HAMILTON COLLEGE

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

HAMILTON COLLEGE

Financial Statements

June 30, 2011 and 2010

Table of Contents

KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

Board of Trustees
Hamilton College:

We have audited the accompanying statements of financial position of Hamilton College (College) as of June 30, 2011 and 2010, 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, 2011 and 2010, 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 10, 2011

HAMILTON COLLEGE

Statements of Financial Position

June 30, 2011 and 2010

(Dollars in thousands)

Assets		**2011**	**2010**
Cash and cash equivalents	$	35,482	45,870
Short-term investments		10,354	—
Student and other accounts receivable, net		2,375	972
Loans to students, net		3,092	3,105
Contributions receivable, net		41,057	17,796
Beneficial interest trusts		7,048	4,143
Deposits with trustees of debt obligations		1,199	276
Collateral received for securities lending		7,181	7,000
Investments		721,287	607,490
Deferred financing costs		2,750	2,932
Other assets		2,215	1,973
Property, plant and equipment, net		223,234	223,442
Total assets	$	1,057,274	914,999
Liabilities and Net Assets			
Accounts payable and accrued liabilities	$	5,017	4,438
Deposits and advances		5,876	6,006
Long-term debt		137,446	139,006
Liability under securities lending transactions		7,181	7,000
Annuity and life income obligations		20,218	20,549
Funds held in trust for others		1,657	1,424
Asset retirement obligation		1,541	1,493
Accumulated postretirement benefit obligation		4,928	4,559
Refundable government student loan funds		1,545	1,557
Total liabilities		185,409	186,032
Net assets:			
Unrestricted		184,024	418,965
Temporarily restricted		478,600	132,158
Permanently restricted		209,241	177,844
Total net assets		871,865	728,967
Total liabilities and net assets	$	1,057,274	914,999

See accompanying notes to financial statements.

HAMILTON COLLEGE

Statement of Activities

Year ended June 30, 2011
(with summarized information for the year ended June 30, 2010)

(Dollars in thousands)

	2011				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**2010 Total**
Operating revenues:					
Tuition and fees	$ 79,473	—	—	79,473	78,241
Scholarship aid	(26,033)	—	—	(26,033)	(24,339)
Net tuition and fees	53,440	—	—	53,440	53,902
Auxiliary enterprises	19,736	—	—	19,736	19,421
Investment return designated for operations	3,911	23,365	—	27,276	26,842
Private gifts and grants	6,083	3,200	—	9,283	9,196
Government grants and contracts	392	1,712	—	2,104	2,091
Other income	788	114	—	902	625
Net assets released from restrictions	25,417	(25,417)	—	—	—
Total operating revenues	109,767	2,974	—	112,741	112,077
Operating expenses:					
Instruction	49,825	—	—	49,825	49,614
Research	1,432	—	—	1,432	1,705
Public service	—	—	—	—	195
Academic support	14,191	—	—	14,191	13,390
Student services	12,772	—	—	12,772	12,154
Institutional support	15,928	—	—	15,928	15,081
Auxiliary enterprises	18,634	—	—	18,634	19,200
Total operating expenses	112,782	—	—	112,782	111,339
Increase (decrease) in net assets from operations	(3,015)	2,974	—	(41)	738
Nonoperating activities:					
Private gifts	961	20,111	24,358	45,430	16,191
Investment return, net of amounts designated for operations	13,316	79,360	8,582	101,258	65,540
Change in value of split interest agreements	—	426	852	1,278	287
Annuity payment expenses	—	(992)	(2,255)	(3,247)	(3,195)
Net assets released from restriction and changed restrictions	18,808	(18,625)	(183)	—	—
Other	(1,825)	2	43	(1,780)	139
Increase in net assets from nonoperating activities	31,260	80,282	31,397	142,939	78,962
Change in net assets before net asset reclassification of endowment funds for adoption of ASC 958-205	28,245	83,256	31,397	142,898	79,700
Net asset reclassification of endowment funds for adoption of ASC 958-205	(263,186)	263,186	—	—	—
Increase (decrease) in net assets	(234,941)	346,442	31,397	142,898	79,700
Net assets, beginning of year	418,965	132,158	177,844	728,967	649,267
Net assets, end of year	$ 184,024	478,600	209,241	871,865	728,967

See accompanying notes to financial statements.

HAMILTON COLLEGE

Statement of Activities

Year ended June 30, 2010

(Dollars in thousands)

	2010			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Operating revenues:				
Tuition and fees	$ 78,241	—	—	78,241
Scholarship aid	(24,339)	—	—	(24,339)
Net tuition and fees	53,902	—	—	53,902
Auxiliary enterprises	19,421	—	—	19,421
Investment return designated for operations	3,884	22,958	—	26,842
Private gifts and grants	5,929	3,267	—	9,196
Government grants and contracts	454	1,637	—	2,091
Other income	583	42	—	625
Net assets released from restrictions	24,950	(24,950)	—	—
Total operating revenues	109,123	2,954	—	112,077
Operating expenses:				
Instruction	49,614	—	—	49,614
Research	1,705	—	—	1,705
Public service	195	—	—	195
Academic support	13,390	—	—	13,390
Student services	12,154	—	—	12,154
Institutional support	15,081	—	—	15,081
Auxiliary enterprises	19,200	—	—	19,200
Total operating expenses	111,339	—	—	111,339
Increase (decrease) in net assets from operating activities	(2,216)	2,954	—	738
Nonoperating activities:				
Private gifts	599	10,038	5,554	16,191
Investment return, net of amounts designated for operations	47,799	10,783	6,958	65,540
Change in value of split interest agreements	—	(37)	324	287
Annuity payment expenses	—	(969)	(2,226)	(3,195)
Net assets released from restriction and changed restrictions	822	(360)	(462)	—
Other	65	29	45	139
Increase in net assets from nonoperating activities	49,285	19,484	10,193	78,962
Increase in net assets	47,069	22,438	10,193	79,700
Net assets, beginning of year	371,896	109,720	167,651	649,267
Net assets, end of year	$ 418,965	132,158	177,844	728,967

See accompanying notes to financial statements.

HAMILTON COLLEGE

Statements of Cash Flows

Years ended June 30, 2011 and 2010

(Dollars in thousands)

		2011	2010
Net cash flows from operating activities:			
Change in net assets	$	142,898	79,700
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Contributions to endowment and facilities		(45,880)	(16,331)
Depreciation and amortization		13,586	13,544
Realized and unrealized gains on investments		(122,702)	(88,020)
Interest on capital appreciation bonds		1,751	1,789
Asset retirement obligation		48	36
Loss on disposal of plant and equipment		324	308
Changes in assets and liabilities that provide (use) cash:			
Student and other accounts receivable, net		(1,403)	(5)
Contributions receivable		(23,261)	(8,322)
Beneficial interest trusts		(2,905)	(62)
Other assets		(242)	46
Accounts payable and accrued liabilities		792	(2,325)
Deposits and advances		(130)	1,561
Accumulated postretirement benefit obligation		369	42
Annuity and life income obligations		2,916	3,282
Cash flows used in operating activities		(33,839)	(14,757)
Net cash from investing activities:			
Purchase of property, plant and equipment, net of change in construction costs payable		(14,118)	(14,945)
Purchases of investments		(306,080)	(247,267)
Proceeds from sales and maturities of investments		314,985	267,951
Change in deposits held by trustees of debt obligations		(923)	2,602
Change in short-term investments, net		(10,354)	—
Student loans, net		13	28
Cash flows (used in) provided by investing activities		(16,477)	8,369
Net cash from financing activities:			
Contributions to endowment and facilities		45,880	16,331
Proceeds from issuance of bonds payable		—	13,985
Payments for extinguishment of bonds payable		—	(15,468)
Payments on long-term debt		(2,926)	(3,918)
Payments to beneficiaries of split interest agreements		(3,247)	(3,195)
Payments for debt financing costs		—	(487)
Other financing activities		221	557
Cash flows provided by financing activities		39,928	7,805
Net (decrease) increase in cash and cash equivalents		(10,388)	1,417
Cash and cash equivalents:			
Beginning of year		45,870	44,453
End of year	$	35,482	45,870
Supplemental disclosure of noncash investing and financing activities:			
Change in construction related payables	$	213	(1,325)
Supplemental disclosure:			
Cash paid for interest, including capitalized interest	$	4,267	4,693
Gifts in kind		106	442

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of Hamilton College (the College), which is a coeducational, independent, liberal arts college located in Clinton, New York, are prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the College and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by the board of trustees or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the College and/or the passage of time. Generally, such net assets are available for program purposes such as financial aid, specified operating activities, facilities and equipment.

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

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

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

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

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of investments classified as Level 3 investments, the carrying amount of property, plant and equipment, valuation allowances for receivables, and the accrual for postretirement benefits. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

Cash equivalents representing operating funds include short-term, highly liquid investments with an original maturity of three months or less and are included in cash and cash equivalents. Cash and cash equivalents representing investment funds are included in long-term investments. Cash and cash equivalents are reported at cost which approximates fair value. At June 30, 2011 and 2010, 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, 2011 and 2010, are $33,770 and $44,707, respectively, of cash equivalents primarily representing interest bearing money market and other short-term investment accounts.

(d) Short-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.

(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.

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 and evaluates the values provided by the investment managers used in determining the fair value of alternative investments.

The College's interest in alternative investment funds are generally reported at the net asset value (NAV) or the rolled forward capital balance 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.

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 the 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 and activities.

(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 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 3.8%. 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.

(Continued)

Student and other accounts receivable are net of an allowance of $200 at June 30, 2011 and 2010. Loans to students are net of an allowance of $440 at June 30, 2011 and 2010, 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. Such investments are categorized as Level 1 within 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.

(j) Deferred Financing Costs

Deferred financing costs represent bond issuance costs that are amortized over the period to bond maturity.

(k) Annuity and Life Income Gifts

The College accepts certain gifts on the condition that periodic annuity or life income distributions are made to designated beneficiaries. Assets associated with these gifts are recorded at their fair value. The College recognizes contribution revenue in an amount equal to the difference between the fair value of the contributed asset and the net present value of the payment obligations, and classifies contribution revenue as an increase in temporarily restricted or permanently restricted net assets, based on the donor stipulations. Liabilities associated with these gifts (the annuity or life income obligation) represent the present value of payments expected to be made to beneficiaries. Significant assumptions used to determine the annuity and life income obligations include the discount rates, which range from 3.2% to 11%, and mortality assumptions of the beneficiaries. Changes in annuity and life income obligations resulting from changes in actuarial assumptions and the accretion of the discount are recorded as increases or decreases in temporarily or permanently restricted net assets based on the donor stipulations. During 2011 and 2010, the College received $1,099 and $443, respectively, for annuity and life income gifts.

(l) Beneficial Interest Trusts

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

(m) Revenue Recognition

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

(n) Taxation

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

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

(o) Commitments and Contingencies

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

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

The College has identified asbestos abatement as a conditional asset retirement obligation. Asbestos abatement costs are estimated using a per square foot estimate for each impacted location. As of June 30, 2011 and 2010, the College has recorded a liability of $1,541 and $1,493, respectively, representing the fair value of these conditional asset retirement obligations.

(p) Fair Value of Financial Instruments

The fair values of the College's financial instruments approximate the carrying amounts reported in the statement of financial position for cash and cash equivalents, short-term investments, student and other accounts receivable, contributions receivable, beneficial interest trusts, and accounts payable and accrued expenses. The fair value of long-term debt is discussed in note 6.

(Continued)

(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 that maintains, within defined limits, exposure to domestic and international equity, fixed income, real estate, commodities, hedge funds, and private equity markets. The majority of the College's investments are managed in a pooled fund that consists primarily of endowment assets. Other investments are managed separately from the pool. These investments consist primarily of fixed-income securities, principally government securities and money market funds held for the College's working capital needs, and various bond and equity portfolios associated with split interest agreements.

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 and are classified and disclosed in one of the following categories:

- Level 1 inputs are quoted prices (unadjusted) available in active markets for identical investments as of the reporting date.
- Level 2 inputs are observable inputs such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets. Level 2 assets include securities with quoted market prices that are traded less frequently than exchange-traded instruments.
- Level 3 pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. Significant professional judgment is used in determining the fair value assigned to such assets or liabilities.

The level in the fair value hierarchy within which a fair value 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)

The College's investments at June 30, 2011 are summarized in the following table by their fair value hierarchy classification:

	June 30, 2011	Level 1	Level 2	Level 3	frequency	notice
Short-term investments:						
Fixed income securities	$ 10,354	2,915	7,439	—	Daily	Same day
Investments:						
Cash and cash equivalents	39,735	39,735	—	—	Daily	Same day
Fixed income securities	43,736	16,726	27,010	—	Daily	Same day
Equity securities:						
U.S.	251,200	240,282	10,918	—	Daily-monthly	1-90
International	65,439	2,937	62,502	—	Daily-monthly	1-30
Hedge funds:						
Multistrategy (a)	22,711	—	22,711	—	Semi-annually	65
Global (b)	44,464	—	44,464	—	Quarterly	30
Other (c)	62,163	—	—	62,163	Not applicable	
Private equity (d):						
Buy-out	52,596	—	18	52,578	Not applicable	
Venture capital	37,812	—	135	37,677	Not applicable	
Real estate (e)	33,523	—	—	33,523	Not applicable	
Energy (f)	66,511	—	—	66,511	Not applicable	
Other	1,397	—	1,397	—	Not applicable	
Total investments	$ 731,641	302,595	176,594	252,452		

The College's investments at June 30, 2010 are summarized in the following table by their fair value hierarchy classification:

	June 30, 2010	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Cash and cash equivalents	$ 6,198	6,198	—	—	Daily	Same day
Fixed income securities	49,075	21,155	27,920	—	Daily	Same day
Equity securities:						
U.S.	193,023	185,029	7,994	—	Daily-monthly	1-90
International	47,185	22,677	24,508	—	Daily-monthly	1-30
Hedge funds:						
Multistrategy (a)	24,591	—	24,591	—	Semi-annually	65
Global (b)	39,168	—	39,168	—	Quarterly	30
Other (c)	74,150	—	—	74,150	Not applicable	
Private equity (d):						
Buy-out	50,488	—	—	50,488	Not applicable	
Venture capital	28,867	—	155	28,712	Not applicable	
Debt related	78	—	78	—	Not applicable	
Real estate (e)	24,757	—	—	24,757	Not applicable	
Energy (f)	68,124	—	—	68,124	Not applicable	
Other	1,786		1,786	—	Not applicable	
Total investments	$ 607,490	235,059	126,200	246,231		

(a) This category includes a fund that invests in event-driven strategies (takeovers), merger arbitrage, private equity special situations, and long-short global equity. The lock-up provision for these investments is two years from the original date of investment, and then one-third of the capital is available for withdrawal on the 25th month and subsequent anniversaries thereafter.

(b) This category includes investments in regional/international portfolios of assets whose primary objective is to achieve and maintain above average long-term real capital returns in relation to each class of shares through a policy of investing mainly in quoted securities and their derivative instruments while managing the overall foreign exchange exposure. Investments are subject to a three month withdrawal notice period and can be withdrawn for cash equal to a proportionate share of the portfolio's net asset value.

(c) This category includes an investment in a hedge fund of funds referred to as the Master Fund that originally sought to provide investors with a diversified multi-strategy investment portfolio. Effective January 1, 2010, the Master Fund 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. This category also includes investments in a specialized absolute return fund that seeks to achieve capital appreciation by investing in a portfolio of stressed and distressed securities. This investment is illiquid and not transferrable without the written consent of the general partner. The term of the investment will continue until the ninth anniversary of the initial closing date, but may be extended for up to three additional one-year periods by the general partner.

(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 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 distribution of shares in the underlying investments. It is estimated that the underlying assets of each fund will be liquidated or distributed over a 7-10 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 7-10 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. Investments cannot be redeemed upon request. Instead, distributions of shares in the underlying assets are received at the election of the general partner as the underlying investments are monetized, or as in-kind distribution of shares in the underlying investments. Based upon the terms of the funds, it is estimated that the underlying assets of each fund will be liquidated or distributed over a 7-10 year period year period from the effective date of the fund.

(Dollars in thousands)

Changes to reported investments measured at fair value using unobservable (Level 3) inputs during the years ended June 30, 2011 and 2010 are as follows:

		Hedge funds	Private equity	Real estate	Energy	Total
Fair value, June 30, 2009	$	65,534	68,995	25,577	50,453	210,559
Net purchases, sales, settlements		(5,371)	(2,477)	6,458	(3,635)	(5,025)
Unrealized gains/losses		13,987	11,363	(7,278)	21,306	39,378
Transfers		—	1,319	—	—	1,319
Fair value, June 30, 2010		74,150	79,200	24,757	68,124	246,231
Net purchases, sales, settlements		(19,353)	(3,393)	4,753	(6,827)	(24,820)
Unrealized gains/losses		7,366	14,466	4,013	5,214	31,059
Transfers		—	(18)	—	—	(18)
Fair value, June 30, 2011	$	62,163	90,255	33,523	66,511	252,452

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 and real estate limited partnership interests. For the latter, this is generally within the specified terms at inception (typically 10 years). Based upon the terms and conditions in effect at June 30, 2011, expected liquidity for the College's investments can be classified as follows:

Investments redemption period:		
Daily	$	337,044
Monthly		73,420
Quarterly		44,464
Semi-annual		22,711
Lock up until liquidated		254,002
Total	$	731,641

(Dollars in thousands)

The "Lock up until liquidation" category is related to private equity, real estate and energy limited partnership investments and two hedge funds, where the College has no liquidity until the investments are sold and the monies are distributed by the fund manager. The table below summarizes the value of these investments by their stated terms assuming the partnerships are not extended. One hedge fund in the process of being liquidated is classified as "Thereafter" because there is no stated term.

	Amount
Fiscal year:	
2012	$ 31,607
2013	9,002
2014	14,432
2015	25,171
2016	32,665
Thereafter	141,125
	$ 254,002

Commitments

Private equity, energy and real estate investments are generally made through limited partnerships. Under the terms of these agreements, the College is obligated to remit additional funding periodically as capital calls are exercised by the manager. These partnerships have a limited existence, generally between ten and fifteen years inclusive of extension periods for the purpose of disposing portfolio positions and returning capital to the investors. At June 30, 2011 the College has the following outstanding commitments to these partnerships based on when the funds' commitment periods end:

	Amount
Fiscal year:	
2012	$ 36,967
2013	1,970
2014	—
2015	—
2016	12,436
	$ 51,373

Securities Lending

During 2008, the College decided to 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, 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, 2011 and 2010, the College had loaned certain securities, which are included in the endowment investments, with a fair value of $7,006 and $6,838 to several financial institutions that have provided collateral of $7,181 and $7,000, respectively, for the loaned securities.

(Dollars in thousands)

Investment Return

The following schedule summarizes total investment return and its classification in the statements of activities for the years ended June 30, 2011 and 2010:

		2011	2010
Endowment income	$	5,832	4,362
Net realized and unrealized gains (losses)		122,702	88,020
Total return on investments		128,534	92,382
Investment return designated for current operations (spending policy distributions)		(27,276)	(26,842)
Investment return net of amounts designated for current operations	$	101,258	65,540

Endowment income is presented net of investment management and custodial fees of $3,023 and $2,385 for the years ended June 30, 2011 and 2010, 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 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.

In September 2010, New York State enacted the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA). 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 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

As a result of the adoption of ASC 958-205, the College has reclassified $263 million from unrestricted net assets to temporarily restricted net assets.

(Dollars in thousands)

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, 2011 and 2010:

	2011			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment funds restricted for support of:				
Scholarship	$ 31,985	164,567	88,731	285,283
Faculty	13,773	128,947	41,694	184,414
Library	5,801	16,536	3,030	25,367
Program	3,098	88,294	19,460	110,852
Plant	—	6,882	—	6,882
Board-designated for general purpose	44,731	—	—	44,731
	$ 99,388	405,226	152,915	657,529

	2010			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment funds restricted for support of:				
Scholarship	$ 145,591	11,789	80,490	237,870
Faculty	100,487	16,587	39,232	156,306
Library	18,776	—	2,921	21,697
Program	44,827	29,161	20,184	94,172
Plant	—	4,221	—	4,221
Board-designated for general purpose	38,503	—	—	38,503
	$ 348,184	61,758	142,827	552,769

The unrestricted amounts at June 30, 2011 represent Board-designated funds (quasi-endowment funds). The unrestricted amounts at June 30, 2010 include quasi-endowments funds for the support of scholarships, faculty, library and programs of $27,027, $11,855, $4,952 and $2,661, respectively. The remaining balance at June 30, 2010 of $263,186 represents accumulated investment earnings on temporarily and permanently restricted endowment funds. As of June 30, 2011, such earnings have been reflected as temporarily restricted net assets pursuant to the adoption of ASC 958-205.

(Continued)

(Dollars in thousands)

	2011			2010		
	Unrestricted	Temporarily restricted	Permanently restricted	Unrestricted	Temporarily restricted	Permanently restricted
Endowment net assets, beginning of year	$ 348,184	61,758	142,827	299,893	51,102	137,822
Investment return:						
Investment income	893	4,939	—	3,473	888	—
Net appreciation	16,599	93,861	1,128	65,701	13,503	1,728
Private gifts	624	1,621	8,708	154	46	3,277
Released from restriction and changed restrictions	450	2,961	252	337	1,687	—
Appropriation of endowment assets for spending	(4,176)	(23,100)	—	(21,374)	(5,468)	—
Endowment net assets before reclassification for adoption of ASC 958-205	362,574	142,040	152,915	348,184	61,758	142,827
Net asset reclassification for adoption of ASC 958-205	(263,186)	263,186	—	—	—	—
Endowment net assets, end of year	$ 99,388	405,226	152,915	348,184	61,758	142,827

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 $171 and $1,394 as of June 30, 2011 and 2010, 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 adopted a spending policy in 2009 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 years ended June 30, 2011 and 2010, the College suspended a portion of spending authorized by the formula and approved a 1.5% increase in spending over the prior year, to preserve funds needed in future years.

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 15% of the market value of the endowment.

(Dollars in thousands)

(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 2.6% to 5.8% at June 30, 2011 and 2010. Contributions estimated to be collected at June 30, 2011 and 2010 are as follows:

		2011	2010
Less than one year	$	13,991	6,900
One to five years		30,767	13,049
		44,758	19,949
Less:			
Present value discount		(2,501)	(1,403)
Reserve for uncollectible receivables		(1,200)	(750)
	$	41,057	17,796

At June 30, 2011 and 2010, 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.

(5) Property, Plant, and Equipment

Property, plant, and equipment consists of the following at June 30, 2011 and 2010:

		2011	2010
Land and improvements	$	20,287	19,446
Buildings		276,363	260,920
Equipment		56,582	53,636
		353,232	334,002
Less accumulated depreciation		(135,750)	(122,622)
		217,482	211,380
Projects in process		5,752	12,062
	$	223,234	223,442

Depreciation expense of $13,789 and $13,572 in 2011 and 2010, 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 $14,765 of additional costs to complete the construction projects in process, which will be primarily financed with donations. Capitalized interest for the years ended June 30, 2011 and 2010 is $0.

(Dollars in thousands)

(6) Long-Term Debt

Long-term debt consists of the following at June 30, 2011 and 2010:

	Maturity date	Interest rate	Original issue	Outstanding at June 30, 2011	Outstanding at June 30, 2010
Oneida County Industrial Development Agency Civic Facility (a):					
Revenue Bonds Series 2002 (b)	09/15/32	5.2%	$ 60,000	51,297	53,061
Revenue Bonds Series 2005	07/01/15	3.0% – 4.0%	8,775	4,735	5,595
Revenue Bonds Series 2007A (c)	07/01/37	3.8% – 4.65%	36,107	42,764	41,694
Revenue Bonds Series 2007B	07/01/21	4.0% – 5.0%	23,170	23,170	23,170
Dormitory Authority of the State of New York Revenue Bonds, Series 2010 (d)	07/01/21	3.0% – 5.0%	12,700	13,659	13,830
Banco Popular Espanol (e)	02/01/22	Variable	1,833	1,821	1,656
				$ 137,446	139,006

(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, 2011 and 2010 was $7,338 and $5,587 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, 2011.

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, 2011 and 2010 is approximately $144,811 and $141,401, respectively.

(Dollars in thousands)

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

2012	$	4,161
2013		4,750
2014		4,867
2015		4,987
2016		5,136

Interest expense was $6,018 and $6,486, for the years ended June 30, 2011 and 2010, respectively.

Line of Credit

During the fiscal year ended June 30, 2010, the College obtained a revolving, unsecured line of credit in the amount of $10,000, renewable annually, to support the College's working capital needs. Interest on the outstanding balance of advanced funds is equal to the current 30 day LIBOR plus 200 basis points, subject to a floor of 3%. There is no annual fee charged for the line of credit. As of June 30, 2011, no funds have been advanced.

(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, 2011 and 2010 are as follows:

		2011	2010
Change in benefit obligation:			
Benefit obligation at beginning of year	$	4,559	4,517
Service cost		212	163
Interest cost		240	231
Actuarial gain		(117)	(325)
Participant contributions		256	270
Benefits paid		(222)	(297)
Benefit obligation at end of year	$	4,928	4,559

(Dollars in thousands)

		2011	2010
Change in plan assets:			
Fair value of assets, beginning of year	$	—	—
Employer contribution		(34)	27
Participant contribution		256	270
Benefits paid		(222)	(297)
Fair value of assets, end of year	$	—	—
Amount recognized in the statement of financial position:			
Funded status	$	(4,928)	(4,559)

Amounts recorded in unrestricted net assets as of June 30, 2011 and 2010, not yet amortized as components of net periodic benefit costs are as follows:

		2011	2010
Unamortized prior service costs	$	50	85
Unamortized actuarial loss		(478)	(606)
Amount recognized as a decrease in unrestricted net assets	$	(428)	(521)

The amortization of the above items expected to be recognized in net periodic costs for the year ending June 30, 2012 is $33.

A summary of the components of net periodic postretirement benefit cost for the years ended June 30, 2011 and 2010, is as follows:

		2011	2010
Components of net periodic benefit cost:			
Service cost	$	212	163
Interest cost		240	232
Amortization of unrecognized actuarial loss		11	—
Amortization of unrecognized prior service cost		(35)	(35)
Net periodic postretirement benefit cost	$	428	360

(Continued)

(Dollars in thousands)

Assumptions

A summary of the weighted average assumptions used to determine the benefit obligation at June 30, 2011 and 2010 is presented below:

	2011	2010
Discount rate	5.50%	5.35%
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, 2011 and 2010 is presented below:

	2011	2010
Discount rate	5.35%	6.18%

A summary of the assumed healthcare cost trend rates at June 30, 2011 is presented below:

	Pre-65 Medical trend rates	Post-65 Medical trend rates	Prescription drugs trend rates
Healthcare cost trend rate for next year	9.00%	7.00%	10.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2018	2018	2018

(Continued)

(Dollars in thousands)

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:

		2011		2010	
		One percentage point		One percentage point	
		Increase	Decrease	Increase	Decrease
Effect on total of service and interest cost components	$	82	(70)	72	(61)
Effect on postretirement benefit obligation		1,135	(830)	1,050	(768)

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

2012	$	203
2013		217
2014		245
2015		246
2016		260
2017 – 2021		1,738

(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, 2011 and 2010 amounted to $4,058 and $3,965, respectively.

(8) Net Assets

Temporarily restricted net assets at June 30, 2011 and 2010 are available for the following purposes:

		2011	2010
Program and student support	$	421,924	76,772
Acquisition of buildings and equipment		15,732	28,892
Planned giving arrangements		15,682	13,017
Contributions receivable, net		25,262	13,477
	$	478,600	132,158

(Dollars in thousands)

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

		2011	2010
Restricted for scholarship support	$	88,731	80,490
Restricted for faculty support		41,694	39,232
Restricted for library support		3,030	2,921
Restricted for program support		19,460	20,184
Planned giving arrangements		33,249	23,875
Other		23,077	11,142
	$	209,241	177,844

(9) Expenses

Included in institutional support are $6,257 and $5,817 of fundraising expenses for the years ended June 30, 2011 and 2010, respectively.

Operating expenses for the years ended June 30, 2011 and 2010, were incurred as follows:

		2011	2010
Salaries and wages	$	46,819	45,693
Benefits		15,100	14,105
Total compensation		61,919	59,798
Services and contracting		4,791	4,804
Supplies and minor equipment		9,201	9,046
Auxiliaries, costs of sales		5,191	5,081
Utilities		4,349	4,658
Travel and entertainment		4,068	4,160
Insurance and taxes		1,466	1,436
Depreciation and amortization		13,586	13,544
Interest		6,018	6,486
Other		2,193	2,326
Total expenses	$	112,782	111,339

(10) Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2011 and through October 10, 2011, the date on which the financial statements were issued.