The Corporation of Haverford College

Financial Statements
June 30, 2007 and 2006

The Corporation of Haverford College
Index
June 30, 2007 and 2006

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

To the Board of Managers
The Corporation of Haverford College

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets and cash flows present fairly, in all material respects, the financial position of The Corporation of Haverford College (the "College") as of June 30, 2007 and 2006, and the results of its activities and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 audit of these statements 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 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 2, 2007

The Corporation of Haverford College
Statements of Financial Position
June 30, 2007 and 2006

(dollars in thousands)

	2007	2006
Assets		
Current assets		
Cash and cash equivalents	$ 11,103	$ 734
Temporary investments	61	9,235
Accounts receivable, net (Note 1)	6,524	5,181
Inventories, prepaid expenses and other assets	2,196	2,075
Total current assets	19,884	17,225
Student loans receivable, net (Note 1)	985	1,010
Contributions receivable and bequest in probate, net (Note 2)	13,810	22,009
Long-term investments (Note 3)	560,131	471,451
Assets held in trust by others	3,015	2,746
Funds held for investment in plant (Note 4)	2,006	2,353
Plant and equipment, net (Note 5)	127,518	128,997
Total assets	$ 727,349	$ 645,791
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 3,904	$ 3,169
Deposits and deferred revenues	1,754	1,058
Current portion of long-term debt	1,850	1,775
Total current liabilities	7,508	6,002
Federal student loan advances	1,026	1,018
Accrued postretirement liabilities	136	247
Liabilities under planned giving agreements (Notes 1 and 3)	8,906	8,705
Long-term debt (Note 6)	96,441	98,191
Interest rate swaption liability (Note 6)	4,195	3,594
Other liabilities	1,267	719
Total liabilities	119,479	118,476
Net assets (Note 7)		
Unrestricted	232,844	205,297
Temporarily restricted	213,546	183,145
Permanently restricted	161,480	138,873
Total net assets	607,870	527,315
Total liabilities and net assets	$ 727,349	$ 645,791

The accompanying notes are an integral part of these financial statements.

The Corporation of Haverford College
Statements of Activities and Changes in Net Assets
Year Ended June 30, 2007 with 2006 Comparative Information

(dollars in thousands)

	Unrestricted	Restricted Temporarily	Restricted Permanently	2007 Total	2006 Total
Operating revenues					
Tuition and fees	$ 40,891	$ -	$ -	$ 40,891	$ 38,854
Room and board	10,947	-	-	10,947	10,555
Less: student aid	(11,392)	-	-	(11,392)	(10,797)
Student revenues, net	40,446	-	-	40,446	38,612
Endowment payout (Notes 1 and 3)	19,185	1,197	-	20,382	18,780
Gifts	5,388	2,173	-	7,561	8,382
Government grants and contracts	939	-	-	939	903
Bookstore, rents and other income	5,207	44	-	5,251	5,222
Net assets released from restrictions	3,396	(3,396)	-	-	-
Total operating revenues	74,561	18	-	74,579	71,899
Operating expenses (Note 9)					
Program services					
Instruction	27,807	-	-	27,807	26,021
Research	1,876	-	-	1,876	1,828
Library and academic support	7,698	-	-	7,698	7,154
Student services	9,767	-	-	9,767	9,422
Auxiliary enterprises	14,793	-	-	14,793	13,865
Supporting services					
Management, general and fundraising	12,494	-	-	12,494	10,933
Total operating expenses	74,435	-	-	74,435	69,223
Change in net assets from operating activities	126	18	-	144	2,676
Nonoperating activities					
Endowment and planned gifts	2,673	30	12,637	15,340	11,643
Net change in pledges receivable (Notes 1 and 2)	-	(11,096)	2,864	(8,232)	(1,503)
Net realized and unrealized gains	29,443	44,192	6,798	80,433	59,729
Withdrawn for endowment payout (Notes 1 and 3)	(4,842)	(2,376)	88	(7,130)	(9,183)
Net assets released from restrictions	147	(367)	220	-	-
Change in net assets from nonoperating activities	27,421	30,383	22,607	80,411	60,686
Increase in net assets	27,547	30,401	22,607	80,555	63,362
Net assets					
Beginning of year	205,297	183,145	138,873	527,315	463,953
End of year	$ 232,844	$ 213,546	$ 161,480	$ 607,870	$ 527,315

The accompanying notes are an integral part of these financial statements.

The Corporation of Haverford College
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2006

(dollars in thousands)

	Unrestricted	Restricted Temporarily	Restricted Permanently	2006 Total
Operating revenues				
Tuition and fees	$ 38,854	$ -	$ -	$ 38,854
Room and board	10,555	-	-	10,555
Less: student aid	(10,797)	-	-	(10,797)
Student revenues, net	38,612	-	-	38,612
Endowment payout (Notes 1 and 3)	17,980	800	-	18,780
Gifts	5,490	2,892	-	8,382
Government grants and contracts	903		-	903
Bookstore, rents and other income	5,167	55	-	5,222
Net assets released from restrictions	2,929	(2,929)	-	-
Total operating revenues	71,081	818	-	71,899
Operating expenses (Note 9)				
Program services				
Instruction	26,021	-	-	26,021
Research	1,828	-	-	1,828
Library and academic support	7,154	-	-	7,154
Student services	9,422	-	-	9,422
Auxiliary enterprises	13,865	-	-	13,865
Supporting services				
Management, general and fundraising	10,933	-	-	10,933
Total operating expenses	69,223	-	-	69,223
Change in net assets from operating activities	1,858	818	-	2,676
Nonoperating activities				
Gifts for endowment, planned gifts and gifts-in-kind	3,923	236	7,484	11,643
Net change in pledges receivable (Notes 1 and 2)	-	(52)	(1,451)	(1,503)
Net realized and unrealized gains	24,175	31,382	4,172	59,729
Withdrawn for endowment payout (Notes 1 and 3)	(6,830)	(2,353)	-	(9,183)
Net assets released from restrictions	(56)	14	42	-
Change in net assets from nonoperating activities	21,212	29,227	10,247	60,686
Increase in net assets	23,070	30,045	10,247	63,362
Net assets				
Beginning of year	182,227	153,100	128,626	463,953
End of year	$ 205,297	$ 183,145	$ 138,873	$ 527,315

The accompanying notes are an integral part of these financial statements.

The Corporation of Haverford College
Statements of Cash Flows
Years Ended June 30, 2007 and 2006

(dollars in thousands)

	2007	2006
Cash flows from operating activities		
Increase in net assets	$ 80,555	$ 63,362
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	6,199	5,702
Net realized and unrealized gains	(80,433)	(59,729)
Contributions restricted for endowment, planned gifts and plant facilities	(13,057)	(12,363)
Present value of new planned giving liabilities	95	2,167
Recognition of conditional asset retirement obligation	571	-
Gifts in kind and other adjustments, net	(13)	9
Changes in operating assets and liabilities		
Accounts receivable, inventories and prepaid expenses	(1,294)	(1,567)
Accounts payable and accrued expenses, deposits and deferred revenues, and accrued postretirement liabilities	1,320	330
Contributions receivable, net	8,199	1,312
Net cash provided by (used in) operating activities	2,142	(777)
Cash flows from investing activities		
Purchases of investments	(133,784)	(125,362)
Sales of investments	136,604	127,402
Purchases of plant and equipment	(5,425)	(11,365)
Student loan disbursements	(185)	(146)
Student loan repayments	198	270
Net cash used in investing activities	(2,592)	(9,201)
Cash flows from financing activities		
Contributions restricted for endowment, planned gifts and plant facilities	13,057	12,363
Repayment of long-term debt	(1,775)	(1,700)
Payments to planned gift beneficiaries, net of related income	(471)	(549)
Federal student loan advances	8	6
Net cash provided by financing activities	10,819	10,120
Net increase in cash and cash equivalents	10,369	142
Cash and cash equivalents		
Beginning of year	734	592
End of year	$ 11,103	$ 734
Supplemental disclosure of cash flow information		
Interest paid, net of interest capitalized of $0 and $413	$ 4,770	$ 3,867
Supplemental disclosure of noncash investing and financing activities		
Stock distributions from donor advised fund	$ -	$ 392

The accompanying notes are an integral part of these financial statements.

1. Organization and Summary of Significant Accounting Policies

Description of Organization

The Corporation of Haverford College (the "College"), founded in 1833, is a coeducational, private, highly selective, liberal arts college located in Haverford, Pennsylvania. A diverse student body of approximately 1,200 full-time undergraduates is drawn from independent and public schools across the United States, Puerto Rico and more than 20 foreign countries. The College is a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code.

Basis of Presentation

The financial statements of the College have been prepared in conformity with accounting principles generally accepted in the United States of America for not-for-profit organizations. Not-for-profit accounting requires that net assets and revenues, expenses, gains and losses be classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets include all resources that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Managers or may otherwise be limited by contractual agreements with outside parties. Temporarily restricted net assets include contributions restricted by donors for specific purposes and/or future years, and gains on permanent endowment, which are restricted by Pennsylvania law on the amount that may be expended in a given year. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the College. Such assets primarily include the original gifts to the College's permanent endowment funds.

In the statement of activities, nonoperating activities primarily reflect increases and decreases in net assets associated with long-term investments, and contributions (pledges) to be received in the future. Net assets released from restrictions in the nonoperating section include matured planned giving agreements and other reclassifications.

Cash and Temporary Investments

Operating cash invested in short-term, highly liquid investments is reported as cash and cash equivalents. Temporary investments are investments in fixed income mutual funds, including the Vanguard GNMA Fund, whose underlying investments have longer maturities. The Vanguard GNMA Fund was sold during fiscal 2007 and the proceeds were reinvested in cash equivalents. Cash and temporary investments held for long-term purposes are classified with noncurrent assets. Investment income earned on cash and temporary investments (other than endowment) of $1,109,000 in 2007 and $1,058,000 in 2006 is included in other income.

Accounts Receivable and Student Loans Receivable

Accounts receivable include accrued investment income, amounts due from students and federal and other grants and contracts, the current portion of contributions receivable, and other miscellaneous receivables. Accounts receivable are reported net of allowances for doubtful accounts of $136,000 in 2007 and $131,000 in 2006. Student loans receivable are reported at cost, less allowances for doubtful accounts of $75,000 in 2007 and $70,000 in 2006.

Fair Value of Investments and Endowment Payout
Investments in marketable equity and debt securities are valued at quoted market prices from major securities exchanges. Private equity, venture capital, real estate, hedge funds, and other alternative investments include investments for which quoted market prices are not readily available. The fair values of these investments are based upon the most recent estimates provided by the respective general partners. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and the differences could be material. The College believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2007 and 2006.

Most of the College's endowment and similar funds are subject to a spending policy that determines the amount available for operations each year. The policy provides for increasing the prior year's payout amount by 5%, plus 5% of new endowment gifts, subject to a limitation between 4.75% and 5.75% of the average market value of the funds' investments. The amount by which the endowment payout exceeds actual endowment income is reported as withdrawn for endowment payout in the nonoperating section of the statement of activities. For the years 2007 and 2006, the payout amount exceeded endowment income by $7,130,000 and $9,183,000, respectively.

Planned Giving Agreements
Planned giving agreements (planned gifts) are life income and other split-interest agreements with donors in which the College serves as trustee or otherwise controls the assets. Assets are invested and distributions are made to beneficiaries and the College in accordance with the respective agreements. Liabilities under planned giving agreements represent the present value of the estimated future distributions to beneficiaries over the terms of the agreements. Investment gains and losses, and gains and losses associated with changes in the estimates of future distributions to beneficiaries, are included in net realized and unrealized gains and losses.

Assets Held in Trust by Others
The College is the income beneficiary of certain perpetual trusts held and administered by others. The fair value of the College's interest in the trusts is recorded as an asset, which approximates the present value of the estimated future cash receipts from the trusts. Changes in fair value of the trusts are included in net realized and unrealized gains and losses.

Plant and Equipment
Plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (15 to 20 years for land improvements, 20 to 50 years for buildings, 4 to 15 years for equipment, and 30 years for library books). Expenditures for new construction and major renewals and replacements and equipment are capitalized. The College owns approximately 204 acres of land that are carried on the books at no cost. Works of art, historical treasures and similar assets have been recognized at their estimated fair value based upon appraisals or similar valuations. Works of art, historical treasures and similar assets are not subject to depreciation.

Contributions and Net Assets Released from Restrictions
Contributions, including unconditional promises to give, are recorded as revenue in the period that the College receives the contribution or promise. Conditional promises to give are not recorded until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions and other revenues with donor-imposed restrictions that are met in the same year as received or earned are reported as unrestricted revenues. Otherwise, expirations of donor-imposed restrictions are reported in the statement of activities as net assets released from restrictions. Restrictions on contributions for the acquisition of plant and equipment expire upon acquisition of the related asset.

Fair Value of Financial Instruments
The fair value of cash and cash equivalents, employee mortgages, and receivables approximate their respective carrying amounts. The fair value of cash equivalents is based on the quoted market price of the underlying securities; the fair values of bonds payable are estimated based primarily upon quoted market prices of similar bonds. The fair value of bonds payable is disclosed in Note 6. Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans, could not be made without incurring excessive cost; these loans are valued at cost.

Use of Estimates
The preparation of the College's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions affect, in particular, the reported amounts of contributions receivable, liabilities under planned giving agreements, and valuation of alternative investments.

Actual results could differ from those estimates.

Conditional Asset Retirement Obligations
During fiscal 2007, the College revised its estimated conditional asset retirement obligations based on additional information and actual asbestos abatement costs incurred during the year, which costs amounted to $154,000 during fiscal 2007. The College recognized additional estimated conditional asset retirement obligations of $571,000 in the statement of activities and $4,000 of plant assets, net of accumulated depreciation. As of June 30, 2007, $575,000 of conditional asset retirement obligations is included in other liabilities in the statement of financial position.

Reclassifications
Certain amounts in the prior year have been reclassified to conform to the current year presentation.

2. Contributions Receivable

Contributions receivable represent unconditional promises to give from donors collectible in future years. Contributions receivable are recorded after discounting to the present value of the expected future cash flows. The discount is computed using an estimated "risk-free" interest rate. An allowance for uncollectible contributions is provided based upon management's judgment of the collectibility of outstanding pledges.

Contributions receivable (in thousands) at June 30 are expected to be realized and have been recorded as follows:

	2007	2006
In one year or less	$ 9,582	$ 8,093
Between one and five years	5,511	16,342
In more than five years	3,347	4,397
	18,440	28,832
Less: discount	(2,407)	(4,294)
Less: allowance	(917)	(1,189)
Less: amount included in current accounts receivable	(1,306)	(1,340)
Contributions receivable, net	$ 13,810	$ 22,009

The College wrote off a $5 million pledge during fiscal 2007 after collection was deemed doubtful. The pledge had a carrying value of $3,949,000 net of discount and allowance at June 30, 2006. This $3,949,000 loss is included in the 2007 statement of activities as a nonoperating activity under the caption “net change in pledges receivable”.

A reconciliation of contributions recorded in the financial statements with gifts received by the College (excluding pledges) is as follows (in thousands):

	2007	2006
Contributions, operating	$ 7,561	$ 8,382
Contributions, nonoperating	15,340	11,643
	22,901	20,025
Present value of new planned giving liabilities	95	2,167
Gifts received	$ 22,996	$ 22,192

3. Long-Term Investments

The fair values of the College’s long-term investments at June 30 were as follows (in thousands):

	2007	2006
Domestic equity funds	$ 147,589	$ 111,464
International equity funds	201,888	138,359
Fixed income	58,758	56,460
Hedge funds	16,882	31,213
Real estate and real assets	36,698	35,381
Venture capital, private equity and other investments	78,206	84,363
Cash and cash equivalents	20,110	14,211
	$ 560,131	$ 471,451

At June 30, 2007 and 2006, approximately 56% and 49% of the College’s long-term investments were invested in equity funds managed by one index investment manager.

The College includes 60% of the William Maul Measey Trust (the "Trust") in its endowment and similar funds. The Trust is maintained and controlled by the College, with 50% of the Trust's interest and dividends expended for student financial aid and 10% for administration of the Trust. The remaining 40% of the Trust's income must be disbursed to qualified secondary schools to be utilized for student financial aid. The College's portion of the fair value of the Trust was $47,134,000 and $40,701,000 at June 30, 2007 and 2006, respectively.

Pursuant to Commonwealth of Pennsylvania law and at the direction of the Board of Managers, $2,260,000 and $2,324,000 of endowment funds' gains were transferred to quasi-endowment during fiscal 2007 and 2006, respectively, for ultimate use in the operations of the College.

Long-term investment activity for 2007 and 2006 was as follows (in thousands):

	Endowment and Similar Funds	Planned Giving Agreements	Total 2007	Total 2006
Investments, beginning of year	$ 452,933	$ 18,518	$ 471,451	$ 409,343
Contributions	15,245	190	15,435	13,810
Transfers (to) from other funds	76	(164)	(88)	94
Contributions and other additions	15,321	26	15,347	13,904
Net realized and unrealized investment gains	78,482	2,452	80,934	58,328
Dividends and interest available, net of expenses of $1,552 and $1,620	13,252	-	13,252	9,597
Endowment spending payout	(20,382)	-	(20,382)	(18,780)
Withdrawn for endowment payout	(7,130)	-	(7,130)	(9,183)
Distributions to beneficiaries, net of related income	(17)	(454)	(471)	(941)
Investments, end of year	$ 539,589	$ 20,542	$ 560,131	$ 471,451

The total return of the College's endowment and similar funds (consisting of investment gains and losses and dividends and interest, net of expenses) was 20.4% and 17.1% for the fiscal years ending June 30, 2007 and 2006, respectively.

4. Funds Held for Investment in Plant

Funds held for investment in plant at June 30 consisted of (in thousands):

	2007	2006
Cash and cash equivalents	$ 2,006	$ 2,353
	$ 2,006	$ 2,353

5. Plant and Equipment

The components of plant and equipment at June 30 were as follows (in thousands):

	2007	2006
Land and land improvements	$ 7,114	$ 6,318
Buildings	170,772	166,988
Equipment	15,776	14,688
Library books	8,871	8,560
Works of art, historical treasures and similar assets	4,189	4,189
Construction-in-progress	-	1,218
	206,722	201,961
Accumulated depreciation	(79,204)	(72,964)
	$ 127,518	$ 128,997

6. Long-Term Debt

Long-term debt at June 30 consisted of (dollars in thousands):

	2007	2006
Delaware County Authority Revenue Bonds, Series of 2004 (variable rate), net of unamortized discount of of $659 and $682	$ 37,692	$ 38,518
Delaware County Authority Revenue Bonds, Series of 2003 (variable rate), net of unamortized discount of $331 and $354	16,794	17,695
Delaware County Authority Revenue Bonds, Series of 2000 (6.04% weighted average interest rate), net of unamortized discount of $1,195 and $1,247	43,805	43,753
	98,291	99,966
Less amounts due within one year	(1,850)	(1,775)
	$ 96,441	$ 98,191

The 2004 Bonds currently reset and pay interest weekly. The annualized interest rate was 3.85% at June 30, 2006 and 3.63% at June 30, 2007. The bonds are subject to scheduled mandatory principal redemption from 2006 through 2035, and may be redeemed at the option of the Authority, as directed by the College, on any interest payment date at a redemption price of 100% plus accrued interest. The 2004 Bonds are credit enhanced by an insurance policy issued by Ambac Assurance Corporation.

The 2004 Bonds were issued to finance the construction of the Douglas B. Gardner integrated athletic center and various other capital projects.

The College capitalizes the interest cost on qualifying assets that are acquired with the proceeds of the 2004 Bonds. The amount of interest capitalized is all qualifying interest incurred on the bonds until the assets are ready for their intended use less related interest earned on the investments acquired with the proceeds of the bonds. In fiscal 2006, the College increased the basis of its plant assets by $360,000 for interest expense capitalized, which is net of interest income on bond proceeds of $53,000.

The 2003 Bonds currently reset and pay interest weekly. The annualized interest rate was 3.85% at June 30, 2006 and 3.63% at June 30, 2007. The bonds are subject to scheduled mandatory principal redemption from 2005 through 2021, and may be redeemed at the option of the Authority, as directed by the College, on any interest payment date at a redemption price of 100% plus accrued interest. The 2003 Bonds are credit enhanced by an insurance policy issued by XL Capital Assurance Inc.

The Delaware County Authority Revenue Bonds, Series of 2000 (“2000 Bonds”) mature in varying principal amounts beginning in 2021 through 2031. The 2000 Bonds are subject to optional redemption by the Authority, as directed by the College, on or after November 15, 2010, at an initial redemption price of 101% plus accrued interest.

The 2000, 2003 and 2004 Bonds are collateralized by a general pledge of unrestricted College revenues.

The fair value of the College’s long-term debt, based upon current interest rates for similar obligations, was approximately $102,190,000 and $104,720,000 at June 30, 2007 and 2006, respectively.

Aggregate principal payments on long-term debt for each of the next five fiscal years are as follows: 2008 – $1,850,000; 2009 – $1,900,000; 2010 – $1,950,000; 2011 – $2,025,000 and 2012 – $2,100,000.

Swap Agreements

In 2005, the College sold an interest rate swap option (“swaption”) to UBS, AG (“UBS”). UBS paid Haverford $5,275,000 for the swaption. The purpose of the swaption transaction was to enable the College to lock in the present value of the call option on the 2000 Bonds, based on interest rate levels as of June 29, 2005. The swaption may be exercised by UBS on semiannual dates beginning November 15, 2010 through November 15, 2013. If exercised, the College will pay UBS a fixed rate of 5.797% (the coupon rate on the existing 2000 Bonds) through November 15, 2030 on certain notional principal amounts related to the 2000 Bonds, and will receive a variable interest rate from UBS, on the same principal amounts, based on the Bond Market Association (“BMA”) Municipal Swap Index plus 26 basis points (0.26%). If UBS exercises the swaption, it is expected that the College would cause variable rate tax-exempt bonds to be issued on its behalf (at an expected variable rate of approximately the BMA Municipal Swap Index plus 26 basis points) and utilize the proceeds to retire the 2000 Bonds. The swaption had a fair value (representing a liability) of $3,594,000 at June 30, 2006 and $4,195,000 at June 30, 2007. An unrealized gain of $2,334,000 in fiscal 2006 and an unrealized loss of $601,000 in fiscal 2007 are included in net realized and unrealized gains in the statements of activities.

In 2006, the College entered into an interest rate swap agreement with UBS (the "basis swap") with an effective date of July 21, 2005 and a termination date of November 15, 2010. During the term of this basis swap, the College and UBS exchange interest payments. The College pays UBS the weekly BMA Municipal Swap Index rate and UBS pays the College 67% of the monthly London Interbank Offered Rate ("LIBOR") plus 29 basis points (0.29%) through May 15, 2006 and 67% of the 5-year LIBOR less 4 basis points (0.04%) thereafter. The interest rate swap payments are calculated on a $45,000,000 notional amount. The purpose of this basis swap agreement is to diversify the College's interest rate exposure related to its debt**.** During fiscal 2006, the College received net payments of $98,000 from UBS and during fiscal 2007, the College made net payments of $73,911 to UBS. At June 30, 2007, the fair value of this swap agreement was $211,000 in favor of the College and is included in other assets.

7. Net Assets

Net assets at June 30, 2007 and 2006, consisted of the following (in thousands):

	2007	**2006**
Unrestricted		
Unallocated	$ 1,692	$ 1,194
Designated for operations and student loans	6,645	5,599
Designated for the acquisition of plant and equipment	1,629	2,136
Designated for quasi-endowments	194,387	167,837
Gift annuities	5,064	4,139
Net investment in plant and equipment	23,427	24,392
	232,844	205,297
Temporarily restricted		
Contributions and income for specific operating purposes	4,704	4,896
Contributions for the acquisition of plant and equipment	417	257
Quasi-endowments for specific purposes	17,249	15,038
Realized and unrealized endowment gains	178,260	139,608
Contributions receivable and planned giving agreements	12,916	23,346
	213,546	183,145
Permanently restricted		
Endowment funds	149,583	130,199
Contributions receivable and planned giving agreements for permanent endowment	8,882	5,928
Funds held in trust by others	3,015	2,746
	161,480	138,873
Total net assets	$ 607,870	$ 527,315

8. Retirement Plans

The College has a defined contribution pension plan for eligible faculty, administration and staff employees. The plan is fully funded and the participants' interests are fully vested. The College's contributions to the plan, based on 12% of eligible salaries, were $2,940,000 and $2,860,000 in 2007 and 2006, respectively.

Beginning July 1, 2005, the College implemented a defined contribution postretirement healthcare plan for eligible faculty, administration and staff employees whom are at least 40 years of age. This plan is also fully funded, however, College contributions are forfeited back to the College for employees who leave without having seven years' service with the College. The College's contributions to this plan were $287,000 and $215,000 in 2007 and 2006, respectively.

Both the pension plan and the healthcare plan permit additional employee contributions.

9. Operating Expenses

Operating expenses were incurred for the following (in thousands):

	2007	2006
Salaries and wages	$ 29,915	$ 28,149
Benefits	10,783	10,087
Total compensation	40,698	38,236
Services and contracting	9,373	8,588
Supplies and minor equipment	4,260	4,164
Auxiliaries, cost of sales	2,844	2,796
Utilities	2,794	2,925
Travel and training	1,514	1,498
Insurance and taxes	715	835
Depreciation	6,099	5,603
Interest	4,886	3,945
Other	1,252	633
Total expenses	$ 74,435	$ 69,223

The Statement of Activities presents operating expenses by functional classification. Depreciation, interest and certain expenses associated with the operation and maintenance of plant facilities are allocated to each function based principally upon square footage of facilities.

Direct fund-raising expenses were $2,607,000 and $2,529,000 in 2007 and 2006, respectively.

10. Commitments and Related Party Transaction

The College is obligated under certain endowment limited partnership agreements to advance additional funding in the amount of $97,480,000 at June 30, 2007. This funding will likely be called over the next four years.

In July, 2007, the College made a $20 million commitment to a limited partnership in which the managing principal of the general partner is also a member of the College's Board of Managers.

The College leases certain copier equipment and purchases related supplies under a noncancelable operating lease that expires July 31, 2009. Future minimum payments under this lease are $261,000 annually during fiscal 2006-2009, and $22,000 during fiscal 2010.