

LAFAYETTE COLLEGE
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

**LAFAYETTE COLLEGE
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YEARS ENDED JUNE 30, 2014 AND 2013**

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Lafayette College
Easton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Lafayette College (the College), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College'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 College'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.

Board of Trustees
Lafayette College

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lafayette College as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements as of June 30, 2013 were audited by other auditors, whose report dated October 7, 2013 expressed an unmodified opinion on those statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 9, 2014

LAFAYETTE COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	\$ 55,761,462	\$ 62,307,803
Short-Term Investments	13,850,108	1,554,716
Accounts and Notes Receivable, Net	2,148,476	1,358,300
Inventories	657,421	634,403
Contributions Receivable and Bequests, Net	11,144,447	12,813,437
Prepaid Expenses	766,217	1,329,101
Student Loans Receivable, Net	3,925,703	4,143,702
Deposits with Bond and Other Trustees	14,642,807	4,406,570
Long-Term Investments	842,736,106	722,972,309
Deferred Charges, Net	1,439,614	1,197,934
Land, Buildings and Equipment, Net of Accumulated Depreciation	259,437,306	255,929,229
	\$ 1,206,509,667	\$ 1,068,647,504
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 5,316,070	\$ 4,073,930
Accrued Liabilities	5,699,051	6,438,544
Deposits and Deferred Revenues	5,553,526	6,767,295
Deferred Giving Liability	30,741,232	19,982,924
Postretirement Benefits	50,455,000	45,446,000
Federal Student Loans Refundable	2,063,221	2,040,610
Interest Rate Hedge/Swap Agreements	14,392,367	14,406,026
Conditional Asset Retirement Obligation	1,626,579	1,560,618
Capitalized Lease Obligations	3,051,548	3,274,211
Bonds Payable, Net	194,981,647	169,874,011
Total Liabilities	313,880,241	273,864,169
NET ASSETS		
Unrestricted	192,331,267	167,292,291
Unrestricted - Invested in Plant	73,357,079	78,871,716
Total Unrestricted	265,688,346	246,164,007
Temporarily Restricted	323,277,068	263,656,272
Permanently Restricted	303,664,012	284,963,056
Total Net Assets	892,629,426	794,783,335
Total Liabilities and Net Assets	\$ 1,206,509,667	\$ 1,068,647,504

See accompanying Notes to Financial Statements.

**LAFAYETTE COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE				
Student Related Revenue:				
Tuition and Fees	\$ 108,912,224	\$ -	\$ -	\$ 108,912,224
Sales and Services of Auxiliaries	28,762,034	-	-	28,762,034
Total	137,674,258	-	-	137,674,258
Scholarships and Fellowships	(38,194,152)	-	-	(38,194,152)
Net Student Related Revenue	99,480,106	-	-	99,480,106
OTHER REVENUE				
Government Grants	1,539,420	-	-	1,539,420
Private Gifts and Grants	8,907,881	444,131	-	9,352,012
Endowment Return Used for Spending Policy	31,635,920	150,977	-	31,786,897
Other	3,436,522	50,057	-	3,486,579
Net Assets Released from Restriction	748,385	(748,385)	-	-
Total Operating Revenue	145,748,234	(103,220)	-	145,645,014
OPERATING EXPENSES				
Instruction	54,525,618	-	-	54,525,618
Public Service	60,000	-	-	60,000
Research	1,913,621	-	-	1,913,621
Academic Support	15,176,022	-	-	15,176,022
Student Services	28,413,990	-	-	28,413,990
Institutional Support	24,313,472	-	-	24,313,472
Scholarships and Fellowships	134,133	-	-	134,133
Auxiliary Services	22,965,052	-	-	22,965,052
Total Operating Expenses	147,501,908	-	-	147,501,908
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	(1,753,674)	(103,220)	-	(1,856,894)
NONOPERATING ACTIVITIES				
Nonoperating Investment Return	20,846,761	43,513,709	15,497,707	79,858,177
Capital Gifts	2,685,645	21,417,945	4,096,013	28,199,603
Redesignation of Net Assets	2,152,861	(2,200,073)	47,212	-
Change in Estimate for Annuities Payable	(35,650)	(2,959,258)	(989,260)	(3,984,168)
Matured Annuity Funds	(977)	(48,307)	49,284	-
Change in Fair Value of Interest Rate				
Hedge/Swap Agreements	13,659	-	-	13,659
Change in Postretirement Benefits Cost	(3,590,000)	-	-	(3,590,000)
Disposal of Property, Plant and Equipment	(794,286)	-	-	(794,286)
Increase in Net Assets from Nonoperating Activities	21,278,013	59,724,016	18,700,956	99,702,985
NET INCREASE IN NET ASSETS FOR THE YEAR	19,524,339	59,620,796	18,700,956	97,846,091
Net Assets - Beginning of Year	246,164,007	263,656,272	284,963,056	794,783,335
Net Assets - End of Year	\$ 265,688,346	\$ 323,277,068	\$ 303,664,012	\$ 892,629,426

See accompanying Notes to Financial Statements.

**LAFAYETTE COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE				
Student Related Revenue:				
Tuition and Fees	\$ 104,906,204	\$ -	\$ -	\$ 104,906,204
Sales and Services of Auxiliaries	27,761,914	-	-	27,761,914
Total	132,668,118	-	-	132,668,118
Scholarships and Fellowships	(36,679,718)	-	-	(36,679,718)
Net Student Related Revenue	95,988,400	-	-	95,988,400
OTHER REVENUE				
Government Grants	1,778,196	-	-	1,778,196
Private Gifts and Grants	8,282,926	1,303,999	-	9,586,925
Endowment Return Used for Spending Policy	30,890,597	179,998	-	31,070,595
Other	3,672,678	6,144	-	3,678,822
Net Assets Released from Restriction	372,464	(372,464)	-	-
Total Operating Revenue	140,985,261	1,117,677	-	142,102,938
OPERATING EXPENSES				
Instruction	53,106,549	-	-	53,106,549
Public Service	200	-	-	200
Research	2,047,263	-	-	2,047,263
Academic Support	14,868,836	-	-	14,868,836
Student Services	28,382,149	-	-	28,382,149
Institutional Support	22,232,063	-	-	22,232,063
Scholarships and Fellowships	127,758	-	-	127,758
Auxiliary Services	22,655,408	-	-	22,655,408
Total Operating Expenses	143,420,226	-	-	143,420,226
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES				
	(2,434,965)	1,117,677	-	(1,317,288)
NONOPERATING ACTIVITIES				
Nonoperating Investment Return	16,538,635	27,413,375	9,306,249	53,258,259
Capital Gifts	1,513,015	3,287,898	7,110,498	11,911,411
Redesignation of Net Assets	411,832	(2,481,576)	2,069,744	-
Change in Estimate for Annuities Payable	(509,831)	(674,523)	413,075	(771,279)
Matured Annuity Funds	(445,911)	(355,481)	801,392	-
Change in Fair Value of Interest Rate Hedge/Swap Agreements	5,794,693	-	-	5,794,693
Change in Postretirement Benefits Cost	2,461,000	-	-	2,461,000
Voluntary Retirement Incentive Plan	(1,746,900)	-	-	(1,746,900)
Disposal of Property, Plant and Equipment	2,904	-	-	2,904
Net Assets Released from Restriction	971,394	(971,394)	-	-
Increase in Net Assets from Nonoperating Activities	24,990,831	26,218,299	19,700,958	70,910,088
NET INCREASE IN NET ASSETS FOR THE YEAR				
	22,555,866	27,335,976	19,700,958	69,592,800
Net Assets - Beginning of Year	223,608,141	236,320,296	265,262,098	725,190,535
Net Assets - End of Year	\$ 246,164,007	\$ 263,656,272	\$ 284,963,056	\$ 794,783,335

See accompanying Notes to Financial Statements.

**LAFAYETTE COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 97,846,091	\$ 69,592,800
Reconciliation of Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	13,359,847	13,576,129
Net Realized and Unrealized Gain on Investments	(102,570,858)	(74,796,221)
Nonoperating Gain on Interest Rate Hedge/ Swap Agreements	(13,659)	(5,794,693)
Nonoperating (Gain) Loss on Conditional Asset Retirement Obligation	65,961	(15,414)
Nonoperating (Gain) Loss on Adjustment for Experience of Postretirement Benefits Cost	5,009,000	(1,013,000)
Nonoperating (Gain) Loss on Land, Building and Equipment Disposals	794,286	(2,904)
Nonoperating Contributions for Endowment and Annuities	(21,511,260)	(7,919,156)
Changes in Assets and Liabilities:		
(Increase) Decrease in Short-Term Investments	(12,295,392)	410,903
(Increase) Decrease in Accounts and Notes Receivable, Net	(790,176)	371,640
(Increase) Decrease in Inventories	(23,018)	23,569
(Increase) Decrease in Contributions Receivable and Bequests in Probate	1,668,990	(2,423,767)
Decrease in Prepaid Expenses	562,884	1,969,623
(Increase) Decrease in Deferred Charges	(241,680)	97,393
Increase in Accounts Payable, Accrued Liabilities and Annuities Payable	11,260,955	116,490
Decrease in Deposits and Deferred Revenues	(1,213,769)	(1,078,248)
Net Cash Used by Operating Activities	(8,091,798)	(6,884,856)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Land, Building and Equipment	(17,662,210)	(13,758,267)
Student Loans Issued	(519,935)	(478,494)
Student Loans Repaid, Net	737,934	753,621
Purchases of Investments	(191,199,824)	(127,049,595)
Proceeds from Sales and Maturities of Investments	174,006,885	147,870,367
Net Cash Provided (Used) by Investing Activities	(34,637,150)	7,337,632
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Debt	25,526,792	524,313
Repayment of Principal of Debt	(641,819)	(574,060)
Increase in Federal Student Loans Refundable	22,611	16,024
Contributions for Investment in Endowment and Annuities	21,511,260	7,919,156
Change in Deposits with Bond and Other Trustees	(10,236,237)	7,733,700
Net Cash Provided by Financing Activities	36,182,607	15,619,133
CHANGE IN CASH AND CASH EQUIVALENTS	(6,546,341)	16,071,909
Cash and Cash Equivalents - Beginning of Year	62,307,803	46,235,894
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 55,761,462	\$ 62,307,803
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash Transactions:		
Amounts Included in Accounts Payable for Purchase of Land, Buildings and Equipment	\$ 2,619,739	\$ 1,173,827
Equipment Acquired through Capital Lease	\$ -	\$ 24,313
Cash Paid During the Year for Interest	\$ 8,886,705	\$ 7,226,371

See accompanying Notes to Financial Statements.

LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Lafayette College (the College), located in Easton, Pennsylvania, is an independent coeducational institution offering undergraduate bachelor of arts, science and engineering degrees. The College had an average enrollment of 2,420 and 2,413 full-time students, of which approximately 90% lived on campus for the years ended June 30, 2014 and 2013, respectively.

The financial statements of the College have been prepared on the accrual basis of accounting.

Net assets are reported in separate classes based on the existence or absence of donor-imposed restrictions within the following categories:

- Unrestricted – Net assets that are neither temporarily restricted nor permanently restricted by donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.
- Temporarily restricted – Net assets resulting from contributions and other inflows whose use by the College is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the College.
- Permanently restricted – Net assets resulting from contributions and other inflows whose use by the College is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the College.

Net assets with donor-imposed restrictions that have expired or were fulfilled by the College in the same year as received are recorded as unrestricted revenues. Net assets with donor-imposed restrictions that have expired or were fulfilled by the College are first expended from temporarily restricted 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.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase.

Short-Term Investments

Short-term investments primarily include certificates of deposits and securities with maturities of up to one year at the time of purchase.

**LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Notes Receivable

Accounts and notes receivable are reported net of allowance for doubtful accounts. The allowance for doubtful accounts was \$1,248,000 and \$1,023,000 at June 30, 2014 and 2013, respectively.

Allowances for doubtful accounts are established for all student loans receivable, including Federal Perkins loans receivable, based on prior collection experience and current economic factors that, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written off when they are deemed to be permanently uncollectible.

In October of 2013, the College received a contribution of a promissory note. As of June 30, 2014, the College's accounts and notes receivable include the promissory note's face value of \$500,000, unpaid interest earned by the College of \$74,476, and an allowance for doubtful accounts of \$174,476.

Inventories

Inventories consist of bookstore items and other supplies and are stated at the lower of cost (first-in, first-out method) or market.

Contributions Receivable and Bequests in Probate

Contributions receivable and bequests in probate are summarized below as of June 30, 2014:

	<u>Contributions</u>	<u>Bequests</u>	<u>Total</u>
Expected to be Collected in:			
Less Than One Year	\$ 3,576,471	\$ 1,568,015	\$ 5,144,486
One Year to Five Years	6,780,504	-	6,780,504
More than Five Years	81,149	-	81,149
Total	<u>10,438,124</u>	<u>1,568,015</u>	<u>12,006,139</u>
Less: Discount to Present Value (0.9% to 1.1%)	(257,101)	(15,864)	(272,965)
Less: Allowance for Uncollectible Contributions and Bequests	<u>(431,925)</u>	<u>(156,802)</u>	<u>(588,727)</u>
Contributions Receivable and Bequests, Net	<u>\$ 9,749,098</u>	<u>\$ 1,395,349</u>	<u>\$ 11,144,447</u>

At June 30, 2014, the College had also received conditional contributions of approximately \$3,870,000 which are not recognized until the condition on which they depend is substantially met.

At June 30, 2014 and 2013, the College had outstanding contributions receivable from related parties of \$7,101,501 and \$7,228,113, respectively.

LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Loans Receivable

Student loans receivable are reported net of allowance for doubtful loans. The allowance for doubtful loans was \$856,000 and \$941,000 at June 30, 2014 and 2013, respectively.

Deposits with Bond and Other Trustees

Deposits with bond and other trustees represent funds held by bond trustees for approved capital projects and the collateral obligation to the counterparty under the College's various interest rate hedge/swap agreements. At June 30, 2014 and 2013, the amounts of \$10,250,441 and \$-0-, respectively, were held for capital projects and the obligation to the counterparty was \$4,392,366 and \$4,406,570, respectively.

Deposits and Deferred Revenues

Deposits and deferred revenues relate to tuition and matriculation deposits and other payments for future services that are received prior to the end of the current fiscal year. In addition, funds held on behalf of the student association wherein the College is acting as the fiscal agent are reported as deposits.

Deferred Giving Liability

The College has entered into various types of split-interest agreements, including charitable gift annuities, charitable remainder trusts and pooled life income funds. Revenue is recognized pursuant to these split-interest agreements based on the fair value of the assets contributed less a liability for the present value of the payments expected to be made to the beneficiaries. Each year, the College re-evaluates the expected future payments to beneficiaries based on changes in life expectancy and other actuarial assumptions. The changes in the value of the agreements are disclosed as a non-operating item on the statements of activities.

At June 30, 2014 and 2013, the fair value of the assets associated with split-interest agreements was \$71,113,090 and \$40,610,997, respectively, and is recorded, as applicable, in cash and cash equivalents and long-term investments in the statements of financial position. Additionally, at June 30, 2014 and 2013, the liability associated with split-interest agreements was \$30,741,232 and \$19,982,924, respectively, and is recorded as annuities payable in the statements of financial position.

Federal Student Loans Refundable

Federal student loans refundable represent Perkins loan funds provided to students by the federal government through the College. The College is required to collect the loans on behalf of the federal government. The amounts due from students are reported as student loans receivable. The amount due to the federal government, if the College should no longer participate, is reported as federal student loans refundable.

LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Rate Hedge/Swap Agreements

Interest rate hedge/swap agreements are recognized as either assets or liabilities in accordance with the netting provisions in the counterparty agreement and are measured at fair value. Gains or losses resulting from changes in the fair values of the interest rate hedge/swap agreements are reported by the College as non-operating gains or losses.

Conditional Asset Retirement Obligation

A conditional asset retirement obligation is a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The assets are depreciated over their remaining useful lives and the conditional asset retirement obligation is adjusted for accretion and payments made, if any, on an annual basis.

Functional Expenses

Depreciation, operation and maintenance costs, and interest are allocated to functional expense categories within the operating section of the statements of activities. Depreciation and operation and maintenance costs are allocated based upon the use of facilities while interest costs are allocated based upon the use of debt proceeds.

Voluntary Retirement Expenses

During the year ended June 30, 2012, the College initiated a voluntary retirement program for employees that achieved a certain age and a certain number of years of full-time employment at the College. The College has accrued costs of \$1,823,000 and \$2,413,000 within its accrued liabilities at June 30, 2014 and 2013, respectively, for the estimated payouts for qualified employees that opted to participate in the voluntary retirement program.

Income and Real Estate Taxes

The College has been granted tax exempt status as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, files federal tax form 990 (Return of Organization Exempt from Income Tax) annually. The College also files federal tax form 990-T (Exempt Organizations Business Income Tax Return) on net income of unrelated business activities. The College has accrued costs of \$250,000 within its accrued liabilities at June 30, 2014 for the estimated income tax liability associated with its filing of form 990-T.

The College's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on technical merits. The College does not believe its financial statements include uncertain tax positions. The College believes it is no longer subject to income tax examinations for the years prior to 2011.

**LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Redesignation of Net Assets to Temporarily Restricted or Permanently Restricted

Redesignations of net assets result from donors either imposing restrictions on previously unrestricted contributions or modifying the restrictions on previously restricted contributions.

Estimates by Management

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported period. The most significant management estimates and assumptions relate to the determination of allowances for doubtful accounts for accounts and notes receivable, student loans receivable and contributions receivable and bequests in probate; valuation of investments without a readily determinable market value; useful lives of fixed assets; conditional asset retirement obligations; actuarial estimates for the College's postretirement health plan and annuities payable; and the reported fair values of certain of the College's assets and liabilities. Actual results could differ from those estimates.

Concentrations of Credit Risk

The College's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments and deposits with bond and other trustees. These funds are held in various high-quality financial institutions managed by College personnel and outside advisors. The College maintains its cash and cash equivalents in financial institutions that typically, significantly exceed federally insured limits. The College believes that the concentrations of credit risk are reasonable for its cash and cash equivalents, investments and deposits with bond and other trustees.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no impact on total assets, total liabilities or net assets. The most significant reclassification was due to a change in methodology for allocating interest expense. This resulted in a decrease in Academic Support for 2013 of \$2,700,000 and an increase across other functional categories based on the allocation methodology.

**LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 2 LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment are recorded at cost or, if donated, at fair market value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets as follows:

	<u>Years</u>
Infrastructure and Land Improvements	40
Building Acquisition and New Construction	40
Building Improvements	25
Library Books	10
Vehicles, Equipment, and Other Assets	4-10

Works of art, historical treasures, and similar assets have been recognized at their estimated fair value based upon appraisals or similar valuations at the date of acquisition and are not depreciated.

Investment in land, buildings and equipment consists of the following at June 30:

	<u>2014</u>	<u>2013</u>
Land	\$ 4,193,852	\$ 4,153,852
Buildings	329,826,529	328,367,974
Equipment	31,601,553	48,904,166
Library Books	28,435,903	27,009,666
Vehicles	2,009,510	1,919,195
Works of Art and Historical Treasures	3,177,754	2,870,829
Improvements	48,665,993	47,505,593
Other	80,000	80,000
Construction in Progress	12,980,932	3,698,318
Total	<u>460,972,026</u>	<u>464,509,593</u>
Less: Accumulated Depreciation	<u>(201,534,720)</u>	<u>(208,580,364)</u>
Total Land, Buildings and Equipment	<u>\$ 259,437,306</u>	<u>\$ 255,929,229</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$13,359,846 and \$13,576,129, respectively.

Construction in Progress is put into service when projects are completed for use. Estimated outstanding construction contract commitments at June 30, 2014 were \$21,982,167 and will be funded through contributions, operating resources, or bond financing proceeds.

LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 3 LONG-TERM INVESTMENTS AND INVESTMENT RETURN

Long-term investments by type consist of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Fixed Income:		
Investments	\$ 14,215,731	\$ 8,311,982
Mutual Funds	11,133,748	8,748,049
Institutional Mutual Funds	-	49,439,126
Total Fixed Income	<u>25,349,479</u>	<u>66,499,157</u>
Equity:		
Stocks	131,464,789	82,790,930
Mutual Funds	148,053,130	149,293,264
Institutional Mutual Funds	<u>167,912,211</u>	<u>113,705,067</u>
Total Equity	447,430,130	345,789,261
Alternative Investments:		
Event Driven/Distressed	19,504,791	20,937,201
Derivatives	-	10,472,916
Long/Short Equity	54,000,179	32,030,593
Multi-Strategy/Absolute Return	149,395,736	108,042,493
Opportunistic Fixed Income	72,346,808	55,145,561
Real Estate	18,512,474	24,187,980
Private Equity	<u>56,196,509</u>	<u>59,867,147</u>
Total Alternative Investments	<u>369,956,497</u>	<u>310,683,891</u>
Total Long-Term Investments	<u>\$ 842,736,106</u>	<u>\$ 722,972,309</u>

The estimated fair value of investments is based on quoted market prices, except for certain institutional equity funds, institutional fixed income funds, and alternative investments for which quoted market prices are not available. The estimated fair value of certain institutional equity funds, institutional fixed income funds, and alternative investments have been calculated using the net asset value per share provided by external investment managers. Because certain alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a market for such investments existed. These instruments may contain elements of both credit risk and market risk. Such risks include, but are not limited to: limited liquidity, dependence upon key individuals, emphasis on speculative investments, nondisclosure of portfolio composition, and absence of oversight. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions (e.g. third-party price verifications) used in determining the fair value of the alternative investments. The College requests, receives and reviews the audited financial statements from all investment managers.

LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 3 LONG-TERM INVESTMENTS AND INVESTMENT RETURN (CONTINUED)

Liquidity available as of June 30, 2014 is listed in the following table:

<u>Liquidity Availability</u>	<u>Non-Alternative Investments</u>	<u>Alternative Investments</u>	<u>Total Investment</u>
Daily	\$ 363,485,963	\$ -	\$ 363,485,963
Within 30 Days	78,982,181	-	78,982,181
31-90 Days	26,539,164	139,116,708	165,655,872
91-365 Days	-	133,728,817	133,728,817
> 365 Days	3,772,301	97,110,972	100,883,273
Total	<u>\$ 472,779,609</u>	<u>\$ 369,956,497</u>	<u>\$ 842,736,106</u>

Under the terms of certain limited partnership agreements, the College is obligated to periodically advance additional funding or capital calls. For both June 30, 2014 and 2013, the College's commitments were approximately \$122,500,000, to provide funding to limited partnerships. At June 30, 2014 and 2013, commitments of \$97,469,860 and \$93,480,188, respectively, had been satisfied and included in the long-term investments in the statements of financial position, leaving outstanding commitments of \$25,030,140 and \$29,019,812, respectively.

The components of total investment return from all sources are reflected below for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Investment Income	\$ 9,074,216	\$ 9,532,633
Realized Gains, Net	4,418,125	44,878,273
Change in Unrealized Gains, Net	98,152,733	29,917,948
Total	<u>\$ 111,645,074</u>	<u>\$ 84,328,854</u>

Investment advisory fees, paid by the College, included in total investment return for the years ended June 30, 2014 and 2013 are \$2,345,561 and \$2,524,257, respectively.

LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 4 ENDOWMENT

The College's endowment consists of a portfolio of actively monitored funds established to provide both a source of operating funds as well as long-term financial stability.

As required by accounting principles generally accepted in the United States of America, 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. The endowment includes donor-restricted endowment funds and endowment funds designated by the Board of Trustees to function as quasi-endowments, plus pledges receivable designated for the endowment and the net assets of the deferred giving program (investment market value less annuities payable) primarily designated for the endowment at maturity.

Interpretation of Relevant Law

While other interpretations of Commonwealth of Pennsylvania Act 141 are possible, the Board of Trustees of the College has interpreted Commonwealth of Pennsylvania Act 141 to be consistent with preserving the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of 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. This is regarded as the "historic dollar value" of the endowed fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets and is regarded as "net appreciation" is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the College's spending policy. Other interpretations of Pennsylvania Act 141 are possible.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "historic dollar value." Deficiencies of this nature that are reported in unrestricted net assets totaled \$696,759 and \$831,691 as of June 30, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new restricted contributions.

**LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 4 ENDOWMENTS (CONTINUED)

Endowment Investment Guidelines

As adopted by the Board of Trustees of the College on April 6, 2002, the College's Investment Guidelines are "To invest the College's endowment assets in a generally accepted prudential manner and produce an average annual total return on investments over a five-year period of at least the sum of the spending formula distribution rate plus the direct cost of investing these funds (investment advisor, brokerage, investment manager, custodial fees, etc.) plus the current rate of inflation as measured by the U.S. Department of Labor's Consumer Price Index". The Committee on Investments of the Board of Trustees is responsible for the management of the College's investments, including endowment and deferred giving assets. The intent of the guidelines is to provide a predictable stream of funding to the College's programs from its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment Spending Policy

The College's endowment spending draw rate is based on 36 month weighted average market value ending as of the previous December. Beginning in fiscal year 2011-2012, the Board resolved to reduce the 6.00% spending formula rate for the Scholarship Pool by 0.25% per year until the Associated Pool spending rate of 5.00% was achieved. For the 2013-2014 fiscal year, the draw rate from the Scholarship Pool was 5.25% with the goal of achieving the target 5.00% rate in fiscal year 2014-2015 and the draw rate of the Associated Pool was 5.00%.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Two consultants have been hired to assist the Committee on Investments and the Board of Trustees with best practice due diligence functions. Different investment managers have been employed over the years and have included a wide range of investment styles, including alternative strategies. As mentioned previously, the rationale for including alternative strategy managers for the College's portfolio is to reduce volatility consistent with a goal of generating absolute return. Effective July 1, 2014, the College hired a Chief Investment Officer to oversee the College's investment portfolio.

**LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 4 ENDOWMENTS (CONTINUED)

Endowment Funds Restrictions and Designations

The College's endowment net assets were classified as follows at June 30, 2014 and 2013:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ (696,759)	\$ 292,074,352	\$ 303,664,012	\$ 595,041,605
Board-Designated Endowment Funds	237,769,857	-	-	237,769,857
Total Funds	<u>\$ 237,073,098</u>	<u>\$ 292,074,352</u>	<u>\$ 303,664,012</u>	<u>\$ 832,811,462</u>

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ (831,691)	\$ 255,237,919	\$ 284,963,056	\$ 539,369,284
Board-Designated Endowment Funds	209,661,777	-	-	209,661,777
Total Funds	<u>\$ 208,830,086</u>	<u>\$ 255,237,919</u>	<u>\$ 284,963,056</u>	<u>\$ 749,031,061</u>

Endowment Fund Activity for the Years Ended June 30, 2014 and 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Total, June 30, 2013	\$ 208,830,085	\$ 255,237,919	\$ 284,963,056	\$ 749,031,060
Contributions	147,846	27,600	4,096,013	4,271,459
Investment Income	8,772,263	-	-	8,772,263
Realized and Unrealized Gains	29,375,417	56,161,331	15,503,530	101,040,278
Endowment Spending Distribution	(18,221,813)	(13,565,084)	-	(31,786,897)
Matured Annuity Funds	(977)	(48,306)	49,283	-
Change in Estimate for Annuities Payable	(35,650)	(1,387,142)	(989,260)	(2,412,052)
Deficiencies in Historical Values	696,759	(690,936)	(5,823)	-
Operating Transfers and Other Changes	7,509,168	(3,661,030)	47,213	3,895,351
Endowment Total, June 30, 2014	<u>\$ 237,073,098</u>	<u>\$ 292,074,352</u>	<u>\$ 303,664,012</u>	<u>\$ 832,811,462</u>

LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 4 ENDOWMENTS (CONTINUED)

Endowment Fund Activity for the Years Ended June 30, 2014 and 2013 (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Total, June 30, 2012	\$ 185,943,441	\$ 230,330,627	\$ 265,262,098	\$ 681,536,166
Contributions	164,068	555,050	7,110,498	7,829,616
Investment Income	9,561,877	-	-	9,561,877
Realized and Unrealized Gains	36,821,751	28,695,199	9,315,734	74,832,684
Endowment Spending Distribution	(29,442,597)	(179,998)	-	(29,622,595)
Matured Annuity Funds	(445,911)	(355,481)	801,392	-
Change in Estimate for Annuities Payable	31,539	(674,523)	413,075	(229,909)
Deficiencies in Historical Values	1,111,309	(1,101,825)	(9,484)	-
Change in Donor Intent	901,000	(2,000,136)	2,001,885	902,749
Operating Transfers and Other Changes	4,183,609	(30,994)	67,858	4,220,473
Endowment Total, June 30, 2013	<u>\$ 208,830,086</u>	<u>\$ 255,237,919</u>	<u>\$ 284,963,056</u>	<u>\$ 749,031,061</u>

NOTE 5 LONG-TERM OBLIGATIONS

Long-term obligations consist of the following amounts as of June 30:

	<u>2014</u>	<u>2013</u>
Bonds Payable:		
1998 A Variable Rate Revenue Bonds	\$ -	\$ 18,200,000
1998 B Variable Rate Revenue Bonds	-	4,000,000
2003 Variable Rate Revenue Refunding Bonds	10,190,000	10,190,000
2006 Variable Rate Revenue Bonds	11,000,000	14,100,000
2008 Refunding and Revenue Bonds	95,455,000	95,705,000
2010 A Variable Rate Revenue Refunding Bonds	22,290,000	22,290,000
2010 B Revenue Bonds	4,000,000	4,000,000
2013 A Refunding and Revenue Bonds	33,715,000	-
2013 B Taxable Refunding and Revenue Bonds	15,680,000	-
Plus: Premium	2,651,647	1,389,011
Total Bonds Payable	<u>194,981,647</u>	<u>169,874,011</u>
Capitalized Lease Obligations:		
Student Residence at 512 March Street	2,820,000	2,940,000
Other Capitalized Lease Obligations	231,548	334,211
Total Capitalized Lease Obligations	<u>3,051,548</u>	<u>3,274,211</u>
Total Long-Term Obligations	<u>\$ 198,033,195</u>	<u>\$ 173,148,222</u>

**LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Under the terms of its various debt documents, the College is required to comply with various financial covenants, including the maintenance of a specified debt service coverage ratio. The College was in compliance with such covenants as of June 30, 2014.

1998 A Variable Rate Revenue Bonds

The 1998 A Variable Rate Revenue Bonds were issued by the Northampton County Higher Education Authority in June of 1998 in the amount of \$18,200,000 to finance a portion of the renovation of the existing Allan P. Kirby Field House, construction and equipping of an attached intramural/recreation facility, a portion of the construction of and renovations to certain academic facilities, and bond issuance costs.

The 1998 A Bonds bear interest at a variable annual rate as determined weekly by the remarketing agent. On December 2, 2013, the 1998 A Bonds were retired from proceeds of the 2013 A Bonds.

1998 B Variable Rate Revenue Bonds

The 1998 B Variable Rate Revenue Bonds were issued by the Northampton County Higher Education Authority in July of 1998 in the amount of \$6,800,000 to finance a portion of the construction of and renovations to certain academic facilities and bond issuance costs.

The 1998 B Bonds bear interest at a variable annual rate as determined weekly by the remarketing agent. On December 2, 2013, the 1998 B Bonds were retired from proceeds of the 2013 A Bonds.

2003 Variable Rate Revenue Refunding Bonds

The 2003 Variable Rate Revenue Refunding Bonds were issued by the Northampton County General Purpose Authority in April of 2003 in the amount of \$10,190,000 for the purpose of refunding the 1993 Bonds. The principal is due on November 1, 2023.

The 2003 Bonds bear interest at a variable annual rate as determined weekly by the remarketing agent. If the 2003 Bonds are submitted to the College for tender, they are remarketed by the remarketing agent on a best efforts basis. If tendered, and the 2003 Bonds are not remarketed, a liquidity facility is in place to cover the bonds payable. The expiration date of the liquidity facility is October 2015. The College has the right to request an extension of the facility up to 120 days in advance of the expiration date. If the liquidity facility is drawn upon, the College would be obligated to repay the principal in quarterly installments over three years. The College expects that bonds submitted for tender will continue to be remarketed successfully due to the College's creditworthiness. In the event that the 2003 Bonds cannot be remarketed after October 2015 and the underlying facility is not renewed, the 2003 Bonds would be a current obligation of the College and be payable immediately.

At June 30, 2014 and 2013, rates per annum were 0.09% and 0.10%, respectively. The College has internally associated the 2003 Swap to the 2003 Bonds to synthetically hedge these variable rate bonds to a fixed-rate.

**LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

2006 Variable Rate Revenue Bonds

The 2006 Variable Rate Revenue Bonds were issued by the Northampton County General Purpose Authority in September of 2006 in the amount of \$15,100,000 for the renovation and construction of the College's football facilities, including the relocation of the track to Metzgar Fields. The principal is due on November 1, 2036.

The 2006 Bonds bear interest at a variable annual rate as determined weekly by the remarketing agent. If the 2006 Bonds are submitted to the College for tender, they are remarketed by the remarketing agent on a best efforts basis. If tendered 2006 Bonds are not remarketed, a liquidity facility is in place to cover the bonds payable. The expiration date of the liquidity facility is October 2015. The College has the right to request an extension of the facility up to 120 days in advance of the expiration date. If the liquidity facility is drawn upon, the College would be obligated to repay the principal in quarterly installments over three years. The College expects that bonds submitted for tender will continue to be remarketed successfully due to the College's creditworthiness. In the event that the 2006 Bonds cannot be remarketed after October 2015 and the underlying facility is not renewed, the 2006 Bonds would be a current obligation of the College and be payable immediately.

At June 30, 2014 and 2013, the interest rate per annum was 0.09% and 0.10%, respectively. The College has internally associated the 2006 Swap to the 2006 Bonds to synthetically hedge these variable rate bonds to a fixed rate. On December 2, 2013, \$3,100,000 of the 2006 Bonds were retired from proceeds of the 2013 B Bonds.

2008 Refunding and Revenue Bonds

The 2008 Refunding and Revenue Bonds were issued by the Northampton County General Purpose Authority in August of 2008 in the amount of \$96,705,000 for the purposes of retiring the 1997 Bonds, the 2004 Bonds, the Second Series of 2004 Bonds, the 1997 Capital Notes, the funding of both various capital projects and a portion of a real estate purchase, and the financing of bond issuance costs. The 2008 Bonds bear interest at rates ranging from 3.25% to 5.00% with maturities through November 1, 2034.

2010 A Variable Rate Revenue Refunding Bonds

The 2010 A Variable Rate Revenue Refunding Bonds were issued by the Northampton County General Purpose Authority in April of 2010 in the amount of \$22,290,000 for the purpose of retiring the 2000 Bonds. The principal is due on May 1, 2030.

**LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

2010 A Variable Rate Revenue Refunding Bonds (Continued)

The 2010 A Bonds bear interest at a variable annual rate as determined weekly by the remarketing agent. If the 2010 A Bonds are submitted to the College for tender, they are remarketed by the remarketing agent on a best efforts basis. If tendered, and the 2010 A Bonds are not remarketed, a liquidity facility is in place to cover the bonds payable. The expiration date of the liquidity facility is April 2016. The College has the right to request an extension of the facility up to 90 days in advance of the expiration date. If the liquidity facility is drawn upon, the College would be obligated to repay the principal in monthly installments over three years. The College expects that bonds submitted for tender will continue to be remarketed successfully due to the College's creditworthiness. In the event that the 2010 A Bonds cannot be remarketed after April 2016 and the underlying facility is not renewed, the 2010 A Bonds would be a current obligation of the College and be payable immediately.

At June 30, 2014 and 2013, the interest rate per annum was 0.08% and 0.08%, respectively. The College has internally associated the 2010 Swap to the 2010 A Bonds to synthetically hedge these variable rate bonds to a fixed rate.

2010 B Revenue Bonds

The 2010 B Revenue Bonds were issued by the Northampton County General Purpose Authority in April of 2010 in the amount of \$4,000,000 for various capital projects and improvements. The 2010 B Bonds bear interest at 5.00% and are due on May 1, 2022.

2013 A Refunding and Revenue Bonds

The 2013 A Refunding and Revenue Bonds were issued by the Northampton County General Purpose Authority in November of 2013 in the amount of \$33,715,000 for the purposes of retiring the 1998 A Bonds, the 1998 B Bonds, the funding of various capital projects, and the financing of bond issuance costs. The 2013 A Bonds bear interest at rates ranging from 4.25% to 5.00% with maturities from November 1, 2032 through November 1, 2043.

2013 B Taxable Refunding and Revenue Bonds

The 2013 B Taxable Refunding and Revenue Bonds were issued by the Northampton County General Purpose Authority in November of 2013 in the amount of \$15,680,000 for the purposes of retiring a portion of the 2006 Bonds, and the funding of various capital projects, and the financing of bond issuance costs. The 2013 B Bonds bear fixed interest at a rate of 5.90% with a maturity date of November 1, 2053.

**LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Student Residence at 512 March Street

In August of 2011, the College entered into various agreements related to the development of a new residential facility on a College owned land parcel within Easton, Pennsylvania. The College is leasing this property to a developer who constructed and manages the facility. The College then master leases the facility from the developer as a student residence. As part of the development agreement, the College guarantees the borrower's \$3,000,000 loan. The College retains ownership of the land, and the agreement allows the College to purchase the facility from the developer and assume the loan according to the negotiated terms. The loan bears a fixed interest rate of 3.75% with a maturity date of August 29, 2021.

Other Capitalized Lease Obligations

The capitalized lease obligations are collateralized by the related property and equipment. A summary of the minimum lease payments as of June 30, 2014 is as follows:

Minimum Lease Payments	\$ 244,913
Less: Amount Representing Interest	(13,364)
Present Value of Net Minimum Lease Payments	<u>\$ 231,549</u>

Aggregate principal maturities of bonds and capitalized lease obligations are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2015	\$ 472,662
2016	472,662
2017	396,225
2018	370,000
2019	21,270,000
Thereafter	172,400,000
Unamortized Bond Premium	2,651,646
Total	<u>\$ 198,033,195</u>

Total interest expense on long-term obligations, including net payments related to swap agreements, investment income offset from deposits with bond trustee, and capitalized interest, totaled \$8,886,705 and \$7,221,610 for the years ended June 30, 2014 and 2013, respectively.

LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Derivative Instruments – Interest Rate Hedge/Swap Agreements

At June 30, 2014, the College has three fixed interest rate exchange agreements (Swap Contracts) in order to hedge a portion of its interest rate exposure on floating rate tax exempt bonds. The College pays a Counterparty a fixed rate, and the Counterparty pays the College a variable rate (based on an index).

Each of the three Swap Contracts is used to hedge certain interest rate exposures and is not used for speculative purposes. The net payments either made to or received from the counterparty are reported as interest expense within the operating expenses of the statements of activities. For the years ended June 30, 2014 and 2013, net payments to the counterparty were \$2,113,180 and \$2,083,508, respectively.

Regarding collateralization, if the College's fair value liability of the Swap Contracts to the counterparty exceeds \$10,000,000 in the aggregate, the College is required to collateralize the amount in excess of \$10,000,000. If a positive fair value is due to the College from the counterparty, the counterparty is required to provide collateral to the College for the amount in excess of \$5,000,000. For purposes of these daily collateral calculations, the fair values of the three Swap Contracts are netted. The thresholds and collateralization requirements can change with ratings of the College's bonds payable. As of June 30, 2014 and 2013, the required collateral amounts of \$4,392,367 and \$4,406,026, respectively, are presented on the statements of financial position within deposits with bond and other trustees.

2003 Swap

In December of 2002, the College entered into a fixed-payor Swap Contract to hedge its anticipated 2003 Variable Rate Refunding Bonds. The College is paying the Counterparty 4.34% and receiving the SIFMA Index on the 2003 Swap. The 2003 Swap has a scheduled end date of November 1, 2023.

2006 Swap

In May of 2004, the College entered into a fixed-payor Swap Contract to hedge a portion of its Second Series of 2004 Variable Rate Bonds. In August of 2008, the College retired the Second Series of 2004 Variable Rate Bonds and subsequently associated the provisions of the 2004 Swap to the 2006 Bonds. The College is paying the Counterparty 3.88%, and the College receives a varying percentage of one-month LIBOR. The 2006 Swap has a scheduled end date of May 31, 2034.

2010 Swap

In March of 2003, the College sold the Counterparty an option to enter into a fixed-payor Swap Contract in May 2010 at which time the counterparty exercised its option. The College has associated the 2010 Swap to the 2010 A Bonds. Under the terms of the 2010 Swap, the College pays the Counterparty a fixed rate of 6.00% and receives the SIFMA Index plus 0.25%. The 2010 Swap has a scheduled end date of May 1, 2030.

LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 6 BENEFIT PLANS

Defined Contribution Plan

The College has a multi-employer defined contribution pension plan (the Plan) provided through Teachers Insurance and Annuity Association of America and College Retirement Equities Fund and Fidelity Investments covering substantially all regular full-time employees. The College uses a July 1 measurement date for the Plan. The College's contributions to the Plan for the years ended June 30, 2014 and 2013 amounted to approximately \$4,938,000 and \$4,675,000, respectively.

Postretirement Health Plan

The College accrues expected medical postretirement benefits over the years that the employees render the necessary service. The postretirement health plan primarily covers full-time employees who joined the College before July 1, 1996 and have continued on a full-time basis since their start of employment.

The following sets forth the plan status with amounts reported in the College's financial statements at June 30:

	2014	2013
Accumulated Postretirement Benefit Obligation (APBO)		
Retirees and Spouses	\$ 18,132,000	\$ 17,180,000
Other Fully Eligible Participants	23,805,000	21,042,000
Other Active Plan Participants not Yet Fully Eligible	8,518,000	7,224,000
Accumulated Postretirement Benefit Obligation	\$ 50,455,000	\$ 45,446,000
	2014	2013
Service Cost - Benefits Attributed to Service during the Period	\$ 316,000	\$ 358,000
Interest Cost on Accumulated Postretirement Benefit Obligation	2,128,000	1,950,000
Amortization of Net Loss	-	186,000
Net Periodic Postretirement Benefit Cost	2,444,000	2,494,000
Net Benefit Payments	(1,025,000)	(1,046,000)
Net Change in Accrued Postretirement Benefit Costs	1,419,000	1,448,000
Current Year Adjustments:		
Amortization of Net Gain	-	(186,000)
Assumption Changes	3,590,000	(3,612,000)
Experience Losses	-	1,337,000
Net Change in Accrued Postretirement Benefit Obligation	\$ 5,009,000	\$ (1,013,000)

**LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 6 BENEFIT PLANS (CONTINUED)

Postretirement Health Plan (Continued)

A 7.00% annual rate of increase in the per capita costs of covered health care benefits was assumed for 2014 and all years thereafter. Increasing the assumed health care cost trend rates by one percentage point in each year would increase the medical portion of the APBO as of June 30, 2014 by \$8,234,000 and increase the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost for 2014 by \$451,000. The June 30, 2014 and 2013 APBO is based on a discount rate of 4.25% and 4.75%, respectively.

The College recognizes the difference between the cumulative accrued periodic postretirement benefits expense charged to annual operations and the total APBO accrued as the postretirement benefits liability with a corresponding credit or charge to non-operating unrestricted net assets. At June 30, 2014, the corresponding cumulative charge was \$7,262,000, and at June 30, 2013, the corresponding cumulative charge was \$3,672,000.

The net periodic postretirement benefits cost includes \$-0- for the year ended June 30, 2014 and \$186,000 for the year ended June 30, 2013, for the amortization of a portion of the unrecognized loss resulting from the difference between the APBO and the cumulative accrued periodic postretirement benefits. In addition, gains or losses have been recognized and added to or deducted from the APBO in the amount of \$3,590,000 of loss at June 30, 2014 and \$2,461,000 of gain at June 30, 2013.

Projected benefit payments are as shown below:

<u>Year Beginning July 1,</u>	<u>Expected College Cost</u>
2015	\$ 1,625,000
2016	1,739,000
2017	1,868,000
2018	1,968,000
2019	2,104,000
2020-2024 (Five Years Inclusive, in Total)	<u>12,403,000</u>
Total	<u><u>\$ 21,707,000</u></u>

LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 7 FAIR VALUE MEASUREMENTS

The College has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the hierarchy under U.S. GAAP are described below:

Level 1 – Financial assets and liabilities with values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Financial assets and liabilities with values based on one or more of the following:

1. Quoted prices for similar assets or liabilities in active markets;
2. Quoted prices for identical or similar assets or liabilities in non-active markets;
3. Pricing models whose inputs are observable for substantially the full term of the asset or liability; or
4. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities with values based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The College's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Both observable and unobservable inputs may be used to determine the fair value of positions that the College has classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

A review of the fair value hierarchy classifications is conducted on an annual basis. Changes in the types of inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the year in which reclassifications occur.

The following tables present information about the College's assets and liabilities measured at fair value on a recurring basis as of June 30, 2014 and indicates the fair value hierarchy of the valuation techniques utilized by the College to determine such fair value

Description	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
ASSETS				
Short-Term Investments	\$ 729,318	\$ 12,359,697	\$ 761,093	\$ 13,850,108
Deposits with Bond Trustees	-	14,642,807	-	14,642,807
Fixed Income Investments	14,215,731	-	-	14,215,731
Fixed Income Mutual Funds	8,493,138	2,640,610	-	11,133,748
Equity Stocks	131,464,789	-	-	131,464,789
Equity Mutual Funds	146,921,440	1,131,690	-	148,053,130
Equity Institutional Mutual Funds	31,076,502	136,835,709	-	167,912,211
Alternative Investments:				
Event Driven/Distressed	-	-	19,504,791	19,504,791
Long/Short Equity	-	54,000,179	-	54,000,179
Multi-Strategy/Absolute Return	-	149,347,500	48,236	149,395,736
Opportunistic Fixed Income	-	72,346,808	-	72,346,808
Real Estate	-	-	18,512,474	18,512,474
Private Equity	-	-	56,196,509	56,196,509
Total Assets	<u>\$ 332,900,918</u>	<u>\$ 443,305,000</u>	<u>\$ 95,023,103</u>	<u>\$ 871,229,021</u>
LIABILITIES				
Interest Rate Hedge/Swap Agreements	<u>\$ -</u>	<u>\$ 14,392,367</u>	<u>\$ -</u>	<u>\$ 14,392,367</u>

The following table presents additional information about assets and liabilities measured at fair value on a recurring basis and for which the College has utilized Level 3 inputs to determine fair value for the year ended June 30, 2014. The activity reported below are estimates when an individual manager utilizes multiple investment strategies.

LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

	Fair Value Measurements (Level 3)						Total
	Short-Term Investments	Event Driven/ Distressed	Multi-Strategy/ Absolute Return	Opportunistic Fixed Income	Real Estate	Private Equity	
June 30, 2013 Balance	\$ 742,161	\$ 20,937,201	\$ 108,042,493	\$ 7,749	\$ 24,187,980	\$ 59,867,147	\$ 213,784,731
Reallocation to Level 2 from Prior Year	-	-	(107,993,628)	-	-	-	(107,993,628)
Transfers In: Capital Calls	-	-	-	-	1,491,649	(1,491,649)	-
Transfers In: Purchases	18,932	-	-	-	1,875,000	256,687	2,150,619
Transfers Out: Distributions	-	(2,007,090)	-	-	(7,234,523)	(6,419,435)	(15,661,048)
Transfers Out: Realized Losses/(Gains)	-	(1,655,831)	-	(6,642)	(2,226,406)	(6,053,770)	(9,942,649)
Unrealized Gains/(Losses)	-	2,230,507	(629)	(1,107)	418,774	10,037,533	12,685,078
June 30, 2014 Balance	<u>\$ 761,093</u>	<u>\$ 19,504,787</u>	<u>\$ 48,236</u>	<u>\$ -</u>	<u>\$ 18,512,474</u>	<u>\$ 56,196,513</u>	<u>\$ 95,023,103</u>

The following table presents comparable information about the College's assets and liabilities measured at fair value on a recurring basis as of June 30, 2013 and indicates the fair value hierarchy of the valuation techniques utilized by the College to determine such fair value.

Description	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
ASSETS				
Short-Term Investments	\$ 812,555	\$ -	\$ 742,161	\$ 1,554,716
Deposits with Bond Trustees	-	4,406,570	-	4,406,570
Fixed Income Investments	8,311,982	-	-	8,311,982
Fixed Income Mutual Funds	6,272,477	2,475,572	-	8,748,049
Fixed Income Institutional Mutual Funds	49,439,126	-	-	49,439,126
Equity Stocks	82,790,930	-	-	82,790,930
Equity Mutual Funds	148,232,305	1,060,959	-	149,293,264
Equity Institutional Mutual Funds	-	113,705,067	-	113,705,067
Alternative Investments:				
Event Driven/Distressed	-	-	20,937,202	20,937,202
Derivatives	-	10,472,916	-	10,472,916
Long/Short Equity	-	32,030,593	-	32,030,593
Multi-Strategy/Absolute Return	-	-	108,042,493	108,042,493
Opportunistic Fixed Income	-	55,137,812	7,749	55,145,561
Real Estate	-	-	24,187,980	24,187,980
Private Equity	-	-	59,867,146	59,867,146
Total Assets	<u>\$ 295,859,375</u>	<u>\$ 219,289,489</u>	<u>\$ 213,784,731</u>	<u>\$ 728,933,595</u>
LIABILITIES				
Interest Rate Hedge/Swap Agreements	<u>\$ -</u>	<u>\$ 14,406,026</u>	<u>\$ -</u>	<u>\$ 14,406,026</u>

LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents additional information about assets and liabilities measured at fair value on a recurring basis and for which the College has utilized Level 3 inputs to determine fair value for the year ended June 30, 2013. The activity reported below are estimates when an individual manager utilizes multiple investment strategies.

	Fair Value Measurements (Level 3)							Total
	Short-Term Investments	Event Driven/ Distressed	Long/Short Equity	Multi-Strategy/ Absolute Return	Opportunistic Fixed Income	Real Estate	Private Equity	
June 30, 2012 Balance	\$ 725,823	\$ 41,220,076	\$ 18,486,740	\$ 105,843,983	\$ 4,210,281	\$ 28,813,919	\$ 54,109,907	\$ 253,410,729
Reallocation to Level 3 from Prior Year	-	-	-	-	14,911,379	-	-	14,911,379
Reallocation to Investment Type	-	(4,467,339)	-	-	(4,210,281)	-	8,677,620	-
Transfers In: Capital Calls	-	36,001	-	-	-	-	3,533,026	3,569,027
Transfers In: Purchases	16,338	-	-	-	-	-	-	16,338
Transfers Out: Distributions	-	(3,176,961)	-	-	(6,522,399)	(3,299,190)	(8,774,136)	(21,772,686)
Transfers Out: Redemptions	-	(938,019)	(13,798,103)	(8,385,338)	-	-	(1,790,940)	(24,912,400)
Transfers Out: Realized Losses/(Gains)	-	(5,457,959)	(7,101,014)	(4,315,407)	(12,444,331)	(2,173,186)	(7,050,672)	(38,542,569)
Unrealized Gains/(Losses)	-	(6,278,598)	2,412,377	14,899,255	4,063,100	846,437	11,162,342	27,104,913
June 30, 2013 Balance	<u>\$ 742,161</u>	<u>\$ 20,937,201</u>	<u>\$ -</u>	<u>\$ 108,042,493</u>	<u>\$ 7,749</u>	<u>\$ 24,187,980</u>	<u>\$ 59,867,147</u>	<u>\$ 213,784,731</u>

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2014 and 2013 are as follows with redemption frequency and redemption notice periods outlined.

2014				
Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income Mutual Funds	\$ 2,640,610	\$ -	None	N/A
Equity Mutual Funds	1,131,690	-	None	N/A
Equity Institutional Mutual Funds	136,835,709	-	Month-Qtr	None-60 Days
Event Driven/Distressed Funds	(a) 19,504,788	879,398	None	N/A
Long/Short Equity Funds	(c) 54,000,179	-	Qtr-CY	30/60/90 Days
Multi-Strategy/Absolute Return Funds	(d) 149,395,736	-	None-Qtr-CY	None-60 Days
Opportunistic Fixed Income Funds	(e) 72,346,808	-	Month-Qtr	None-60 Days
Private Equity Funds	(f) 56,196,509	10,669,702	None	N/A
Real Estate Funds	(g) 18,512,474	13,481,040	None	N/A
	<u>\$ 510,564,503</u>	<u>\$ 25,030,140</u>		

2013				
Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income Mutual Funds	\$ 2,475,572	\$ -	None	N/A
Equity Mutual Funds	1,060,959	-	None	N/A
Equity Institutional Mutual Funds	113,705,067	-	Month-Qtr	None-60 Days
Event Driven/Distressed Funds	(a) 20,937,202	879,398	None	N/A
Derivatives	(b) 10,472,916	-	Daily	1 day
Long/Short Equity Funds	(c) 32,030,593	-	Qtr-CY	30/60/90 Days
Multi-Strategy/Absolute Return Funds	(d) 108,042,493	-	None-Qtr-CY	None-60 Days
Opportunistic Fixed Income Funds	(e) 55,145,561	-	Month-Qtr	None-60 Days
Private Equity Funds	(f) 59,867,147	26,284,374	None	N/A
Real Estate Funds	(g) 24,187,980	1,856,040	None	N/A
	<u>\$ 427,925,490</u>	<u>\$ 29,019,812</u>		

LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

- (a) *Event Driven/Distressed Funds*. This category invests in non-control, U.S. dollar denominated securities of distressed global companies.
- (b) *Derivatives*. Holdings in this category include investments in global currency futures on a long and short basis.
- (c) *Long/Short Equity Funds*. This category invests directly in long and short positions in U.S. and international equities and fund-of-fund vehicles employing a variety of strategies but currently concentrated in long/short investing.
- (d) *Multi-Strategy/Absolute Return Funds*. Investments in this category focus on multi-strategy investing including, but not limited to, a variety of arbitrage strategies, distressed investments, private equity, long/short equity, special situations, and convertible hedging. Investments are made directly or through fund allocations.
- (e) *Opportunistic Fixed Income Funds*. Investments in this category include senior bank loan fixed income securities, emerging market sovereign debt, and mortgage market securities with advantageous price terms resulting from market dislocations.
- (f) *Private Equity Funds*. Holdings in this category include private equity, venture capital funds, buyout funds, secondary funds, and direct investments.
- (g) *Real Estate Funds*. This category's investments include any interest in or vehicle relating to real estate assets.

In reference to the investments and other financial instruments held by the College, the following provides a brief description of the types of financial instruments, the methodology for estimating fair value, and the level within the hierarchy of the estimate. As mentioned previously, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Investments

Short-Term Investments: Short-term investments include primarily certificates of deposits and securities with a maturity of up to one year at the time of purchase (Level 1 in the hierarchy) and Level 3 holdings that primarily include interests in life insurance policies where the College is beneficiary and the College's equity interest in an insurance company that serves higher education.

LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments (Continued)

Deposits with Bond and Other Trustees: Deposits with bond trustees include highly liquid investments with varying maturities and investment goals of preserving capital and maintaining daily liquidity. Deposits with bond and other trustees, which include the College's obligation to provide collateral to the counterparty of its various swap agreements, are reported in Level 2.

Fixed Income Investments: U.S. dollar denominated, investment grade fixed income securities with quoted prices in active markets. Fixed income investments are considered a Level 1 in the hierarchy.

Fixed Income – Mutual Funds: Mutual funds (open to the general public with quoted prices in active markets) investing in high yielding, non-investment grade publicly traded fixed income securities with quoted prices in active markets. These mutual funds are generally considered to be a Level 1 in the hierarchy. However, certain fixed income mutual funds do not have quoted prices in active markets and are considered to be a Level 2 in the hierarchy.

Fixed Income – Institutional Mutual Funds: Mutual funds (open to institutions only) investing in high yielding, non-investment grade publicly traded fixed income securities with quoted prices in active markets. Fixed income institutional mutual funds are generally considered to be a Level 1 in the hierarchy. However, certain fixed income institutional mutual funds do not have quoted prices in active markets and are considered to be a Level 2 in the hierarchy.

Equity – Stocks: Domestic and/or foreign equity securities with quoted prices in active markets. Equity stocks are considered a Level 1 in the hierarchy.

Equity – Mutual Funds: Mutual funds (open to the general public with quoted prices in active markets) investing in domestic and/or foreign equity securities with quoted prices in active markets. Equity mutual funds are generally considered to be a Level 1 in the hierarchy. However, certain equity income mutual funds do not have quoted prices in active markets and are considered to be a Level 2 in the hierarchy.

Equity – Institutional Mutual Funds: Mutual funds (open to institutions only) investing in domestic and/or foreign equity securities with quoted prices in active markets. Equity institutional mutual funds that do not have quoted prices in active markets are considered to be a Level 2 in the hierarchy.

**LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments (Continued)

Alternative Investments: Funds and partnerships that invest in a variety of investments to include: private equity, derivatives, real estate, multi-strategy, long/short equities, distressed, and opportunistic fixed income. These investments are considered Level 2 if the fair value is estimated using the net asset value per share or otherwise Level 3 within the hierarchy.

Beneficial Interest in Perpetual Trusts: The College is beneficiary of perpetual trusts held and administered by others. The estimated fair value of the trusts is determined to be equal to the fair market value of the assets held in trust.

Interest Rate Hedge/Swap Agreements Liability

The interest rate hedge/swap agreements liability is measured by alternative pricing sources with reasonable levels of price transparency in markets that may not be continuously active. Based on the complex nature of interest rate hedge/swap agreements, the markets these instruments trade in are not as efficient and are less liquid than that of the more mature Level 1 markets. These markets do however have comparable, observable inputs in which an alternative pricing source values these assets in order to arrive at a fair market value. These characteristics classify interest rate hedge/swap agreements as a Level 2 input.

Bonds Payable

The estimated fair value of bonds payable, based on quoted market prices for the same or similar issues, was approximately \$13,819,020 greater than its carrying value at June 30, 2014 and \$7,181,351 greater than its carrying value at June 30, 2013 (see Note 5). These items are considered a Level 2 input.

**LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 8 SUMMARY OF EXPENSES

Expenses, by natural classification, for the years ended June 30, were as follows:

	<u>2014</u>	<u>2013</u>
Compensation:		
Salaries and Wages	\$ 59,384,569	\$ 57,081,086
Benefits	<u>20,876,968</u>	<u>20,511,103</u>
Total Compensation	80,261,537	77,592,189
Expenses:		
Professional Services and Contracting	11,181,809	10,912,793
Supplies and Minor Equipment	4,498,664	5,083,014
Auxiliaries, Costs of Sales	1,319,411	1,395,355
Utilities	4,955,046	4,413,013
Travel and Entertainment	7,019,311	6,390,850
Insurance and Taxes	1,731,335	1,595,955
Dining Services Contract	5,621,815	6,145,855
Printing and Copying	666,731	862,355
Repairs and Maintenance	589,136	612,562
Telephone and Cable	520,344	549,767
Postage	415,201	471,519
Depreciation	13,359,847	13,576,129
Interest	8,886,705	7,221,610
Other	<u>6,475,016</u>	<u>6,597,260</u>
Total Expenses	<u>\$ 147,501,908</u>	<u>\$ 143,420,226</u>

The College expended approximately \$4,410,000 and \$4,030,000 in the years ended June 30, 2014 and 2013, respectively, for fundraising activities and they are reported within the operating expenses as institutional support. General and administrative expenses were approximately \$19,900,000 and \$18,200,000 in the years ended June 30, 2014 and 2013.

LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 9 STUDENT LOANS RECEIVABLE CREDIT QUALITY

At June 30, 2014 and 2013, student loans consisted of the following:

	<u>2014</u>	<u>2013</u>
Federal Government Program	\$ 2,261,360	\$ 2,474,972
Institutional Program	<u>2,520,718</u>	<u>2,610,105</u>
Total	4,782,078	5,085,077
Less: Allowance for Doubtful Accounts:		
Beginning of Year	(941,375)	(781,375)
(Increases) Decreases	<u>85,000</u>	<u>(160,000)</u>
End of Year	<u>(856,375)</u>	<u>(941,375)</u>
Student Loans Receivable, Net	<u>\$ 3,925,703</u>	<u>\$ 4,143,702</u>

The College participates in the Federal Perkins revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of \$2,063,221 and \$2,040,610 at June 30, 2014 and 2013, respectively, are ultimately refundable to the government and are classified as Federal Student Loans Refundable in the statements of financial position.

At June 30, 2014 and 2013, the following amounts were past due under student loan programs:

<u>June 30,</u>	<u>1-60 Days Past Due</u>	<u>60-90 Days Past Due</u>	<u>90+ Days Past Due</u>	<u>Total Past Due</u>
2014	\$ 4,521	\$ 445	\$ 460,437	\$ 465,403
2013	6,921	467	461,330	468,718

NOTE 10 CONTINGENCIES

General

The College is, from time to time, subject to routine litigation incidental to its business. College counsel believes that existing insurance policies are sufficient and, as such, management believes that pending litigation will not have a material adverse effect on the College's financial position.

Lines of Credit

The College has a committed and unsecured line of credit with a financial institution at a maximum borrowing amount of \$10,000,000 for working capital needs. This line of credit is periodically renewed and is scheduled to expire on November 30, 2014. The outstanding balance at both June 30, 2014 and 2013 was \$-0-. Interest, if funds are drawn, is payable monthly at a floating rate. The College has a depository relationship with this financial institution.

**LAFAYETTE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 10 CONTINGENCIES (CONTINUED)

Lines of Credit (Continued)

The College has a committed and unsecured line of credit with a second financial institution at a maximum borrowing amount of \$20,000,000 for working capital. This line of credit is periodically renewed and is scheduled to expire on February 1, 2015. The outstanding balance at both June 30, 2014 and 2013 was \$-0-. Interest, if funds are drawn, is payable monthly at a floating rate. The College also has a depository relationship with this financial institution.

NOTE 11 SUBSEQUENT EVENTS

The College evaluated its June 30, 2014 financial statements for subsequent events through October 9, 2014 and has reported the following item:

Swap Novation

As referenced in Footnote 5, the College has three fixed interest rate exchange agreements (Swap Contracts) that were originally entered into with UBS AG as the College's Counterparty. In 2014, the College expects to enter into agreements that have the effect of replacing UBS as the Counterparty on all three Swap Contracts with an alternate counterparty. The key terms of the Swap Contracts including expiration dates, interest rates, payment schedules, and notional values are expected to remain identical to the original Swap Contract terms.