SIENA COLLEGE

Financial Statements

May 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

SIENA COLLEGE

Financial Statements

May 31, 2013 and 2012

Table of Contents

KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Trustees
Siena College:

We have audited the accompanying financial statements of Siena College (the College), which comprise the statement of financial position as of May 31, 2013 and 2012, the related statements of activities 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 U.S. generally accepted accounting principles; 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.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Siena College as of May 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

September 27, 2013

SIENA COLLEGE

Statements of Financial Position

May 31, 2013 and 2012

Assets		**2013**	**2012**
Cash and cash equivalents	$	11,830,424	15,540,680
Short-term investments		108,614	63,808
Accounts receivable, net		3,572,672	3,064,438
Contributions receivable, net		8,568,939	8,964,610
Deposits with bond trustees		4,577,927	5,051,183
Prepaid expenses and other assets		5,453,871	3,566,891
Student loans receivable, net		2,908,331	3,174,550
Investments		139,868,553	128,364,084
Land, buildings, and equipment, net		118,523,590	112,832,687
Total assets	$	295,412,921	280,622,931
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	12,750,532	11,548,900
Deposits and deferred revenues		3,799,588	3,777,856
Annuities payable		1,015,316	1,026,434
Postretirement benefits		16,212,682	13,881,666
Federal student loan funds		3,130,684	3,137,788
Asset retirement obligation		3,479,302	3,604,183
Long-term debt		54,392,342	56,836,801
Total liabilities		94,780,446	93,813,628
Net assets:			
Unrestricted:			
Invested in land, buildings, and equipment		70,472,910	62,832,183
Undesignated		15,834,674	20,417,742
Designated by external contracts:			
Planned giving annuity reserves		990,616	883,746
Designated by Board of Trustees:			
Capital projects and equipment		26,460,279	25,127,465
Long-term investments and growth		8,366,314	7,893,140
Program support		2,276,599	2,024,040
		37,103,192	35,044,645
Total unrestricted		124,401,392	119,178,316
Temporarily restricted		8,190,794	7,155,846
Permanently restricted:			
Financial aid		51,867,339	46,171,635
Academic and student services programs		13,390,508	11,760,378
Faculty chairs		1,630,933	1,499,394
Facilities		1,151,509	1,043,734
Total permanently restricted		68,040,289	60,475,141
Total net assets		200,632,475	186,809,303
Total liabilities and net assets	$	295,412,921	280,622,931

See accompanying notes to financial statements.

SIENA COLLEGE

Statement of Activities

Year ended May 31, 2013
(With summarized information for the year ended May 31, 2012)

	Unrestricted	Temporarily restricted	Permanently restricted	2013 Total	2012 Total
Operating revenues:					
Tuition, fees, room, and board	$ 121,397,623	—	—	121,397,623	118,129,582
Less financial aid	39,628,854	—	—	39,628,854	36,344,490
Net tuition, fees, room, and board	81,768,769	—	—	81,768,769	81,785,092
Government grants and contributions	2,123,512	—	—	2,123,512	3,513,002
Private gifts and grants	2,976,329	162,475	—	3,138,804	3,346,452
Investment returns designated for current operations	5,776,019	—	—	5,776,019	5,849,959
Other sources	3,861,430	297,690	—	4,159,120	3,839,671
Net assets released from restrictions	660,286	(660,286)	—	—	—
Total operating revenues	97,166,345	(200,121)	—	96,966,224	98,334,176
Operating expenses:					
Instruction	41,443,511	—	—	41,443,511	40,964,176
General administration	7,575,284	—	—	7,575,284	7,476,332
Student services	18,178,002	—	—	18,178,002	18,288,913
Institutional support	8,624,905	—	—	8,624,905	9,971,422
Auxiliaries	21,126,694	—	—	21,126,694	21,236,022
Other	77,052	—	—	77,052	55,253
Total operating expenses	97,025,448	—	—	97,025,448	97,992,118
Increase (decrease) in net assets from operating activities	140,897	(200,121)	—	(59,224)	342,058
Nonoperating activities:					
Investment return (losses), net of amounts designated for operations	5,497,780	107,614	6,172,023	11,777,417	(12,026,050)
Contributions	243,271	1,485,963	1,519,957	3,249,191	10,156,353
Government grants	—	—	150,000	150,000	116,000
Actuarial gain (loss) on annuity obligations	—	1,288	(23,882)	(22,594)	(21,451)
Postretirement benefit obligation changes other than net periodic cost	(909,114)	—	—	(909,114)	(673,907)
Other-fundraising expense	(362,504)	—	—	(362,504)	(397,612)
Net assets released from restrictions and changes in donor intent	612,746	(359,796)	(252,950)	—	—
Increase (decrease) in net assets from nonoperating activities	5,082,179	1,235,069	7,565,148	13,882,396	(2,846,667)
Net increase (decrease) in net assets	5,223,076	1,034,948	7,565,148	13,823,172	(2,504,609)
Net assets at beginning of year	119,178,316	7,155,846	60,475,141	186,809,303	189,313,912
Net assets at end of year	$ 124,401,392	8,190,794	68,040,289	200,632,475	186,809,303

See accompanying notes to financial statements.

SIENA COLLEGE

Statement of Activities

Year ended May 31, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	2012 Total
Operating revenues:				
Tuition, fees, room, and board	$ 118,129,582	—	—	118,129,582
Less financial aid	36,344,490	—	—	36,344,490
Net tuition, fees, room, and board	81,785,092	—	—	81,785,092
Government grants and contributions	3,479,002	34,000	—	3,513,002
Private gifts and grants	2,622,052	724,400	—	3,346,452
Investment returns designated for current operations	5,849,959	—	—	5,849,959
Other sources	3,640,861	198,810	—	3,839,671
Net assets released from restrictions	460,897	(460,897)	—	—
Total operating revenues	97,837,863	496,313	—	98,334,176
Operating expenses:				
Instruction	40,964,176	—	—	40,964,176
General administration	7,476,332	—	—	7,476,332
Student services	18,288,913	—	—	18,288,913
Institutional support	9,971,422	—	—	9,971,422
Auxiliaries	21,236,022	—	—	21,236,022
Other	55,253	—	—	55,253
Total operating expenses	97,992,118	—	—	97,992,118
Increase (decrease) in net assets from operating activities	(154,255)	496,313	—	342,058
Nonoperating activities:				
Investment losses, net of amounts designated for operations	(7,367,400)	(27,397)	(4,631,253)	(12,026,050)
Contributions	1,121,309	2,691,492	6,343,552	10,156,353
Government grants	—	—	116,000	116,000
Actuarial loss on annuity obligations	—	16,612	(38,063)	(21,451)
Postretirement benefit obligation changes other than net periodic cost	(673,907)	—	—	(673,907)
Other-fundraising expense	(397,612)	—	—	(397,612)
Net assets released from restrictions and changes in donor intent	13,874	(165,571)	151,697	—
(Decrease) increase in net assets from nonoperating activities	(7,303,736)	2,515,136	1,941,933	(2,846,667)
Net (decrease) increase in net assets	(7,457,991)	3,011,449	1,941,933	(2,504,609)
Net assets at beginning of year	126,636,307	4,144,397	58,533,208	189,313,912
Net assets at end of year	$ 119,178,316	7,155,846	60,475,141	186,809,303

See accompanying notes to financial statements.

SIENA COLLEGE

Statements of Cash Flows

Years ended May 31, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Change in net assets	$	13,823,172	(2,504,609)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Nonoperating contributions		(3,249,191)	(10,156,353)
Realized and unrealized (gains) losses on investments		(15,871,336)	8,185,775
Depreciation		6,623,656	6,774,825
Amortization of bond premium/discount, net		(92,280)	(51,801)
Amortization of deferred debt issuance costs		106,031	77,244
Change in assets and liabilities that provide (use) cash:			
Accounts receivable		(508,234)	(902,185)
Contributions receivable		395,671	(6,049,263)
Prepaid expenses and other assets		(1,972,668)	(763,668)
Accounts payable and accrued expenses		868,768	361,853
Deposits and deferred revenues		21,732	135,464
Annuities payable		(11,118)	(19,439)
Postretirement benefits		2,331,016	1,557,891
Asset retirement obligation		(124,881)	138,729
Net cash provided by (used in) operating activities		2,340,338	(3,215,537)
Cash flows from investing activities:			
Purchases of land, buildings, and equipment		(11,981,695)	(7,466,844)
Proceeds from student loan collections		617,719	582,987
Student loans issued		(351,500)	(390,191)
Change in short-term investments, net		(44,806)	2,936,670
Purchases of investments		(4,323,927)	(3,728,048)
Proceeds from sales and maturities of investments		8,690,794	6,415,638
Decrease in deposits with trustees		473,256	815,626
Net cash used in investing activities		(6,920,159)	(834,162)
Cash flows from financing activities:			
Nonoperating contributions for endowment and long-lived assets		3,249,191	10,156,353
Investment income on life income and annuity agreements		243,996	(20,310)
Payments to beneficiaries		(243,996)	20,310
Increase in federal student loan funds		(7,104)	48,950
Principal payments of long-term debt		(2,372,522)	(3,211,850)
Net cash provided by financing activities		869,565	6,993,453
Net (decrease) increase in cash and cash equivalents		(3,710,256)	2,943,754
Cash and cash equivalents, beginning of year		15,540,680	12,596,926
Cash and cash equivalents, end of year	$	11,830,424	15,540,680
Supplemental data:			
Interest paid	$	2,679,270	2,803,410
Noncash investing and financing activity:			
Unpaid acquisitions of land, buildings, and equipment	$	332,864	—

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Siena College (the College) offers programs of study in arts, sciences, and business leading primarily to baccalaureate degrees. The College also offers a Masters of Science degree in accounting. The College is a learning community advancing the ideals of a liberal arts education, rooted in its identity as a Franciscan and Catholic institution. The students are primarily from the Northeastern United States.

As a learning community, the College is committed to a student-centered education emphasizing dynamic faculty-student interaction. Through a blending of liberal arts and professional education, the College provides experiences and courses of study instilling the values and knowledge to lead a compassionate, reflective, and productive life of service and leadership.

As a liberal arts college, the College fosters the rigorous intellectual development of its students through a healthy exchange of ideas both inside and outside the classroom. It provides opportunities to develop critical and creative thinking; to make reasoned and informed judgments; to appreciate cultural diversity; to deepen aesthetic sensibility and to enhance written and oral communication skills. It develops in each individual an appreciation for the richness of exploring knowledge from a variety of perspectives and disciplines.

As a Franciscan community, the College strives to embody the vision and values of St. Francis of Assisi: faith in a personal and provident God, reverence for all creation, affirmation of the unique worth of each person, delight in diversity, appreciation for beauty, service with the poor and marginalized, a community where members work together in friendship and respect, and commitment to building a world that is more just, peaceable, and humane.

As a Catholic college, the College seeks to advance not only intellectual growth of its students, but their spiritual, religious and ethical formation as well. To this end, the College is composed of and in dialogue with people from different religious and cultural traditions; fosters a critical appreciation of the Catholic intellectual heritage in conversation with contemporary experience; provides ample opportunities for worship and service; explores the moral dimensions of decision-making in business and the professions; and affirms the dignity of the individual while pursuing the common good.

(b) Basis of Presentation

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

For financial reporting, resources are reported in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

- *Permanently Restricted* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets based on the annual spending rate of the College. Investment return is used primarily to support program activities such as financial aid and instruction. Unexpended realized and unrealized gains and losses that are not used to support current operations are invested in accordance with donor restrictions and are classified as permanently restricted net assets. Such assets primarily include the College's permanent endowment funds.

- *Temporarily Restricted* – Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. Temporarily restricted net assets are generally available for facilities and equipment.
- *Unrestricted* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Unconditional contributions are recognized when pledged. Contributions and investment return with donor-imposed restrictions are reported as permanently or temporarily restricted revenues and net assets. Temporarily restricted net assets are reclassified to unrestricted net assets when an expense or expenditure is incurred that satisfies the donor-imposed restriction. Temporarily restricted contributions and investment return received and expended for the restricted purpose in the same fiscal year are recorded as unrestricted activity. Expenses are generally reported as decreases in unrestricted net assets.

Contributions restricted for the acquisition of land, buildings, and equipment are reported as temporarily restricted revenues and are reclassified to unrestricted net assets at the time the assets are acquired and placed in service.

In addition to revenues and expenses attributable to the College's education programs, operating activities include interest income and dividends, and realized and unrealized gains and losses earned during the fiscal year and, in certain instances, accumulated realized and unrealized gains from previous years expended, to meet the annual spending rate.

Nonoperating activities include the investment return, net of amounts designated for current operations. Nonoperating activities also include contributions to be used for facilities and equipment or to be invested by the College in perpetuity to generate a return that will support operations. Nonoperating temporarily restricted net assets released from restrictions primarily represent amounts used for facilities and equipment.

The College's endowment fund agreements with donors contain provisions that allow the College to reduce permanently restricted net assets below original book value. Realized and unrealized losses recognized on endowment fund investments are recorded as reductions in permanently restricted net assets.

(Continued)

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of land, buildings, and equipment and related asset retirement obligations, valuation allowances for receivables, the accrual for postretirement benefits, and the valuation of certain alternative investments. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash equivalents representing operating funds include short-term, highly liquid investments with an original maturity of three months or less and are included in cash and cash equivalents. Cash and cash equivalents included in long-term investment funds are reported as investments. Cash and cash equivalents are also included in deposits with bond trustees. Cash and cash equivalents are reported at cost, which approximates fair value. At May 31, 2013 and 2012, the College has cash and cash equivalents in banks exceeding the FDIC limit. The College has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. The College places its cash and cash equivalents with high quality financial institutions.

(e) Short-Term Investments

Short-term investments are recorded at fair value. The College invests operating cash, generally in money market accounts, on a short-term basis.

(f) Revenue Recognition

Tuition, fees, room, and board revenue is earned over the academic year as services are provided. Funds received in advance of services provided are included in deferred revenue.

(g) Accounts Receivable and Student Loan Receivables

The College extends credit to students in the form of accounts receivable and loans for educational expenses. Accounts receivable as of May 31, 2013 and 2012, are reported net of provisions for doubtful accounts of $1,100,000 and $884,000, respectively.

Student loan receivables as of May 31, 2013 and 2012 are reported net of allowance for doubtful loans of $241,600 and $260,000, respectively. The allowance is intended to provide for loans, both in repayment status and not yet in repayment status (borrowers still in school or in the grace period following graduation), estimated to be uncollectible.

Management believes that it is not practicable to determine the fair value of loan receivables because they are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms subject to significant restrictions as to their transfer or disposition.

(h) Contributions Receivable

Unconditional contributions are recognized as contributions receivable at their estimated net present value when pledged.

(i) Investments

Investments are reported at fair value. If an investment is held directly by the College and an active market with quoted prices exists, the College reports the fair value as the market price of an identical security. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year. The College also holds shares or units in alternative investment funds involving hedge, absolute return, and private equity strategies. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets that require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

The College's interests in alternative investment funds are generally reported at the net asset value (NAV) reported by the fund manager because the College owns interests in such entities rather than the underlying securities owned by each partnership or fund, even though the underlying securities may not be difficult to value or may be readily marketable. NAV is used as a practical expedient to estimate the fair value of the College's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risk associated with investing in those investments.

These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the College's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the College's interest in the funds.

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 as a component of investment return. Investment return is presented net of investment fees. The average cost method is primarily used to determine the basis for computing realized gains or losses.

The College may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Major U.S. and foreign equity and fixed income indices may experience volatility and management monitors investment market conditions and the impact market volatility may have on the College's investment portfolio. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that

(Continued)

changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and activities.

(j) Land, Buildings, and Equipment

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

	Basis	**Years**
Land improvements	Straight-line	15
Buildings and improvements	Straight-line	35 – 50
Equipment and furnishings	Sum-of-the-years digits	5 – 9
Library books	Straight-line	25

Works of art, historical treasures, and similar assets have been recognized at their estimated fair value based upon appraisals or similar valuations at the date of donation.

(k) Internal Revenue Code Status

The College has been granted tax-exempt status as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is generally exempt from federal and state income taxes under Section 501(a) of the Code and applicable state laws. The College believes it has taken no significant uncertain tax positions.

(l) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs associated with loss contingencies are expensed as incurred.

(m) Fair Value of Financial Instruments

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories based on the lowest level input that is significant to the fair value measurement in its entirety:

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.
- Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data. In addition, Level 2 includes investments reported using net asset value (NAV) as a practical expedient to estimate fair value that are redeemable in the near term.

- Level 3 – unobservable inputs that are used when little or no market data is available. In addition, Level 3 includes investments reported at NAV that are not redeemable in the near term.

As discussed above, the College uses net asset value (NAV) reported by fund managers as a practical expedient to estimate fair value of alternative investments that (a) do not have a readily determinable fair value and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. With respect to those investments reported at NAV as a practical expedient, classification in Level 2 or 3 is based on the College's ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed within 90 days of the date of the statement of financial position, the investment is classified in Level 2, if not it is classified as Level 3.

The fair values of the College's financial instruments approximate the carrying amounts reported in the statement of financial position for cash and cash equivalents, short-term investments, accounts receivable, contributions receivable, deposits with bond trustees, irrevocable trusts, and accounts payable. The fair value of student loans is discussed above within "Accounts Receivable and Student Loan Receivables" and the fair value of long-term debt is discussed in note 6.

The fair value of accounts receivable, contributions receivable, irrevocable trusts, and accounts payable involve unobservable inputs that would be considered to be Level 3 inputs in the fair value hierarchy. The fair value of outstanding debt has been determined using significant observable inputs that would be considered to be Level 2 in the fair value hierarchy.

(2) Contributions Receivable

As of May 31, contributions receivable are expected to be collected as follows:

		2013	2012
Within one year	$	2,453,174	2,051,980
One to five years		4,677,232	5,497,598
Over five years		1,671,213	1,649,077
		8,801,619	9,198,655
Less allowance for uncollectible pledges and unamortized discount (discount rates ranging from 1.00% to 4.85%)		(232,680)	(234,045)
	$	8,568,939	8,964,610

As of May 31, 2013, contributions receivable of $4,713,568 and $3,855,371 are temporarily and permanently restricted, respectively. As of May 31, 2012, contributions receivable of $3,908,829 and $5,055,781 are temporarily and permanently restricted, respectively.

As of May 31, the College has received the following conditional promises to give that will not be recognized as income until the conditions are met:

		2013	2012
Maintain satisfactory relationship with vendors	$	1,467,361	1,466,667

(3) Investments

The investment objective of the College is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The College's investment strategy incorporates a diversified asset allocation approach that maintains, within defined limits, exposure to domestic and international equities, fixed income, real estate, commodities, and private equity markets. The majority of the College's investments are managed in a pooled fund that consists primarily of endowment assets.

A majority of the investments classified as Level 2 and 3 under the fair value hierarchy have been valued using NAV as a practical expedient. The classification is based on the ability of the College to redeem its interest at or near the date of the statement of financial position, with those interests that can be redeemed in the near term classified in Level 2.

The College's investments at May 31, 2013 are summarized in the following table by their fair value hierarchy classification:

		May 31, 2013	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Short-term investments	$	108,614	108,614	—	—	Daily	Same day
Investments:							
Short-term investments		479,720	479,720	—	—	Daily	Same day
Common stocks		12,055,173	12,055,173	—	—	Daily	Same day
U.S. private equity – large cap:							
Mutual funds		17,404,778	17,404,778	—	—	Daily	Same day
Investment company		9,707,808	—	9,707,808	—	Daily	Same day
Fixed income securities		25,215,608	—	25,215,608	—	Daily	Same day
Foreign private equity – limited partnership and limited liability company		18,833,242	—	18,833,242	—	Monthly	15 – 30 days
Absolute return funds – limited partnership		20,622,940	—	7,775,862	12,847,078	Quarterly-annually	60 – 75 days
Equity hedge funds – trust		16,768,763	—	16,768,763	—	Daily-monthly	Same day – 5 days
Small cap equity – trust		3,977,615	—	3,977,615	—	Monthly	10 days
Venture capital		11,201,280	—	—	11,201,280	Not applicable	Not applicable
Other		3,601,626	—	3,439,905	161,721	Daily - not applicable	Same day - not applicable
Total investments	$	139,868,553	29,939,671	85,718,803	24,210,079		

The College's investments at May 31, 2012 are summarized in the following table by their fair value hierarchy classification:

	May 31, 2012	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Short-term investments	$ 63,808	63,808	—	—	Daily	Same day
Investments:						
Short-term investments	488,627	488,627	—	—	Daily	Same day
Common stocks	10,260,217	10,260,217	—	—	Daily	Same day
U.S. private equity – large cap:						
Mutual funds	14,537,332	14,537,332	—	—	Daily	Same day
Investment company	8,048,096	—	8,048,096	—	Daily	Same day
Fixed income securities	27,301,599	—	27,301,599	—	Daily	Same day
Foreign private equity – limited partnership and limited liability company	15,281,540	—	15,281,540	—	Monthly	15 – 30 days
Absolute return funds – limited partnership	19,012,218	—	6,959,200	12,053,018	Quarterly-annually	60 – 75 days
Equity hedge funds – trust	15,745,206	—	15,745,206	—	Daily-monthly	Same day – 5 days
Small cap equity – trust	3,114,933	—	3,114,933	—	Monthly	10 days
Venture capital	11,082,698	—	—	11,082,698	Not applicable	Not applicable
Other	3,491,618	—	3,338,028	153,590	Daily - not applicable	Same day - not applicable
Total investments	$ 128,364,084	25,286,176	79,788,602	23,289,306		

The following table presents the College's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended May 31, 2013 and 2012:

	Fair value June 1, 2012	Realized gains (losses)	Unrealized gains (losses)	Sales and settlements	Purchases	Fair value May 31, 2013
Absolute return funds – limited partnerships	$ 12,053,018	—	1,294,060	(500,000)	—	12,847,078
Venture capital	11,082,698	—	(762,169)	—	880,751	11,201,280
Other	153,590	8,131	—	—	—	161,721
Total	$ 23,289,306	8,131	531,891	(500,000)	880,751	24,210,079

	Fair value June 1, 2011	Realized gains (losses)	Unrealized gains (losses)	Sales and settlements	Purchases	Fair value May 31, 2012
Absolute return funds – limited partnerships	$ 12,296,111	—	(243,093)	—	—	12,053,018
Venture capital	9,290,000	—	436,222	—	1,356,476	11,082,698
Other	146,708	6,882	—	—	—	153,590
Total	$ 21,732,819	6,882	193,129	—	1,356,476	23,289,306

Hedge funds and certain U.S. and non-U.S. equity investments are redeemable with the funds or limited partnerships at NAV under the original terms of the subscription agreements and/or partnership agreements. The majority of these investment fund redemptions require 90 days or less written notice prior to the redemption period. The long-term investments' fair values as of May 31, 2013 are broken out below by redemption period or sale in the case of marketable securities.

		Investment fair values
Investments' redemption or sale period:		
Daily	$	62,607,223
Monthly		41,835,484
Quarterly		13,960,712
Annually		6,662,228
Locked up until liquidation		14,802,906
Total as of May 31, 2013	$	139,868,553

Locked up until liquidation is primarily comprised of private equity investments where the College has no liquidity terms until the investments are sold by the fund manager. Also, certain of the College's hedge fund investments classified as Level 3 investments are subject to restrictions impacting their liquidity. These restrictions include contractual lock up provisions, redemption notification requirements, and other restrictions. The expirations of restrictions on hedge fund redemptions are summarized in the table below:

		Amount
Fiscal year:		
2014	$	12,847,078
2015		1,019,173
2016		1,019,173
Thereafter		9,162,934
Total	$	24,048,358

The components of total investment return from all sources for the years ended May 31 are as follows:

		2013	2012
Interest income and dividends	$	1,682,100	2,009,684
Realized gains, net		3,831,481	3,775,458
Unrealized gains (losses), net		12,039,855	(11,961,233)
	$	17,553,436	(6,176,091)

At May 31, 2013, the College is committed to advance, over the next several years as capital or liquidity calls are exercised by investment managers, an additional $4,356,793 for private equity and venture capital investments.

(4) Endowment Funds

The College's endowment consists of funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the College to function as endowments (board designated).

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period as well as board-designated funds. The primary investment objective of the management of the endowment fund is to maintain and grow the fund's real value by generating average annual real returns that meet or exceed the spending rate, after inflation, management fees, and administrative costs. Consistent with this goal, the Board of Trustees and the Investment Committee of the Board of Trustees intend that the endowment fund be managed with an intention to maximize total returns consistent with prudent levels of risk, and reduce portfolio risk through asset allocation and diversification.

Strategies Employed for Achieving Objects

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee is responsible for establishing an asset allocation policy. The asset allocation policy is designed to attempt to achieve diversity among capital markets and within capital markets, by investment discipline and management style. The Investment Committee designs a policy portfolio in light of the endowment's needs for liquidity, preservation of purchasing power, and risk tolerances. Other than social responsibility investment guidelines, there is no limitation on the types of investments in which the endowment fund may be invested, and it is intended that the Board of Trustees and the Investment Committee have the broadest flexibility as to the selection of investments for the endowment fund.

The College targets a diversified asset allocation that places emphasis on investments in domestic and international equities, fixed income, private equity, and hedge fund strategies to achieve its long-term return objectives within prudent risk constraints. The Investment Committee reviews the policy portfolio asset allocation, exposures, and risk profile on an ongoing basis.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has a policy of appropriating for distribution each year a percentage of its endowment fund based on the fund's three-year rolling average fair value of the assets, lagging one year. The spending rate was 5% for both of the years ended 2013 and 2012.

In establishing these policies, the College considered the expected return on its endowment and its programming needs. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power and to provide a predictable and stable source of revenue to the annual operating budget. Additional real growth will be provided through new gifts, any excess investment return, or additions by the Board of Trustees.

(Continued)

The College is subject to the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA). The College has interpreted NYPMIFA as allowing the College to spend or accumulate the amount of an endowment fund that the College determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The College has not changed the way permanently restricted net assets are classified as a result of this interpretation and classifies as permanently restricted net assets (a) the original values of gifts donated to permanent endowments, (b) the original values of subsequent gifts to permanent endowments, and (c) accumulations to permanent endowments made in accordance with the directions of the applicable donors' gift instruments at the times the accumulations are added to the funds. The College's endowment agreements generally require the accumulation of unappropriated endowment investment return in permanently restricted net assets.

In accordance with NYPMIFA, the Investment Committee considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the College and the endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the College
- Where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of an endowment fund, giving due consideration to the effect that such alternatives may have on the College
- The investment policies of the College

Endowment Net Assets

At May 31, 2013 and 2012, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions and consisted of the following:

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor restricted	$ —	8,190,794	68,040,289	76,231,083
Board designated	37,103,192	—	—	37,103,192
	$ 37,103,192	8,190,794	68,040,289	113,334,275

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor restricted	$ —	7,155,846	60,475,141	67,630,987
Board designated	35,044,645	—	—	35,044,645
	$ 35,044,645	7,155,846	60,475,141	102,675,632

Changes in endowment net assets for the years ended 2013 and 2012 are as follows:

	2013			2012		
	Board of trustees designated	**Temporarily restricted**	**Permanently restricted**	**Board of trustees designated**	**Temporarily restricted**	**Permanently restricted**
Net assets at beginning of year	$ 35,044,645	7,155,846	60,475,141	39,571,403	4,144,397	58,533,208
Investment return:						
Investment income, net	512,939	12,582	687,361	632,406	16,546	793,641
Net realized and unrealized gains (losses)	5,209,656	96,320	5,460,780	(3,049,045)	(27,331)	(5,462,957)
Total investment return	5,722,595	108,902	6,148,141	(2,416,639)	(10,785)	(4,669,316)
Contributions and grants	25,000	1,285,842	1,669,957	525,000	3,187,805	6,459,552
Changes in donor intent	—	—	(252,950)	—	—	151,697
Distributions for unrestricted operations	(3,689,048)	(359,796)	—	(2,635,119)	(165,571)	—
Net assets at end of year	$ 37,103,192	8,190,794	68,040,289	35,044,645	7,155,846	60,475,141

Net unrealized depreciation or appreciation on endowment funds is recognized in the respective net asset category in accordance with donor restrictions.

(5) Land, Buildings, and Equipment and Related Obligations

Land, buildings, and equipment consist of the following as of May 31:

	2013	**2012**
Land and land improvements	$ 9,586,730	9,656,361
Buildings	150,365,706	145,376,655
Equipment, furnishings, and books	34,952,736	34,618,424
Construction in progress	6,995,866	1,271,113
	201,901,038	190,922,553
Less accumulated depreciation	(83,377,448)	(78,089,866)
	$ 118,523,590	112,832,687

(Continued)

Depreciation expense for the years ended May 31, 2013 and 2012 was $6,623,656 and $6,774,825, respectively. Fully depreciated assets of approximately $1,336,074 and $316,640 were written off during the years ended May 31, 2013 and 2012, respectively. The majority of the construction-in-progress balance at May 31, 2013 is related to capital planning related to a new academic building and renovation of the new administration building.

The College has certain legal obligations associated with the retirement of long-lived assets (asset retirement obligations or ARO). These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time as occupancy expense. Upon settlement of the obligation, any difference between the actual cost to settle the ARO and the liability recorded is recognized as a gain or loss in the statement of activities.

The ability to reasonably estimate a conditional ARO is a matter of management judgment, based upon management's ability to estimate a settlement date or range of settlement dates, a method or potential method of settlement, and probabilities associated with the potential dates and methods of settlement of its conditional ARO. In determining whether the College's conditional AROs can be reasonably estimated, management considers past practices, industry practices, management's intent, and the estimated economic lives of the assets.

As of May 31, 2013 and 2012, the College has recorded an asset retirement obligation related to remediation of asbestos in buildings in the amount of $3,479,302 and $3,604,183, respectively. Other conditional asset retirement obligations exist that are not estimable until a triggering event occurs (e.g., building sold) due to the absence or range of potential settlement dates. Presently, the College does not have sufficient information to estimate the fair value of these obligations but does not believe these items are material to the College's financial statements.

(6) Long-Term Debt

Long-term debt consists of the following as of May 31:

	2013	2012
Dormitory Authority of the State of New York (DASNY):		
Siena College Series 2001 bonds, 4.50% to 5.00%, maturing 2031	$ 10,420,000	10,750,000
Siena College Series 2006 bonds, 4.00% to 5.00%, maturing 2026 (includes premium of $757,015 and $905,302)	23,757,015	25,090,302
Siena College Series 2009 bonds, 3.00% to 5.00%, maturing 2039 (includes net discount of $180,370 and $187,176)	19,909,630	20,208,144
Albany County Industrial Development Agency (ACIDA)		
Tax Exempt Civic Facility Series 2003A Bond, 4.33%, maturing 2014	305,697	788,355
	$ 54,392,342	56,836,801

Principal and interest payments on long-term debt as of May 31, 2013 are due as follows:

2014	$	4,762,364
2015		4,566,846
2016		4,509,298
2017		4,491,906
2018		4,493,269
Thereafter		60,156,310
		82,979,993
Less amounts representing interest		(29,164,296)
Add premium		843,433
Less discount		(266,788)
	$	54,392,342

The scheduled principal payments for the next five years included within the above table are as follows:

2014	$	2,239,016
2015		2,146,739
2016		2,190,000
2017		2,280,000
2018		2,395,000

The DASNY and ACIDA agreements contain provisions requiring the maintenance of certain financial ratios. The financial ratios relate to debt service, expendable net assets, assets to total liabilities, unrestricted net assets to long-term debt, and change in net assets, exclusive of depreciation and amortization to debt service as defined in the agreements. The College believes it is in compliance with these provisions as of May 31, 2013.

The estimated fair value of the long-term debt at May 31, 2013 approximates $45,251,000 based on prevailing rates presently available to the College.

The DASNY and ACIDA bonds are collateralized by the buildings and equipment financed.

Assets under bond indenture agreements held by trustees are maintained for the following as of May 31:

		2013	2012
Debt service fund	$	4,577,927	4,584,680
Construction and cost of issuance funds		—	466,503
	$	4,577,927	5,051,183

Deposits with trustees are primarily comprised of U.S. Treasury obligations as of May 31, 2013 and 2012 and are classified as Level 1 in the fair value hierarchy.

(Continued)

(7) Benefit Plans

The College participates in the Teachers' Insurance & Annuity Association/College Retirement Equities Fund covering eligible lay faculty, and administrative and nonacademic employees. The cost of this defined contribution plan for the years ended May 31, 2013 and 2012 was $3,677,398 and $3,307,929, respectively.

The College also provides a postretirement medical benefit plan for certain retirees and employees (the Plan). The cost of postretirement benefits is accrued over the estimated service lives of employees.

The College uses a May 31 measurement date for the Plan.

A summary of the Plan's funded status as of May 31 is as follows:

		2013	2012
Change in benefit obligations:			
Benefit obligation at beginning of year	$	13,881,666	12,323,775
Service cost		1,133,616	719,302
Interest cost		575,212	550,352
Participant contributions		147,463	172,937
Amendments, curtailments, special termination		711,870	(177,934)
Actuarial loss		197,244	851,841
Benefits paid		(451,471)	(570,829)
Medicare Part D prescription drug federal subsidy		17,082	12,222
Benefit obligation at end of year	$	16,212,682	13,881,666
Change in plan assets:			
Fair value of assets, beginning of year	$	—	—
Employer contributions		286,926	385,670
Participant contributions		147,463	172,937
Benefits paid		(451,471)	(570,829)
Medicare Part D prescription drug federal subsidy		17,082	12,222
Fair value of assets, end of year	$	—	—
Amount recognized in the statement of financial position:			
Funded status	$	(16,212,682)	(13,881,666)

Amounts recorded in unrestricted net assets as of May 31, 2013 and 2012 not yet amortized as components of net periodic benefit costs are as follows:

		2013	2012
Unamortized prior service cost	$	1,148,525	338,472
Unamortized actuarial loss		4,845,213	5,267,208
Amount recognized as a decrease to unrestricted net assets	$	5,993,738	5,605,680

The amortization of the above items expected to be recognized in net periodic costs for the year ending May 31, 2014 is approximately $523,000.

A summary of the components of net periodic postretirement benefit cost for the years ended May 31, 2013 and 2012 is as follows:

		2013	2012
Components of net periodic benefit cost:			
Service cost	$	1,133,616	719,302
Interest cost		575,212	550,352
Amortization of gains and losses		619,239	243,457
Amortization of unrecognized prior service cost		(98,183)	(369,706)
Net periodic postretirement benefit cost	$	2,229,884	1,143,405

Assumptions

A summary of the weighted average assumptions used to determine the benefit obligation at May 31, 2013 and 2012 is presented below:

	2013	2012
Discount rate	4.23%	4.10%
Mortality	RP-2000	RP-2000

A summary of the weighted average assumptions used to determine the net periodic postretirement benefit cost for the years ended May 31, 2013 and 2012 is presented below:

	2013	2012
Discount rate	4.10%	5.47%

(Continued)

A summary of the assumed healthcare cost trend rates at May 31, 2013 is presented below:

	Pre-65 Medical trend rates	Post-65 Medical trend rates	Prescription drugs trend rates
Healthcare cost trend rate for next year	7.90%	5.75%	6.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2020	2020	2020

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in the healthcare trend rates would have the following effects:

	One percentage point	
	Increase	Decrease
Effect on total of service and interest cost components	$ 324,271	(263,676)
Effect on postretirement benefits obligation	2,564,956	(2,121,741)

Cash Flow Contributions

The College expects to contribute approximately $490,000 to the Plan during the year ending May 31, 2014.

Estimated Future Benefit Payments

The expected gross benefit payments (including prescription drug benefits) and the expected gross amount of Medicare Part D subsidy receipts are as follows:

	Gross payments	Medicare subsidy receipts
2014	$ 489,636	—
2015	572,745	—
2016	614,962	—
2017	717,049	—
2018	793,387	—
Years 2019 – 2023	5,296,585	—

(8) Components of Unrestricted Operating Revenues

The following are the components of unrestricted operating revenues for the years ended May 31:

	2013	2012
Tuition and fees:		
Tuition	$ 89,534,666	86,797,898
Organized student activities	729,545	749,110
Lab and course fees	987,431	1,089,060
Other student fees	910,766	919,277
	92,162,408	89,555,345
Less:		
Financial aid from college resources	(37,611,074)	(34,360,506)
Financial aid from donors	(2,017,780)	(1,983,984)
Net tuition and fees	52,533,554	53,210,855
Dormitory and dining hall:		
Room	18,846,253	18,410,467
Board	10,388,962	10,163,770
Net student revenues	81,768,769	81,785,092
Government grants and contributions	2,123,512	3,479,002
Private gifts and grants	2,976,329	2,622,052
Investment return	3,460,105	3,619,276
Investment return expended for operations – scholarship component and other program	2,315,914	2,230,683
Ticket sales and promotions	729,141	730,116
Summer camps and merchandising	636,348	659,480
Continuing education and professional conferences	4,872	20,017
Commissions and outside rentals	307,745	290,036
Student activities	211,789	201,587
Other	1,971,535	1,739,625
Net assets released from restrictions	660,286	460,897
Total unrestricted operating revenues	$ 97,166,345	97,837,863

(9) Expenses Prior to Allocations

The following are functional expenses for the years ended May 31:

		2013	2012
Instruction	$	29,923,974	28,909,142
Academic support		4,776,477	5,500,204
Library		1,698,409	1,851,872
Community service		901,817	394,558
General administration		7,446,155	7,294,424
Student services		15,308,576	15,225,455
Institutional support		7,797,141	9,220,040
Auxiliaries		12,531,017	12,627,874
Other		77,052	55,253
Operation and maintenance of plant		7,426,788	7,205,705
Interest		2,370,097	2,794,037
Depreciation		6,623,656	6,774,825
Asset retirement obligation		144,288	138,729
Total operating expenses	$	97,025,448	97,992,118

(10) Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

		2013	2012
Gifts for operations	$	5,978,924	1,932,321
Gifts for scholarships		187,733	244,928
Gifts for plant		2,024,137	4,978,597
Total	$	8,190,794	7,155,846

Net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were $1,020,082 and $626,468 for the years ended May 31, 2013 and 2012, respectively.

Permanently restricted net assets consist entirely of endowment corpus, including unappropriated investment return, and pledges, with donor stipulations that they be invested in perpetuity for the purposes described within the respective endowment agreements as summarized on the statement of financial position.

(11) Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to May 31, 2013 and through September 27, 2013, the date on which the financial statements were issued.