`Financial Statements Together with
Report of Independent Certified Public Accountants

ST. FRANCIS COLLEGE

June 30, 2013 and 2012

ST. FRANCIS COLLEGE

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Audit • Tax • Advisory

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
St. Francis College:

We have audited the accompanying financial statements of St. Francis College (the "College"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's 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 our 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 auditor's 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 aspects, the financial position of St. Francis College as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
November 15, 2013

ST. FRANCIS COLLEGE
Statements of Financial Position
As of June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 589,047	$ 1,851,002
Receivables:		
Student accounts, net	1,401,737	1,176,995
Government grants	3,002	48,845
Accrued interest	28,916	49,996
Other	1,361,125	1,019,610
Contributions, net	2,777,605	2,699,484
Student notes, net	618,060	637,197
Prepaid expenses and other assets	948,581	1,114,169
Investments	70,378,635	65,356,710
Funds held by trustee	4,592,559	11,259,814
Cash restricted for loan programs	95,768	79,582
Property, equipment and collections, net	62,538,973	60,484,016
Total assets	$ 145,334,008	$ 145,777,420
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 5,662,350	$ 7,303,090
Deferred revenue and student deposits	557,284	640,768
Accrued interest payable	463,181	468,518
Deferred contract revenue	4,168,832	4,770,854
Long-term debt	38,249,849	38,885,199
Refundable loan program	619,126	613,794
Total liabilities	49,720,622	52,682,223
Commitments and Contingencies		
NET ASSETS		
Unrestricted:		
Available for operations	6,722,157	6,587,406
Quasi-endowment	32,248,504	29,293,458
Investment in plant	28,881,683	32,870,338
Campaign	77,540	195,830
Renewals and replacements	5,387,359	987,150
Plant projects	3,019,078	5,294,951
Institutional loans	117,583	116,919
Total unrestricted net assets	76,453,904	75,346,052
Temporarily restricted	8,329,424	7,472,294
Permanently restricted	10,830,058	10,276,851
Total net assets	95,613,386	93,095,197
Total liabilities and net assets	$ 145,334,008	$ 145,777,420

The accompanying notes are an integral part of these statements.

ST. FRANCIS COLLEGE
Statement of Activities
For the year ended June 30, 2013, with summarized totals for 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Total 2012
OPERATING REVENUES AND SUPPORT					
Student tuition and fees	$ 52,070,037	$ -	$ -	$ 52,070,037	$ 45,947,142
College scholarships	(16,684,475)	-	-	(16,684,475)	(12,594,450)
Federal financial assistance	(316,041)	-	-	(316,041)	(319,632)
Net tuition and fees	35,069,521	-	-	35,069,521	33,033,060
Government appropriations	501,185	-	-	501,185	638,971
Gifts and private grants	1,955,338	205,653	-	2,160,991	4,736,124
Investment return used for operations	3,370,711	-	-	3,370,711	3,718,505
Other	1,615,723	-	-	1,615,723	1,611,000
Net assets released from restrictions	898,322	(898,322)	-	-	-
Total operating revenues and support	43,410,800	(692,669)	-	42,718,131	43,737,660
OPERATING EXPENSES					
Instruction	17,307,556	-	-	17,307,556	16,580,030
Academic support	4,598,911	-	-	4,598,911	4,356,401
Student services	10,697,084	-	-	10,697,084	10,076,364
Institutional support	11,995,626	-	-	11,995,626	11,452,077
Total operating expenses	44,599,177	-	-	44,599,177	42,464,872
Change in net assets from operating activities	(1,188,377)	(692,669)	-	(1,881,046)	1,272,788
NONOPERATING ACTIVITIES					
Gifts and private grants	979,136	58,710	553,207	1,591,053	933,699
Capital campaign expenses	(956,624)	-	-	(956,624)	(1,243,723)
Capital project expenses	(369,323)	-	-	(369,323)	(330,555)
Investment return net of amounts in support of operations	2,921,681	1,760,487	-	4,682,168	(2,500,046)
Early retirement program	(548,039)	-	-	(548,039)	(299,873)
Net assets released from restrictions	269,398	(269,398)	-	-	-
Change in net assets from nonoperating activities	2,296,229	1,549,799	553,207	4,399,235	(3,440,498)
Change in net assets	1,107,852	857,130	553,207	2,518,189	(2,167,710)
Net assets, beginning of year	75,346,052	7,472,294	10,276,851	93,095,197	95,262,907
Net assets, end of year	$ 76,453,904	$ 8,329,424	$ 10,830,058	$ 95,613,386	$ 93,095,197

The accompanying notes are an integral part of this statement.

ST. FRANCIS COLLEGE
Statement of Activities
For the year ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES AND SUPPORT				
Student tuition and fees	$ 45,947,142	$ -	$ -	$ 45,947,142
College scholarships	(12,594,450)	-	-	(12,594,450)
Federal financial assistance	(319,632)	-	-	(319,632)
Net tuition and fees	33,033,060	-	-	33,033,060
Government appropriations	638,971	-	-	638,971
Gifts and private grants	2,175,884	2,560,240	-	4,736,124
Investment return used for operations	3,718,505	-	-	3,718,505
Other	1,611,000	-	-	1,611,000
Net assets released from restrictions	646,012	(646,012)	-	-
Total operating revenues and support	41,823,432	1,914,228	-	43,737,660
OPERATING EXPENSES				
Instruction	16,580,030	-	-	16,580,030
Academic support	4,356,401	-	-	4,356,401
Student services	10,076,364	-	-	10,076,364
Institutional support	11,452,077	-	-	11,452,077
Total operating expenses	42,464,872	-	-	42,464,872
Changes in net assets from operating activities	(641,440)	1,914,228	-	1,272,788
NONOPERATING ACTIVITIES				
Gifts and private grants	275,408	455,494	202,797	933,699
Capital campaign expenses	(1,243,723)	-	-	(1,243,723)
Capital project expenses	(330,555)	-	-	(330,555)
Investment return net of amounts in support of operations	(2,802,146)	302,100	-	(2,500,046)
Early retirement program	(299,873)	-	-	(299,873)
Changes in net assets from nonoperating activities	(4,400,889)	757,594	202,797	(3,440,498)
Changes in net assets	(5,042,329)	2,671,822	202,797	(2,167,710)
Net assets, beginning of year	80,388,381	4,800,472	10,074,054	95,262,907
Net assets, end of year	$ 75,346,052	$ 7,472,294	$ 10,276,851	$ 93,095,197

The accompanying notes are an integral part of this statement.

ST. FRANCIS COLLEGE
Statements of Cash Flows
For the years ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 2,518,189	$ (2,167,710)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	4,185,036	3,735,295
Loss on disposal of equipment	-	113,622
Uncollectible student accounts and loans receivable	81,047	25,533
Allowance and discount for multi-year pledges	(129,612)	(313,285)
Amortization of bond discount	14,650	14,651
Permanently restricted contributions	(191,407)	(202,797)
Realized and unrealized gains on investments	(6,392,648)	(288,566)
Changes in assets and liabilities:		
(Increase) decrease in student accounts receivable	(296,843)	9,819
Decrease (increase) in contributions receivable	51,491	(1,870,069)
Increase in prepaid expenses, other assets and receivables	(109,004)	(92,789)
(Decrease) increase in accounts payable and accrued expenses	(1,640,740)	3,451,429
(Decrease) increase in deferred revenue and student deposits	(83,484)	143,519
Decrease in accrued interest payable	(5,337)	(3,481)
Decrease in deferred contract revenue	(602,022)	(602,022)
Net cash (used in) provided by operating activities	(2,600,684)	1,953,149
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities and sale of investments	18,714,864	13,010,330
Purchases of investments	(17,344,141)	(10,714,454)
Collections of loans to students	110,211	119,767
Advances of loans to students	(100,020)	(99,880)
Purchase of property, plant, and equipment	(6,239,993)	(12,858,055)
Net cash used in investing activities	(4,859,079)	(10,542,292)
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	191,407	202,797
Repayments of long-term debt	(650,000)	(630,000)
Restricted cash	(16,186)	(24,244)
Funds held by bond trustee	6,667,255	9,395,302
Refundable loan program	5,332	3,876
Net cash provided by financing activities	6,197,808	8,947,731
Net (decrease) increase in cash and cash equivalents	(1,261,955)	358,588
Cash and cash equivalents, beginning of year	1,851,002	1,492,414
Cash and cash equivalents, end of year	$ 589,047	$ 1,851,002
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 1,881,766	$ 1,917,898
Accounts payable and accrued expenses for capital expenditures	$ (2,364,818)	$ (1,346,529)

The accompanying notes are an integral part of these statements.

1. ORGANIZATION

St. Francis College (the "College"), located in Brooklyn Heights, New York, is a private, nonprofit, independent, co-educational college chartered by the Legislature of the State of New York and the Board of Regents of the University of the State of New York and accredited by the Middle States Association of Colleges and Universities.

The College offers undergraduate degree programs in the arts, sciences, and professions. The College welcomes students from various backgrounds and provides a liberal arts education at an affordable price. By integrating liberal arts and pre-professional programs, the College promotes the development of the whole person.

Both the Franciscan heritage and the Catholic tradition establish a cornerstone of academic excellence, social responsibility, and mutual respect throughout the entire College community. The College derives its revenues principally from student tuition and fees, government appropriations, grants, contracts and gifts and investment returns. The College expends these resources to meet its instructional and educational mission.

The College has been classified as a Section 501(c)(3) organization and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and similar provisions under New York state tax laws. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements (Note 2).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies employed by the College follow:

Basis of Presentation

The accompanying financial statements have been prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, College resources are classified and reported as separate classes of net assets based upon the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets – Expendable resources that are used to carry out the College's operations and that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by the Board of Trustees or may be limited by contractual agreements with outside parties.

Unrestricted Net Assets are comprised of the following:

- Available for operations: include resources associated with the principal educational mission of the College and are, therefore, available to support current operations.

- Quasi-endowment: include resources that have been designated by the Board of Trustees to function as endowments. Any portion of the quasi-endowment may be expended upon approval of the Board of Trustees. Investment income from these net assets supports the current operations of the College in accordance with the total return spending policy.

- Investment in plant: represent assets invested in property and equipment (net of accumulated depreciation) plus funds held by the trustee and accrued interest thereon, if any, less related debt incurred to acquire property and equipment.

- Campaign: represent the cumulative unrestricted donations established to support the College's future plans for facilities improvement and program enhancement.

- Renewals and replacements: represent resources that have been designated for the future acquisition, renewal or replacement of plant and equipment.

- Plant projects: represent amounts that have been committed for specific plant improvements or acquisitions.

- Institutional loans: represent resources in support of the College's share of the Federal Perkins Loan Program.

Temporarily Restricted Net Assets – Resources subject to donor-imposed stipulations that will be met either by actions of the College and/or the passage of time. In addition, beginning in fiscal 2011, earnings on certain donor-restricted endowment funds are classified as temporarily restricted until appropriated for expenditure by the Board of Trustees (Notes 14 and 18).

Permanently Restricted Net Assets – Resources subject to donor-imposed stipulations requiring such funds to be maintained permanently by the College. The donors of these assets permit the College to use the income earned on related investments for general or specific purposes. At June 30, 2013 and 2012, permanently restricted net assets totaled $10,830,058 and 10,276,851, respectively, all of which were restricted for endowed scholarships (Note 18).

Revenues and gains and losses on investments and other assets are reported as changes in unrestricted net assets unless limited by explicit donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets; that is, the donor-imposed stipulated purpose has been accomplished, and/or the stipulated time period has elapsed are reported as net assets released from restrictions. Provisions for uncollectible multi-year pledges, if any, are charged directly to the respective temporarily or permanently restricted net assets to which they relate. As a result of changes in donor stipulations, certain net assets may be reclassified from time to time.

Income and net gains on investments of endowment and similar funds are reported as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income, or if such income and gains are pending Board appropriation.

Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As required by U.S. GAAP for fair value measurement, the College uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

The College uses the Net Asset Value ("NAV") per share, or its equivalent to determine the fair value as of the measurement date of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their investees financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a NAV per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which the College has generally considered to be within 90 days.

Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV or for which redemption at NAV is uncertain due to lockup periods or other restrictions.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the College. The College considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the College's perceived risk of that instrument.

Tuition and Fees

Student tuition and fees are recognized as revenue when earned. The carrying value of student receivables has been reduced by an appropriate allowance for uncollectible accounts, based on historical collection experience and, therefore, approximates net realizable value. Receivables are written off in the period in which they are deemed to be uncollectible. Amounts received in advance are reported as deferred revenues.

Net student tuition and fees represent total tuition and fees less College and endowment funded scholarships, and federal financial assistance.

Certain tuition and fees have been pledged as collateral for the College's Revenue Bonds, series 2010 (Note 10).

Contributions

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of the gift.

Contributions to be received after one year are discounted using an appropriate risk adjusted discount rate.

Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity.

Contributions with purpose or time restrictions that are met in the same reporting period are reported as increases in unrestricted net assets. Otherwise, they are reported as increases in temporarily restricted net assets and subsequently released when the conditions are met. The College has determined that any donor-imposed restrictions for current programs and activities are generally met within the operating cycle of the College and, therefore, such contributions are recorded as unrestricted.

Contributions, including cash or other assets, to be used to acquire long-lived assets are reported as temporarily restricted nonoperating support. Restrictions are considered released when the long-lived assets are placed into service.

Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Cash and Cash Equivalents

Cash and cash equivalents consist of money market funds and liquid financial instruments, including U.S. government and government agency obligations, bank certificates of deposit, commercial paper, corporate notes, and short-term and intermediate-term investment funds, with original maturities of three months or less, except for those managed by the College's investment managers as part of their long-term investment strategies, and represent the College's working capital.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and reported in the accompanying statements of financial position based upon quoted market prices. Investments in hedge funds are based upon published current market prices when available. In the absence of readily ascertainable market values, the fair values of these financial instruments are based on estimates and assumptions determined by the respective fund managers, which the College believes are reasonable and appropriate.

Financial Instruments

The carrying amounts of cash and cash equivalents, student accounts receivable, prepaid expenses, other receivables, and accounts payable and other liabilities approximate fair value due to the short maturity of these financial instruments.

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Contributions to be received after one year are discounted using an appropriate risk adjusted rate of return and, approximate fair value.

The fair values of investments are based on the quoted market values of the underlying securities or NAV per share, as appropriate.

A reasonable estimate of the fair value of student notes receivable under the Federal Perkins Loan Program could not be made because the notes are not saleable and can only be assigned to the U.S. Government or its designees.

The fair value of New York City Industrial Development Agency Civic Facility Revenue Bonds, which were issued in November 2004, approximated $14,326,945 at June 30, 2013.

The fair value of the Dormitory Authority of the State of New York Facility Revenue Bonds, which were issued in August 2011, approximated $25,524,951 at June 30, 2013.

Risks and Uncertainties

Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments could occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements. Management believes that it has mitigated market risk by diversifying its portfolio.

Annuity and Life Income Agreements

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 present value of the remainder trust at the anticipated time of receipt, and classifies the related contribution revenue as an increase in temporarily restricted net assets. Liabilities associated with these gifts (the liability under unitrust agreement) represent the present value of payments expected to be made to beneficiaries. Changes in annuity and life income obligations resulting from changes in actuarial assumptions and the accretion of the discount are recorded as increases or decreases in temporarily restricted net assets. As of June 30, 2013 and 2012, such annuity and life income agreements amounted to $79,995 and $84,200, respectively, and are included within investments in the accompanying statements of financial position. As of June 30, 2013 and 2012, the liabilities for such annuity and life income agreements amounted to $29,509 and $31,971, respectively, and are included within accounts payable and accrued expenses in the accompanying statements of financial position.

Property, Equipment, and Collections

Property, equipment and art collections are stated at cost if purchased or at fair value if donated. All gifts of land, buildings, and equipment are recorded as unrestricted nonoperating activities unless explicit donor stipulations specify how the donated assets must be used.

Maintenance, repairs and minor improvements are charged to operations as incurred. Major improvements, which substantially extend the useful lives of assets, are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected as part of other income or expenses.

Depreciation is computed on the straight-line basis over the estimated useful lives of the buildings (20 to 50 years), building improvements (10 to 30 years), and equipment (5 to 10 years). Certain assets of the College meet the criteria of Collections and accordingly are not depreciated (Note 8).

The College's capitalization policy requires that all donated or purchased property with a cost or fair value exceeding $5,000 be recorded as a capital asset.

Functional Expenses

U.S. GAAP requires the College to provide information about expenses by their functional classification either in the statement of activities or in the notes to the financial statements. The College allocates its facilities costs (operation and maintenance of plant, depreciation expense and interest expense) to its respective functional categories in the accompanying statements of activities and discloses the amounts by natural classifications (Note 17).

Grants and Contracts

Grants and contracts are reported as unrestricted revenues when expenses are incurred in accordance with the terms of the respective agreements. Amounts received in advance are recorded as deferred revenue in the accompanying statements of financial position.

Refundable Loan Program

Funds provided by the U.S. Government under the Federal Perkins Student Loan program are loaned to qualified students and are reloaned after collection. These funds are ultimately refundable to the government and are presented in the accompanying statements of financial position as a liability.

Income Taxes

The College follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance requires that a tax position be recognized or derecognized based on a "more likely than not" threshold, and applies to positions taken or expected to be taken in a tax return. During fiscal 2013 and 2012, the College evaluated its tax positions and concluded that it does not have any uncertain tax positions that meet the criteria under the standard. The tax years ending June 30, 2010, 2011 and 2012 are still open to audit for both federal and state purposes. The College has processes presently in place to ensure the maintenance of its tax-exempt status; identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and identify and evaluate other matters that may be considered tax positions.

Conditional Asset Retirement Obligations

Accounting standards governing Asset Retirement Obligations required the College to recognize the cost associated with the eventual remediation and abatement of asbestos located within certain of the College's existing buildings. Based on the results of a site-specific survey previously conducted, such liability approximated $197,000 and was not previously recorded. During fiscal 2013, certain remediation projects were completed and the College recorded the remaining liability, which totaled approximately $109,000 at June 30, 2013.

Operating Measure

The accompanying statements of activities present the changes in net assets distinguishing between operating and nonoperating activities. Operating activities principally include all revenues and expenses that relate to the College's educational and training programs and, supporting activities. Operating revenues also include unrestricted and temporarily restricted contributions of a noncapital nature; investment return pursuant to the College's spending policy; and releases of temporarily restricted net assets in support of operating purposes.

The College has defined nonoperating activities to principally include investment return net of amounts used in support of operations; capital contributions and bequests added to the endowment or supporting major capital acquisition or construction; capital campaign expenses; net assets released from restrictions designated for capital expenditures, if any; and other revenues or expenses considered to be of a more unusual or non-recurring nature.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. STUDENT ACCOUNTS RECEIVABLE

Student accounts receivable are reported net of an allowance for doubtful accounts of $823,683 and $751,582 at June 30, 2013 and 2012, respectively.

4. INVESTMENTS

A summary of investments at June 30, 2013 and 2012, follows:

	2013	2012
Pooled investments	$ 70,298,640	$ 65,272,510
Investments relating to annuity and life income agreements	79,995	84,200
	$ 70,378,635	$ 65,356,710

A summary of investment securities, at June 30, 2013 and 2012, follows:

	2013 Fair Value	2012 Fair Value
Equity mutual funds	$ 40,104,245	$ 27,376,287
Fixed income mutual funds	10,779,033	14,343,750
Money market funds	1,742,133	3,784,340
Private real estate fund	5,503,057	4,293,093
Inflation indexed bonds	45,694	451,368
Hedge funds	12,204,473	15,107,872
	$ 70,378,635	$ 65,356,710

Since real estate and certain hedge funds and other types of investments may not be readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. The values assigned to these holdings do not necessarily represent amounts which might ultimately be realized upon sale or other disposition since such amounts depend on future circumstances and cannot reasonably be determined until the actual liquidation occurs. Because of the inherent uncertainty of such valuations, the estimated fair values of such investments may differ significantly from values that would have been used had a ready market for such investments existed and, such differences could be material.

The following table presents the fair value hierarchy of the College's investments, measured at fair value, as of June 30, 2013.

	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,742,133	$ -	$ -	$ 1,742,133
Equity mutual funds	40,104,245	-	-	40,104,245
Inflation indexed bonds	45,694	-	-	45,694
Fixed income mutual funds	10,779,033	-	-	10,779,033
Private real estate fund	-	-	5,503,057	5,503,057
Hedge funds	-	396,878	11,807,595	12,204,473
	$ 52,671,105	$ 396,878	$ 17,310,652	$ 70,378,635

The following table presents a reconciliation for Level 3 investments measured at fair value for the fiscal year ended June 30, 2013:

Balance as of July 1, 2012	$ 14,569,271
Purchases	508,366
Sales	(1,332,750)
Transfers	1,509,200
Unrealized gains	2,056,565
Balance as of June 30, 2013	$ 17,310,652

The following table details certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, for the fiscal year ended June 30, 2013:

Strategy	NAV	Number of Funds	Remaining Life	Amount of Unfunded Commitments	Timing to Draw-Down Commitments	Redemption Terms	Redemption Restrictions
Fund of Funds	$ 396,878	2	N.A.	N.A.	N.A.	Quarterly with 60 days notice	95% of proceeds payable after calendar quarter. Balance paid upon receipt by Manager of audited financial statements.
Absolute Return Hedge Fund	8,529,817	3	N.A.	N.A.	N.A.	One fund liquidating; Redemption of 25% of capital available on three month anniversary basis and full on one year anniversary basis with 60 days notice	On full withdrawal,10% of balance withheld and paid after receipt by the manager of the audited financial statements.
Private Equity Fund	3,277,778	2	5 years	$ 1,777,394	Remaining life of fund	N.A.	N.A.
Private Real Estate Fund	5,503,057	2	4 years	$ 78,417	Remaining life of fund	N.A.	N.A.
	$ 17,707,530	9					

The following table presents the fair value hierarchy of the College's investments, measured at fair value, as of June 30, 2012.

	Level 1	Level 2	Level 3	Total
Money market funds	$ 3,784,340	$ -	$ -	$ 3,784,340
Equity mutual funds	27,376,287	-	-	27,376,287
Inflation indexed bonds	451,368	-	-	451,368
Fixed income mutual funds	14,343,750	-	-	14,343,750
Private real estate fund	-	-	4,293,093	4,293,093
Hedge funds	-	4,831,694	10,276,178	15,107,872
	$ 45,955,745	$ 4,831,694	$ 14,569,271	$ 65,356,710

The following table presents a reconciliation for Level 3 investments measured at fair value for the fiscal year ended June 30, 2012:

Balance as of July 1, 2011	$ 13,189,204
Purchases	325,737
Sales	-
Transfers	1,033,389
Unrealized gains	20,941
Balance as of June 30, 2012	$ 14,569,271

The following table details certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, for the fiscal year ended June 30, 2012:

Strategy	NAV	Number of Funds	Remaining Life	Amount of Unfunded Commitments	Timing to Draw-Down Commitments	Redemption Terms	Redemption Restrictions
Fund of Funds	$ 4,831,694	2	N.A.	N.A.	N.A.	Quarterly with 60 days notice	95% of proceeds payable after calendar quarter. Balance paid upon receipt by Manager of audited financial statements.
Absolute Return Hedge Fund	7,463,831	3	N.A.	N.A.	N.A.	One fund liquidating; Redemption of 25% of capital available on three month anniversary basis and full on one year anniversary basis with 60 days notice	On full withdrawal,10% of balance withheld and paid after receipt by the manager of the audited financial statements.
Private Equity Fund	2,812,347	2	6 years	$ 2,537,500	Remaining life of fund	N.A.	N.A.
Private Real Estate Fund	4,293,093	2	5 years	$ 2,684,906	Remaining life of fund	N.A.	N.A.
	$ 19,400,965	9					

5. INVESTMENT RETURN

The College maintains a total return (income plus changes in the fair value of investments) spending rate policy. The spending rate policy was designed to provide a predictable flow of funds to support operations and to preserve the real value of the College's investment portfolio over time. In both fiscal 2013 and 2012, the Board of Trustees approved a spending policy that made available 5.75% of the average market value of investments. The actual amount used for operations was approximately 5.2% in fiscal 2013 and 5.4% in fiscal 2012. The average market value is calculated based upon the market value of investments for the previous twenty quarters. Any investment return in excess of the spending amount is retained to support operations of future years and to offset potential market declines and inflation.

The following schedule presents investment return and its related classification in the accompanying statements of activities:

	2013	2012
Investment return:		
Interest	$ 82,906	$ 75,134
Dividends	1,577,325	854,759
Realized and unrealized gains	6,392,648	288,566
Total return on investments	8,052,879	1,218,459
Less: Investment return used for operations	(3,370,711)	(3,718,505)
Investment (shortfall) return in excess of amounts used for operations	$ 4,682,168	$ (2,500,046)

For the years ended June 30, 2013 and 2012, investment management expenses of $63,782 and $49,320, respectively, were netted against the investment return, above.

6. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, consisted of the following at June 30, 2013 and 2012, respectively:

	2013	2012
Amounts expected to be collected:		
In one year or less	$ 794,542	$ 872,616
Between one year and five years	2,162,256	2,135,673
	2,956,798	3,008,289
Less: discount to present value at .77 to 3.38%	(38,032)	(46,424)
Less: allowance for uncollectible amounts	(141,161)	(262,381)
	$ 2,777,605	$ 2,699,484

7. STUDENT LOANS RECEIVABLE

The College makes uncollateralized loans to students based on financial need. Student loans are funded through the Federal government Perkins revolving loan program. At June 30, 2013 and 2012, student loans represented .43% and .44 % of total assets, respectively.

At June 30, 2013 and 2012, student loans consisted of the following:

	2013	2012
Federal government programs	$ 640,941	$ 651,132
Less allowance for doubtful accounts:		
Beginning of year	(13,935)	(11,005)
Increases	(8,946)	(2,930)
End of year	(22,881)	(13,935)
Student loans receivable, net	$ 618,060	$ 637,197

The availability of funds for loans under the program is dependent upon repayments of outstanding loans by students. Funds advanced to students of $100,020 and $99,880 for the years ended June 30, 2013 and 2012, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At June 30, 2013 and 2012, the following amounts were past due under the Perkins student loan program:

June 30,	240 days or less past due	240 days to 2 years past due	2 years to 5 years past due	5 years or more past due	Total
2013	$504,791	$72,578	$42,526	$21,046	$640,941
2012	$571,253	$41,000	$24,396	$14,483	$651,132

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms.

8. PROPERTY, EQUIPMENT AND COLLECTIONS, NET

Property, equipment and collections, net, consisted of the following at June 30, 2013 and 2012:

	2013	2012
Buildings	$ 89,514,002	$ 81,767,761
Furniture and equipment	1,771,883	1,746,254
Computer equipment	6,514,910	5,281,920
Transportation equipment	57,928	83,905
	97,858,723	88,879,840
Less accumulated depreciation	(39,109,397)	(35,099,877)
	58,749,326	53,779,963
Land	105,640	105,640
Artwork collection	200,205	200,205
Construction in progress	3,483,802	6,398,208
	$ 62,538,973	$ 60,484,016

Depreciation expense amounted to $4,185,036 and $3,735,295 for the years ended June 30, 2013 and 2012, respectively.

Certain of the College's buildings has been used as collateral (Note 10).

9. FUNDS HELD BY TRUSTEE

In November 2004, the College entered into an agreement with the New York City Industrial Development Agency (the "Agency"). The Agency issued $16,535,000 Civic Facility Revenue Bonds for the benefit of the College (1) to finance a portion of the costs of a civic facility consisting of the construction, equipping and furnishing of a new eight-story academic center comprised of a new library, fourteen technologically sophisticated classrooms, and a performing and communication arts facility aggregating approximately 35,000 square feet; (2) to fund the Debt Service Reserve Fund; and (3) to finance certain costs of issuance incurred in connection with the issuance of the bonds. Proceeds from the November 2004 Civic Facility Revenue Bond issuance were initially deposited into a construction fund and a debt service reserve fund with a trustee. The proceeds were invested in qualified investments whose yield may not exceed the yield on the bonds. Funds held by trustee under this issuance totaled $1,119,841 and $1,119,727, inclusive of $1,081,595 and $1,081,487 in the debt service reserve fund at June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, the College's funds held by trustee were considered Level 1 assets within the fair value hierarchy.

In August 2010, the College entered into an agreement with the Dormitory Authority of the State of New York. The Authority issued $25,000,000 Revenue Bonds for the benefit of the College to finance various construction and renovation projects throughout the College's campus. Proceeds from the August 2010 Revenue Bond issuance were initially deposited into a construction fund with a trustee. The proceeds were invested in qualified investments whose yield may not exceed the yield on the bonds. Funds held by trustee under this issuance totaled $3,472,718 and $10,140,087, inclusive of $506,529 and $508,030 in a debt service fund and $0 and $39,194 in a cost of issuance fund at June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, the College's funds held by trustee were considered Level 1 assets within the fair value hierarchy.

10. BONDS PAYABLE

The College issued $16,535,000 of tax exempt bonds through the New York City Industrial Development Agency ("NYCIDA" or the "Agency") in November 2004. Concurrently, the New York City Industrial Development Agency and the College entered into a lease agreement whereby the College leased the facilities to the Agency for the term of the bonds. Both parties also simultaneously executed a lease agreement whereby the Agency subleased its leasehold interest in the facilities back to the College for the term of the bonds.

The payment of the principal and interest on the bonds is guaranteed by the College. The bonds are not secured by any mortgage lien. The College has a covenant not to request the issuance of any additional bonds unless the College can demonstrate that the maximum annual debt service on all outstanding indebtedness and the proposed additional bonds will not exceed fifteen percent of the total operating revenues of the College. For the purpose of calculating such outstanding indebtedness, the line of credit agreements the College has entered into are not included (Note 11).

The Serial Bonds mature through 2015 and bear interest at rates ranging from 3.38% to 4.00% per annum. The Term Bonds mature from 2024 to 2034 and bear interest at rates ranging from 4.50% to 5.00% per annum.

Maximum annual debt service is defined as the maximum amount of annual debt service in any fiscal year up to the final maturity date of the bonds. This agreement also includes financial covenants of which the College was in compliance at June 30, 2013.

Interest payment dates are April 1 and October 1, which commenced April 1, 2005. For fiscal years 2013 and 2012, interest paid was $677,020 and $689,570, respectively. No interest was capitalized in either year. Principal payments are made annually commencing on October 1, 2006.

Annual sinking fund redemptions commence October 1, 2016. The Bonds are subject to optional redemption at any time on or after October 1, 2014. Mandatory redemption dates are as follows: (1) for bonds maturing on October 1, 2024: October 1, 2016 – 2023 and (2) for bonds maturing on October 1, 2034: October 1, 2025 – 2033.

Debt service payments for the NYCIDA bonds for each of the next five years and thereafter were as follows at June 30, 2013:

Fiscal Year Ending June 30:	Principal	Interest	Total Debt Service
2014	$ 385,000	$ 663,422	$ 1,048,422
2015	400,000	648,800	1,048,800
2016	415,000	633,000	1,048,000
2017	435,000	614,913	1,049,913
2018	455,000	594,887	1,049,887
Thereafter	12,075,000	5,756,350	17,831,350
	$ 14,165,000	$ 8,911,372	$ 23,076,372
Less: Unamortized bond discount	(121,393)		
Total NYCIDA Bond Payable	$ 14,043,607		

In August 2010, the College issued $25,000,000 of tax exempt bonds through the Dormitory Authority of New York State (“DASNY” or the “Authority”). The St. Francis College Revenue Bonds, Series 2010, are special obligations of the Dormitory Authority of the State of New York, payable solely from and secured by a pledge of (i) certain payments to be made under a Loan Agreement between the College and the Authority, and (ii) all funds and accounts (except the Arbitrage Rebate Fund) authorized under the Authority’s St. Francis College Revenue Bond Resolution, and established under the Series 2010 Resolution authorizing the Series 2010 Bonds, adopted June 23, 2010. The Loan Agreement is a general obligation of the College and requires the College to pay, in addition to the fees and expenses of the Authority and the Trustee, amounts sufficient to pay, when due, the principal, sinking fund installments, if any, and redemption price of and interest on the Series 2010 Bonds. The obligations of the College under the Loan Agreement are secured by a pledge of an amount equal to maximum annual debt service from tuition and fees charged to students for academic instruction, the right to receive the same and the proceeds thereof. Maximum annual debt service is defined as the maximum amount of annual debt service in any fiscal year up to the final maturity date of the bonds. A building on the College’s property has been mortgaged to the Authority as part of the Loan Agreement.

The Serial Bonds mature through 2025 and incur interest at rates ranging from 2.00% to 4.625% per annum. The Term Bonds mature from 2026 to 2040 and incur interest at a rate of 5.00% per annum.

This agreement includes financial covenants of which the College is in compliance at June 30, 2013.

Interest payment dates are April 1 and October 1, which commenced April 1, 2011. For fiscal years 2013 and 2012, interest paid was $1,180,814 and $1,193,051, respectively. Interest of $1,152,588 and $1,096,001 was capitalized in fiscal years 2013 and 2012, respectively. Principal payments are made annually commencing on October 1, 2011.

Annual sinking fund redemptions commence October 1, 2011. The Bonds are subject to optional redemption at any time on or after October 1, 2020. Mandatory redemption dates are as follows: (1) for bonds maturing on October 1, 2032: October 1, 2026 – 2032 and (2) for bonds maturing on October 1, 2040: October 1, 2033 – 2040.

The Series 2010 Bonds maturing after October 1, 2020 are also subject to purchase in lieu of optional redemption prior to maturity at the election of the College on or after October 1, 2020, in any order, in whole or in part at any time, at a price of 100% of the principal amount thereof, plus accrued interest to the date set for purchase.

The Series 2010 Bonds are also subject to redemption prior to maturity, in whole or in part, at 100% of the principal amount thereof plus accrued interest to the date of redemption, at the option of the Authority on any interest payment date, (i) from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Series 2010 Project, and (ii) from unexpended proceeds of the Series 2010 Bonds upon the abandonment of all or a portion of the Series 2010 Project due to a legal or regulatory impediment.

Debt service payments for the DASNY bonds for each of the next five years and thereafter were as follows at June 30, 2013:

Fiscal Year Ending June 30:	Principal	Interest	Total Debt Service
2014	$ 285,000	$ 1,176,964	$ 1,461,964
2015	295,000	1,166,445	1,461,445
2016	310,000	1,154,714	1,464,714
2017	320,000	1,142,114	1,462,114
2018	335,000	1,129,014	1,464,014
Thereafter	22,905,000	18,189,698	41,094,698
	$ 24,450,000	$ 23,958,949	$ 48,408,949
Less: Unamortized bond discount, net	(243,758)		
Total DASNY Bond Payable	$ 24,206,242		

11. LINE OF CREDIT FACILITY

In March 2010, the College modified the existing $5 million line of credit with terms of LIBOR plus 175 basis points or prime rate with new terms of LIBOR plus 250 basis points or prime rate with a floor of 275 basis points. The line expired in January 2013 and was renewed until April 2013, then subsequently renewed to March 2014 at $10 million. The line was established to provide interim funding primarily for new capital projects and working capital needs. The College expects these projects to be funded by federal, state and city grants, bonds, and College funds; subsequently, these funds will be used to pay down any borrowings on the line of credit.

There is no demand deposit requirement under this agreement. At June 30, 2013 and 2012, there were no amounts outstanding under this facility.

During fiscal years 2013 and 2012, interest paid on this line amounted to $18,594 and $35,277, respectively. No such interest was capitalized as part of project costs during the construction period.

12. DEFERRED CONTRACT REVENUE

During 2003, the College entered into a licensure agreement with the New York City School Construction Authority ("NYSCA"), which provided for payments to the College totaling $3.6 million for the construction of the Anthony J. Genovesi Center. In return, the New York City Department of Education ("NYC DOE") was granted access, subject to the discretion of the College, to its facilities for a period of seventeen years. Revenue from this agreement is recognized over the term of the agreement. Deferred contract revenue under this agreement was $1,866,666 and $2,133,333 as of June 30, 2013 and 2012, respectively.

During fiscal 2006, the College entered into another licensure agreement with the NYSCA, which provided for payments to the College totaling $3,375,000 for the construction of the academic center. In return, the NYC DOE was granted the use of a theater and certain classrooms within the academic center for a period of fifteen years. Use is subject to the discretion of the College. Deferred contract revenue under this agreement was $2,165,033 and $2,487,691 at June 30, 2013 and 2012, respectively.

During fiscal year 2008, the College entered into another licensure agreement with the NYSCA, which provided for payments to the College totaling $740,000 for the construction of the fitness center. In return, the NYC DOE was granted the use of the fitness center for a period of 15 years. Use is subject to the discretion of the College. Deferred contract revenue under this agreement was $137,133 and $149,830 at June 30, 2013 and 2012, respectively. Revenue from this agreement is recognized over the term of the agreement.

13. NET ASSETS RELEASED FROM RESTRICTIONS

Donor-imposed restrictions that were met during the years ended June 30, 2013 and 2012, were as follows:

	2013	2012
Academic support	$ 44,276	$ 52,470
Student services	223,680	174,961
Student aid	630,366	418,581
Total net assets released from restrictions	$ 898,322	$ 646,012

14. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were held for the following purposes at June 30, 2013 and 2012:

Scholarships	$ 5,516,042	$ 4,353,233
Campaign	2,552,960	2,822,357
Student services	260,422	296,704
Total temporarily restricted net assets	$ 8,329,424	$ 7,472,294

15. GOVERNMENT APPROPRIATIONS

Revenue from government appropriations represents amounts in support of current operations. The College recognized revenues from government appropriations to support current operations for the years ended June 30, 2013 and 2012 of $501,185 and $638,971, respectively.

16. PENSION PLAN

Substantially all employees of the College are covered under a defined contribution pension plan administered by the Teachers Insurance and Annuity Association ("TIAA") and College Retirement Equities Fund ("CREF"). The College's contribution to the pension plan is based on specified percentages of each employee's annual salary. Pension expense for the years ended June 30, 2013 and 2012 was $1,552,688 and $1,463,178, respectively.

17. EARLY RETIREMENT PROGRAM

During fiscal years 2013 and 2012, the College offered a voluntary retirement package to employees who met certain age and years-of-service criteria. The retirement liability totaled $ 647,665 and $319,401 at June 30, 2013 and 2012, respectively, and has been included within accounts payable and accrued expenses on the accompanying statements of financial position. The College expects this liability to be fully paid by August 31, 2015.

18. EXPENSE ALLOCATIONS

To report facilities costs including depreciation as a functional expense, the College allocated these costs based on proportional expenditures using estimates of building square footage. The College allocated the interest expense on the bonds based upon the square footage of the facilities financed. For the years ended June 30, 2013 and 2012, fundraising expenses incurred only by the College's development office totaled $600,784 and $468,018, respectively, and are included within Institutional Support.

For the years ended June 30, 2013 and 2012, the following costs were allocated to the respective functional categories:

	Plant Operation and Maintenance		Depreciation	
	2013	2012	2013	2012
Instruction	$ 2,292,870	$ 2,407,393	$ 2,174,108	$ 1,940,470
Academic support	434,667	456,378	412,154	367,861
Student services	1,069,828	1,123,264	1,014,415	905,402
Institutional support	616,281	647,063	584,359	521,562
	$ 4,413,646	$ 4,634,098	$ 4,185,036	$ 3,735,295

	Interest Expense			
	* 2013		* 2012	
Instruction	$	463,618	$	554,538
Academic support		260,222		263,878
	$	723,840	$	818,416

* Capitalized interest of $1,152,588 and $1,096,001 was excluded from the above allocations in fiscal years 2012, and 2011, respectively.

19. ENDOWMENT NET ASSETS

The College's endowment consists of approximately 258 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In September 2010, the State of New York adopted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All not-for-profit corporations formed in the State of New York are required to apply this law. This legislation, which applies only to donor-restricted endowments, was effective for the College's 2011 fiscal year and did not result in a cumulative effect adjustment to reclassify certain accumulated unspent unrestricted net assets to temporarily restricted net assets.

The College classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated by the Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

1. The duration and preservation of the fund.
2. The purpose of the organization and the donor-restricted endowment fund.
3. General economic condition.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the College.
7. The investment policy of the College.

Where appropriate, alternatives to spending from the donor-restricted endowment fund and the possible effects on the College are also considered.

The following table summarizes endowment net asset composition by type of fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 5,204,195	$ 10,830,058	$ 16,034,253
Board-designated endowment funds	32,248,504	-	-	32,248,504
Total funds	$ 32,248,504	$ 5,204,195	$ 10,830,058	$ 48,282,757

Included within the board-designated endowment funds are amounts designated for scholarships of $7,763,236, at June 30, 2013.

The following table summarizes endowment net asset composition by type of fund as of June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 4,045,326	$ 10,276,851	$ 14,322,177
Board-designated endowment funds	29,293,458	-	-	29,293,458
Total funds	$ 29,293,458	$ 4,045,326	$ 10,276,851	$ 43,615,635

Included within the board-designated endowment funds are amounts designated for scholarships of $6,877,770, at June 30, 2012.

The following table summarizes the changes in endowment net assets for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 29,293,458	$ 4,045,326	$ 10,276,851	$ 43,615,635
Investment return:				
Investment income	1,307,378	329,940	-	1,637,318
Net appreciation (realized and unrealized)	4,975,590	1,430,546	-	6,406,136
Contributions	-	-	553,207	553,207
Appropriation for expenditure - scholarships	(273,501)	(601,617)	-	(875,118)
Other:				
Additions to Board - designated endowment funds	316,290	-	-	316,290
Returns used for operations	(3,370,711)	-	-	(3,370,711)
Endowment net assets, end of year	$ 32,248,504	$ 5,204,195	$ 10,830,058	$ 48,282,757

The following table summarizes the changes in endowment net assets for the year ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 32,037,320	$ 4,083,894	$ 10,074,054	$ 46,195,268
Investment return:				
Investment income	671,620	179,085	-	850,705
Net appreciation (realized and unrealized)	335,006	123,016	-	458,022
Contributions	-	-	202,797	202,797
Appropriation for expenditure - scholarships	(258,611)	(340,669)	-	(599,280)
Other:				
Additions to Board - designated endowment funds	226,628	-	-	226,628
Returns used for operations	(3,718,505)	-	-	(3,718,505)
Endowment net assets, end of year	$ 29,293,458	$ 4,045,326	$ 10,276,851	$ 43,615,635

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the College to retain as a fund of perpetual duration. There were no deficiencies of this nature at June 30, 2013 and 2012.

20. COMMITMENTS AND CONTINGENCIES

The College has a line of credit facility with a financial institution that expires March 2014 (Note 11).

The College is a party to various legal actions arising in the ordinary course of operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the College's financial statements.

During fiscal 2013 and fiscal 2012, the College entered into multi-year employment contracts with certain key employees, which extend through 2016. Total commitments remaining under these agreements amounted to $1,081,800 and $430,348 at June 30, 2013 and 2012, respectively.

21. SUBSEQUENT EVENTS

The College evaluated its June 30, 2013 financial statements for subsequent events through November 15, 2013, the date the financial statements were available to be issued. The College is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.