



Audit Report

FOR FISCAL YEAR ENDED MAY 31, 2013

YOUNG, OAKES, BROWN & COMPANY, P.C.

Certified Public Accountants 1210 Thirteenth Street Altoona, PA 16601

TABLE OF CONTENTS

	PAGE(S)
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 = 25
Supplemental Schedule	26

Young, Oakes, Brown & Company, P.C. Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees Juniata College Huntingdon, PA 16652

Report on the Financial Statements

We have audited the accompanying financial statements of Juniata College (a nonprofit organization), which comprise the statement of financial position as of May 31, 2013, 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 respects, the financial position of Juniata College as of May 31, 2013, 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.

Report on Summarized Comparative Information

We have previously audited the Juniata College's May 31, 2012 financial statements, and our report dated August 28, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of operating expenses on page 26 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013, on our consideration of Juniata College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Juniata College's internal control over financial reporting and compliance.

Young, Oaker, Brown's Company, P.C.

Juniata College Statement of Financial Position As of May 31, 2013

As of May 31, 2013 (With Comparative Totals for May 31, 2012)

	£ 5	
	2013	2012
ASSETS		
Cash and Cash Equivalents	\$ 16,352,819	\$ 24,431,977
Accounts Receivable	1,281,695	2,807,667
Loans Receivable-Students	2,213,319	2,367,796
Pledges Receivable	2,219,392	3,231,695
Accrued Interest Receivable	243	(7,388)
Inventories	323,434	318,564
Prepaid Expenses	1,240,429	1,187,606
Long-Term Investments	86,528,178	62,997,358
Real Estate Investments	3,876,697	3,309,070
Cash Value Life Insurance	759,388	242,521
Funds Held in Trust	1,041,431	965,772
Non Depreciable Assets/Collectibles	1,623,732	1,619,832
Land, Buildings & Equipment (Less Accumulated Depreciation)	67,434,153	67,273,531
TOTAL ASSETS	\$ 184,894,909	\$ 170,746,001
LIABILITIES AND NET ASSETS		
<u>Liabilities</u>		
Liabilities	¥	
Accounts Payable and Accrued Expenses	\$ 1,329,336	\$ 1,357,265
Accrued Wages, Salaries and Fringes	10,525,080	10,318,424
Student Deposits	480,073	416,630
Deferred Summer School and Conference Income	882,555	519,539
Annuity and Contracts Payable	2,800,810	2,746,809
Amounts Held on Behalf of Others	356,833	319,931
Advances from Federal Government	1,446,664	1,400,206
Obligation under Capital Lease	284,679	
Bonds and Notes Payable	36,193,586	35,995,351
Total Liabilities	\$ 54,299,616	\$ 53,074,155
Net Assets		2
Unrestricted	\$ 45,982,708	\$ 42,317,953
Temporarily Restricted	24,491,303	18,033,702
Permanently Restricted	60,121,282	57,320,191
Total Net Assets	\$ 130,595,293	\$ 117,671,846
TOTAL LIABILITIES AND NET ASSETS	\$ 184,894,909	\$ 170,746,001
	80.	

Juniata College Statement of Activities For the Year Ended May 31, 2013 (With Comparative Totals for May 31, 2012)

	2013									
				emporarily	P	ermanently		9		
	_ (Inrestricted	_	Restricted	_	Restricted		Total		2012
Operating Revenues and gains:	-				23				2	
Tuition and fees	\$	52,692,902	\$		\$		\$	52,692,902	\$	51,141,342
Scholarship & grant allowances		active rest to some with the						\$100.00 to 100.000.000.000.00		
Unfunded scholarships & grants		(25,147,461)				-		(25,147,461)		(23,950,031)
Funded scholarships & grants	_	29		(1,165,875)			-	(1,165,875)	-	(1,223,287)
Net Tuition and fees	\$	27,545,441	\$	(1,165,875)	\$	ä	\$	26,379,566	\$	25,968,024
Investment income	\$	362,041	\$	1,034,635	\$	_	\$	1,396,676	\$	2,410,897
Gifts	*	3,877,648	*	1,101,391	*	2,791,406	*	7,770,445	*	10,017,351
Allocated endowment income		613,767		2,678,272		9,691		3,301,730		3,272,357
Realized gains (losses) on investments		1,738,574		5,115,058		-		6,853,632		2,977,866
Unrealized gains (losses) on investments		1,056,163		4,360,346		-		5,416,509		(7,375,589)
Sales and services of educational activities		441,798		-		_		441,798		482,631
Contracts, grants and other exchange transactions		73,041		522,537		-		595,578		836,988
Other income		613,696		17,586		2		631,282		584,590
Auxiliary Services		11,125,489		-		7-2		11,125,489		10,458,293
Total operating revenue and gains	Ś	47,447,658	Ś	13,663,948	\$	2,801,097	\$	63,912,705	\$	49,633,408
Net assets released from restrictions - operations		7,769,120		(7,769,120)	1	-,,	3	0		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
· Total operating revenues, gains and other support	\$	55,216,778	\$	5,894,828	\$	2,801,097	\$	63,912,705	\$	49,633,408
		ű.								
										•
Eunances and losses										
Expenses and losses: Educational and general:		₩ <u>.</u>								
	\$	15,789,492	\$		\$		\$	15 790 402	\$	15 516 626
General Instruction	Ş		Ş		Ş	73u	Ş	15,789,492	Ş	15,516,626
Payments on contracts and other exchange transactions		1,763,971		\$.		-		1,763,971		1,986,847
Academic Support Services		5,314,304 9,032,235		1251		(5)		5,314,304		5,002,600
Student Services ·		9,032,233						9,032,235		8,766,432
Institutional Support		7 120 005		NE PERSON				7 120 000		7 472 210
General and Administration		7,130,905				9 -		7,130,905		7,472,310
Fund Raising		1,583,314		10.70		•		1,583,314		1,511,858
Auxiliary Services		7,503,285		· ···				7,503,285		7,394,453
Endowment spending	-	3,434,521	-		-		<u> </u>	3,434,521	_	3,341,415
Total operating expenses	\$	51,552,027	\$		\$		_\$_	51,552,027	\$	50,992,541
Change in Net Assets from Operating Activities	\$	3,664,751	\$	5,894,828	\$	2,801,097	\$	12,360,677	\$	(1,359,133)
Nonoperating Activities										
Gifts		鱼		36,611				36,611		2
Change in value of split-interest agreements				834,872		-	131	834,872		233,721
Payments to beneficiaries of split-interest agreements		(308,713)		-		-		(308,713)		(286,174)
Net assets released from restrictions - split-interest agreements		308,713		(308,713)		-		()		
Postretirement-related charges other than netperiodic benefit costs		-		-		-		2=0		(172,973)
Other expenses		=		(# 8 1 43		540		-		(3,708)
Total Nonoperating expenses	5		-	562,770	-	2	\$	562,770	\$	(229,134)
Change in Net Assets	\$	3,664,751	\$	6,457,598	\$	2,801,098	\$	12,923,447	\$	(1,588,267)
Net assets, beginning of year Pior Period Adjustmens - (See Note 18)	\$	42,317,957	\$	18,033,705	\$	57,320,184	\$	117,671,846	\$	118,294,341 965,772
Net assets, end of year	\$.	45,982,708	\$	24,491,303	\$	60,121,282	\$	130,595,293	\$	117,671,846
				9						

Juniata College Statement of Cash Flows for the Year ended May 31, 2013 (With Comparative Totals for May 31, 2012)

		May 31, 2013	ì	May 31, 2012
Cash Flows from Operating Activities	0 E	•		13
Change in Net Assets	\$	12,923,447	\$	(1,588,267)
Adjustments to Reconcile Change in Net Assets to Net Cash				
Provided by Operating Activities:			12	
Depreciation	\$	3,332,261	\$	3,233,406
Net Realized & Unrealized (Gains) Losses on Investments		(12,849,829)		4,464,797
Receipt of Contributed Securities		(296,999)		(289,928)
Gifts Restricted for Long Term Investment		(2,791,406)	·	(3,328,248)
	\$	(12,605,973)	\$	4,080,027
ALCONOMICA SU ANNOMICE NO PROPERTO AND ANNOMICE NO	10			
Change in Assets and Liabilities	ā.			
Accounts Receivable	\$	1,525,972	\$	(1,766,454)
Loan Receivable-Students		154,477		236,225
Pledges Receivable		1,012,303		(500,295)
Accrued Interest Receivable		(7,631)		74,295
Inventories	*	(4,870)		(6,475)
Prepaid Expenses and Other Assets		(52,823)	V(5)	(147,690)
Cash Value of Life Insurance		(516,867)	-	(11,772)
Accounts Payable & Accrued Expense		262,087		1,155,616
Grants Administered		1 4 8		7,224
Student Deposits		63,443		(39,451)
Deferred Income	5.	363,016	1	(307,061)
Total Adjustment	\$	2,799,109	\$	(1,305,838)
Net Cash Provided by Operating Activities	\$	3,116,584	\$	1,185,922
Cook Floor for Lorentees Autotation				
Cash Flows for Investing Activities		(05 007 440)		(00.000.00)
Acquisition of Investments	\$	(96,807,413)	\$	(80,006,322)
Proceeds from Sales of Investments		85,780,134		90,373,014
Acquisition of Property & Equipment	\\ <u>\\</u>	(3,496,785)		(1,160,241)
Net Cash (Used) Provided by Investing Activities	\$	(14,524,064)	\$	9,206,451
Cash Flows from Financing Activities				243
Gifts Restricted for Endowment	\$	2,791,406	\$	3,328,248
New Borrowings		1,141,726		-
Principal Paid on Long-Term Indebtedness		(658,812)		(277,000)
Repayment of Annuity Contracts		54,001		(139,651)
,	1			(203)032)
Net Cash Provided by Financing Activities	\$	3,328,321	\$	2,911,597
Net (Decrease) Increase in Cash	\$	(8,079,158)	\$	13,303,970
Cash and Cash Equivalents - June 1		24,431,977	v 	11,128,007
Cash and Cash Equivalents - May 31	\$	16,352,819	\$	24,431,977
æs:	8			-
Supplemental Disclosures				
Cash Paid for Interest During the Year:	\$	1,423,377	\$	1,434,837
Non Cash Transactions:	*	2, .20,077	~	-
Receipt of Contributed Securities		296,999		289,928
Contributed Services		48,567		51,347
		10,507		31,347

JUNIATA COLLEGE

NOTES TO FINANCIAL STATEMENTS May 31, 2013

Note 1 - Summary of Significant Accounting Policies

The significant accounting policies followed by the College are described below to enhance the usefulness of the financial statements to the reader.

a. Nature of Operations

The College, which is a nonprofit educational institution organized under the laws of the Commonwealth of Pennsylvania, was established in 1876 to provide higher education to students. The primary revenue sources include tuition and fees from students.

b. Basis of Presentation

The College recognizes Financial Accounting Standard Board guidance for "Accounting for Contributions Received and Made," and "Financial Statements of Not-for-Profit Organizations." This guidance related to financial statement presentation establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. Guidance related to contributions received requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the College to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. A description of the three net asset categories follows:

Unrestricted – Net assets that are free of donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the board of trustees. Government grants which are restricted to various uses are reflected as unrestricted since these funds are received and spent during the same year.

Temporarily Restricted – Net assets whose use by the College is limited by donor-imposed stipulations that expire by the passage of time or that can be fulfilled or removed by actions of the College pursuant to these stipulations.

Permanently Restricted - Net assets whose use by the College is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the College. Generally, the donors of these assets permit the College to use all or part of the investment income on related investments for general or specific purposes. Such assets primarily include the Colleges permanent endowment fund.

c. Accrual Basis

The College's financial statements have been prepared on the accrual basis.

d. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e. Operations

Revenues received and expenses incurred in conducting the programs and services of the College are presented in the financial statements as operating activities. Tuition and fees include the College's includes room, board and student user fees. Revenues and other support from operating activities are not restricted by donors or other external sources and are therefore classified as unrestricted. Operating activities also include investment earnings. Net assets released from restriction included in operating activities represent certain gifts and income used from operating expenses where the donor restrictions were satisfied in the current year.

f. Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts with maturities of less than 90 days. At year end and during the year, the College's cash balances were deposited in several banks. Management believes the College is not exposed to any significant credit risk on cash and cash equivalents.

g. Accounts Receivable

Accounts receivable consist primarily of student account and grant receivables. No interest is charged to these balances. These amounts, less an appropriate allowance, are recorded at their estimated net realizable value. Management estimates the allowance for doubtful student accounts by using historical experience rate of 5% of the entire account balance. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivables previously written off are recorded as revenue when received.

h. Pledges Receivable

These amounts, less an appropriate allowance, are recorded at their estimated fair value. Each year, new pledge commitments received in that year are discounted to fair value using the average of the two and three year Treasury bill rate applicable to each year end. As of May 31, 2013, the effective interest rate was 0.40%.

i. Inventories

Inventories are valued at cost, determined using a first-in, first-out basis. Inventories consist primarily of items used in operations and instruction.

j. <u>Investments</u>

Investments are stated at fair value. Real estate investments are stated primarily at cost. Securities not publicly traded are stated at cost which approximates market. The net realized and unrealized gains (losses) on investments are reflected in the Statement of Activities.

k. Property and Equipment

Property and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts.

Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Equipment purchased or received as a gift with an estimated useful life of less than five years is not capitalized. A summary of depreciable lives follows:

¥			Capitalization
		<u>Years</u>	Thresholds
Buildings, Residences, and O	her Structures	40	\$25,000/ item
Land Improvements	ă.	20	\$10,000/item
Equipment		5 or 10	\$5,000/item
Capital Leases	(4)	Lease Term	\$5,000/item

The College considers its collection of works of art and rare books as inexhaustible because they have cultural, aesthetic or historical value that will be preserved and, therefore, does not depreciate those assets. The cost of repairs and maintenance are charged as expense as incurred while major renewals and betterments are capitalized. Land, buildings, land improvements, and equipment are removed from the records in the year of disposal and the resulting gain or loss is recorded in the statement of activities.

I. Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The College measures its investments, certain spilt-interest agreements, and contributions receivable (at inception) at fair value in accordance with other accounting pronouncements. Additionally, the College discloses the fair value of its outstanding debt. The College's valuation methodologies for each of these items are described below.

There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose primary values are observable.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity funds and certain other alternative investments.

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

Cash and Equivalents and Funds Held by Trustee

The carrying amount approximates fair value because of the short maturity of those instruments.

Cash and Money Market Funds

Cash and money market funds are valued based on stated values.

Mutual Funds

Mutual funds including equity, fixed income, and international mutual funds are valued at the closing price of the traded fund at the balance sheet date. To the extent these mutual funds are actively traded, they are categorized in Level 1 of the fair value hierarchy.

Equity Securities

Securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, they are categorized in Level 1 of the fair value hierarchy.

Debt Securities

U.S. government securities are generally valued at the closing price reported in the active market in which the individual security is traded.

Debt securities including corporate and international securities are valued at the closing price reported in the active market in which the bond is traded, if available and classified as Level 1 of the

fair value hierarchy. If such information is not available, debt is valued based on yields currently available on comparable securities for issuers with similar credit ratings and classified in Level 2 of the fair value hierarchy.

Alternative Investments

Valuations for alternative investments including debt and equity funds, private partnerships, and other alternative investments are based on NAV provided by external investment managers or on audited financial statements when available. NAV provided by external investment managers are based on estimates, assumptions, and methods that are reviewed by management and classified in Level 2 of the fair value hierarchy.

m. Notes Receivable

Determination of the fair value of student and parent loan receivables, which include donor restricted and federally sponsored student loans with mandated interest rates and repayment terms subject to significant restriction as to their transfer and disposition, could not be made without incurring excessive costs. Management has determined that fair value approximates carrying value for accounts, loans and pledges receivable, accounts payable and student deposits, given the short-term nature of these instruments. The fair value of such instruments has been derived, in part, by management's assumptions, utilizing Level 2 inputs. For government advances for student loans and annuity obligations, management determined that the cost of assessing an estimate of fair value outweighed the benefits of this additional information.

Pledges Receivable

The College values pledges receivable at fair value on the date the gift is received using the present value of future cash flows as described in Note 3. Pledges receivable are not measured at fair value subsequent to this initial measurement.

Split-Interest Agreements

Depending on the type of agreement, fair value measurements for split-interest agreements are made either at inception or on a recurring basis. Fair value of the residual gift is generally based on the present value of expected future cash flows including payments to beneficiaries and investment return, and inputs include the life expectancy of the donor and other beneficiaries as well as financial assumptions.

Debt

The College's disclosure of the fair value of its debt in Note 8 is based on Level 2 inputs including quoted prices from similar maturities based upon the rating of the credit enhancement or that of the College for each series of bonds.

Other

The postretirement benefits liability is carried at an amount determined by an external actuarial firm.

n. Endowment Spending Policy

The spending rate from the Endowment for current operations of the College shall be within the range of 3.5% and 6% of the 5-year moving average of the calendar year-end market values, subject to the limitations, if any, of Pennsylvania law. The Committee on Investments will review and determine the actual spending rate annually. For fiscal year 2012-13, spending was 5.0% of a 5-year moving average. For fiscal year 2013-14, spending will be 5.0% of a 5-year moving average of the previous 5 years' calendar year-end market values.

Split-Interest Agreements

Certain donors have established irrevocable split-interest agreements with the College, primarily charitable remainder trusts, charitable gift annuities, and pooled income fund agreements for which the College serves as trustee. Whereby the donated assets are invested and distributions made to the donor and/or other beneficiaries in accordance with their respective agreements. The College separately tracks assets held in split-interest agreements and reports them at fair value as

Investments, annuity and life income funds. The present value of the estimated future distributions to beneficiaries from these annuity agreements is recorded as a liability as of the dates the agreements are established; the liability is adjusted as distributions are made and for changes in the present value of estimated future distributions. The difference between the assets received and the liability for beneficiary payments is recognized as contribution revenue as of the dates the agreements are established. The initially recorded fair value of the donated investments is determined based on the underlying nature of the investments, which may utilize Level 1, 2, or 3 inputs while the initial measurement of the related obligations uses Level 2 inputs.

Charitable trusts, where an outside party serves as trustee, are recorded at fair value when notification of the trust's existence is received and the third-party trustee has provided sufficient reliable information to estimate the fair value, net of the present value of any estimated future payments to beneficiaries. The College reports these amounts as Investments, funds held in trust by others.

Donor contributions to split-interest agreements are recorded as contribution revenue in the non-operating section of the statement of activities in the year the gift is made. Subsequent changes in value are reported as net change in annuity and life income funds in the statement of activities. Discount rates used to determine the present value of estimated future payments to beneficiaries range from 1.20% to 10.20%.

p. Leases

The College leases certain office equipment and vehicles. They are expensed as incurred using the operating method or are capitalized depending on the appropriate accounting criteria.

q. Concentrations of Credit and Market Risk

Financial instruments that potentially expose the College to concentrations of credit and market risk consist primarily of cash equivalents, pledges receivable, and investments. Cash equivalents are maintained at high-quality financial institutions, and, while certain amounts exceed Federally-insured amounts, credit exposure is considered limited at any one financial institution by management. The College has not experienced any losses on its cash equivalents. The College's investments do not represent significant concentrations of market risk inasmuch as the College's investment portfolio is adequately diversified among issuers.

r. Income Tax Status

The College is recognized as an organization exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code (the "Code") whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax. The College does not believe that it has any unrelated business income.

Advertising Costs

The College recognizes all of its advertising costs as the expenses are incurred. During the years ended May 31, 2013 and 2012, the amount of advertising expense was \$390,000 and \$377,000 respectively.

t. Estimated Liability for Health Care Claims

Accrued liabilities include the estimated cost of claims for medical and prescription drug benefits not covered by insurance. A substantial portion of the College's medical and prescription drug benefit costs are self-insured through significant self-pay deductibles. All the self-insured liability regarding the aforementioned claims is included in the liability section of the balance sheet as other accrued liabilities. The liability for unpaid losses and loss expense are estimated by the third party administrator using individual case-basis valuations. Those estimates are subject to the effect of trends in measuring loss severity. Although considerable variability is inherent in such estimates, management believes that the liabilities accrued for losses and loss expenses are adequate. The estimates are continually reviewed and adjusted as necessary, as experience develops, or new

information becomes known and such adjustments are included in current operating results. An estimate of claims incurred but not reported has been included in the \$210,746 and \$410,967 accruals as of May 31, 2013 and 2012, respectively.

u. Reclassifications

Certain information for the prior year has been reclassified to make it consistent with the current year format where applicable.

Note 2 - Loans Receivable

Loans receivable are carried at estimated net realizable value. Loans receivable reflected on the Statement of Financial Position includes \$1,004,978 and \$1,167,031 of Perkins Loans and \$1,271,938 and \$1,263,963 of Juniata College-provided loans, less an allowance for doubtful accounts of \$63,597 and \$63,198 for May 31, 2013 and 2012, respectively. Loans receivable are carried at the original amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines this allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Loans that are 30 days or more past due are assessed late fees. Interest and late fees are recorded when received. Perkins loans that are in default and meet certain requirements can be assigned to the Department of Education, which reduces the Government advances for student loans.

Loans receivable are carried at their estimated net realizable value. Management estimates the allowance for credit losses based on historical losses, current economic conditions and the credit quality of the loans. Loans receivable are written off when deemed uncollectible. Recoveries of loans receivable previously written off are recorded as decreases in the allowance for credit losses. Interest income on loans receivable is recognized in the period earned. Interest is not recorded on loans that are significantly past due and considered uncollectible.

Advances from the Federal Government under the Perkins Loan programs are distributable to the Federal Government upon liquidation of the fund and, thus, are reflected as a \$1,446,664 (2013) and \$1,400,206 (2012) liability on the Statement of Financial Position.

The following represents the activity in the College's Allowance for Doubtful accounts activity for 2013.

Beginning Allowance

\$63,198

Current Year:

Adjustments

399

Ending Allowance

\$63,597

Note 3 - Pledges Receivable

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded after discounting to the present value of the future cash flows.

Unconditional promises are expected to be realized in the following periods:

	5/31/13	5/31/12
In One Year or Less	\$632,711	\$243,036
Between One Year and Five Years	1,853,496	1,929,271
More Than Five Years	33,500	1,687,253
Face Value Pledges	2,519,707	3,859,560
Less: Discount	(183,531)	(457,776)
Present Value of Pledges	2,336,176	3,401,784
Less: Allowance for Uncollectible	(116,784)	(170,089)
Pledges Receivable	<u>\$2,219,392</u>	\$3,231,695

At May 31, 2013 and 2012 management estimated that 5% of the present value of the pledges receivable will be uncollectible.

Following is a reconciliation of activity for the year ended May 31, 2013 for pledges measured at fair value based on significant unobservable (non-market) information:

9	2013		2012
Face value of pledges	\$2,519,707		\$3,859,560
Less: Present value adjustments	(183,531)	20	(457,775)
Gross Pledges	2,336,176	*	3,401,785
Less: Allowance for uncollectible	(116,784)		(170,090)
Net pledges per financial statements	\$2,219,392		\$3,231,695
Amounts collected	(\$1,798,100)		(\$1,027,625)
Pledges written off	(15,292)		(62,431)
New pledges Received	482,575		1,108,559
Decrease in Allowance for Uncollectible	53,305		(26,331)
Net decrease in Present Value Adjustments	265,207		508,123
Activity for the year ended May 31, 2013	(<u>\$1,012,305</u>)	102	\$500,295

Conditional pledges and bequest intentions totaling approximately \$33,976,065 have been excluded from the pledge receivable amounts and are not recorded in the financial statements due to the fact that they are conditional. Restrictions on these conditional pledges and bequest intentions are as follows:

Buildings	\$3,931,621
Budget Relief	13,194,487
Programming	4,029,004
Unrestricted	12,623,413
Unknown	197,540
Total	<u>\$33,976,065</u>

Note 4 - Investments in Securities

Investments are stated at fair value. The primary objective is to earn an average annual return above the spending rate to support operations. Accordingly, the Investment Committee of the Board of Trustees has approved a diversified asset allocation program for its long-term investments that is actively managed by various external managers. Equity investments include assets across all sectors and styles, including US large, mid and small-cap, private equity and hedge funds. Fixed income securities include treasuries, corporates, and other issues. The Investment Committee, in combination with the College's investment advisors and management, performs continuous monitoring of actual results and operating styles.

As of May 31, 2013 and 2012, the securities held by the College are comprised of the following:

	Current Funds	Endowment	Gift Annuity	Pooled Income	Charitable Rem Annuity Trusts	Charitable Rem Unitrusts	2013 Estimated Fair Value
Investments							
Fixed income funds	\$2,999	\$16,651,910	\$1,280,719	\$484,092	\$6,973	\$1,179,607	\$19,606,301
US treasury Obligations					\$106,882	\$117,118	\$223,999
Domestic Equity and Mutual funds	\$119,204	\$49,452,560	\$865,813	\$322,674	\$74,025	\$1,323,369	\$52,157,644
International equities and equity funds		\$9,532,058	\$219,125		\$29,612	\$402,855	\$10,183,650
Hedge funds		\$3,178,189					\$3,178,189
Private equity		\$1,178,394			<u>,</u>		\$1,178,394
Total Investments	\$122,203	\$79,993,110	\$2,365,658	\$806,767	\$217,491	\$3,022,949	\$86,528,178

		Current Funds	Endowment	Gift Annuity	Pooled Income	Charitable Rem Annuity Trusts	Charitable Rem Unitrusts	2012 Estimated Fair Value
Inve	estments							
	Fixed income funds	\$2,999	\$3,126,191	\$1,257,367	\$40,062		\$1,373,754	\$5,800,373
	US treasury Obligations					\$114,374		\$114,374
	Domestic Equity and Mutual funds	\$78,031	\$43,234,582	\$695,266	\$675,070	\$68,449	\$1,138,431	\$45,889,829
	International equities and equity funds		\$6,046,119	\$153,094		\$21,275	\$329,253	\$6,549,741
	Hedge funds		\$3,053,019					\$3,053,019
	Private equity .		\$1,590,022					\$1,590,022
	Total Investments	\$81,030	\$57,049,933	\$2,105,727	\$715,132	\$204,097	\$2,841,438	\$62,997,357

Additional Fair Value Disclosure

The college uses Net Asset Value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value (e.g. private equity partnerships) and (b) prepare their financial statements consistent with the measurement principals of an investment company or have the attributes of an investment company. Per ASU 2009-12, the following required disclosure lists investments in hedge funds and private equity by major category.

Basis of Reporting - Alternative Investments

Marketable alternative investments include investments in absolute return strategies, distresses debt and hedge funds. Private equity, real estate, real assets and market alternative investments generally consist of funds and limited partnerships managed by external managers. These external investment vehicles often do not have quoted market prices. In the absence of quoted market prices, the fair value is determined by the external managers. Most of these external managers calculate the College's capital account or net asset value (NAV) in accordance with, or in a manner consistent with US GAAP. As a practical expedient, the college is permitted under US GAAP to estimate the fair value of its investments managed by these external managers using the reported NAV provided by the external managers. Due to the inherent uncertainties of valuation, these estimated fair values may differ significantly from the values that would have been realized had a readily available market for these investments existed, and these differences could be material.

	Investment	Strategy	Fair Value	Remaining Life	STATE OF THE PARTY	of Unfunded nitments	Timing to Draw Commitments	Redemption Terms
						\$		
	Common Sense	Hedge Fund	\$1,425,663	N/A		\$0	N/A	N/A
	Grosvenor	Hedge Fund	\$1,752,526	N/A		\$0	N/A	N/A
•	Praesidian	Private Equity	\$695,169	N/A	(80) W	\$0	N/A	N/A
	Recap Metro	Private Equity	\$483,225	N/A		\$764,894	.N/A	N/A
		a.						
	Total		\$4,356,583			\$764,894		

The College has performed due diligence around its private equity and marketable alternative investments to ensure they are recorded at fair value as of May 31, 2013 and 2012.

Furthermore, while the College believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different estimate of fair value at the end of the reporting date.

Note 5 - Property and Equipment

Property and equipment values are summarized as follows at May 31, 2013 and May 31, 2012:

Construction in Progress	<u>2013</u> \$749,768	<u>2012</u> \$303,561
Land	2,008,978	2,005,359
Buildings	97,777,216	96,937,810
Equipment	14,752,246	23,363,661
Land Improvements	1,317,423	1,265,411
,	116,605,630	123,875,802
Less: Accumulated Depreciation	(49,171,477)	(56,602,270)
a	<u>\$67,434,153</u>	<u>\$67,273,531</u>

Depreciation expense on these assets was \$3,227,803 and \$3,147,401 for 2013 and 2012, respectively.

In addition to these assets, the College's Endowment owns investments in real estate as follows:

	<u>2013</u>	2012
Land	\$ 859,397	\$ 647,237
Rental Properties	4,057,107	3,432,015
,	\$ 4,916,504	\$ 4,079,252
Less: Accumulated Depreciation	(1,039,807)	(770,182)
	\$ 3,876,697	\$ 3,309,070

Depreciation expense on these rental properties was \$104,458 and \$86,005 for 2013 and 2012, respectively.

Non-depreciable assets such as collectibles, totaled \$1,623,732 and \$1,619,832 respectively as of May 31, 2013 and 2012.

Note 6 - Retirement Plan

The Juniata College Retirement Plan covers all eligible employees who have both completed one year of service and have attained age thirty, and optional participation is available after one year of service regardless of age. Each participant in the Plan contributes a percentage of his regular monthly compensation through a scheduled payroll deduction or reduction. The College also contributes an additional percentage on behalf of the employees. The contributions are invested in individual annuity contracts with the Teachers Insurance and Annuity Association/College Retirement Equities Fund. Participants in the Plan normally retire at the end of the contract year in which they attain age 65. In the event of death, prior to retirement, the value of a participant's annuity accumulation is payable to his/her named beneficiary. Authorization for amendment to the Plan requires action by the Board of Trustees upon a recommendation by the President of the College. The College's contributions to this Plan were \$1,691,352 and \$1,669,758 for the fiscal years ending May 31, 2013 and 2012, respectively.

Note 7 - Other Postretirement Benefits

Following are reconciliations of the postretirement benefit obligation and the value of plan assets for the year ended May 31, 2013:

Postretirement Benefit Obligation	2013
Balance, beginning of year	\$6,133,367
Service Cost	32,986
Interest Cost	265,517
Benefits paid to participants	(281,896)
Change due to change in Experience at 6/1/12	(80,244)
Change in Actuarial Assumptions at 5/31/13	16,617
Balance, end of year	\$6,086,347
Plan Assets	
Fair Value of Plan Assets	\$ <u>0</u>
Fair Value, end of year	(\$6,086,347)

At May 31, 2013, the funded status of the plan was as follows:

Accumulated Postretirement Benefit Obligation:	
Fully Eligible Active Plan Participants	(\$2,114,944)
Other Active Plan Participants	(935,724)
Retirees	(3,035,679)
Accumulated Postretirement Benefit Obligation	(\$6,086,347)
Fair Value of Plan Assets	\$ 0
Excess of benefit obligation over fair value of plan assets	(\$6,086,347)

During the 2012-2013 fiscal year, the College contributed \$215,629, while the retired employees contributed \$142,001. The College expects to contribute approximately \$210,000 to the plan during the 2013-2014 fiscal years. Benefits expected to be paid by the plan during the ensuing five years and thereafter are approximately as follows:

For the year ending	<u>Amount</u>
May 31, 2014	\$ 315,878
May 31, 2015	328,610
May 31, 2016	342,704
May 31, 2017	347,419
May 31, 2018	349,663
May 31, 2019 through May 31, 2023	1,852,074

The net periodic postretirement cost recognized for the year ended May 31, 2013 is comprised of the following:

Service cost	\$ 32,986
Interest cost	265,517
Amortization of prior service cost	(14,949)
Amortization of net actuarial loss	306,371
Net periodic postretirement cost	\$589,925

For the current year, the following weighted-average rates were used:

Discount rate on the benefit obligation	4.50% end of year	4.50% beginning of year
Expected rate of return on plan assets	0%	

For measurement purposes, a 7% increase in the cost of health care benefits was assumed for 2013, decreasing by .5% per year to 5.0% in 2015. Rates are assumed to gradually decrease from 4.7% in 2016 to 3.7% in 2099 and later.

Assumed health care cost trend rates significantly impact reported amounts. The effect of a one-percentage-point change in assumed rates would alter the amounts of the benefit obligation and the sum of the service cost and interest rate components of postretirement benefit expense as follows

	One-percentage-point		
	<u>Increase</u>	<u>Decrease</u>	
Effect on the postretirement benefit obligation	\$699,376	(\$584,126)	
Effect on the sum of the service cost and interest rate components	36,109	(29,888)	

As of May 31, 2013, the following items included in changes in unrestricted net assets separate from expenses had not yet been recognized as a component of net periodic postretirement benefit cost:

Actuarial loss		\$2,460,157			
Prior Service Cost	90 53	(1,247)			
Total		\$2,458,910			

As of May 31, 2013, \$14,949 of prior service cost and (\$306,371) of loss will, through amortization, be recognized as a component of net periodic benefit cost in 2013-2014 fiscal year.

The following items were reclassified to net periodic benefit cost of amounts previously recognized as changes in unrestricted net assets but not included in net periodic benefit cost when they arose:

Amortization of prior service cost	\$ 14,949
Amortization of loss	(306,371)
* *	
Total	(\$291,422)

For Medical and Prescription Drug coverage, the College's share of premium is 2.5% for each year of service up to 50%. If a member was less than age 50 as of January 1, 1997, the member's years of service was frozen as of January 1, 1999. For individuals past age 65, the College continues to pay the same percentage of premium as pre-65 for a Medicare Supplement Plan provided by the College. In addition, the College pays \$30/month for retirees to select their own Medicare Part D Plan. For grandfathered retirees, the College pays the full premium of Medicare Supplement plan and Medicare Part D Plan; for another, the full premium of Medicare Supplement plan; and for two retirees and spouse of another, the full premium of Medicare Supplement plan. For the year ended May 31, 2013, the College gross payment of these benefits payments totaled \$60,941. The College expects that its 2014 payments will be approximately \$65,000.

Note 8 - Bonds & Note Payable

A summary of the College's debt service obligations are as follows:

Huntingdon County General Authority:	Balance <u>5/31/12</u>	Additional Borrowing <u>12-13</u>	Principal Retired <u>12-13</u>	Balance <u>5/31/13</u>
Series 2004 Note 2007 Series 2010A Series 2010B Note 2013	5,533,000 6,577,351 23,500,000 385,000	850,000	(203,000) (358,765) (90,000)	5,330,000 6,218,586 23,500,000 295,000 850,000
Total	\$35,995,351	\$850,000	(\$651,765)	\$36,193,586

.The principal debt service requirements for the five upcoming fiscal years are as follows:

		2004	2007	2010A	2010B	2013	Total
2013-2014		210,000	358,765	Y#	95,000	210,000	873,765
2014-2015	1	214,000	358,765	: -	100,000	214,000	886,765
2015-2016		119,000	358,765	X 	100,000	119,000	696,765
2016-2017		125,000	358,765	690,000	-	125,000	1,298,765
2018-2019	1	529,000	358,765	730,000	22	182,000	1,799,765
Thereafter		4,133,000	4,424,761	22,080,000	-	* -	30,637,761
Totals	\$	5,330,000	\$ 6,218,586	\$ 23,500,000	\$ 295,000	\$ 850,000	\$ 36,193,586

Pursuant to a Financing Agreement dated November 30, 2004, between the Huntingdon County General Authority and a bank, the HCGA issued a \$6.0 million Revenue Note on behalf of the College. The proceeds of this tax exempt bank loan were used on construction of an addition to Oller Hall and related equipment, renovations to Oller Hall, other capital projects, and the payment of cost of issuance. The interest is 3.56% through the tender option date of November 30, 2014.

Pursuant to a Financing Agreement dated October 1, 2007, between the Huntingdon County General Authority and a bank, the HCGA issued an \$8.0 million or the amount advanced Revenue Note on behalf of the College. The proceeds of this tax exempt bank loan will be used for construction and renovation of Founders Hall, renovation of Good Hall, construction of a new 8 lane track, other capital projects, and the payment of cost of issuance. The total amount that was advanced on the note was \$7,175,292. The maturity date is October 1, 2030. The current rate of interest as of May 31, 2013 was 0.959%.

Pursuant to a Trust Indenture dated July 20, 2010, between the Huntingdon County General Authority (HCGA) and a bank, HCGA issued \$23.5 million of Series 2010A with fixed interest rates ranging from 3.5% to 5% and \$560 thousand of series 2010B (federally taxable) bonds with a fixed interest rate of 4.4% on behalf of the College. The Bonds are issued and secured pursuant to the Indenture. The Bonds are subject to optional and mandatory redemption. The proceeds of the sale of the Bonds will be used to fund a loan to the College, to finance the (a) refunding of the outstanding principal balance of the Pennsylvania Higher Educational Facilities Authority Revenue Bonds (Association of Independent Colleges and Universities of Pennsylvania Financing Program – Juniata College Project), Series 2002 J1 (the "2002 Bonds"), previously issued for the benefit of the College, (b) refunding of the outstanding principal balance of the Authority's College Revenue Bonds, Series A of 2001 (Juniata College Project) (the "2001 Bonds"), previously issued for the benefit of the College, (c) termination of an interest rate swap agreement entered into by the College with respect to the 2001 Bonds, and (d) costs of issuance of the Bonds. Standard and Poor's rates the 2010 bonds as "A-".

Pursuant to a Financing Agreement dated April 30, 2013, between the Huntingdon County General Authority and a bank, the HCGA issued an \$8.5 million or the amount advanced Revenue Note on behalf of the College. The proceeds of this tax exempt bank loan will be used for construction of a new residence hall, other capital projects, and the payment of cost of issuance. The total amount that was advanced on the note was \$850,000. The maturity date is April 1, 2039. The current rate of interest as of May 31, 2013 was 01.324%.

The College capitalizes interest incurred on the cost of property, plant and equipment constructed for its own use along with related loan fees and costs. There was no interest capitalized for the years ended May 31, 2013 and 2013. Total interest expense for the years ended May 31, 2013 and 2012 was \$1,423,377 and \$1,434,837, respectively.

The College maintains a Line of Credit Agreement with Kish Bank. Total funds available to the College are \$3 million dollars. The balance owed on May 31, 2013 and 2012 was \$0.

Note 9 - Contributed Property and Services

The College receives donated property and services throughout the year. For the years ended May 31, 2013 and 2012, a total of \$48,567 and \$51,347, respectively, were recorded as revenue as a result of these gifts. Those items meeting the College's capitalization policy are depreciated over their useful lives. Gifts of collectibles and collections are capitalized and not depreciated and totaled \$3,900 of the above amount for the year ended May 31, 2013. The balance contributed was for various other miscellaneous programs and events.

Note 10 - Commitments and Contingencies

Certain Federally-funded financial aid programs are routinely subject to special audit. The reports on the examinations, which are conducted pursuant to specific regulatory requirements by the auditors for the College, are required to be submitted to both the College and the U.S. Department of Education. Such agency has the authority to determine liabilities, as well as to limit, suspend, or terminate Federal student aid programs.

Other Federal programs are also subject to audit. Such audits could result in claims against the resources of the College. No provision has been made for any liabilities which may arise from such audits since the amounts, if any, cannot be determined at this date.

On May 20, 2013, the College entered into an exclusive 5-year sponsorship agreement with a national beverage company. The agreement provides the College cash and various athletic supplies in exchange for exclusivity.

Note 11 - Leases

The College has leased certain office equipment and vehicles which are expensed as incurred utilizing the operating method. During the years ended May 31, 2013 and 2012, some \$249,294 and \$261,498 in rents were expensed.

The College also has a capital lease for computer equipment with a lease term of 36 months. The capitalized lease assets are approximately \$291,726 and \$0 for the years ended May 31, 2013 and 2012, with accumulated depreciation of \$8,104 and \$0 for the years ended May 31, 2013 and 2012.

The future minimum lease payments under noncancellable operating leases and the present value of the future minim capital lease payments at May 31, 2013 are as follows:

	Capital Lease		Operating Leases		
Year ending May:			•		
2014	\$	106,056	\$	222,638	
2015	(4)	106,056		167,758	
2016		106,056		132,214	
2017			96	99,540	
2018					
Thereafter	-	<u> </u>	<u> </u>		
Total minimum payments	(12)	318,168	\$	622,150	
Less amounts representing interest		33,489	150		
Present value of net minimum lease					
payments		284,679	8		
Current maturities of capital lease					
obligations .		87,477			
Long-term portion of capital leases	\$	197,202			

Note 12 - Funds Held in Trust by Others

The College is an income beneficiary of all or a portion of eight perpetual trusts held and administered by various financial institutions. The College receives its share of distributions from the trusts annually and recognizes these amounts as contributions upon receipt. For the years ended May 31, 2013 and 2012, the College received \$101,435 and \$90,053 from these trusts. The College did record an asset for the estimated market value of its corresponding share of the assets in these trusts. Any change in this asset is recognized as contribution income in the year of change.

Note 13: Environmental Matters

Financial Accounting Standards Board guidance requires the recognition of a liability for the fair value of a conditional asset retirement obligation when the obligation is incurred – generally upon the acquisition, construction, development and/or through the normal operation of the various buildings, if the fair value of the liability can be reasonably estimated. 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. Uncertainty about the timing and/or method of settlement is required to be factored into the measurement of the liability when sufficient information exists.

For the years ended May 31, 2013 and 2012, the College recognized accretion expense (an increase to this liability) of \$43,654 and \$41,270, respectively. The College mitigated obligations of \$2,855 and \$3,793

respectively. The balance of this liability was \$747,746 and \$706,917 as of May 31, 2013 and 2013 respectively.

Note 14: Endowments for Not-For-Profit Organizations

Financial Accounting Standards Board provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC; formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. This guidance also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. Since Pennsylvania has not adopted UPMIFA, the required disclosures are set forth below:

Interpretation of Relevant Law

The Board of Trustees of Juniata College has interpreted the State Law (the Act) as requiring the preservation of the purchasing power (real value) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Juniata College classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, (3) 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Juniata College has a policy of appropriating for distribution each year an amount that will be no larger than 6% and not less than 3.5% of the average of the past 5 years of the endowment's closing market values. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow at an average of 6.8% annually. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Return Objectives and Risk Parameters

Juniata College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Callan Associates Median Balanced Fund Database while assuming a moderate level of investment risk. Juniata College expects its endowment funds, over time, to provide an average rate of return of approximately 7.40 % net of fees annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Juniata 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). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level of the original donor gift. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. The total deficiencies for years ended May 31, 2013 and 2012 were \$2,949,358 and \$6,650,952, respectively.

Endowment Net Asset Composition by Type of Fund As of May 31, 2013

		Temporarily	Permanently	
#	Unrestricted	Restricted	Restricted	Total
Donor-Restricted Endowment funds	\$8,520,737	\$17,868,161	\$56,511,175	\$82,900,073
Board-designated	12,429,081	0	0	12,429,081
Total Funds	\$20,949,818	\$17,868,161	\$56,511,175	\$95,329,154

Changes in Endowment Net Assets for the Fiscal Year Ended May 31, 2013

	<u>Un</u>	restricted		mporarily estricted	Permanently Restricted	<u>Total</u>
Endowment Net Assets,						
beginning of year	\$	12,684,539	. \$	12,208,398	\$ 53,795,428	\$ 78,688,365
Investment Return:						
Investment Income		482,193		1,421,688	-	1,903,880
Net Appreciation		Ť				
(realized and unrealized)	2	2,644,046	_	9,042,029		11,686,074
Total Investment Return		15,810,777		22,672,114	53,795,428	92,278,320
Contributions		3,740,542		29,066	2,715,747	6,485,355
Appropriation of endowment						
assets for expenditure		(3,434,521)				(3,434,521)
Other Changes	S 	4,833,020		(4,833,020)		
Endowment Net Assets,						
End of year	\$	20,949,818	\$	17,868,161	\$ 56,511,175	\$ 95,329,154
					•0	

Note 15 - Restrictions and Limitations on Net Asset Balances

At May 31, 2012 and 2011, the College's unrestricted net assets were allocated as follows:

•	2013	2012
Investment in Plant	28,806,450	31,249,935
Other Endowment	20,949,819	12,684,538
Reserves and operating funds	(3,773,561)	(1,616,520)
Total	\$45,982,708	\$42,317,953

The College's temporary restricted net assets were allocated as follows:

r	2013	2012
Long-term investment gains restricted as to purpose:		
Instruction	9,518,449	6,217,440
Student Aid ·	8,349,712	6,186,236
Other	1 (2)	
	17,868,161	12,403,676
Other Purpose restrictions	2,029,179	1,659,097
Time restrictions:	8	
Annuity trust agreements	3,865,152	3,302,380
Pledges receivable	728,813	. 668,551
Total	\$24,491,305	\$18,033,702

The College's permanently restricted net assets were allocated as follows:

	2013	2012
Assets for which earnings are restricted as to purpose:	w	
Instruction	\$29,902,670	\$28,023,661
Student Aid	27,406,977	26,218,100
Other	1,845,512	1,760,168
Time restrictions:		
Pledges receivable	966,122	1,318,258
	\$60,121,281	\$57,320,191

Note 16 - Fair Value Measurements

The College has determined the fair value of certain assets and liabilities through the application of FASB guidance related to "Fair Value Measurements." The carrying amounts in the table that follows are included in the Statement of Financial Position under the applicable captions:

	2013	20	2012	
	Carrying	Fair	Carrying	Fair
194	Amount	Value	Amount	Value
Investments in securities	86,528,178	86,528,178	62,997,358	62,997,358
Bonds & Notes payable	(36,193,586)	(36,193,586)	(35,995,351)	(35,995,351)

Fair values of assets and liabilities measured on a recurring basis at May 31, 2013 and 2012 are as follows: Fair Value Measurements at Reporting Date Using

N C		Quoted Prices In Active Markets	Significant Observable Inputs	Significant Un-observable Inputs
May 31, 2013	Fair Value	(Level I)	(Level II)	(Level III)
Investments in securities Bonds & Notes payable	86,528,178 (36,193,586)	82,171,595	4,356,583 (36,193,586)	

		Quoted Prices In Active Markets	Significant Observable Inputs	Significant Un-observable Inputs
May 31, 2012	Fair Value	(Level I)	(Level II)	(Level III)
Investments in securities	62,997,358	58,354,317	4,643,041	
Bonds & Notes payable	(35,995,351)		(35,995,351)	

The valuation of the College's financial instruments measured on a recurring basis using the fair value hierarchy consisted of the following at May 31:

*	2013			
	Level 1	Level 2	Level 3	<u>Total</u>
Investments				
Fixed income funds	\$19,606,301			\$19,606,301
US treasury Obligations	\$223,999		9	\$223,999
Domestic Equity and Mutual funds	\$52,157,644			\$52,157,644
International equities and equity funds	\$10,183,650			\$10,183,650
Hedge funds	#3	\$3,178,189	¥	\$3,178,189
Real estate funds				
Venture capital				
Corporate Owned Life Insurance				
Private equity		\$1,178,394		\$1,178,394
Natural resources				
Total Investments	\$82,171,595	\$4,356,583		\$86,528,178

	2012			
	Level 1	Level 2	Level 3	<u>Total</u>
Investments				
Fixed income funds	\$5,800,373			\$5,800,373
US treasury Obligations	\$114,374			\$114,374
Domestic Equity and Mutual funds	\$45,889,829			\$45,889,829
International equities and equity funds	\$6,549,741			\$6,549,741
Hedge funds		\$3,053,019		\$3,053,019
Real estate funds				
Venture capital				
Corporate Owned Life Insurance	*1	\$0		\$0
Private equity	8	\$1,590,022		\$1,590,022
Natural resources				
Total Investments	\$58,354,316	\$4,643,041		\$62,997,357

All realized and unrealized gains and losses on these assets and liabilities which occurred for the year ending May 31, 2013 have been recognized in the financial statements.

Note 17 - Sabbatical Leave

The College makes a benefit available to certain employees known as a sabbatical leave. After meeting certain criteria and, if approved, the employee is compensated during the sabbatical leave but is not required to perform any duties for the College. Although this benefit vests to the employees, they are not entitled to compensation for the value of any unused benefit upon termination or retirement. Financial Accounting Standards Board guidance requires, under certain circumstances, that a liability be accrued

over the requisite service period. The College recognizes these pronouncements and has recorded a liability for the years ending May 31, 2013 and 2012 of \$377,093 and \$468,934, respectively.

Note 18 - Prior Period Adjustment

The College recorded an increase in permanently restricted net assets of \$965,772 for funds held in trust by others as of 6/1/2011.

Note 19 - Expenses

Expenses by natural classification for the years ended May 31, 2013 and 2012 were:

	2013	2012
Compensation		
Salaries	\$ 19,852,23	5 \$ 19,177,146
Benefits	7,561,43	7,892,331
Auxiliary cost of sales	2,817,03	7 2,637,805
Depreciation	3,227,80	2 3,147,401
nterest in indebtedness	1,425,16	8 1,434,837
quipment repair and Maintenance	1,116,22	1,063,630
Jtilities ·	2,110,21	9 2,003,421
tudent Employees	1,196,88	8 1,275,568
Professional services	853,740	801,360
rogramming	1,290,56	1,293,095
ravel	1,079,12	999,439
oftware, Office and Instructional Supplies	1,645,92	1,487,486
Other	7,375,66	7,779,021
e e		×.
Totals	\$ 51,552,02	7 \$ 50,992,541

Expenses by functional classification for the years ended May 31, 2013 and 2012 were:

	2013	2012
General Instruction	\$ 15,789,492	\$ 15,516,626
Payments on contracts and other exchange transactions	1,763,971	1,986,847
Academic Support Services	5,314,304	5,002,600
Student Services	9,032,234	8,766,432
Institutional Support	25	a a
General and Administration	7,130,907	7,472,320
Fund Raising	1,583,314	1,511,858
Auxiliary Services	7,503,284	7,394,453
Endowment spending	3,434,521	3,341,415
Totals	\$ 51,552,027	\$ 50,992,541

Note 20 - Subsequent Events

Juniata College has evaluated subsequent events through September 9, 2013, the date which the financial statements were available to be issued.

JUNIATA COLLEGE Supplemental Schedule Year ended May 31, 2013

			2013									
4		Operations		Other Unrestricted		Net Unrestricted		Temporarily Restricted		Permanently Restricted		Total
Tuition and fees	\$	52,374,528	\$	318,374	\$	52,692,902	\$		\$	9-	\$	52,692,902
Scholarship & grant allowances												
Unfunded scholarships & grants		(25,147,461)		. =		(25,147,461)		•		241		(25,147,461)
Funded scholarships & grants				(**				(1,165,875)				(1,165,875)
Net Tuition and fees	\$	27,227,067	\$	318,374	\$	27,545,441	\$	(1,165,875)	\$		\$	26,379,566
\$20000 \$10000 \$200												
Investment income			\$	362,041	\$	362,041	\$	1,034,635	\$	2	\$	1,396,676
Gifts		1,031,251		2,846,397		3,877,648		1,101,391		2,791,406		7,770,445
Allocated endowment income		328,016		285,751		613,767		2,678,272		9,691		3,301,730
Realized gains (losses) on investments				1,738,574		1,738,574		5,115,058		-		6,853,632
Unrealized gains (losses) on investments				1,056,163		1,056,163		4,360,346		-		5,416,508
Sales and services of educational activities		324,321		117,477		441,798		2				441,798
Contracts, grants and other exchange transactions		1800001 8 (0.00000)		73,041		73,041		522,537		-		595,577
Other income		238,765		374,931		613,696		17,586		-		631,282
Auxiliary Services		11,118,609		6,880		11,125,489		[8] [2]		. 2		11,125,489
Total operating revenue and gains	Ś	40,268,029	Ś	7,179,629	\$	47,447,658	\$	13,663,950	\$	2,801,097	\$	63,912,705
Net assets released from restrictions - operations	•	(1,318,637)		9,087,757		7,769,120		(7,769,120)	7.50			-1
Total operating revenues, gains and other support	\$	38,949,392	5	16,267,386	\$	55,216,778	Ś	5,894,830	\$	2,801,097	\$	63,912,705
Total operating revenues, goins on a other support	*	00,5 15,552		10,100,000	1.			-, ,,		7,,		,,
Expenses and losses:												
Educational and general:												
General Instruction	\$	11,431,009	Ś	4,358,483	\$	15,789,492	Ś		\$	6¥1	\$	15.789.492
Payments on contracts and other exchange transactions	Υ.	487,621	~	1,276,350		1,763,971	Y	_	*		Y	1,763,971
Academic Support Services		3,995,406		1,318,898		5,314,304		-		1456		5,314,304
Student Services		7,403,484		1,628,751		9,032,235		2		2023 2024		9,032,235
		7,403,404		1,020,731		3,032,233		3		=		3,032,233
Institutional Support		F 402 204		1,727,701		7,130,905				VIII.		7,130,905
General and Administration		5,403,204						-		70 -0 1		1,583,314
Fund Raising		1,735,249		(151,935)		1,583,314				7.5		7,503,285
Auxiliary Services		8,306,243		(802,958)		7,503,285		-		30 <u>5</u> 5		
Endowment spending	-		-	3,434,521	_	3,434,521	_		_		_	3,434,521
Total operating expenses	-\$	38,762,216	_\$_	12,789,811	\$	51,552,027	_\$_		\$		\$	51,552,027
of		107.176		2 427 575	\$	2 CCA 751		5,894,830	٠	2,801,097	Ś	12,360,677
Change in Net Assets from Operating Activities	\$	187,176	_\$	3,477,575	<u> </u>	3,664,751	_\$_	5,694,630	\$	2,801,097	<u> </u>	12,300,077
Nonoperating Activities	\$		s				. \$	26.611	\$		\$	36,611
Gifts	>	-	Þ	-	\$	•	. >	36,611	Þ	0. = 0	ş	
Change in value of split-interest agreements		-		(200 712)		(200 712)		834,872		9.50		834,872
Payments to beneficiaries of split-interest agreements	200			(308,713)		(308,713)		(200 742)		\$. 		(308,713)
Net assets released from restrictions - split-interest agreemen	ts			308,713		308,713		(308,713)		-		
Total Nonoperating expenses		**		-		•	2	562,770				562,770
Change in Net Assets	\$	187,176	\$	3,477,575	\$	3,664,751	\$	6,457,601	\$	2,801,097	\$	12,923,447
Net assets, beginning of year			Ś	42,317,957	\$	42,317,957	\$	18,033,705	\$	57,320,184	\$	117,671,846
7, 3			_				-			25		
Net assets, end of year	\$	187,176	\$	45,795,532	\$	45,982,708	\$	24,491,303	\$	60,121,282	\$	130,595,293
**												

Note 1 – Components of Unrestricted Activities

In the supplemental schedule, unrestricted activities are broken out by current operations and other unrestricted. The current operations column includes unrestricted activity presented on the same basis as Juniata College's operating budget. Other unrestricted includes all other activities that are classified as unrestricted.