



DICKINSON COLLEGE

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

DICKINSON COLLEGE

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Independent Auditors' Report

The Board of Trustees
Dickinson College:

We have audited the accompanying statements of financial position of Dickinson College (the College) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dickinson College as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 21, 2011

DICKINSON COLLEGE
 Statements of Financial Position
 June 30, 2011 and 2010

Assets	2011	2010
Cash and cash equivalents	\$ 11,914,455	6,995,544
Accounts and other receivables, net of allowance for doubtful accounts of \$50,000 at June 30, 2011 and 2010	2,617,298	2,571,210
Inventories, prepaid expenses, and other assets	1,766,370	1,604,252
Loans receivable, net of allowance for loan loss of \$1,108,635 and \$1,110,762 at June 30, 2011 and 2010, respectively	6,618,922	6,664,121
Investments	297,925,043	250,684,311
Funds held in trust by others	38,739,517	35,845,577
Contributions receivable, net	8,493,660	10,880,282
Settlement receivable	14,529,727	14,814,969
Deposits with trustees under debt agreements	6,110,398	10,326,380
Property and equipment, net	158,058,859	157,312,880
Deferred financing costs	2,187,352	2,299,320
Total assets	\$ 548,961,601	499,998,846
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,183,726	6,584,283
Deferred revenue	3,435,752	2,827,312
Student deposits	2,032,671	2,205,761
Postretirement benefits	1,691,584	3,117,133
Funds held in custody for others	944,614	861,129
Annuities payable	3,343,480	3,202,089
Obligations under capital leases	2,156,825	2,307,061
Long-term debt	111,510,734	113,773,916
U.S. government advances refundable	2,264,448	2,236,333
Total liabilities	134,563,834	137,115,017
Net assets:		
Unrestricted	255,662,468	225,571,464
Temporarily restricted	53,722,439	38,382,571
Permanently restricted	105,012,860	98,929,794
Total net assets	414,397,767	362,883,829
Total liabilities and net assets	\$ 548,961,601	499,998,846

See accompanying notes to financial statements.

DICKINSON COLLEGE

Statements of Activities

Years ended June 30, 2011 and 2010

	2011			Total	2010 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
Revenues:					
Tuition and fees	\$ 99,877,837	—	—	99,877,837	95,102,442
Student aid	(36,282,872)	—	—	(36,282,872)	(32,419,739)
Net tuition and fees	63,594,965	—	—	63,594,965	62,682,703
Private gifts, grants, and contributions	5,406,062	1,776,640	2,808,017	9,990,719	9,218,490
Government grants and appropriations	1,638,402	—	—	1,638,402	1,424,308
Investment income	31,427,600	19,421,282	3,313,792	54,162,674	35,372,374
Change in split-interest and other agreements	(256,125)	(233,502)	(38,743)	(528,370)	4,380,408
Other revenues	2,612,974	—	—	2,612,974	1,251,169
Sales and services of auxiliary enterprises	28,317,992	—	—	28,317,992	27,289,892
Net assets released from restrictions	5,624,552	(5,624,552)	—	—	—
Total revenues	<u>138,366,422</u>	<u>15,339,868</u>	<u>6,083,066</u>	<u>159,789,356</u>	<u>141,619,344</u>
Expenses:					
Programs:					
Education and general:					
Instructional	40,117,997	—	—	40,117,997	39,110,805
Academic support	10,434,873	—	—	10,434,873	10,319,376
Student services	13,115,600	—	—	13,115,600	13,283,429
Research	2,900,645	—	—	2,900,645	2,930,646
Public service	791,519	—	—	791,519	791,993
Auxiliary enterprises	22,850,041	—	—	22,850,041	22,885,460
Institutional support	18,064,743	—	—	18,064,743	18,172,141
Total expenses	<u>108,275,418</u>	<u>—</u>	<u>—</u>	<u>108,275,418</u>	<u>107,493,850</u>
Change in net assets before other gain	30,091,004	15,339,868	6,083,066	51,513,938	34,125,494
Other gains:					
Termination of early retirement plan	—	—	—	—	3,381,098
Change in net assets	30,091,004	15,339,868	6,083,066	51,513,938	37,506,592
Net assets:					
Beginning of year	<u>225,571,464</u>	<u>38,382,571</u>	<u>98,929,794</u>	<u>362,883,829</u>	<u>325,377,237</u>
End of year	\$ <u>255,662,468</u>	<u>53,722,439</u>	<u>105,012,860</u>	<u>414,397,767</u>	<u>362,883,829</u>

See accompanying notes to financial statements.

DICKINSON COLLEGE

Statement of Activities

Year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues:				
Tuition and fees	\$ 95,102,442	—	—	95,102,442
Student aid	(32,419,739)	—	—	(32,419,739)
Net tuition and fees	62,682,703	—	—	62,682,703
Private gifts, grants, and contributions	3,860,389	2,592,040	2,766,061	9,218,490
Government grants and appropriations	1,424,308	—	—	1,424,308
Investment income	21,784,354	12,294,940	1,293,080	35,372,374
Change in split-interest and other agreements	4,105,957	207,908	66,543	4,380,408
Other revenues	1,251,169	—	—	1,251,169
Sales and services of auxiliary enterprises	27,289,892	—	—	27,289,892
Net assets released from restrictions	5,861,359	(5,861,359)	—	—
Total revenues	<u>128,260,131</u>	<u>9,233,529</u>	<u>4,125,684</u>	<u>141,619,344</u>
Expenses:				
Programs:				
Education and general:				
Instructional	39,110,805	—	—	39,110,805
Academic support	10,319,376	—	—	10,319,376
Student services	13,283,429	—	—	13,283,429
Research	2,930,646	—	—	2,930,646
Public service	791,993	—	—	791,993
Auxiliary enterprises	22,885,460	—	—	22,885,460
Institutional support	18,172,141	—	—	18,172,141
Total expenses	<u>107,493,850</u>	<u>—</u>	<u>—</u>	<u>107,493,850</u>
Change in net assets before other gain	20,766,281	9,233,529	4,125,684	34,125,494
Other gains:				
Termination of early retirement plan	3,381,098	—	—	3,381,098
Change in net assets	24,147,379	9,233,529	4,125,684	37,506,592
Net assets:				
Beginning of year	<u>201,424,085</u>	<u>29,149,042</u>	<u>94,804,110</u>	<u>325,377,237</u>
End of year	\$ <u><u>225,571,464</u></u>	\$ <u><u>38,382,571</u></u>	\$ <u><u>98,929,794</u></u>	\$ <u><u>362,883,829</u></u>

See accompanying notes to financial statements.

DICKINSON COLLEGE
Statements of Cash Flows
Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ 51,513,938	37,506,592
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,692,458	9,767,610
Loss on disposition of fixed assets	83,117	43,515
Gain on termination of early retirement plan	—	(3,381,098)
Net realized and unrealized (gains) losses on investments	(49,420,500)	(32,931,583)
Change in split-interest agreements	243,128	(303,568)
Change in value of funds held in trust by others	(2,893,940)	(1,018,142)
Provision for doubtful accounts	(2,127)	27,622
Other changes in annuities payable	504,411	(505,051)
Gifts received for permanently restricted net assets and capital projects	(2,893,717)	(2,782,479)
Change in assets and liabilities:		
Accounts receivable	(46,088)	(180,927)
Contributions and settlement receivables	2,671,864	2,160,521
Inventories, prepaid, and other assets	(162,118)	230,044
Accounts payable and accrued expenses	(826,106)	(296,438)
Deferred revenue	608,440	(512,279)
Student deposits	(173,090)	(660,315)
Funds held in custody for others	83,485	(80,426)
Total adjustments	(43,530,783)	(30,422,994)
Net cash provided by operating activities	7,983,155	7,083,598
Cash flows from investing activities:		
Proceeds from sale of investments	20,159,132	21,598,320
Purchase of investments	(18,222,492)	(22,129,499)
Deposits with trustee under debt agreements	4,215,982	(4,845,159)
Purchase of plant assets	(9,416,759)	(6,293,032)
Sale of plant assets	7,174	7,300
Loan principal payments received	878,514	765,099
Net increase in student loans	(831,188)	(897,877)
Net cash used in investing activities	(3,209,637)	(11,794,848)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt and line of credit	—	15,000,000
Payments on long-term debt and line of credit	(2,263,182)	(9,190,152)
Principal payments under capital lease obligation	(150,236)	(98,322)
Gifts received for permanently restricted net assets and capital projects	2,893,717	2,782,479
Other change in deferred financing costs	—	(198,789)
Payments to annuity recipients	(363,021)	(337,940)
Increase in U.S. government grants refundable	28,115	2,152
Net cash provided by financing activities	145,393	7,959,428
Net increase in cash and cash equivalents	4,918,911	3,248,178
Cash and cash equivalents:		
Beginning of year	6,995,544	3,747,366
End of year	\$ 11,914,455	6,995,544
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 5,654,513	5,562,216
Supplemental disclosure of noncash investing and financing activity:		
Lease of buildings	\$ —	111,784

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2011 and 2010

(1) Summary of Significant Accounting Policies

Dickinson College (the College) is a private, not-for-profit institution of higher education in Carlisle, Pennsylvania. The College provides education services at the undergraduate level.

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

(a) *Basis of Presentation*

Not-for-profit accounting standards require the reporting of total assets, liabilities, and net assets in a statement of financial position; reporting the change in net assets in a statement of activities; and reporting the sources and uses of cash and cash equivalents in a statement of cash flows. Net assets and revenues, gains, expenses, and losses are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted

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

Temporarily Restricted

Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. Commonwealth of Pennsylvania law permits the College to allocate to income each year a portion of endowment assets up to 7% of a three-year moving average of the market value of permanently restricted endowed assets. Since endowment net realized and unrealized gains may eventually be spent by the College, endowment net realized and unrealized gains are recorded in the financial statements as temporarily restricted net assets until transferred to unrestricted net assets. Temporarily restricted net assets of the College at June 30, 2011 and 2010 consist of unspent donor-restricted contributions and market appreciation of endowment funds.

Permanently Restricted

Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on these assets. Such assets primarily include the College's donor endowment funds and funds held in trust by others.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

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(b) Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, i.e., when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received are discounted at an appropriate discount rate commensurate with the risks involved, 2.8% and 3.2% at June 30, 2011 and 2010, respectively, which approximates the federal mid-term rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of the fund-raising activity.

Contributions and endowment income with donor-imposed restrictions are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction. Contributions restricted for the acquisition of plant and equipment are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets when restrictions have been met and the plant and equipment have been placed in service.

(c) Settlement Receivable

At June 30, 2011 and 2010, \$14,529,727 and \$14,814,969, respectively, has been recorded as a settlement receivable related to a settlement agreement between the College; the Baltimore Symphony Orchestra; GBMC Healthcare, Inc.; Whiteford, Taylor & Preston LLP; and the trustees of the Robert A. Waidner Foundation, a charitable remainder trust, established under the will of alumnus Robert A. Waidner, Dickinson Class of 1932. Assets are being held in trust and their payment to the College is pursuant to both a trust under the will of Mr. Waidner and to the settlement agreement of the will. At the later of December 31, 2029 or the year in which the named trustees are no longer serving the trust, the trust shall terminate and the assets then comprising the trust shall be distributed. The receivable represents the present value of future cash flows using a discount rate of 3.64% and 4.28% for the years ended June 30, 2011 and 2010, respectively.

(d) Cash Equivalents

The College considers certificates of deposit and other short-term savings instruments with original maturities of 90 days or less to be cash equivalents. Cash equivalents exclude certain qualifying instruments recognized in investments.

(e) Loans Receivable

Included in loans receivable on the statements of financial position are two forms of flexible financing to families of students, which are no longer offered by the College. Plan A provided up to \$4,000 a year to parents of students. Loan terms require the payment of interest only through the date of graduation and then require payment of interest and principal over a period of six years. These notes bear 11% interest. Plan B provided up to \$10,000 a year to parents of students. Loan terms require the payment of principal and interest to begin immediately and extend over a period not greater than 13 years. These notes were issued bearing interest at the prime rate plus 1% adjusted

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each year at June 30. The student loan notes receivable totaled approximately \$840,000 and \$978,000 at June 30, 2011 and 2010, respectively. The remaining loans receivable consist principally of student receivables related to the Federal Perkins Loan Program. The allowance for uncollectible notes and loans was \$1,108,635 and \$1,110,762 at June 30, 2011 and 2010, respectively.

(f) *Deposits with Trustees under Debt Agreements*

Deposits with trustees under debt agreements are the unexpended construction fund proceeds of debt obligations and debt service funds. The funds are invested in short-term fixed income investments.

(g) *Deferred Financing Costs*

Deferred financing costs are amortized over the remaining terms of the associated debt.

(h) *Annuity Agreements and Funds Held in Trust by Others*

The College's annuity agreements with donors consist primarily of charitable remainder trusts and annuity agreements for which the College serves as trustee. Assets held in these trusts are included in investments. Contribution revenues are recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries, using a discount rate of 2.8% and 3.2% for the years ended June 30, 2011 and 2010, respectively. Contributions arising from annuities and life income funds amounted to \$113,649 and \$25,222 for the years ended June 30, 2011 and 2010, respectively.

The College is also the beneficiary of certain perpetual trusts held and administered by others. Distributions from the trusts are recorded as investment income and the carrying value of the assets is adjusted to fair value at the trust.

Funds held in trust by others include a 45% interest in the Sandia Foundation, created in 1975 under the terms of the will of Hugh W. Woodward, of which the College is a beneficiary. Those terms provide that the College is to receive annually and in perpetuity 45% of the net earnings of the Sandia Foundation, the assets of which consist principally of land and land improvements, in and around Albuquerque, New Mexico, and marketable securities. The net asset value (NAV) of the College's interest in the Sandia Foundation was \$32,585,642 and \$30,472,800 at June 30, 2011 and 2010, respectively.

(i) *Property and Equipment*

Property and equipment are stated at cost or at estimated fair value if acquired by gift, less accumulated depreciation. Depreciation of property and equipment is calculated using a straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 3 years to 15 years for equipment, 5 years for computers, 10 years for library books, and from 5 years to 40 years for buildings and land improvements.

Included in property and equipment is the College's rare works collection. The College carries its rare works collection at the fair value of the collection items at the date of gift, and the collection is not depreciated.

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(j) *Derivative Financial Instruments*

The College has entered into various forward contracts for foreign currency purchases, which are being accounted for as derivatives. For the year ended June 30, 2011, a total gain of \$280,742 was recorded in other revenue on the statement of activities and an asset of \$48,149 was recorded in other assets on the statement of financial position.

(k) *Conditional Asset Retirement Obligations*

The College has conditional asset retirement obligations arising from regulatory requirements to the remediation of asbestos and other hazardous materials in certain campus buildings. The liability was initially measured at fair value and is subsequently adjusted for accretion expense and changes in the amount or timing of the cash flows as well as additional obligations. The corresponding asset retirement costs are recorded in accounts payable and accrued expenses. As of June 30, 2011 and 2010, the asset retirement costs were \$961,198 and \$925,824, respectively.

(l) *Valuation of Long-Lived Assets*

Long-lived assets and certain identifiable intangibles to be held and used by an entity are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Also, in general, any long-lived assets and certain identifiable intangibles to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The College periodically evaluates the recoverability of its long-lived assets including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the College's long-lived assets were considered to be impaired as of June 30, 2011 and 2010.

(m) *U.S. Government Advances Refundable*

Funds provided by the U.S. government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are included as liabilities in the statements of financial position.

(n) *Fund-Raising Expenses*

Direct fund-raising expenses for the years ended June 30, 2011 and 2010 were \$3,507,933 and \$3,127,185, respectively.

(o) *Other Gains*

Other gains in 2010 include a net gain from changes made to the College's early retirement plan (ERP) benefits.

(p) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and

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liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) *Related-Party Transactions*

The College offers a Homebuyer Program, which assists eligible employees with either the purchase of a home in a specific area or the purchase of a home for the first time. The program provides a Forgiveness Loan of up to \$2,000 for closing costs and down payment assistance. It also provides a Deferred Payment Loan of up to \$5,000 for additional down payment and closing cost assistance, which would be due on the sale of the house.

To be eligible, an employee must buy and occupy a single-, two-, or three-family home in the specified area or be a first-time homebuyer. The loans carry an interest rate of 0%. The balance of the homebuyer loans outstanding was \$162,498 and \$178,459 at June 30, 2011 and 2010, respectively.

(r) *Fair Value*

The College measures its investments, split-interest and other agreements, and contributions receivable at inception at fair value in accordance with other accounting pronouncements. Additionally, the College discloses the fair value of the College's outstanding debt. The College's valuation methodologies for each of these items are described below:

Investments

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

Debt securities are valued at the closing price reported in the active market in which the bond is traded, if available. If such information is not available, debt is valued based on yields currently available on comparable securities for issuers with similar credit ratings.

Alternative Investments

Valuations for alternative investments including debt and equity funds, real estate funds, private partnership, and other alternative investments are based on NAVs provided by external investment managers or on audited financial statements when available. NAVs provided by external investment managers are based on estimates, appraisals, assumptions, and methods that are reviewed by management.

Funds Held in Trust by Others

The College's beneficial interest in perpetual trusts held by others is recorded at fair value based on the fair value of the trust's holdings as reported by the trustee or the NAV of the trust or entity.

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Contributions Receivable

The College values contributions receivable at fair value using the present value of future cash flows as described in note 1(b).

Split-Interest and Other Agreements

Depending on the type of agreement, fair value measurements for split-interest and other agreements are performed 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.

Derivatives

Derivatives are valued based on the foreign currency strike price as of June 30, 2011.

Debt

The fair value of long-term debt is based on quoted prices from similar maturities based upon the rating of the credit enhancement or that of the College for each series of bonds. The fair value of long-term debt at June 30, 2011 is \$109,561,852.

(2) Investments

Overall Investment Objective

The overall investment objective of the College is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The College diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the board's Investment Committee, which oversees the College's investment program in accordance with established guidelines.

Allocation of Investment Strategies

In addition to traditional stocks and fixed income securities, the College may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buy-out and venture capital strategies and focus on investments in turnaround situations. Real asset funds generally hold interests in public real estate investment trusts (REITs) or commercial real estate through sole-member entities. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider

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variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the College's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

Basis of Reporting

Investments are reported at estimated fair value. If an investment is held directly by the College and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The College's interests in alternative investment funds are generally reported at the NAV reported by the fund managers, which is used as a practical expedient to estimate the fair value of the College's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2011 and 2010, the College had no plans or intentions to sell investments at amounts different from NAV.

Fair value measurements are based on three levels of inputs:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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.

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Notes to Financial Statements

June 30, 2011 and 2010

The following table summarizes the College's investments and other assets by major category in the fair value hierarchy as of June 30, 2011 and 2010, as well as related strategy, liquidity, and funding commitments:

	June 30, 2011				Redemption or liquidation
	Level 1	Level 2	Level 3	Total	
Long-term investment strategies:					
Fixed income:					
U.S. Treasuries	\$ —	7,299,020	—	7,299,020	Daily
Hedge funds:					
Credit/event driven	—	—	534,143	534,143	N/A (1)
Fixed income strategies	—	—	10,202,536	10,202,536	Illiquid (2)
Equity long/short	—	109,486,532	—	109,486,532	Daily to quarterly
Multistrategy	—	65,175,787	—	65,175,787	Quarterly
Private equity funds	—	—	71,743,181	71,743,181	Illiquid (3)
Real assets	—	—	3,699,778	3,699,778	Illiquid (4)
Cash and cash equivalents	16,304,530	—	—	16,304,530	Daily
Other nonpooled funds:					
Cash and cash equivalents	874,177	—	—	874,177	Daily
Fixed income funds	1,506,836	—	—	1,506,836	Daily
Global equities	1,949,045	—	—	1,949,045	Daily
Real assets	—	9,041,861	—	9,041,861	Daily
Other	—	55,476	52,141	107,617	Illiquid (5)
	<u>20,634,588</u>	<u>191,058,676</u>	<u>86,231,779</u>	<u>297,925,043</u>	
Other assets (liabilities):					
Funds held in trust by others	—	4,256,965	34,482,552	38,739,517	
Deposits with trustees under debt agreements	6,110,398	—	—	6,110,398	
Contributions receivable	—	8,493,660	—	8,493,660	
Settlement receivable	—	14,529,727	—	14,529,727	
Derivatives	48,149	—	—	48,149	
	<u>6,158,547</u>	<u>27,280,352</u>	<u>34,482,552</u>	<u>67,921,451</u>	
	<u>\$ 26,793,135</u>	<u>218,339,028</u>	<u>120,714,331</u>	<u>365,846,494</u>	

(1) – Illiquid sidepocket remaining. Unfunded future commitments aggregate \$292,500.

(2) – Approximately \$8.1 million is subject to 36-month rolling lockups, with 1/3 of the investment available each year with 90 days' notice. The remaining investment is expected to liquidate within 2 years. Unfunded future commitments aggregate \$1,661,629.

(3) – These funds are expected to liquidate within 4 years. Unfunded future commitments aggregate \$39,067,188.

(4) – These funds are expected to liquidate within 3 years. Unfunded future commitments aggregate \$73,148.

(5) – Illiquid items include the cash surrender value of life insurance policies and investments in privately held companies.

DICKINSON COLLEGE

Notes to Financial Statements

June 30, 2011 and 2010

	June 30, 2010				Redemption or liquidation
	Level 1	Level 2	Level 3	Total	
Long-term investment strategies:					
Fixed income:					
U.S. Treasuries	\$ —	14,140,045	—	14,140,045	Daily
Hedge funds:					
Credit/event driven	—	—	967,992	967,992	N/A (1)
Fixed income strategies	—	—	9,513,057	9,513,057	Illiquid (2)
Equity long/short	—	90,071,885	—	90,071,885	Daily/monthly
Multistrategy	—	56,755,331	—	56,755,331	Monthly
Private equity funds	—	—	51,659,159	51,659,159	Illiquid (3)
Real assets	—	—	4,224,738	4,224,738	Illiquid (4)
Cash and cash equivalents	10,851,920	—	—	10,851,920	Daily
Other nonpooled funds:					
Cash and cash equivalents	866,074	—	—	866,074	Daily
Fixed income funds	1,393,782	—	—	1,393,782	Daily
Global equities	1,635,821	—	—	1,635,821	Daily
Real assets	—	8,469,390	—	8,469,390	Daily
Other	—	56,514	78,603	135,117	Illiquid (5)
	<u>14,747,597</u>	<u>169,493,165</u>	<u>66,443,549</u>	<u>250,684,311</u>	
Other assets (liabilities):					
Funds held in trust by others	—	3,651,262	32,194,315	35,845,577	
Deposits with trustees under debt agreements	10,326,380	—	—	10,326,380	
Contributions receivable	—	10,880,282	—	10,880,282	
Settlement receivable	—	14,814,969	—	14,814,969	
Derivatives	(158,382)	—	—	(158,382)	
	<u>10,167,998</u>	<u>29,346,513</u>	<u>32,194,315</u>	<u>71,708,826</u>	
	<u>\$ 24,915,595</u>	<u>198,839,678</u>	<u>98,637,864</u>	<u>322,393,137</u>	

(1) – Illiquid sidepocket remaining. Unfunded future commitments aggregate \$292,500.

(2) – Approximately \$7.3 million is subject to 36-month rolling lockups, with 1/3 of the investment available each year with 90 days' notice. The remaining investment is expected to liquidate within 3 years. Unfunded future commitments aggregate \$3,245,334.

(3) – These funds are expected to liquidate within 5 years. Unfunded future commitments aggregate \$30,435,805.

(4) – These funds are expected to liquidate within 4 years. Unfunded future commitments aggregate \$73,148.

(5) – Illiquid items include the cash surrender value of life insurance policies and investments in privately held companies.

U.S. Treasuries and registered mutual funds are classified in Level 1 of the fair value hierarchy as defined in note 1(r) because their fair values are based on quoted prices for identical securities. Most investments classified in Levels 2 and 3 consist of shares or units in nonregistered investment funds as opposed to direct interests in the funds' underlying securities, some of which are marketable or not difficult to value. The level in which a fund's fair value measurement is classified is based on the College's ability to redeem its interest at or near the date of the statements of financial position. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

DICKINSON COLLEGE

Notes to Financial Statements

June 30, 2011 and 2010

The following tables present the College's activities for the years ended June 30, 2011 and 2010 for investments classified in Level 3:

2011						
Level 3 rollforward	Hedge funds	Private equity funds	Real assets	Other nonpooled funds	Funds held in trust by others	Total
Beginning balance	\$ 10,481,049	51,659,159	4,224,738	78,603	32,194,315	98,637,864
Net realized and unrealized gains (losses)	792,523	13,566,853	(69,086)	(26,462)	2,368,237	16,632,065
Acquisitions	1,099,926	32,993,407	—	—	—	34,093,333
Dispositions	(1,636,819)	(26,476,238)	(455,874)	—	(80,000)	(28,648,931)
Ending balance	<u>\$ 10,736,679</u>	<u>71,743,181</u>	<u>3,699,778</u>	<u>52,141</u>	<u>34,482,552</u>	<u>120,714,331</u>
Net gains (losses) in Level 3 attributable to changes in net unrealized gains (losses) relating to those investments still held at June 30, 2011	\$ 125,319	11,158,995	(180,596)	(26,461)	2,368,237	13,445,494

2010						
Level 3 rollforward	Hedge funds	Private equity funds	Real assets	Other nonpooled funds	Funds held in trust by others	Total
Beginning balance	\$ 137,301,108	37,670,731	4,646,052	1,494,727	31,474,349	212,586,967
Net realized and unrealized gains (losses)	672,449	9,705,472	(472,074)	(63,107)	799,966	10,642,706
Acquisitions	1,719,570	11,234,912	67,770	—	—	13,022,252
Dispositions	(6,334,353)	(6,951,956)	(17,010)	(1,353,017)	(80,000)	(14,736,336)
Transfers in/out of Level 3	(122,877,725) (1)	—	—	—	—	(122,877,725)
Ending balance	<u>\$ 10,481,049</u>	<u>51,659,159</u>	<u>4,224,738</u>	<u>78,603</u>	<u>32,194,315</u>	<u>98,637,864</u>
Net gains (losses) in Level 3 attributable to changes in net unrealized gains (losses) relating to those investments still held at June 30, 2010	\$ 255,079	9,425,952	(498,804)	(63,107)	799,966	9,919,086

(1) – The College elected to early adopt the measurement provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, in fiscal year 2009. Subsequent guidance has been issued, which clarified the requirements for Level 3 classification and allowed the College to reclassify certain hedge fund investments to Level 2, based on their redemption periods.

DICKINSON COLLEGE

Notes to Financial Statements

June 30, 2011 and 2010

The following summarizes investment return components for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Investment income on funds held in trust by others	\$ 1,260,000	1,125,000
Interest and dividend income	1,634,150	1,116,208
Net realized and unrealized gains on investments	52,314,440	33,949,725
Adjustment of split-interest and other agreements	(528,370)	4,380,408
Investment-related fees	<u>(1,045,916)</u>	<u>(818,559)</u>
Total investment income	<u>\$ 53,634,304</u>	<u>39,752,782</u>

Private equity investments are generally made through limited partnerships. Under the terms of such agreements, the College may be required to provide additional funding when capital or liquidity calls are made by fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The College cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of future capital or liquidity calls in any particular future year are uncertain.

Certain hedge funds contain "rolling" lock-up provisions. Under such provisions, tranches of the investment are available for redemption at calendar year-end once every two or three years, if the College makes a redemption request prior to the next available withdrawal date in accordance with the notification terms of the agreement.

Investment liquidity as of June 30, 2011 is aggregated below based on redemption or sale period:

Daily	\$ 41,293,920
Monthly	88,541,236
Quarterly	81,802,634
Subject to rolling lockups	8,130,469
Illiquid	<u>78,156,784</u>
Total as of June 30, 2011	<u>\$ 297,925,043</u>

(3) Endowments

The College's endowment consists of approximately 860 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. 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.

DICKINSON COLLEGE

Notes to Financial Statements

June 30, 2011 and 2010

Investments having market values of \$284,445,507 and \$238,184,127 at June 30, 2011 and 2010, respectively, are pooled on a market value basis, with each unitized fund subscribing to or disposing of units on the basis of the market value per unit at the beginning of the month within which the transaction takes place.

Interpretation of Relevant Law

The Commonwealth of Pennsylvania governing law resides in 15 Pa. C.S. § 5548 “Investment of Trust Funds.” The College has interpreted relevant law as requiring the donor-restricted endowment fund, absent explicit donor stipulations to the contrary, to be managed with the long-term objective of at least maintaining the real value (after inflation) of the funds. 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.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by relevant law. Pennsylvania law permits the Board of Trustees to make an election to annually appropriate for expenditure a selected percentage between 2% and 7% of the fair value of the assets related to donor-restricted endowment funds averaged over a period of three or more preceding years, provided the board has determined that such percentage is consistent with the long-term preservation of the real value of such assets.

Return Objectives and Risk Parameters

The 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, 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 endowment spending rate plus inflation, defined as the Consumer Price Index plus 1%, while assuming a moderate level of investment risk.

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). 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.

DICKINSON COLLEGE

Notes to Financial Statements

June 30, 2011 and 2010

Spending Policy

The spending policy of the College is set to provide, as closely as possible, equitable benefit from the endowment for current and future generations of students. A formal spending policy has been adopted to fairly meet the legal and programmatic requirements of the endowment. The College appropriates 7% of the endowment and targets a maximum of 5% of the 12-quarter moving average market value of the pooled endowment to be utilized, with the remaining moved to board-designated. The approved spending rate formula is designed to provide a relatively predictable and growing stream of revenues to the operating budget. An additional goal of this policy is to minimize the temptation to relieve all budgetary pressures by simply taking additional monies from the endowment.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount maintained as permanently restricted net assets. Deficiencies of this nature were approximately \$97,000 and \$479,000 as of June 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. The College interprets Pennsylvania law to allow for the aggregation of similar endowments; therefore, endowments with deficiencies are netted with gains and accounted for within temporarily restricted net assets.

Net Asset Classifications of Endowment Funds

Net asset classification by type of endowment as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	50,704,477	105,966,871	156,671,348
Board-designated endowment funds	<u>203,573,942</u>	<u>—</u>	<u>—</u>	<u>203,573,942</u>
Total endowment assets	203,573,942	50,704,477	105,966,871	360,245,290
Annuity liabilities	<u>—</u>	<u>(2,350,838)</u>	<u>(992,642)</u>	<u>(3,343,480)</u>
Total endowment net assets	<u>\$ 203,573,942</u>	<u>48,353,639</u>	<u>104,974,229</u>	<u>356,901,810</u>

DICKINSON COLLEGE

Notes to Financial Statements

June 30, 2011 and 2010

Changes in endowment net assets for the year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 176,771,230	33,413,886	98,891,167	309,076,283
Investment return:				
Investment income on funds held in trust by others	1,260,000	—	—	1,260,000
Interest and dividend income	659,440	643,971	146,296	1,449,707
Net appreciation (realized and unrealized gains and losses)	25,200,537	23,283,092	3,339,292	51,822,921
Investment-related fees	<u>(494,442)</u>	<u>(470,777)</u>	<u>(74,736)</u>	<u>(1,039,955)</u>
Total investment return	26,625,535	23,456,286	3,410,852	53,492,673
Contributions	2,188,983	45,641	2,808,017	5,042,641
Other additions/transfers	840,452	<u>(438,528)</u>	—	401,924
Appropriation of endowment assets for expenditure	<u>(2,852,258)</u>	<u>(8,123,646)</u>	<u>(135,807)</u>	<u>(11,111,711)</u>
	<u>\$ 203,573,942</u>	<u>48,353,639</u>	<u>104,974,229</u>	<u>356,901,810</u>

Net asset classification by type of endowment as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	35,595,720	99,911,422	135,507,142
Board-designated endowment funds	<u>176,771,230</u>	—	—	<u>176,771,230</u>
Total endowment assets	176,771,230	35,595,720	99,911,422	312,278,372
Annuity liabilities	—	<u>(2,181,834)</u>	<u>(1,020,255)</u>	<u>(3,202,089)</u>
Total endowment net assets	<u>\$ 176,771,230</u>	<u>33,413,886</u>	<u>98,891,167</u>	<u>309,076,283</u>

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Notes to Financial Statements

June 30, 2011 and 2010

Changes in endowment net assets for the year ended June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 156,348,489	24,833,096	94,838,038	276,019,623
Investment return:				
Investment income on funds held in trust by others	1,125,000	—	—	1,125,000
Interest and dividend income	367,885	395,058	151,069	914,012
Net appreciation (realized and unrealized gains and losses)	20,206,147	16,816,096	1,388,015	38,410,258
Investment-related fees	<u>(376,278)</u>	<u>(371,424)</u>	<u>(67,476)</u>	<u>(815,178)</u>
Total investment return	21,322,754	16,839,730	1,471,608	39,634,092
Contributions	1,518,919	327,128	2,417,249	4,263,296
Other additions/transfers	121,173	(462,732)	276,447	(65,112)
Appropriation of endowment assets for expenditure	<u>(2,540,105)</u>	<u>(8,123,336)</u>	<u>(112,175)</u>	<u>(10,775,616)</u>
	<u>\$ 176,771,230</u>	<u>33,413,886</u>	<u>98,891,167</u>	<u>309,076,283</u>

DICKINSON COLLEGE

Notes to Financial Statements

June 30, 2011 and 2010

Endowment assets are categorized on the statements of financial position as follows:

	2011	2010
Cash and cash equivalents	\$ 96,287	—
Investments:		
Pooled endowment investments	284,445,507	238,184,127
Life income funds	2,443,337	2,176,294
Real assets	7,163,582	6,591,111
Funds invested separately	1,611,351	1,469,988
	295,663,777	248,421,520
Funds held in trust by others	38,739,517	35,845,577
Contributions receivable, net	7,552,465	9,532,789
Settlement receivable	14,529,727	14,814,969
Property and equipment, net:		
Land and property	1,296,020	1,296,020
Artwork and collections	2,367,497	2,367,497
	3,663,517	3,663,517
	\$ 360,245,290	312,278,372

(4) Property and Equipment

As of June 30, 2011 and 2010, property and equipment at cost and accumulated depreciation are summarized as follows:

	2011	2010
Land	\$ 11,215,155	11,175,735
Buildings and improvements	217,387,967	210,750,453
Leases and leasehold improvements	3,454,895	3,377,782
Furniture, equipment, and vehicles	11,134,638	11,152,013
Computers	8,819,857	9,169,670
Library books	18,904,491	17,940,112
Rare works	2,367,497	2,367,497
Construction in progress	2,468,600	1,652,620
	275,753,100	267,585,882
Less accumulated depreciation	117,694,241	110,273,002
	\$ 158,058,859	157,312,880

Depreciation expense totaled \$8,580,489 and \$9,652,012 for the years ended June 30, 2011 and 2010, respectively.

DICKINSON COLLEGE
Notes to Financial Statements
June 30, 2011 and 2010

(5) Contributions Receivable

Contributions receivable are summarized as follows at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Contributions receivable expected to be collected in:		
Less than one year	\$ 2,922,676	3,232,618
One year to five years	4,052,459	6,629,924
Over five years	2,786,788	2,876,788
	<u>9,761,923</u>	<u>12,739,330</u>
Less discount	(933,412)	(1,393,676)
Allowance for uncollectible contributions receivable	<u>(334,851)</u>	<u>(465,372)</u>
	<u>\$ 8,493,660</u>	<u>10,880,282</u>

Contributions receivable are recorded as follows:

	<u>2011</u>	<u>2010</u>
Unrestricted	\$ 4,823,080	6,746,327
Temporarily restricted	1,737,312	2,145,300
Permanently restricted	1,933,268	1,988,655
	<u>\$ 8,493,660</u>	<u>10,880,282</u>

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Notes to Financial Statements

June 30, 2011 and 2010

(6) Long-Term Debt and Lines of Credit

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

	<u>2011</u>	<u>2010</u>
1998 Cumberland County Municipal Authority Fixed Rate Revenue Bonds, maturing annually to 2010, in principal amounts ranging from \$885,000 to \$1,450,000, with interest rates ranging from 3.90% to 5.25%	\$ —	1,450,000
2003 Pennsylvania Higher Education Facilities Authority Fixed Rate Revenue Bonds Series 2003 AA1, maturing annually to 2026, in principal amounts ranging from \$185,000 to \$1,095,000, with interest rates ranging from 2.00% to 5.25%	11,525,000	11,955,000
2006 Montgomery County Higher Education and Health Authority Fixed Rate Revenue Bonds Series 2006 FF1, maturing annually to 2031, in principal amounts ranging from \$45,000 to \$5,220,000, with interest rates ranging from 3.60% to 5.00%	43,095,000	43,150,000
2007 Cumberland County Municipal Authority Fixed Rate Revenue Bonds, Series 2007 GG1, maturing annually to 2037, in principal amounts ranging from \$3,445,000 to \$4,355,000, with interest rates ranging from 4.50% to 5.00%	23,375,000	23,375,000
2008 Cumberland County Municipal Authority Fixed Rate Revenue Bonds, Series of 2008, maturing annually to 2026, in principal amounts ranging from \$260,000 to \$1,335,000, with interest rates ranging from 2.75% to 5.00%	17,335,000	17,605,000

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Notes to Financial Statements

June 30, 2011 and 2010

	2011	2010
2009 Cumberland County Municipal Authority Fixed Rate Revenue Bonds, Series 2009 HH1, maturing annually from 2037 to 2039, in principal amounts ranging from \$3,170,000 to \$3,500,000, with interest rates of 5.00%	\$ 10,000,000	10,000,000
2009 Cumberland County Municipal Authority Multi Mode Revenue Bonds, Series 2009 Q1, maturing annually from 2037 to 2039, in principal amounts ranging from \$1,570,000 to \$1,765,000 (with interest at 2.75% through October 31, 2012, at which time the Bonds will either continue in the Term Mode for successive three-year periods, or be converted to a different Rate Mode at the election of the borrower)	5,000,000	5,000,000
Total long-term debt	110,330,000	112,535,000
Unamortized bond premiums, net	1,180,734	1,238,916
	\$ 111,510,734	113,773,916

The bond agreements contain certain restrictive covenants, which, among other restrictions, require the pledge of certain revenues as collateral for repayment and the maintenance of a minimum level of aggregate expendable funds and a maximum level of debt service. In addition, for certain bonds, the College is required to maintain deposits with an outside trustee for the purpose of meeting scheduled debt service requirements of the respective outstanding bonds until they become due.

All outstanding bond issues are collateralized by a general interest in the College's revenue.

The 2003 Pennsylvania Higher Education Facilities Authority Revenue Bonds are insured for the life of the related debt by Radian Asset Assurance, Inc. The 2006 Montgomery County Higher Education and Health Authority Revenue Bonds are insured for the life of the related debt by CIFG Assurance North America, Inc. The 2007 Cumberland County Municipal Authority Revenue bonds are insured for the life of the related debt by MBIA Insurance Corporation. The 2008 and 2009 Cumberland County Municipal Authority Revenue Bonds were issued based on the creditworthiness of the College and did not require insurance.

The aggregate amount of maturities of long-term debt outstanding at June 30, 2011 is as follows:

2012	\$ 2,275,000
2013	2,355,000
2014	2,455,000
2015	2,570,000
2016	2,705,000
Thereafter	97,970,000
	\$ 110,330,000

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Notes to Financial Statements

June 30, 2011 and 2010

The College maintains a \$10,000,000 line of credit with Orrstown Bank, subject to annual renewal, with variable interest based on the Wall Street Prime Index. At June 30, 2011 and 2010, there were no amounts outstanding on the line of credit.

(7) Retirement and Other Benefits

(a) Retirement Benefits

Retirement benefits are provided for substantially all employees through the Teacher's Insurance and Annuity Association and College Retirement Equities Fund (TIAA – CREF) and Fidelity. The College's policy with respect to its contribution is to fund 7% of employees' salaries. Expense for the years ended June 30, 2011 and 2010 under this plan was approximately \$2,809,160 and \$2,732,000, respectively.

(b) Postretirement Benefits

In 2010, the College announced the termination of the ERP as of June 30, 2011. For the year ended June 30, 2010, a total gain of \$3,381,098 was recorded in other gains on the statement of activities and a liability of \$3,117,133 remained in postretirement benefits on the statement of financial position. The postretirement liability balance as of June 30, 2011 was \$1,691,584.

Early Retirement Program

Under the former early retirement program, eligible employees were able to choose to retire as early as age 62 and still receive benefits equal to what they would receive at age 65. Eligible employees were given the option to retire at any time from age 55 to age 62 and receive benefits reduced by 5% for every year prior to age 62. To be eligible to participate in the early retirement program, an employee was required to be a faculty professional or an administrator, and have 10 years of employment with the College by the time age 62 was reached.

In addition, employees who elected to retire early under this program were eligible to receive three years of medical insurance, three years of paid life insurance, and a supplemental Social Security payment for four years.

A liability of \$68,510 remains in postretirement benefits as of June 30, 2011 for supplemental Social Security payments to be made over the next four years.

Phased Retirement Program

Under the voluntary phased retirement program, an eligible employee's work schedule may be reduced to 80% of the normal workload (additional 60% option available to faculty) for a period of 1-3 years. As part of this program, College-paid health and life insurance continue based on 100% of the employee's salary prior to the reduction in schedule. The life insurance benefit is subject to the age reduction provisions of the policy. In addition, employees are eligible to continue other benefits based on the reduced percentage of employment and salary. In order to participate in the phased retirement program, employees must provide at least three months' notice and must have supervisory and senior officer approval. At the end of the specified phased retirement period, the employee is considered to be retired from the College.

DICKINSON COLLEGE

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Buy-Out Program (One-Time Option)

Under the voluntary buy-out program, an eligible employee agrees to retire on December 31, 2010. The employee receives College-paid health insurance for three years or until the employee becomes eligible for Medicare insurance, whichever occurs first. Life insurance benefits continue for three years after separation of employment based on the base salary as of July 1, 2010. The life insurance benefit is subject to the age reduction provisions of the policy. In addition, the employee will receive one year of salary based on the base salary as of July 1, 2010. This salary will be paid semimonthly from January through December 2011. Employees electing the buy-out option were required to provide six months' notice, no later than June 30, 2010.

A liability of \$1,623,074 and \$2,897,569 was recorded in postretirement benefits as of June 30, 2011 and 2010, respectively to accrue for employees electing to participate in the buy-out program.

(8) Lease Commitments

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2011:

2012	\$	570,085
2013		582,396
2014		510,709
2015		520,200
2016		532,537
Thereafter		<u>1,961,647</u>
Total minimum lease payments		4,677,574
Less amount representing interest		<u>(2,520,749)</u>
Present value of net minimum lease payments	\$	<u><u>2,156,825</u></u>

The following is a schedule of future minimum lease payments under operating leases together with the amount of scheduled lease payments as of June 30, 2011:

2012	\$	214,056
2013		172,531
2014		165,276
2015		171,887
2016		178,762
Thereafter		14,945

Total rental expense for all operating leases was \$908,945 and \$977,131 in 2011 and 2010, respectively.

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(9) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Accumulated investment gains on donor endowments subject to time restrictions under Pennsylvania law	\$ 47,203,039	32,383,298
Annuity funds	1,150,600	1,030,588
Pledges receivable	1,737,312	2,145,300
Unexpended donor-restricted funds	3,631,488	2,823,385
	<u>\$ 53,722,439</u>	<u>38,382,571</u>

Unexpended donor-restricted funds consist of funds available for scholarships and financial aid, building and capital projects, academic programs, and general operations of the College.

(10) Permanently Restricted Net Assets

Permanently restricted net assets consist principally of endowment funds and funds held in trust by others, which are designated for the following purposes:

	<u>2011</u>	<u>2010</u>
Donor-contributed principal invested to support:		
Scholarship and financial aid	\$ 65,434,969	60,775,513
Educational and general programs	35,328,518	33,949,355
Loan funds for students	1,171,428	1,170,945
Annuity funds	1,144,677	1,045,326
Pledges receivable	1,933,268	1,988,655
	<u>\$ 105,012,860</u>	<u>98,929,794</u>

(11) Tax Status

The College has been recognized by the Internal Revenue Service as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose. Accordingly, no provisions for income taxes have been made in the accompanying financial statements. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the College and recognize a tax liability (or asset) if the College has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the College, and has concluded that as of June 30, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The College is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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Notes to Financial Statements

June 30, 2011 and 2010

(12) Contingencies

The College is involved in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the College's financial position.

(13) Concentrations of Credit Risk

Investments consist of a wide variety of financial instruments with no single investment individually material. The related values, as presented in the financial statements, are subject to various market fluctuations, which include changes in equity markets, the interest rate environment, and general economic conditions. These changes cause the net asset position of the College to increase or decrease.

(14) Subsequent Events

The College has evaluated subsequent events through October 21, 2011, which is the date the financial statements were available to be issued, and determined there are no items to disclose.