u>Interest rate</u>	<u>Original issue</u>	<u>Outstanding at June 30, 2014</u>	<u>Outstanding at June 30, 2013</u>
Oneida County Industrial Development Agency Civic Facility (a): Revenue Bonds Series 2002 (b)	09/15/2032	5.2%	\$ 60,000	45,755	47,643
Revenue Bonds Series 2005	07/01/2015	3.0% – 4.0%	8,775	1,990	2,935
Revenue Bonds Series 2007A (c)	07/01/2037	3.8% – 4.65%	36,107	45,961	44,898
Revenue Bonds Series 2007B	07/01/2028	4.0% – 5.0%	23,170	22,520	22,850
Revenue Bonds (g) Series 2013	07/01/2044	2.0% – 5.0%	23,010	23,839	—
Dormitory Authority of the State of New York Revenue Bonds, Series 2010 (d)	07/01/2021	3.0% – 5.0%	12,700	10,334	11,493
Banco Popular Espanol (e)	02/01/2022	Variable	1,833	1,275	1,388
Hamilton College Taxable Bonds Series 2013 (f)	07/01/2113	4.75%	103,000	100,413	100,387
				<u>\$ 252,087</u>	<u>231,594</u>

- (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, 2014 and 2013 was \$12,675 and \$10,884, 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 Series 2010 bonds were issued at a premium of \$1,285 and interest rates varying from 3 – 5%.
- (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, 2014.

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- (f) The College issued \$103,000 of Hamilton College Taxable Bonds, Series 2013, in April 2013. The bonds were issued at a discount of \$2,627, at a fixed rate of 4.75%. The College intends to use the proceeds of the bonds to refund all or a portion of the Series 2007 and 2002 bonds on their respective first option call dates in 2017 and 2018. Until that time, the proceeds will be invested in a portfolio designed to meet the debt service of the underlying bonds.
- (g) The College issued \$23,010 of Civic Facility Revenue Bonds in July 2013 at a premium of \$877, with interest rates varying from 2% - 5%.

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, 2014 and 2013 is approximately \$224,492 and \$215,212, respectively. Fair value has been determined using significant observable inputs that would be considered to be Level 2 in the fair value hierarchy.

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

2015	\$	5,355
2016		5,511
2017		5,616
2018		5,785
2019		5,955

The amounts above do not consider the anticipated refunding of existing debt on their respective call dates.

Interest expense was \$11,598 and \$6,687, for the years ended June 30, 2014 and 2013, respectively.

Line of Credit

The College maintains 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, 2014 and 2013, no funds have been advanced.

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(7) 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, 2014 and 2013 are as follows:

	2014	2013
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 3,418	4,100
Service cost	108	201
Interest cost	105	146
Actuarial gain	(2,567)	(1,022)
Participant contributions	167	202
Amendments and special terminations	2,300	32
Benefits paid	(109)	(241)
Benefit obligation at end of year	\$ 3,422	3,418
Change in plan assets:		
Fair value of assets, beginning of year	\$ —	—
Employer contribution	(58)	39
Participant contribution	167	202
Benefits paid	(109)	(241)
Fair value of assets, end of year	\$ —	—
Amount recognized in the statement of financial position:		
Funded status	\$ (3,422)	(3,418)

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Amounts recorded in unrestricted net assets as of June 30, 2014 and 2013, not yet amortized as components of net periodic benefit costs are as follows:

	<u>2014</u>	<u>2013</u>
Unamortized prior service costs	\$ 2,183	96
Unamortized actuarial loss	<u>(3,841)</u>	<u>(1,616)</u>
Amount recognized as a decrease in unrestricted net assets	<u>\$ (1,658)</u>	<u>(1,520)</u>

The amortization of the above items expected to be recognized in net periodic costs for the year ending June 30, 2015 is \$9.

A summary of the components of net periodic postretirement benefit cost for the years ended June 30, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Components of net periodic benefit cost:		
Service cost	\$ 108	201
Interest cost	105	146
Amortization of unrecognized actuarial loss	(342)	(35)
Amortization of unrecognized prior service cost	<u>214</u>	<u>(2)</u>
Net periodic postretirement benefit cost	<u>\$ 85</u>	<u>310</u>

Assumptions

A summary of the weighted average assumptions used to determine the benefit obligation at June 30, 2014 and 2013 is presented below:

	<u>2014</u>	<u>2013</u>
Discount rate	4.31%	4.73%
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, 2014 and 2013 is presented below:

	<u>2014</u>	<u>2013</u>
Discount rate	4.73%	3.88%

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A summary of the assumed healthcare cost trend rates at June 30, 2014 is presented below:

	Pre-65 Medical trend rates	Post-65 Medical trend rates	Prescription drugs trend rates
Healthcare cost trend rate for next year	7.00%	6.00%	7.50%
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	2023	2023	2023

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:

	2014		2013	
	One percentage point		One percentage point	
	Increase	Decrease	Increase	Decrease
Effect on total of service and interest cost components	\$ 73	(50)	110	(76)
Effect on postretirement benefit obligation	992	(691)	919	(655)

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

2015	\$	117
2016		119
2017		138
2018		153
2019		149
2020 – 2024		892

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(b) *Pension Benefits*

The College administers a defined contribution retirement plan for eligible employees. Teachers Insurance Annuity Association (TIAA), College Retirement Equities Fund (CREF) and Fidelity Investments Inc. are the recordkeepers and custodians of the plan. Total pension expense charged to operations relating to these plans for the years ended June 30, 2014 and 2013 amounted to \$4,430 and \$4,357, respectively.

(8) **Net Assets**

Temporarily restricted net assets at June 30, 2014 and 2013 are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Program and student support	\$ 552,708	434,101
Acquisition of buildings and equipment	29,150	21,696
Planned giving arrangements	17,543	15,633
Contributions receivable, net	10,196	11,027
	<u>\$ 609,597</u>	<u>482,457</u>

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

	<u>2014</u>	<u>2013</u>
Restricted for scholarship support	\$ 113,751	108,498
Restricted for faculty support	45,760	44,620
Restricted for library support	3,165	3,163
Restricted for program support	25,241	22,790
Planned giving arrangements	36,793	33,609
Other	13,125	13,809
	<u>\$ 237,835</u>	<u>226,489</u>

(9) **Expenses**

Included in institutional support are \$6,523 and \$6,121 of fundraising expenses for the years ended June 30, 2014 and 2013, respectively.

HAMILTON COLLEGE

Notes to Financial Statements

June 30, 2014 and 2013

(Dollars in thousands)

Operating expenses for the years ended June 30, 2014 and 2013, were incurred as follows:

	<u>2014</u>	<u>2013</u>
Salaries and wages	\$ 51,602	50,140
Benefits	17,575	16,519
Total compensation	69,177	66,659
Services and contracting	6,295	5,506
Supplies and minor equipment	10,514	9,949
Auxiliaries, costs of sales	5,548	5,382
Utilities	3,162	3,438
Travel and entertainment	4,756	4,522
Insurance and taxes	1,552	1,493
Depreciation and amortization	14,573	14,599
Interest	11,598	6,687
Other	2,048	3,354
Total expenses	\$ <u>129,223</u>	<u>121,589</u>

(10) Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2014 and through October 14, 2014, the date on which the financial statements were issued.