

**THE CORPORATION OF HAVERFORD COLLEGE**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**THE CORPORATION OF HAVERFORD COLLEGE  
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YEARS ENDED JUNE 30, 2018 AND 2017**

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## INDEPENDENT AUDITORS' REPORT

Board of Managers  
The Corporation of Haverford College  
Haverford, Pennsylvania

We have audited the accompanying financial statements of The Corporation of Haverford College, which comprise the balance sheets as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

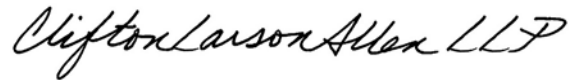
Board of Managers  
The Corporation of Haverford College

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Corporation of Haverford College as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As discussed in Note 2 to the financial statements, management has elected to adopt Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
October 27, 2018

**THE CORPORATION OF HAVERFORD COLLEGE**  
**BALANCE SHEETS**  
**JUNE 30, 2018 AND 2017**  
(DOLLARS IN THOUSANDS)

<b>Assets</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
1 Cash and cash equivalents	\$ 20,188	\$ 10,169
2 Short-term investments	14,348	16,722
3 Accounts receivable, net	2,316	2,010
4 Inventories, prepaid expenses, and other assets	2,763	2,635
5 Student loan receivable, net	369	467
6 Contributions receivable, net	8,691	13,076
7 Endowment and similar assets	518,885	501,738
8 Planned giving agreements	7,761	7,451
9 Assets held in trust by others	8,164	8,591
10 Bond funds held by Trustee	13,012	13,120
11 Plant and equipment, net	166,962	159,107
<b>12 Total Assets</b>	<b>\$ 763,459</b>	<b>\$ 735,086</b>
<b>Liabilities</b>		
13 Accounts payable and accrued expenses	\$ 7,652	\$ 9,294
14 Deposits and deferred revenues	3,253	3,625
15 Federal student loan advances	105	105
16 Interest rate swap liabilities	7,050	9,745
17 Liabilities under planned giving agreements	5,316	5,268
18 Bonds and notes payable	147,602	151,236
19 Other liabilities	1,164	1,154
<b>20 Total Liabilities</b>	<b>172,142</b>	<b>180,427</b>
<b>Net Assets</b>		
21 Without donor restrictions	160,180	142,174
22 With donor restrictions	431,137	412,485
<b>23 Total Net Assets</b>	<b>591,317</b>	<b>554,659</b>
<b>24 Total Liabilities and Net Assets</b>	<b>\$ 763,459</b>	<b>\$ 735,086</b>

See accompanying Notes to Financial Statements.

**THE CORPORATION OF HAVERFORD COLLEGE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2018**  
(DOLLARS IN THOUSANDS)

	Without Donor Restrictions	With Donor Restriction	Year ended June 30, 2018 Total Net Assets
<b>Operating</b>			
<b>Revenues:</b>			
1 Tuition and fees	\$ 70,697	\$ -	\$ 70,697
2 Less student financial aid	(29,959)	-	(29,959)
3 Net tuition and fees	40,738	-	40,738
4 Private gifts and grants	5,645	4,577	10,222
5 Government grants and contracts	1,894	-	1,894
6 Auxiliary enterprises	23,369	-	23,369
7 Other income	1,631	30	1,661
8 Investment return appropriated for spending	23,298	1,974	25,272
9 Total revenues	96,575	6,581	103,156
10 Net assets released from restrictions	4,871	(4,871)	-
11 <b>Total Operating Revenues</b>	<b>101,446</b>	<b>1,710</b>	<b>103,156</b>
<b>Expenses</b>			
12 Salaries and benefits	59,452	-	59,452
13 Operating expenses	29,702	-	29,702
14 Depreciation and amortization	8,627	-	8,627
15 Interest on indebtedness	6,556	-	6,556
16 <b>Total Operating Expenses</b>	<b>104,337</b>	<b>-</b>	<b>104,337</b>
17 <b>Increase (decrease) in Net Assets from operating activities</b>	<b>(2,891)</b>	<b>1,710</b>	<b>(1,181)</b>
<b>Non-operating</b>			
18 Capital, endowment, and planned gifts	4,938	22,955	27,893
19 Net change in pledges receivable	-	(4,385)	(4,385)
20 Net unrealized and realized gains	8,389	25,359	33,748
21 Withdrawn for endowment payout	(8,633)	(13,386)	(22,019)
22 Change in interest rate swap liabilities	2,695	-	2,695
23 Other	(93)	-	(93)
24 Net assets released from restriction and transfers	13,601	(13,601)	-
25 <b>Increase in Net Assets from non-operating activities</b>	<b>20,897</b>	<b>16,942</b>	<b>37,839</b>
26 <b>Total Increase in Net Assets</b>	<b>18,006</b>	<b>18,652</b>	<b>36,658</b>
27 <b>Beginning Net Assets</b>	<b>142,174</b>	<b>412,485</b>	<b>554,659</b>
28 <b>Ending Net Assets</b>	<b>\$ 160,180</b>	<b>\$ 431,137</b>	<b>\$ 591,317</b>

See accompanying Notes to Financial Statements.

**THE CORPORATION OF HAVERFORD COLLEGE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2017**  
(DOLLARS IN THOUSANDS)

	Without Donor Restrictions	With Donor Restriction	Year ended June 30, 2017 Total Net Assets
<b>Operating</b>			
<b>Revenues:</b>			
1 Tuition and fees	\$ 67,008	\$ -	\$ 67,008
2 Less student financial aid	(28,149)	-	(28,149)
3 Net tuition and fees	38,859	-	38,859
4 Private gifts and grants	5,850	3,775	9,625
5 Government grants and contracts	1,306	27	1,333
6 Auxiliary enterprises	23,897	5	23,902
7 Other income	324	3	327
8 Investment return appropriated for spending	22,507	2,583	25,090
9 Total Revenues	92,743	6,393	99,136
10 Net assets released from restrictions	5,481	(5,481)	-
11 <b>Total Operating Revenues</b>	<b>98,224</b>	<b>912</b>	<b>99,136</b>
<b>Expenses</b>			
12 Salaries and benefits	58,615	-	58,615
13 Operating expenses	28,481	-	28,481
14 Depreciation and amortization	7,863	-	7,863
15 Interest on indebtedness	5,753	-	5,753
16 <b>Total Operating Expenses</b>	<b>100,712</b>	<b>-</b>	<b>100,712</b>
17 <b>Increase (decrease) in Net Assets from operating activities</b>	<b>(2,488)</b>	<b>912</b>	<b>(1,576)</b>
<b>Non-operating</b>			
18 Capital, endowment and planned gifts	10	19,197	19,207
19 Net change in pledges receivable	-	4,275	4,275
20 Net unrealized and realized gains	14,583	38,174	52,757
21 Withdrawn for endowment payout	(9,056)	(14,009)	(23,065)
22 Loss on extinguishment of debt	(6,077)	-	(6,077)
23 Change in interest rate swap liabilities	2,682	-	2,682
24 Other	(83)	146	63
25 Net assets released from restriction and transfers	3,017	(3,017)	-
25 <b>Increase in Net Assets from non-operating activities</b>	<b>5,076</b>	<b>44,766</b>	<b>49,842</b>
27 <b>Total Increase in Net Assets</b>	<b>2,588</b>	<b>45,678</b>	<b>48,266</b>
28 <b>Beginning Net Assets</b>	<b>139,586</b>	<b>366,807</b>	<b>506,393</b>
29 <b>Ending Net Assets</b>	<b>\$ 142,174</b>	<b>\$ 412,485</b>	<b>\$ 554,659</b>

See accompanying Notes to Financial Statements.

**THE CORPORATION OF HAVERFORD COLLEGE**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**  
(DOLLARS IN THOUSANDS)

	Year ended June 30, 2018	Year ended June 30, 2017
<b>Cash Flows from Operating Activities</b>		
1 <b>Change in Net Assets</b>	<b>\$ 36,658</b>	<b>\$ 48,266</b>
2 Adjustments to reconcile changes in net assets to net cash used in operating activities:		
3 Depreciation and amortization	8,274	7,626
4 Net realized and unrealized gains on investments	(34,380)	(52,757)
5 (Gain) loss on disposal of plant and equipment	113	(63)
6 Loss on extinguishment of debt	-	6,077
7 Contributions restricted for long-term investment	(23,507)	(23,627)
8 Change in fair value of swap liabilities	(2,694)	(2,682)
9 Present value of new planned giving liabilities	322	370
10 Gifts in kind and other adjustments, net	(140)	(19)
11 (Increase) Decrease in accounts receivable, inventories, prepaids, and other assets	(583)	1,040
12 (Increase) Decrease in contributions receivable, net	4,385	(4,275)
13 Increase (decrease) in accounts payable, accrued expenses, deposits, and deferred revenue	(2,005)	4,414
14 <b>Net cash used in operating activities</b>	<b>(13,557)</b>	<b>(15,630)</b>
<b>Cash Flows from Investing Activities</b>		
15 Purchases of investments	(107,445)	(134,676)
16 Sales of investments	127,374	141,133
17 Purchases of plant and equipment	(16,456)	(27,888)
18 Student loan repayments	98	71
19 <b>Net cash provided by (used in) investing activities</b>	<b>3,571</b>	<b>(21,360)</b>
<b>Cash Flows from Financing Activities</b>		
20 Contributions restricted for long-term investment	23,507	23,627
21 Purchase of bond funds held with Trustees	(5,878)	(136,032)
22 Sale of bonds held with Trustees	5,987	122,912
23 Proceeds from issuance of bonds	-	140,226
24 Payments on refunding of bonds	-	(115,323)
25 Payments on redemption of bonds	(2,770)	-
26 Payment of bond issuance costs	-	(903)
27 Repayments on bonds payable	(510)	(1,405)
28 Payments to planned gift beneficiaries, net of related income	(331)	444
29 Federal student loan advances	-	(73)
30 <b>Net cash provided by financing activities</b>	<b>20,005</b>	<b>33,473</b>
31 <b>Net increase (decrease) in cash and cash equivalents</b>	<b>10,019</b>	<b>(3,517)</b>
32 <b>Cash and cash equivalents at beginning of year</b>	<b>10,169</b>	<b>13,686</b>
33 <b>Cash and cash equivalents at end of year</b>	<b>\$ 20,188</b>	<b>\$ 10,169</b>
<b>Supplemental disclosure of cash flow information</b>		
34 Cash paid for interest	\$ 7,796	\$ 4,986
35 Accounts payable for capital projects	\$ 1,179	\$ 1,647

See accompanying Notes to Financial Statements.



**THE CORPORATION OF HAVERFORD COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 1 NATURE OF THE ORGANIZATION**

The Corporation of Haverford College (the College), founded in 1833, is a coeducational, private, highly selective, leading, liberal arts college located in Haverford, Pennsylvania on a 216-acre arboretum campus. The College attracts a diverse student body of more than 1,300 full-time undergraduates from independent and public schools across the United States, Puerto Rico and over 30 foreign countries.

The College is a nonprofit corporation that is exempt from federal income tax as described in Section 501(c)(3) of the Internal Revenue, and, as such, is subject to income taxes only to the extent of unrelated business income.

More information regarding the College's educational activities can be obtained from the College's website at [www.haverford.edu](http://www.haverford.edu).

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the College have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

For financial reporting purposes the College follows the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, which requires the College to classify its net assets into two categories according to donor-imposed restrictions: net assets without donor imposed restrictions and net assets with donor imposed restrictions. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**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 and disclosures at the date of the financial statements. Actual results could differ from those estimates.

**Reclassifications**

Certain reclassifications have been made to the prior year's financial statements for comparative purposes.

**Net Assets Without and With Donor Restrictions**

Net assets without donor restrictions are the part of net assets of a not-for-profit entity that are not subject to donor-imposed restrictions. A donor-imposed restriction is a donor stipulation that specifies a use for a contributed asset that is more specific than broad limits resulting from the following: a) the nature of the not-for-profit entity b) the environment in which it operates c) the purposes specified in its articles of incorporation or bylaws or comparable documents.

**THE CORPORATION OF HAVERFORD COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets Without and With Donor Restrictions (Continued)**

The net assets without donor restrictions classification includes all revenues, gains, and expenses not restricted by donors. The College reports all expenditures in this class of net assets, since the use of restricted contributions in accordance with donors' stipulations results in the release of the restriction.

The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions includes contributions for which donor imposed restrictions have not been met, contributions for capital, endowment and planned gifts, endowment appreciation (depreciation), gift annuities and pledges receivable which are included in net assets with donor restrictions.

**Measure of Operations**

The College's measure of operations as presented in the statement of activities includes revenue from tuition and fees (net of student financial aid), grants and contracts, auxiliary enterprises, investment return appropriated for spending and other revenues. Operating expenses are reported on the statement of activities by natural classifications.

The College's nonoperating activity within the statement of activities includes a) investment return in excess of amounts utilized for operations as defined by the College's spending policy b) capital, endowed, and planned gifts, c) change in interest rate swap liabilities, d) release from restrictions of contributions given for the acquisition of property and equipment, e) the changes in value of split interest agreements and f) other changes.

**Cash and Cash Equivalents**

Cash equivalents consist of cash in banks and highly liquid investments with original maturities of three months or less unless held for meeting restrictions of a capital or endowment nature. The College maintains its cash and cash equivalents with high credit quality financial institutions, which typically exceeds the federally insured limits. The College has not experience any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Investments**

Investments are stated at fair value. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is shown in the statement of activities. Realized gains and losses upon the sale of investments are calculated using the specific identification method as of the trade date.

Alternative investments consist of those investments which are not valued based upon a quoted market price and include nonmarketable hedge fund and private equity assets. These funds invest in various partnership interests, managed accounts, and other vehicles to generate investment return. These funds are reported at their net asset value as reported by fund managers. The amount represents the College's proportionate interest in the capital of the invested funds.

**THE CORPORATION OF HAVERFORD COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable and Student Loans Receivable**

The College's accounts receivable and student loans receivable includes accrued interest income, amounts due from students and federal and other grants and contracts and other miscellaneous receivables are recorded at estimated net realizable value.

The College offers a noninterest payment plan to students and collateral is not required. Amounts are generally due at the beginning of the semester and students whose accounts are not current are not allowed to enroll in classes. The College's policy for determining when an account is past due or delinquent is when the account is more than 90 days past due. Allowances for doubtful accounts are established based on historical collection experience and current economic factors, which in management's judgement, could influence the ability of the students to repay the amounts.

**Inventories**

Inventory is stated at the lower of cost or net realizable value based on the first-in, first-out basis. Inventory consists of bookstore merchandise and other supplies.

**Assets Held in Trust By Others**

Perpetual trusts held by others are funds held by outside trusts for the benefit of the College in accordance with the terms of the irrevocable trusts. These funds are neither in the possession, nor under the control, of the College. The terms of the trusts provide that the College is to receive annually, all or a portion of the income earned by the funds that are held in trust. The present value of the estimated future cash flows from the trusts are recognized as assets and gift income at the date the trusts are established. Distributions from the trusts are recorded as investment income and the carrying value of the assets is adjusted for changes in the estimates of future cash receipts.

**Bond Funds Held by Trustee**

Bond funds held by trustees represent funds that are primarily held for anticipated capital projects and expenditures.

**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 and building improvements, 20 to 50 years for buildings, 4 to 15 years for equipment, and 10 years for library books). Expenditures for new equipment greater than \$5,000 are capitalized, while construction for major renewals and replacements are capitalized over \$20,000. The College owns approximately 216 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 at the time of gift. Works of art, historical treasures, and similar assets are not subject to depreciation.

**Capitalized Interest**

The College capitalizes interest costs incurred on debt during the construction of major projects exceeding one year.

**THE CORPORATION OF HAVERFORD COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Revenues**

Deferred revenue represents revenues collected but not yet earned as of June 30. This is primarily composed of revenue from summer camps and programs.

**Planned Giving Arrangements**

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.

**Conditional Asset Retirement Obligations**

In other liabilities the College has recorded conditional asset retirement obligations associated with the legally required removal and disposal of certain hazardous materials, primarily asbestos, present in its facilities. When an asset retirement obligation is identified, the College records the fair value of the obligation as a liability. The fair value of the obligation is also capitalized as property and equipment and then amortized over the estimated remaining useful life of the associated asset. The fair value of the conditional asset retirement obligation is estimated using a probability weighted, discounted cash flow model. The present value of the future estimated cash flows is calculated using the credit adjusted, interest rate applicable to the college in order to determine the fair value of the conditional asset retirement obligations.

**Student Tuition and Fees**

Student tuition and fees are recorded as revenues during the year the related academic services are rendered.

**Contributions**

Contributions from donors, including contributions receivable (unconditional promises to give), are recorded as revenues in the year received. Noncash contributions are valued using quoted market prices, market prices for similar assets or independent appraisals. Contributions receivable are reported at their discounted value using credit-adjusted borrowing rates and an allowance for amounts estimated to be uncollectible is provided. Donor-restricted contributions, which are received and either spent, or deemed spent, within the same year, are reported as revenue without donor restrictions.

Contributions of long-lived assets with no donor-imposed time restrictions are reported as revenue without donor restrictions in the year received. Contributions restricted to the acquisition or construction of long-lived assets or subject to other time or purpose restrictions are reported as revenue with donor restriction. The donor restricted net assets resulting from these contributions are released to net assets without donor restriction when the donor-imposed restrictions are fulfilled or the assets are placed in service. Contributions received for endowment investment are held in perpetuity and recorded as revenue with donor restrictions.

**THE CORPORATION OF HAVERFORD COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Expenses**

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

**Fair Value of Investments and Other Financial Instruments**

The College applies the provision of FASB ASC 820, *Fair Value Measurements*, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the College for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same 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 investments are valued by the College based upon valuation information received from the relevant entity which may include last trade information, third-party appraisals of real estate, or valuations prepared by custodians for assets held in trusts by other trustees where the College is named as a beneficiary. This may also utilize industry standard valuation techniques, including discounted cash flow models. Significant increases or decreases in these inputs in isolation may result in a significantly lower or higher fair value measurement, respectively.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Investments in publicly traded equity and debt securities and exchange-traded funds are based upon quoted market prices from major securities exchanges. Investments in mutual funds and common trust and similar commingled funds that provide for frequent purchases and redemptions are reported at net asset values provided by the respective investment managers. 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 primarily 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 has reviewed the fair values reported by its external investment managers and general partners and believes that the carrying amount of its investments is a reasonable estimate of fair value as of June 30, 2018 and 2017.

**THE CORPORATION OF HAVERFORD COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value of Investments and Other Financial Instruments (Continued)**

The College applies the authoritative guidance contained in FASB ASC 820-10, *Fair Value Measurements and Disclosures*, for estimating the fair value of investments in investment funds that have calculated Net Asset Value (NAV) per share in accordance with FASB ASC 946-10, *Financial Services Investment Companies* (formerly the American Institute of Certified Public Accountants Audit and Accounting Guide, Investment Companies). According to this guidance, in circumstances in which NAV per share of an investment is not determinative of fair value, a reporting entity is permitted, to estimate the fair value of an investment in an investment fund using the NAV per share of the investment (or its equivalent) without further adjustment, if the NAV per share of the investment is determined in accordance with FASB ASC 946-10 as of the reporting entity's measurement date.

Accordingly, the College uses the NAV as reported by the money managers as a practical expedient, to determine the fair value of investments in investment funds which a) do not have a readily determinable fair value, and b) either have the attributes of an investment fund or prepare their financial statements consistent with the measurement principles of an investment fund. At June 30, 2018 and 2017, the fair value of all such investments in investment funds has been determined by using NAV as a practical expedient.

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 amortized cost or the quoted market price of the underlying securities. Determination of the fair value of the student loans receivable, which are primarily federally sponsored student loans, could not be made without incurring excessive costs; these loans are valued at cost.

The estimated fair value of the College's liability related to its interest rate swap agreement was provided by the relevant counterparty to the transaction and the methodology for valuation was tested independently. This valuation represents the counterparty's current economic assessment of the transaction or instrument as of the date specified. The fair value assessment is typically derived all or in part from model prices, external sources, or market prices.

Investments are exposed to various risks such as market, interest rate and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in values of investments could occur in the near term and that such change could materially affect the investment balances and activity included in the financial statements.

**THE CORPORATION OF HAVERFORD COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Endowment Investment Policies and Spending**

The College's endowment investment policies are designed to enhance the real (inflation adjusted) purchasing power of the endowment while providing a relatively predictable and growing stream of real revenues in line with the spending needs of the College. Assets are broadly diversified over both traditional and alternative investments to provide reasonable assurance that no single security or class of assets will have a disproportionate impact on the total portfolio. The specific investment objective is to attain a real total return of 5%-7% over the long term consistent with a prudent risk level. Recognizing the more favorable growth potential of equities compared to fixed income investments over long periods of time, a majority of the College's endowment assets normally will be committed to equity investments. A committee of the board of managers is responsible for oversight of the endowment and for engaging the services of professional investment managers to manage the endowment on a day-to-day basis.

Most of the College's endowment and similar funds are subject to an internal spending policy that determines the amount available for operations each year. The policy, which excludes the William Maul Measey Trust from the calculation, provides for increasing the prior year's payout amount by 4.00%, subject to a ceiling of 5.00% and a floor of 3.75% of a preceding twelve-quarter average market value of the funds' investments. A draw on a portion of the College's unrestricted endowment may be further utilized pursuant to the terms and purposes designated by the Board. 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 2018 and 2017, the payout amount exceeded endowment income by \$22,019 and \$23,065, respectively.

The total amount drawn from the Endowment for College operating, pursuant to the College's spending policy outlined herein, for 2018 and 2017 is \$25,272 and \$25,090, respectively.

The Commonwealth of Pennsylvania has not adopted the Uniform Management of Institutional Funds Act (UMIFA) or the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Rather, the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act) governs the investment, use, and management of the College's Endowment funds. Commonwealth of Pennsylvania law permits the College to define as income each year a portion of these net realized gains. Commonwealth of Pennsylvania law permits the College to spend annually from its permanent endowment funds up to 7% of the fair market value of these funds, averaged over a period of three or more preceding years, provided that the percentage selected by the board of managers is consistent with the long-term preservation of the real value of the endowment funds. The actual percentages spent for 2018 and 2017 were 4.99% and 5.02%, respectively.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Student Financial Assistance Programs**

The College participates in various student financial assistance programs administered by the U.S. Department of Education. The related activity is subject to audit both by independent certified public accountants and by representatives of the administering agency regarding compliance with applicable regulations. Any resultant findings of noncompliance could potentially result in the required return of related funds received and/or the assessment of fines and penalties, or the discontinuation of eligibility for participation.

**Income Taxes**

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2018, the College had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The College files information tax returns in the United States of America and various states. The College is generally no longer subject to federal and state tax examinations by tax authorities for years before 2015.

**Recently Issued Accounting Standards**

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 outlines a single comprehensive standard for revenue recognition across all industries and supersedes most existing revenue recognition guidance. In addition, ASU 2014-09 will become effective for annual reporting periods beginning after December 15, 2017. The College is currently evaluating the effect of adoption to the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires recognition of rights and obligations from lease contracts, including existing and new arrangements, as assets and liabilities on the balance sheet. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018. The College is currently evaluating the effect of adoption to the financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which revises the not-for-profit financial reporting model. ASU 2016-14 provides for additional disclosure and modifies net asset reporting. The standard requires the College to reclassify its net assets (i.e. unrestricted, temporarily restricted, and permanently restricted) into two categories; net assets without donor imposed restrictions and net assets with donor imposed restrictions, among other requirements. The College early adopted the provisions of this new standard during the year ended June 30, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding the liquidity and availability of resources (Note 3) and disclosures related to functional allocation of expenses were expanded (Note 14). With the exception of these disclosures, the changes resulting from the adoption of ASU 2016-14 were applied retrospectively to ensure comparability with the prior year presented.



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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recently Issued Accounting Standards (Continued)**

As it relates to the liquidity and functional expense disclosures, the College has the option, but is not required, to disclose comparative information for 2017. As a result of adopting this standard, certain prior year amounts were reclassified to conform to the presentation requirements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. The standard addresses the classification of certain transactions within the statement of cash flows, including cash payments for debt repayment or debt extinguishment costs, contingent considerations payments made after a business combination, and distribution received from equity method investments. The ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The College is currently evaluating the effect of adoption to the financial statements.

**NOTE 3 LIQUIDITY**

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2018 the College has the following financial assets available for expenditure within one year:

	2018
Cash and Cash Equivalents	\$ 20,188
Short Term Investments	14,348
Accounts Receivable	2,316
Other Miscellaneous Receivables	2,193
Assets Held by Trustees	7,349
Endowment Draw for Operations	25,270
Total	<u>\$ 71,664</u>

The College has a revolving line of credit in the amount of \$15,000 which it could draw upon.

The College's governing board has designated a portion of its resources to function as endowment and for other purposes and totals \$142,544 at June 30, 2018. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the board.

In addition to financial assets available to meet general expenditures over the next 12 months, the College operates with a balanced budget on a cash-flow basis.

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**NOTE 3 LIQUIDITY (CONTINUED)**

Federal student loans receivable are not considered to be available to meet general expenditures because principal and interest on these loans are used solely to make new loans.

**NOTE 4 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. Significant fluctuation in the discount rates utilized in this calculation could result in a material change. The discount is computed using an estimated market interest rate that approximates the expected return of an intermediate term bond portfolio for a similar time horizon. This rate was 2.57% at June 30, 2018 and 4.53% as of June 30, 2017. An allowance for uncollectible contributions is provided based upon management's judgment of the collectability of outstanding pledges.

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

	2018	2017
Unconditional Promises Expected to be Collected:		
Within One Year	\$ 3,709	\$ 5,276
Between One and Five Years	5,085	8,341
After Five Years	1,333	1,686
	10,127	15,303
Less:		
Present Value Discount	(979)	(1,539)
Allowance for Uncollectible Contributions Receivable	(457)	(688)
Total	\$ 8,691	\$ 13,076

At June 30, 2018 and 2017, the College had \$6,000 and \$8,000 in conditional promises to give, to be used for restricted purposes, which are not recorded in the financial statements, until the passage of time or the occurrence of a specific event.

**THE CORPORATION OF HAVERFORD COLLEGE**  
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**NOTE 5 INVESTMENTS**

The fair values of the College's short-term and long-term investments at June 30 were as follows:

	2018			
	Short-Term Investments	Endowed and Similar Assets	Planned Giving Agreements	Total
Domestic Equity Funds	\$ 27	\$ 139,272	\$ 2,769	\$ 142,068
International Equity Funds	109	144,038	1,875	146,022
Fixed Income Funds	4,890	73,471	2,683	81,044
Hedge Funds	-	43,427	-	43,427
Real Assets	-	62,742	397	63,139
Private Equity and Venture Capital Partnerships	-	35,025	-	35,025
Cash and Cash Equivalents	9,322	20,910	37	30,269
Total	\$ 14,348	\$ 518,885	\$ 7,761	\$ 540,994

	2017			
	Short-Term Investments	Endowed and Similar Assets	Planned Giving Agreements	Total
Domestic Equity Funds	\$ 247	\$ 126,195	\$ 2,636	\$ 129,078
International Equity Funds	99	145,167	1,884	147,150
Fixed Income Funds	11,477	68,056	2,530	82,063
Hedge Funds	-	45,589	-	45,589
Real Assets	-	46,212	365	46,577
Private Equity and Venture Capital Partnerships	-	35,874	-	35,874
Cash and Cash Equivalents	4,899	34,645	36	39,580
Total	\$ 16,722	\$ 501,738	\$ 7,451	\$ 525,911

At June 30, 2018 and 2017, approximately 42% and 36% of the College's investments were invested in various funds managed by one index investment manager. Real assets include public and private real estate and energy-related partnership investments.

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 \$74,195 and \$65,939 at June 30, 2018 and 2017, respectively.

As of June 30, 2018, \$268,869 of total investments was redeemable and convertible to cash within one week; \$95,098 was redeemable between one month and one year; \$9,684 was redeemable between one year and three years; \$16,638 was redeemable after three years; and \$68,749 was illiquid except as distributions are made by the various general partners. Investments in the amount of \$81,956 were restricted to planned giving agreements and the trust.

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**NOTE 6 ENDOWMENT NET ASSETS**

Changes in Endowment and Similar Funds' net assets for the years ending June 30, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets at June 30, 2016	\$ 135,739	\$ 326,677	\$ 462,416
Contributions	438	7,338	7,776
Transfers and Other Adjustments	856	440	1,296
Subtotal	<u>137,033</u>	<u>334,455</u>	<u>471,488</u>
Net Realized & Unrealized Gains	14,994	38,321	53,315
Measey Trust Income	1,208	-	1,208
Interest & Dividends	664	1,337	2,001
Investment Expenses	(390)	(794)	(1,184)
Net Investment Earnings	<u>16,476</u>	<u>38,864</u>	<u>55,340</u>
Less: Investment Return Appropriated for Spending	<u>10,538</u>	<u>14,552</u>	<u>25,090</u>
Net Earnings in Excess of Spending	<u>5,938</u>	<u>24,312</u>	<u>30,250</u>
Endowment Net Assets at June 30, 2017	<u>142,971</u>	<u>358,767</u>	<u>501,738</u>
Contributions Net Other Transfers	(77)	5,484	5,407
Transfers and Other Adjustments	-	147	147
Subtotal	<u>142,894</u>	<u>364,398</u>	<u>507,292</u>
Net Realized & Unrealized Gains	8,283	25,328	33,611
Measey Trust Income	1,381	-	1,381
Interest & Dividends	1,026	2,138	3,164
Investment Expenses	(419)	(872)	(1,291)
Net Investment Earnings	<u>10,271</u>	<u>26,594</u>	<u>36,865</u>
Less: Investment Return Appropriated for Spending	<u>10,621</u>	<u>14,651</u>	<u>25,272</u>
Net Earnings (Loss) in Excess of Spending	<u>(350)</u>	<u>11,943</u>	<u>11,593</u>
Endowment Net Assets at June 30, 2018	<u>\$ 142,544</u>	<u>\$ 376,341</u>	<u>\$ 518,885</u>

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 7.2% and 12.4% for the fiscal years ending June 30, 2018 and 2017, respectively.

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**NOTE 7 PLANT AND EQUIPMENT**

The components of plant and equipment at June 30 were as follows:

	2018	2017
Land and Land Improvements	\$ 18,016	\$ 17,280
Buildings and Building Improvements	241,859	223,783
Equipment	34,521	29,447
Library Books	12,791	12,568
Works of Art, Historical Treasures, and Similar Assets	4,763	4,704
Construction-in-Progress	8,467	16,925
Total	320,417	304,707
Accumulated Depreciation	(153,455)	(145,600)
Total	\$ 166,962	\$ 159,107

Total depreciation expense for the year ended June 30, 2018 and 2017 totaled \$8,627 and \$7,863, respectively. During the year ended June 30, 2018, \$181 was recorded as capitalized interest.

**NOTE 8 LONG-TERM DEBT**

Long-term debt at June 30, consisted of the following:

<u>Description</u>	2018	2017
Delaware County Authority Revenue Bonds, Series 2010, Net 2010, Net of Unamortized Premiums of \$127 and \$133 at June 30, 2018 and 2017, respectively.	\$ 9,082	\$ 9,088
Delaware County Authority Taxable Revenue Bonds, Series 2010B, Net of Unamortized Costs of \$30 at June 30, 2017.	-	2,950
Delaware County Authority Revenue Bonds, Series 2017A, Net of Unamortized Premiums of \$10,769 and \$11,150 at June 30, 2018 and 2017, respectively.	108,784	109,465
Delaware County Authority Taxable Revenue Bonds, Series 2017B, Net of Unamortized Costs of \$109 and \$112 at June 30, 2018 and 2017, respectively.	29,736	29,733
Total	\$ 147,602	\$ 151,236

**2010 Bonds**

In April 2010, the College issued \$43,045 in fixed rate Revenue Bonds. The 2010 bonds were issued to refund other bonds and to finance capital improvement projects on the College's campus. In addition, a portion of the 2010 Bonds were advanced refunded with other bonds. The remaining portion of the 2010 Bonds have interest rates from 4.00% to 5.00% depending upon the maturity dates which range from November 2021 to 2040 with payments that range from \$240 to \$1,420. Interest is payable semi-annually.

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**NOTE 8 LONG-TERM DEBT (CONTINUED)**

2010B Bonds

The 2010B Bonds were used to pay a termination payment of a previous swap agreement. The bonds had interest rates from 3.16% to 4.29% depending upon the maturity dates, which ranged from November 2017 to 2021 in amounts from \$205 to \$2,915. Interest is payable semi-annually. These bonds were redeemed in May 2018.

2017A and 2017B Bonds

In February 2017, the College issued \$98,315 and \$29,845 in 2017A and 2017B bonds, respectively. The proceeds from the sale of the 2017A Bonds were used to partially refund other bonds. In addition, the proceeds of the Series 2017A Bonds were placed into an irrevocable escrow account held by the trustee (Escrow Agent) to advance refund the legally defeased 2010 and 2010A Bonds. The 2017A Bonds have interest rates from 3.0% to 5.0% depending upon the maturity dates, which range from 2018 to 2047 in amounts from \$300 to \$6,590. Interest is payable semi-annually.

The proceeds from the 2017B Bonds were used to refund other bonds. In addition, the 2017B bond proceeds were transferred to a project fund to be used to reimburse and pay for capital projects, including renovations to Sharpless Hall, the Visual, Cultural, Arts, and Media Building, the lower level of the dining center and other capital improvements to various academic, administrative, residential or athletic facilities, as well as for the implementation of new information technology and data systems, and telephone and communication systems. The 2017B Bonds have variable interest rates as a percentage of three-month LIBOR plus spread. Interest is payable monthly.

<u>Year Ended June 30,</u>	<u>Amount</u>
2019	\$ 905
2020	955
2021	-
2022	1,645
2023	2,435
Thereafter	130,875
Total	<u>\$ 136,815</u>

Under the bond indentures, the College is subject to certain covenants, which among other things require the College to meet certain financial and debt service coverage tests. The College was in compliance with such financial covenants as of June 30, 2018.

**Swap Agreements**

The College had previously entered into a swap agreement with Deutsche Bank (DB) that became effective November 15, 2010 and was amended as of February 2018. The notional principal amount of \$29,845 remains and is scheduled to amortize according to a revised schedule through October 1, 2030. Pursuant to the amended DB Swap Agreement, the College pays DB a fixed rate of 5.497% on the notional amount outstanding and DB pays the College a variable rate, on the same notional amount, based on 75% of the three-month London Interbank Offered Rate (LIBOR).

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**NOTE 8 LONG-TERM DEBT (CONTINUED)**

**Swap Agreements (Continued)**

In February 2017, the College entered into an interest rate management agreement with Barclays Bank, PLC. The Barclays swap agreement is also used to hedge the College's interest costs on its 2017B Bonds. The Barclays swap starts on October 1, 2020 and has a maturity date of October 1, 2046. The Barclays swap has an amortization schedule that varies over its duration to align with the DB swap and the 2017B Bonds. Once the swap commences, the College will pay a fixed rate of 2.229% and will receive a floating rate of 75% of three month LIBOR.

The two swaps had an estimated fair value (representing a liability) of \$7,050 and \$9,745 at June 30, 2018 and 2017, respectively. The original and amended DB and Barclays swap agreements contain certain derivative risks.

**NOTE 9 CONDITIONAL ASSET RETIREMENT OBLIGATION**

The College has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities at the time of disposal of certain capital assets. The liability was initially recorded at fair value, and is adjusted for accretion expenses and changes in the amount or timing of cash flows. The corresponding asset retirement costs are capitalized as part of the carrying values of the long-lived assets and depreciated over the useful lives of the assets. The discount rate is 5.00% for 2018 and 2017. The liability relates to estimated costs to remove asbestos that is contained within the College's facilities, and is \$757 and \$721 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 10 REALIZED AND UNREALIZED GAINS**

A summary of the College's realized and unrealized gains for the year ended June 30, are as follows:

	2018	2017
Endowment and Similar Funds' Investments	\$ 33,611	\$ 53,315
Changes in Planned Giving	194	(653)
Assets Held in Trust by Others	129	110
Short-Term Investments	(186)	(15)
Total	\$ 33,748	\$ 52,757

**NOTE 11 FAIR VALUE MEASUREMENTS**

The College measures and categorizes its financial assets and liabilities based on a three-level hierarchy. Assets and liabilities are classified within a three-level hierarchy based on the lowest level of pricing transparency that is significant to the determination of fair value and is not necessarily indicative of relative level risk.

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**NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following tables summarize the College's financial assets and liabilities measured at fair value as of June 30:

	2018			Totals
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Equity Funds	\$ 68,566	\$ 21,493	\$ -	\$ 90,059
Fixed Income Funds	71,001	10,043	-	81,044
Hedge Funds and Real Assets	18,873	10,543	-	29,416
Measey Trust	-	-	74,195	74,195
Assets Held in Trust by Others	-	-	8,164	8,164
Total Financial Assets	<u>\$ 158,440</u>	<u>\$ 42,079</u>	<u>\$ 82,359</u>	<u>282,878</u>
Investments Measured at Fair Value Using Net Asset Value Per Share				236,011
Cash and Cash Equivalents included in Short-Term and Long-Term Investments				30,269
Total Assets				<u>\$ 549,158</u>
<b>Liabilities</b>				
Interest Rate Swap	\$ -	\$ -	\$ 7,050	\$ 7,050
Total Financial Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,050</u>	<u>\$ 7,050</u>
	2017			
	Level 1	Level 2	Level 3	Totals
<b>Assets</b>				
Equity Funds	\$ 72,794	\$ 17,438	\$ -	\$ 90,232
Fixed Income Funds	72,378	9,685	-	82,063
Hedge Funds and Real Assets	10,157	181	-	10,338
Measey Trust	-	-	65,939	65,939
Assets Held in Trust by Others	-	-	8,591	8,591
Total Financial Assets	<u>\$ 155,329</u>	<u>\$ 27,304</u>	<u>\$ 74,530</u>	257,163
Investments Measured at Fair Value Using Net Asset Value Per Share				237,759
Cash and Cash Equivalents included in Short-Term and Long-Term Investments				39,580
Total Assets				<u>\$ 534,502</u>
<b>Liabilities</b>				
Interest Rate Swap	\$ -	\$ -	\$ 9,745	\$ 9,745
Total Financial Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,745</u>	<u>\$ 9,745</u>



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**NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)**

The changes in financial assets and liabilities measured at fair value using Level 3 inputs for the year ended June 30, 2018 were as follows:

	Beginning Balance at June 30, 2017	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Purchase and Sales (Net)	Transfers In (Out) of Level 3	Ending Balance at June 30, 2018
Assets Held in						
Measey Trust	\$ 65,939	\$ 777	\$ 8,687	\$ (1,208)	\$ -	\$ 74,195
Trusts by Others	8,591	379	(372)	(434)	-	8,164
Total Assets	<u>\$ 74,530</u>	<u>\$ 1,156</u>	<u>\$ 8,315</u>	<u>\$ (1,642)</u>	<u>\$ -</u>	<u>\$ 82,359</u>
Interest Rate						
Swap	\$ (9,745)	\$ -	\$ 2,695	\$ -	\$ -	\$ (7,050)
Total Liabilities	<u>\$ (9,745)</u>	<u>\$ -</u>	<u>\$ 2,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,050)</u>

The changes in financial assets and liabilities measured at fair value using Level 3 inputs for the year ended June 30 2017 were as follows:

	Beginning Balance at June 30, 2016	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Purchase and Sales (Net)	Transfers In (Out) of Level 3	Ending Balance at June 30, 2017
Assets Held in						
Measey Trust	\$ 57,034	\$ 664	\$ 9,427	\$ (1,186)	\$ -	\$ 65,939
Trusts by Others	6,761	343	(233)	1,720	-	8,591
Total Assets	<u>\$ 63,795</u>	<u>\$ 1,007</u>	<u>\$ 9,194</u>	<u>\$ 534</u>	<u>\$ -</u>	<u>\$ 74,530</u>
Interest Rate						
Swap	\$ (12,426)	\$ -	\$ 2,681	\$ -	\$ -	\$ (9,745)
Total Liabilities	<u>\$ (12,426)</u>	<u>\$ -</u>	<u>\$ 2,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,745)</u>

The College follows guidance related to the fair value measurement standard that was issued for estimating the fair value of investments in investment companies (limited partnerships) that have a calculated value of their capital account or net asset value (NAV) in accordance with, or in a manner consistent with U.S. GAAP. As a practical expedient, the College is permitted under U.S. GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U.S. GAAP. The College's investments in private equity, natural resources, real estate and certain hedge funds in the absolute return portfolio are fair valued based on the most current NAV received adjusted for cash flows when the reported NAV is not at the measurement date.

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**NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)**

The College performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with U.S. GAAP. The College has assessed factors including, but not limited to, managers' compliance with Fair Value Measurement standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date. The guidance also requires additional disclosures to enable users of the financial statements to understand the nature and risk of the College's investments.

The following table details the amount of the College's unfunded commitments related to investments at June 30, 2018 and the terms and conditions upon which the College may redeem its investments for each major category of investment measured at fair value using net asset value per share as a practical expedient that have redemption restrictions.

<u>Category</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Hedge Funds/Absolute Return				
Credit/Distressed	\$ 9,685	\$ -	Annually, Biennially	90 days
Long/Short	16,638	-	Quarterly, Annually, 3-Years, 5-Years	60 - 90 days
Open Mandate/Multi-Strategy	17,104	-	Biennially	90 days
Private Equity, Private Debt and Venture Capital*	35,025	40,412	Illiquid	n/a
Real Assets				
Natural Resources	6,150	2,702	Illiquid	n/a
Real Estate	27,574	22,527	Illiquid	n/a
Domestic Equity	139,273	-	Daily	**
International Equity	58,757	-	Daily	***
	<u>\$ 310,206</u>	<u>\$ 65,641</u>		

\*Fund-of-funds are mostly buyout strategies, but may also include smaller allocations to other strategies such as venture capital, mezzanine debt, and distressed debt.

\*\*Two funds fulfill redemption requests within two days of the redemption request. One fund fulfills redemption requests within seven days of the redemption request.

\*\*\*Two funds require a six and ten day notice period for redemptions, fulfilling redemption requests within five and seven days thereafter. Two funds fulfill redemption requests within three and seven days of the redemption request.

**THE CORPORATION OF HAVERFORD COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
(DOLLARS IN THOUSANDS)

**NOTE 12 NET ASSETS**

The composition of net assets at June 30, 2018 and 2017 was as follows:

			<u>June 30, 2018</u>
<u>Nature of Specific Net Assets</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
Undesignated	\$ 3,579	\$ -	\$ 3,579
Designated	12,597	-	12,597
Purpose Restrictions	-	36,850	36,850
Contributions Receivable, Planned Giving, and Outside Trusts	1,460	17,946	19,406
William Maul Measey Trust	-	72,814	72,814
Endowment Funds	142,544	303,527	446,071
<b>Total</b>	<u>\$ 160,180</u>	<u>\$ 431,137</u>	<u>\$ 591,317</u>

			<u>June 30, 2017</u>
<u>Nature of Specific Net Assets</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
Undesignated	\$ (10,271)	\$ -	\$ (10,271)
Designated	8,205	-	8,205
Purpose Restrictions	-	31,125	31,125
Contributions Receivable, Planned Giving, and Outside Trusts	1,269	22,593	23,862
William Maul Measey Trust	-	64,735	64,735
Endowment Funds	142,971	294,032	437,003
<b>Total</b>	<u>\$ 142,174</u>	<u>\$ 412,485</u>	<u>\$ 554,659</u>

**NOTE 13 RETIREMENT PLANS**

The College has a defined contribution pension plan for eligible faculty, administration, and staff employees (the Pension Plan). The participants' interests are fully vested and the College funds the Pension Plan each year. The College's contributions to the Pension Plan, based on 11% of eligible salaries were \$3,930 and \$3,884 in 2018 and 2017, respectively.

The College also has a defined contribution postretirement healthcare plan for eligible faculty, administration, and staff employees whom are at least 40 years of age (the Healthcare Plan). The College funds the plan each year; 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 \$439 and \$434 in 2018 and 2017, respectively.

Both the Pension Plan and the Healthcare Plan permit additional employee contributions.

**THE CORPORATION OF HAVERFORD COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
(DOLLARS IN THOUSANDS)

**NOTE 14 EXPENSES BY NATURE AND FUNCTION**

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the College. These expenses are allocated based on gross square footage and include: depreciation and amortization, interest, facilities operations and maintenance, insurance, utilities, and campus safety compensation. Total expenses include all operating expenses.

Functional expenses by natural classification as of June 30, 2018 (in thousands):

	Program Activities					Supporting Activities				Total Expense
	Instruction	Research	Academic Support	Student Services	Institutional Support	Plant Operation	Student Aid	Auxiliary	General	
Salaries and Benefits	\$ 24,016	\$ 923	\$ 4,499	\$ 7,664	\$ 15,051	\$ 33	\$ 18	\$ 7,249	-	\$ 59,453
Operating Expenses	5,380	1,922	2,759	3,546	6,351	3,477	62	6,042	162	29,701
Depreciation and Amortization	1,733	192	642	1,138	667	-	-	4,255	-	8,627
Interest on Indebtedness	1,411	157	522	927	73	-	-	3,466	-	6,556
	<u>32,540</u>	<u>3,194</u>	<u>8,422</u>	<u>13,275</u>	<u>22,142</u>	<u>3,510</u>	<u>80</u>	<u>21,012</u>	<u>162</u>	<u>104,337</u>
Plant Operation and Maintenance (Undesignated)	1,439	160	533	945	398	(3,475)	-	-	-	-
Total Expenses	<u>\$ 33,979</u>	<u>\$ 3,354</u>	<u>\$ 8,955</u>	<u>\$ 14,220</u>	<u>\$ 22,540</u>	<u>\$ 35</u>	<u>\$ 80</u>	<u>\$ 21,012</u>	<u>\$ 162</u>	<u>\$ 104,337</u>

Direct fund-raising expenses were \$4,464 and \$3,958 in 2018 and 2017, respectively.

**THE CORPORATION OF HAVERFORD COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**  
**(DOLLARS IN THOUSANDS)**

**NOTE 15 VOLUNTARY RETIREMENT PROGRAM EXPENSES**

During the year ended June 30, 2017, the College initiated two voluntary retirement programs for current employees: one program for non-faculty and one program for faculty. To qualify, the employee needed to have achieved a certain age and certain number of years of full-time employment at the College. The programs had limited time periods in which the employee could elect to enroll and a limited window or set of windows in which to select his or her retirement date. The College has accrued costs of \$290 and \$1,425 within its accrued liabilities at June 30, 2018 and 2017, respectively, for the payouts or estimated payouts for employees who submitted their letter of intent on or before September 1, 2016.

**NOTE 16 COMMITMENTS, CONTINGENCIES, AND RELATED-PARTY TRANSACTIONS**

In July 2007, the College made a \$20,000 commitment to a limited partnership in which the managing principal of the general partner was, at the time of the commitment, also a member of the College's board of managers. The uncalled partnership commitment at June 30, 2018 was \$531.

The College's commitment to fund certain endowment limited partnerships is disclosed in Note 11.

As of June 30, 2018, the College has outstanding construction and professional commitments totaling approximately \$19,275 for Magill Library, the Visual, Cultural, Arts and Media Building, and various roofs.

From time to time, in its ordinary course of business, the College may be subject to various legal matters, including threatened or pending litigation. With the review and advice of counsel, management is not aware of any pending or threatened litigation that is likely to have a material adverse effect on the financial condition of the College.

The College has a line of credit with a financial institution for an amount of up to \$15,000 that is available for general College expenses. The line of credit expires on October 31, 2021. There are no outstanding amounts at June 30, 2018 and 2017, respectively.

**NOTE 17 SUBSEQUENT EVENTS**

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through October 27, 2018, the date on which the financial statements were issued. No significant subsequent events were noted.



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