Consolidated Financial Statements

Eckerd College, Inc.
Years Ended June 30, 2013 and 2012
With Report of Independent Certified Public Accountants

Ernst & Young LLP

Ernst & Young

Eckerd College, Inc.

Consolidated Financial Statements

Years Ended June 30, 2013 and 2012

Contents

Eckerd College, Inc.

Management's Discussion and Analysis
(Unaudited)

Years Ended June 30, 2013 and 2012

Introduction and Background

The Management's Discussion and Analysis (MD&A) provides an overview of the consolidated financial position and activities of Eckerd College, Inc. (the Organization) for the fiscal years ended June 30, 2013 and 2012, and should be read in conjunction with the consolidated financial statements and notes thereto. The MD&A, and consolidated financial statements and notes thereto, are the responsibility of Eckerd College (the College) management.

Overview of Consolidated Financial Statements

The Organization's financial report as of and for the years ended June 30, 2013 and 2012, includes three basic statements: the consolidated statements of financial position, the consolidated statements of activities and changes in net assets, and the consolidated statements of cash flows. The consolidated financial statements and notes thereto, encompass Eckerd College, Inc. and Eckerd College Real Estate, LLC (ECRE). The Organization's consolidation policy is described in more detail in the notes to the consolidated financial statements.

The financial highlights for the 2012-13 fiscal year include:

- Total assets increased $6,418,144 or 3.58% over the prior fiscal year.
- Net assets increased by $9,686,116 or 7.29% over the prior fiscal year.
- Unrestricted net assets, exclusive of plant and plant-related debt increased $406,317 or 1.24% over the prior fiscal year.
- The College's endowment, which includes board-designated reserves (quasi-endowment), increased $3,825,475 or 8.45% from the prior fiscal year.
- College funded scholarships relative to residential tuition has increased to 43.3% from 42.0% in the prior fiscal year.

Overview of Consolidated Financial Statements (continued)

The financial highlights for the 2011-12 fiscal year include:

- Total assets increased $2,238,883 or 1.26% over the prior fiscal year.

- Net assets increased by $1,336,768 or 1.02% over the prior fiscal year.

- Unrestricted net assets, exclusive of plant and plant-related debt increased $2,714,288 or 9.04% over the prior fiscal year.

- The College's endowment, which includes board-designated reserves (quasi-endowment), decreased $2,206,646 or 4.64% from the prior fiscal year.

- College funded scholarships relative to residential tuition has increased slightly to 42.0% from the prior fiscal year.

Consolidated Statements of Financial Position

The consolidated statements of financial position reflect the assets and liabilities of the Organization, using the accrual basis of accounting, and present the consolidated financial position of the Organization at a specified time. The difference between total assets and total liabilities, net assets, is one indicator of the Organization's current financial condition.

Consolidated Statements of Financial Position (continued)

The changes in net assets that occur over time indicate improvement or deterioration in the Organization's financial condition. The following reflects the Organization's assets, liabilities, and net assets at June 30:

	2013	2012	2011
Assets			
Cash and cash equivalents	**$ 33,335,481**	$ 36,750,603	$ 29,290,120
Accounts receivable, net – students	**662,484**	390,457	505,536
Accounts receivable, net – other	**1,014,631**	1,315,293	1,558,248
Contributions receivable, net	**1,407,363**	2,211,615	15,517,581
Beneficial interest in assets held by others	**967,502**	947,785	1,194,011
Loans receivable, net – students	**1,297,049**	1,365,873	1,474,348
Investments at fair value	**28,778,211**	25,524,308	26,647,303
Assets limited as to use	**21,538,028**	22,332,199	24,325,406
Deferred charges, prepaid expenses, and other assets	**4,140,214**	4,304,663	4,655,031
Property and equipment, net	**92,746,326**	84,326,349	72,062,678
Total assets	**$ 185,887,289**	$ 179,469,145	$ 177,230,262
Liabilities and net assets			
Accounts payable and accrued liabilities	**$ 6,966,816**	$ 7,978,569	$ 6,207,617
Deferred revenues and deposits	**2,945,020**	2,721,206	2,490,394
Amounts payable under split-interest agreements	**2,136,909**	2,055,363	2,167,751
Bonds payable	**27,555,275**	28,430,153	29,270,031
U.S. government grants refundable	**1,100,486**	1,087,177	1,076,526
Postretirement benefits and deferred compensation obligation	**2,714,725**	4,414,735	4,572,769
Total liabilities	**43,419,231**	46,687,203	45,785,088
Net assets:			
Unrestricted net assets exclusive of plant and plant-related debt	**33,162,455**	32,756,138	30,041,850
Unrestricted net assets invested in plant	**67,154,259**	40,584,743	42,148,493
Temporarily restricted	**8,900,211**	26,811,068	27,009,743
Permanently restricted	**33,251,133**	32,629,993	32,245,088
Total net assets	**142,468,058**	132,781,942	131,445,174
Total liabilities and net assets	**$ 185,887,289**	$ 179,469,145	$ 177,230,262

Consolidated Statements of Financial Position (continued)

The Organization's assets totaled $185,887,289 at June 30, 2013. This balance reflects a $6,418,144 or 3.58% increase from the 2011-12 fiscal year and an $8,657,027 or 4.88%, increase from the 2010-11 fiscal year. The largest increase in assets over the period is in property and equipment with the addition of a new science building (the James Center for Molecular and Life Sciences or JCMLS) completed in the 2012-13 fiscal year.

Cash and cash equivalents decreased from the 2011-12 fiscal year by $3,415,122 due to the investment in property and equipment as planned. The College's Capital Campaign, which ended June 30, 2011, generated a significant increase in cash in the prior two fiscal years. The cash raised was used primarily for the construction of JCMLS.

Investments and assets limited as to use have increased $2,459,732 or 5.14% from the 2011-12 fiscal year, and decreased $656,470 from the 2010-11 fiscal year primarily due to market fluctuations. Investment returns (losses) for the 2012-13 and 2011-12 fiscal years were $4,999,802 and $(1,061,220), respectively. The components of assets limited as to use are summarized below. Additional details are available in Note 6 of the audited consolidated financial statements:

	Assets Limited as to Use		
	2013	**2012**	**2011**
Board-designated funds	**$ 16,617,934**	$ 16,408,458	$ 16,248,232
Debt service and other bond funds	**3,312,708**	3,291,898	3,274,208
Cumulative board-designated endowment gains	**1,270,739**	323,803	1,500,294
Assets restricted for investments in building and equipment	**336,647**	2,308,040	3,302,672
Total	**$ 21,538,028**	$ 22,332,199	$ 24,325,406

Consolidated Statements of Financial Position (continued)

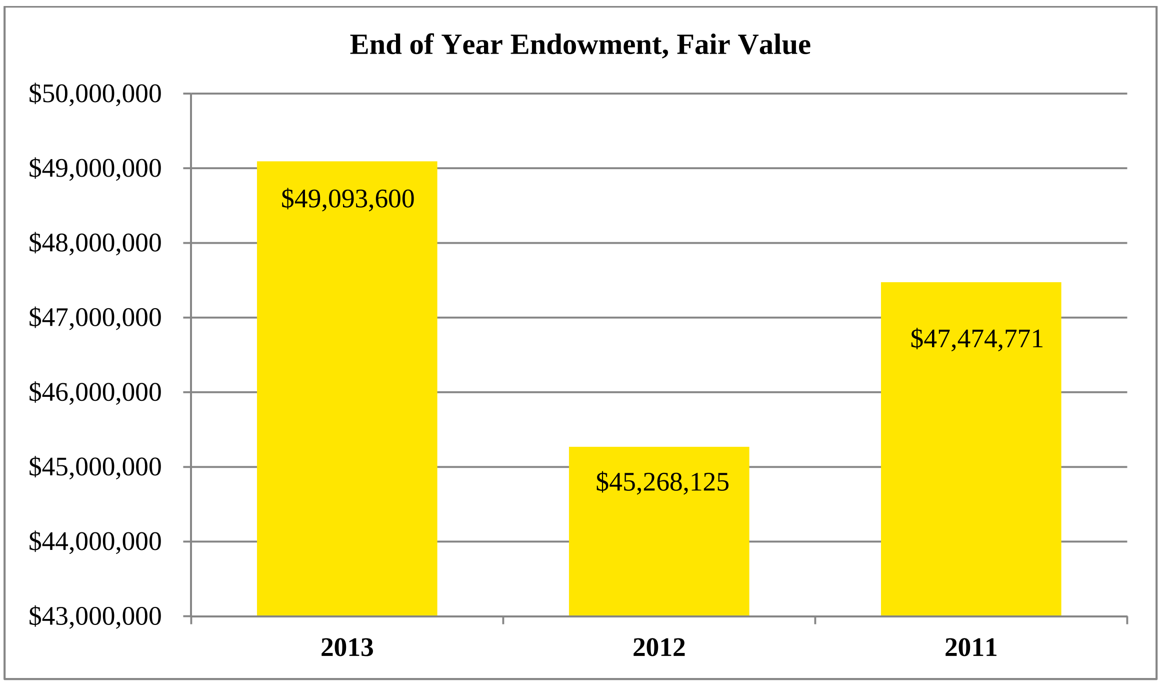
The activity of the College's endowment and the investments held by the endowment are summarized below. Additional details are available in Note 8 of the audited consolidated financial statements:

	Endowment		
	2013	**2012**	**2011**
Beginning of year, at fair value	**$ 45,268,125**	$ 47,474,771	$ 37,814,196
Investment return (loss)	**5,020,232**	(1,073,057)	6,967,010
Contributions	**946,829**	813,035	4,389,352
Investment return, distributed	**(1,972,346)**	(1,722,667)	(1,449,074)
Investment return, reinvested	**(169,240)**	(223,957)	(246,713)
End of year, at fair value	**$ 49,093,600**	$ 45,268,125	$ 47,474,771

	2013	**2012**	**2011**
Cash and cash equivalents	**$ 415,754**	$ 981,709	$ 2,137,993
Equity securities	**26,273,056**	23,531,081	25,778,155
Investments in limited partnerships	**15,900,740**	13,819,348	12,218,434
Interfund loan receivable	**6,504,050**	6,935,987	7,340,189
Total endowment	**$ 49,093,600**	$ 45,268,125	$ 47,474,771

Consolidated Statements of Financial Position (continued)

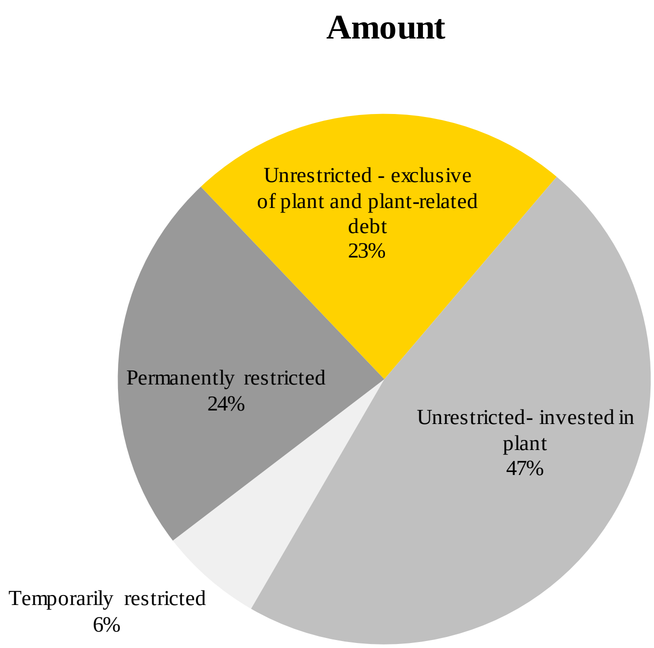
The endowment spending distribution rate adopted and approved for distribution by the Board of Trustees in each of the last three years was 5.00%.



Liabilities totaled $43,419,231 at June 30, 2013, compared to $46,687,203 at June 30, 2012, a decrease of $3,267,972 or 7.00%. The decrease is the result of principal paid on outstanding debt; a reduction of current liabilities primarily related to the completion of JCMLS and continued decreases for postretirement and deferred compensation obligations. See Note 12 for more information on postretirement benefits.

Consolidated Statements of Financial Position (continued)

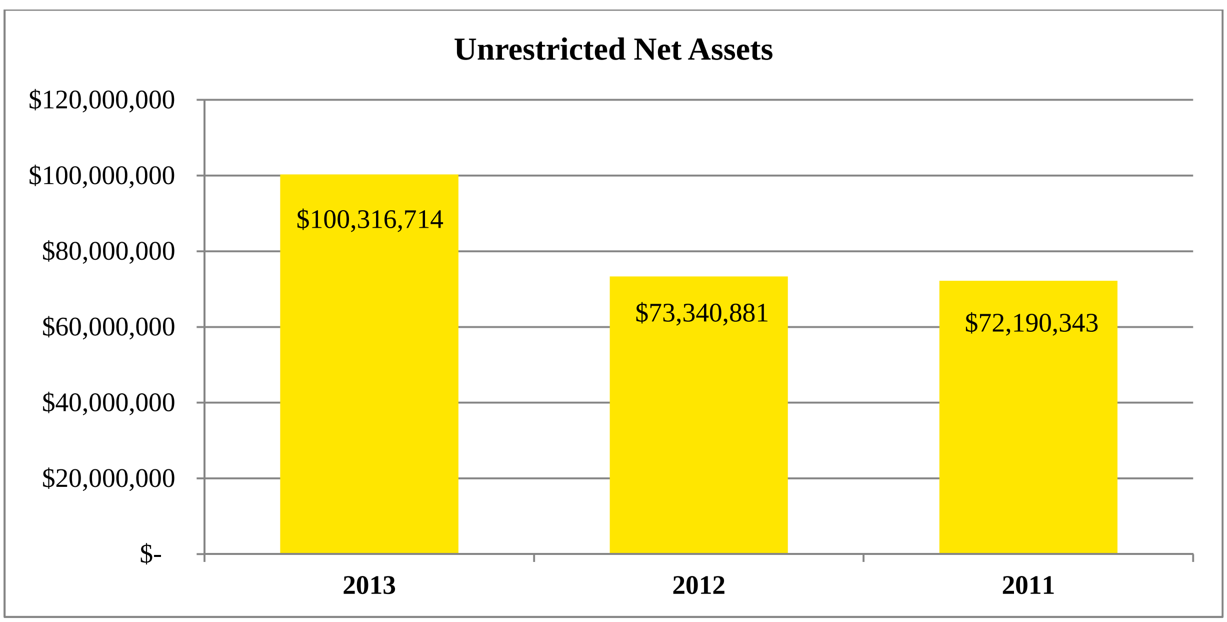
As a result of the changes in assets and liabilities described above, the Organization's total net assets increased from 2011-12 by $9,686,116 or 7.29%, reaching a year-end balance of $142,468,058 at June 30, 2013.



Consolidated Statements of Financial Position (continued)

Unrestricted net assets exclusive of plant assets and plant-related debt increased by $406,317 or 1.24% from the 2011-12 fiscal year to a balance of $33,162,455 in the 2012-13 fiscal year as calculated in the following table:

	Statements of Financial Position of Unrestricted Net Assets, Exclusive of Plant Assets and Plant-Related Debt		
	June 30		
	2013	**2012**	**2011**
Total unrestricted net assets	**$ 100,316,714**	$ 73,340,881	$ 72,190,343
Less unrestricted property and equipment	**(91,396,826)**	(65,722,998)	(68,144,326)
Less assets limited for debt service	**(3,312,708)**	(3,291,898)	(3,274,198)
Add long-term debt	**27,555,275**	28,430,153	29,270,031
Unrestricted net assets, exclusive of plant assets and plant-related debt	**$ 33,162,455**	$ 32,756,138	$ 30,041,850

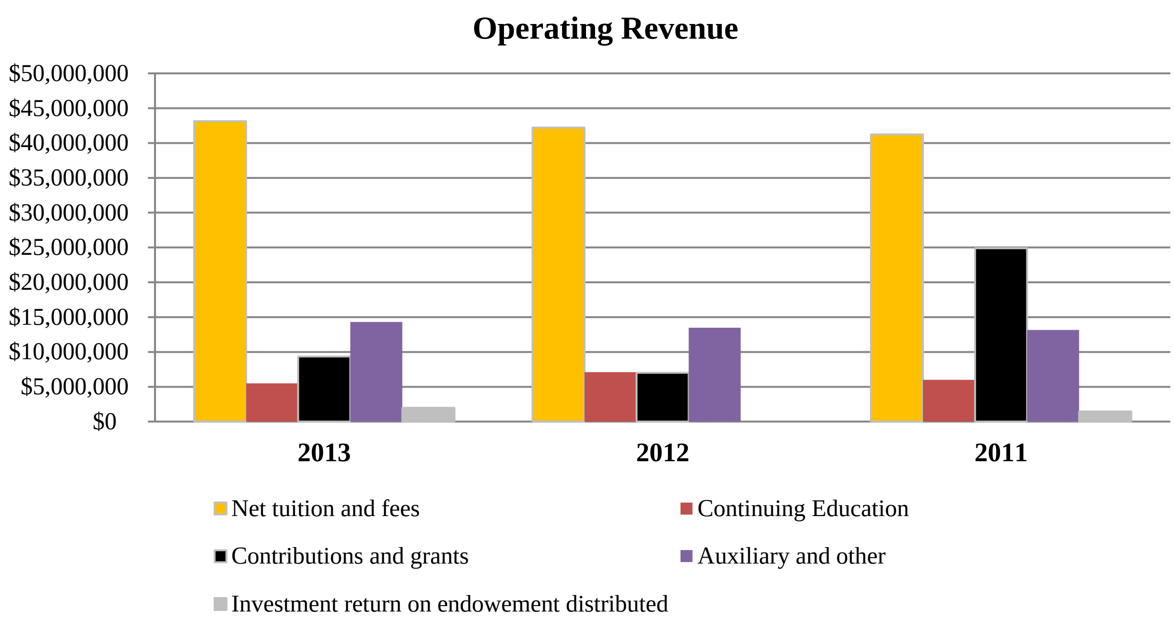


Consolidated Statements of Activities and Changes in Net Assets

The consolidated statements of activities and changes in net assets present the Organization's revenue and expense activity on the accrual basis of accounting. The following is a summary of the Organization's activity:

	Consolidated Statements of Activities and Changes in Net Assets		
	2013	**2012**	**2011**
Revenues	**$ 74,258,302**	$ 69,814,483	$ 86,728,371
Operating expenses	**69,022,147**	67,022,940	66,529,431
Nonoperating revenues (expenses)	**3,110,162**	(1,265,806)	5,799,821
Pension related changes	**1,339,799**	(188,969)	165,191
Change in net assets	**9,686,116**	1,336,768	26,163,952
Net assets, beginning of year	**132,781,942**	131,445,174	105,281,222
Net assets, end of year	**$ 142,468,058**	$ 132,781,942	$ 131,445,174

The Organization's operating revenues totaled $74,258,302 for the 2012-13 fiscal year.



Consolidated Statements of Activities and Changes in Net Assets (continued)

Net tuition and fees, the largest category of revenue, increased by $926,747 from the 2011-12 fiscal year. Net tuition and fees is comprised of the following:

	Net Tuition and Fees		
	2013	**2012**	**2011**
Tuition – residential	**$ 64,207,098**	$ 60,511,773	$ 57,947,450
Tuition – summer school	**387,965**	328,541	284,592
Tuition – program for experienced learners	**3,455,898**	3,799,647	4,086,830
Fees – residential	**2,865,635**	2,921,718	2,684,418
Fees – program for experienced learners	**50,055**	64,060	57,500
Tuition and fees	**70,966,651**	67,625,739	65,060,790
College funded scholarships	**(27,830,223)**	(25,416,058)	(23,829,450)
Net tuition and fees	**$ 43,136,428**	$ 42,209,681	$ 41,231,340
College funded scholarships as a % of residential tuition	**43.3%**	42.0%	41.1%

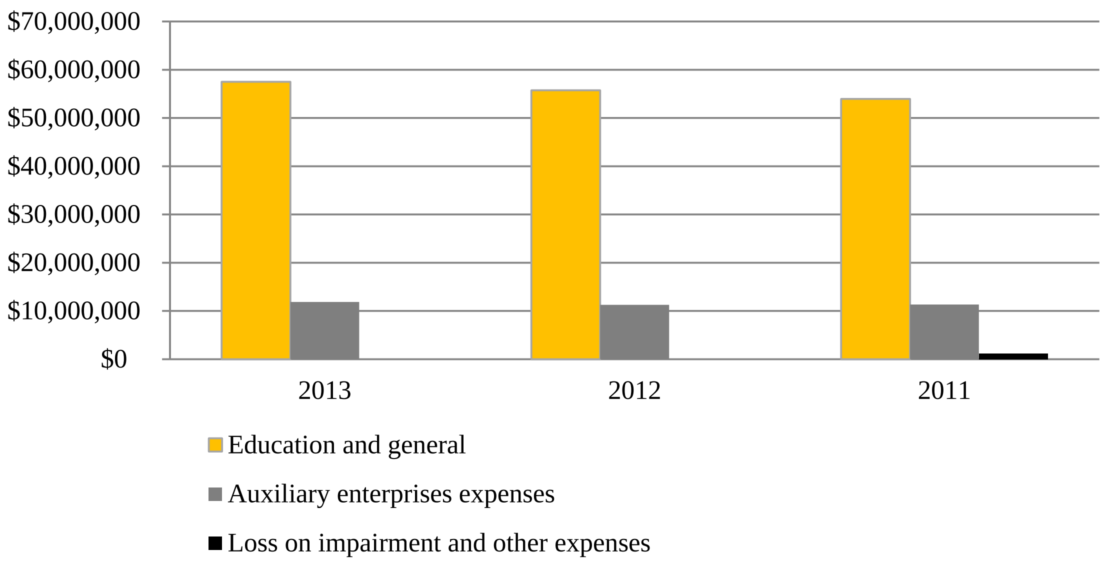
The increase in net tuition and fees revenue is a combination of increasing enrollments, a stable rate of college funded scholarships, and tuition rate increases over the period.

Overall, total operating revenues increased over the prior year due to a significant private gift restricted for capital costs of the James Center for Molecular and Life Sciences, in addition to positive investment returns for the 2012-13 fiscal year.

Consolidated Statements of Activities and Changes in Net Assets (continued)

Total operating expenses increased $1,999,207 from the 2011-12 fiscal year and $2,492,716 from the 2010-11 fiscal year. The increase is primarily due to an increase in depreciation expense resulting from the completion of several significant capital projects, including the James Center for Molecular and Life Sciences that was completed during the 2012-13 fiscal year.

Operating Expenses



The changes in nonoperating revenues (expenses) are primarily the result of endowment income and changes in the College's postretirement benefits liability as shown in the consolidated statements of activities.

Consolidated Statements of Activities and Changes in Net Assets (continued)

The College has placed special emphasis on improving unrestricted net assets, exclusive of plant and plant-related debt. This is being accomplished by strictly adhering to the College's adopted financial plan. This plan includes strategies, such as funding depreciation, and building cash and Board-designated reserves. The College continues to achieve these major goals while experiencing significant fluctuations in investment return due to the volatility in the market. The following is a summary of unrestricted activity exclusive of plant assets and plant-related debt for 2012-13 and the prior two fiscal years:

	Statements of Activities and Changes in Unrestricted Net Assets, Exclusive of Plant Assets and Plant-Related Debt		
	June 30		
	2013	**2012**	**2011**
Total unrestricted revenues	**$ 93,307,606**	$ 69,435,504	$ 73,745,717
Total unrestricted operating expenses	**69,022,147**	67,022,940	66,529,431
Add additions to unrestricted property and equipment	**30,530,537**	1,643,694	5,995,639
Add reductions in long-term debt	**874,878**	839,878	859,878
Add assets limited for debt service	**20,810**	17,690	13,714
Less depreciation on unrestricted property and equipment	**(4,856,709)**	(4,065,012)	(4,121,688)
	95,591,663	65,459,190	69,276,974
Change in unrestricted net assets from operating activities, exclusive of plant and plant-related debt	**(2,284,057)**	3,976,314	4,468,743
Unrestricted nonoperating revenues (expenses):			
Investment return (loss) on endowment	**1,350,575**	(1,073,057)	5,517,937
Pension-related changes	**1,339,799**	(188,969)	165,191
	$ 406,317	$ 2,714,288	$ 10,151,871

Consolidated Statements of Cash Flows

The consolidated statements of cash flows provide information about the Organization's financial results by reporting the major sources and uses of cash and cash equivalents. These statements will assist in evaluating the Organization's ability to generate net cash flows, meet its financial obligations as they come due, and meet its need for external financing. Cash flows from operating activities show the net cash used or generated by the operating activities of the Organization. Cash flows from investing activities show cash related to the purchases and sales of investments and the acquisition and disposal of property and equipment. Cash flows from financing activities include activities related to long-term debt and the receipt of restricted resources that by donor stipulation must be for long-term purposes. The following summarizes cash flows for 2012-13 and the prior two fiscal years:

	Consolidated Statements of Cash Flows		
	2013	**2012**	**2011**
Net cash provided by operating activities	**$ 1,601,258**	$ 9,733,150	$ 12,700,464
Net cash used in investing activities	**(8,429,372)**	(15,623,148)	(12,681,177)
Net cash provided by financing activities	**3,412,992**	13,350,481	3,938,593
Change in cash and cash equivalents	**(3,415,122)**	7,460,483	3,957,880
Cash and cash equivalents, beginning of year	**36,750,603**	29,290,120	25,332,240
Cash and cash equivalents, end of year	**$ 33,335,481**	$ 36,750,603	$ 29,290,120

The net cash continues to be provided by operating activities as a result of planned cash additions from operations. The net cash provided by operating activities decreased from the prior fiscal years due to a greater portion of incoming cash being restricted for long-term purposes such as the CMLS building, which is classified in financing activities.

The net cash used in investing activities over the three year period has fluctuated as the College incurred capital costs for the significant projects such as the CMLS building and Sheen renovations.

Gifts for the investment in buildings and those permanently restricted provide a source of cash used in financing activities. The College received a significant cash payment for the long-term purpose of the CMLS building in the 2011-12 fiscal year, which drives the fluctuation over the three year period.

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Report of Independent Certified Public Accountants

The Board of Trustees of Eckerd College, Inc.
Dr. Donald R. Eastman III, President
Christopher P. Brennan, Vice President for Business and Finance

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Eckerd College, Inc. (the College), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated 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 consolidated financial statements in conformity 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 consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eckerd College, Inc. as of June 30, 2013 and 2012, and the consolidated changes in their net assets and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Other Reporting Required by *Government Auditing Standards*

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

Ernst + Young LLP

October 17, 2013

Eckerd College, Inc.

Consolidated Statements of Financial Position

	June 30	
	2013	**2012**
Assets		
Cash and cash equivalents	**$ 33,335,481**	$ 36,750,603
Accounts receivable, net – students	**662,484**	390,457
Accounts receivable, net – other	**1,014,631**	1,315,293
Contributions receivable, net	**1,407,363**	2,211,615
Beneficial interest in assets held by others	**967,502**	947,785
Loans receivable, net – students	**1,297,049**	1,365,873
Investments at fair value	**28,778,211**	25,524,308
Assets limited as to use	**21,538,028**	22,332,199
Deferred charges, prepaid expenses, and other assets	**4,140,214**	4,304,663
Property and equipment, net	**92,746,326**	84,326,349
Total assets	**$ 185,887,289**	$ 179,469,145
Liabilities and net assets		
Accounts payable and accrued liabilities	**$ 6,966,816**	$ 7,978,569
Deferred revenues and deposits	**2,945,020**	2,721,206
Amounts payable under split-interest agreements	**2,136,909**	2,055,363
Bonds payable	**27,555,275**	28,430,153
U.S. government grants refundable	**1,100,486**	1,087,177
Postretirement benefits and deferred compensation obligation	**2,714,725**	4,414,735
Total liabilities	**43,419,231**	46,687,203
Net assets:		
Unrestricted	**100,316,714**	73,340,881
Temporarily restricted	**8,900,211**	26,811,068
Permanently restricted	**33,251,133**	32,629,993
Total net assets	**142,468,058**	132,781,942
Total liabilities and net assets	**$ 185,887,289**	$ 179,469,145

See accompanying notes.

Eckerd College, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013
Revenues and other support:				
Tuition and fees	$ 70,966,651	$ –	$ –	$ 70,966,651
Less: College funded scholarships	(27,830,223)	–	–	(27,830,223)
Net tuition and fees	43,136,428	–	–	43,136,428
Continuing education	5,496,201	–	–	5,496,201
Private gifts, grants, and contracts	1,823,409	6,368,323	508,785	8,700,517
Federal grants and contracts	–	651,390	–	651,390
Investment return on endowment, distributed	645,574	1,326,772	–	1,972,346
Other investment income and net realized gains (losses) on investments	3,620	(24,050)	–	(20,430)
Sales and service of auxiliary enterprises	14,023,028	–		14,023,028
Other sources	294,090	–	4,732	298,822
Net assets released from restrictions	27,885,256	(27,985,256)	100,000	–
Total revenues and other support	93,307,606	(19,662,821)	613,517	74,258,302
Expenses:				
Educational and general:				
Instruction	27,710,525	–	–	27,710,525
Research	364,926	–	–	364,926
Academic support	3,354,132	–	–	3,354,132
Student services	13,079,807	–	–	13,079,807
Institutional support	12,659,580	–	–	12,659,580
Total educational and general	57,168,970	–	–	57,168,970
Auxiliary enterprises expense	11,853,177	–	–	11,853,177
Total expenses	69,022,147	–	–	69,022,147
Increase (decrease) in net assets from operating activities	24,285,459	(19,662,821)	613,517	5,236,155
Nonoperating revenues:				
Investment return on endowment	1,350,575	1,697,311	–	3,047,886
Change in value of split-interest agreements	–	54,653	7,623	62,276
Pension-related changes other than net periodic pension cost	1,339,799	–	–	1,339,799
Total nonoperating revenues	2,690,374	1,751,964	7,623	4,449,961
Change in net assets	26,975,833	(17,910,857)	621,140	9,686,116
Net assets, beginning of year	73,340,881	26,811,068	32,629,993	132,781,942
Net assets, end of year	$ 100,316,714	$ 8,900,211	$ 33,251,133	$ 142,468,058

See accompanying notes.

Eckerd College, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012
Revenues and other support:				
Tuition and fees	$ 67,625,739	$ –	$ –	$ 67,625,739
Less: College funded scholarships	(25,416,058)	–	–	(25,416,058)
Net tuition and fees	42,209,681	–	–	42,209,681
Continuing education	7,091,991	–	–	7,091,991
Private gifts, grants, and contracts	1,847,580	3,295,363	380,744	5,523,687
Federal grants and contracts	–	1,496,722	–	1,496,722
Investment return on endowment, distributed	–	–	–	–
Other investment income and net realized gains on investments	1,937	9,900	–	11,837
Sales and service of auxiliary enterprises	13,078,976	–	–	13,078,976
Other sources	397,428	–	4,161	401,589
Net assets released from restrictions	4,807,911	(4,807,911)	–	–
Total revenues and other support	69,435,504	(5,926)	384,905	69,814,483
Expenses:				
Educational and general:				
Instruction	27,317,356	–	–	27,317,356
Research	403,815	–	–	403,815
Academic support	3,364,702	–	–	3,364,702
Student services	12,550,571	–	–	12,550,571
Institutional support	12,113,676	–	–	12,113,676
Total educational and general	55,750,120	–	–	55,750,120
Auxiliary enterprises expense	11,272,820	–	–	11,272,820
Total expenses	67,022,940	–	–	67,022,940
Increase (decrease) in net assets from operating activities	2,412,564	(5,926)	384,905	2,791,543
Nonoperating expenses:				
Investment loss on endowment	(1,073,057)	–	–	(1,073,057)
Change in value of split-interest agreements	–	(192,749)	–	(192,749)
Pension-related changes other than net periodic pension cost	(188,969)	–	–	(188,969)
Total nonoperating expenses	(1,262,026)	(192,749)	–	(1,454,775)
Change in net assets	1,150,538	(198,675)	384,905	1,336,768
Net assets, beginning of year	72,190,343	27,009,743	32,245,088	131,445,174
Net assets, end of year	$ 73,340,881	$ 26,811,068	$ 32,629,993	$ 132,781,942

See accompanying notes.

Eckerd College, Inc.

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2013	**2012**
Operating activities		
Change in net assets	**$ 9,686,116**	$ 1,336,768
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**5,180,713**	4,305,516
Recovery of (provisions for) doubtful accounts	**(50,377)**	18,857
Gifts of noncash	**(3,327,230)**	(124,642)
Change in value of split-interest agreements	**(62,276)**	192,749
Net realized and unrealized gain (loss) on investments	**(4,084,540)**	2,259,060
Contributions restricted for long-term investment	**(4,209,268)**	(14,071,236)
Change in operating assets and liabilities:		
Accounts receivable, students	**(221,550)**	95,452
Accounts receivable, other	**300,662**	242,955
Contributions receivable and beneficial interest in assets held by others	**784,535**	13,552,192
Deferred charges, prepaid expense, and other assets	**(2,433)**	183,486
Accounts payable and accrued liabilities	**(1,011,753)**	1,770,952
Deferred revenues and deposits	**223,814**	230,812
Amounts payable under split-interest agreements	**81,546**	(112,388)
U.S. government grants refundable	**13,309**	10,651
Postretirement benefits and deferred compensation obligation	**(1,700,010)**	(158,034)
Net cash provided by operating activities	**1,601,258**	9,733,150
Investing activities		
Proceeds from sales and maturities of investments	**7,824,760**	4,451,697
Purchases of investments	**(4,811,988)**	(4,660,045)
Cash restricted for purchases of property and equipment	**2,001,542**	997,383
Purchases of property and equipment	**(13,443,686)**	(16,412,183)
Net cash used in investing activities	**(8,429,372)**	(15,623,148)
Financing activities		
Contributions restricted for long-term investment	**4,209,268**	14,071,236
Disbursements of loans to students	**(184,050)**	(134,900)
Repayments of loans from students	**252,774**	244,145
Repayments of bonds payable	**(865,000)**	(830,000)
Net cash provided by financing activities	**3,412,992**	13,350,481
Change in cash and cash equivalents	**(3,415,122)**	7,460,483
Cash and cash equivalents, beginning of year	**36,750,603**	29,290,120
Cash and cash equivalents, end of year	**$ 33,335,481**	$ 36,750,603
Supplemental disclosure of cash flow information		
Cash paid for interest	**$ 1,398,950**	$ 1,434,450
Purchases of property and equipment in accounts payable	**$ 1,753,982**	$ 3,544,460
Donated property	**$ 3,327,230**	$ 124,642

See accompanying notes.

1. Organization and Principles of Consolidation

Eckerd College, Inc. (the College) is an independent, coeducational, liberal arts college located on 188 acres of waterfront property in St. Petersburg, Florida. The College is known distinctively for marine science, environmental studies, international relations and global affairs, creative writing, organizational studies, study abroad, and civic engagement. The College is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools.

The consolidated financial statements include the accounts of the College, Eckerd College Real Estate, LLC (ECRE) and ECP2, Inc. (collectively, the Organization). ECRE was formed in the 2009-10 fiscal year to hold title and liquidate certain real estate holdings. The College is the sole member of ECRE. ECP2, Inc. is a separate corporation related through an economic interest and the College's direct and indirect ability to control the direction of management. All significant interorganization balances and transactions are eliminated in these consolidated financial statements. See Note 15 for further discussion of these entities.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* include net assets that are not subject to donor-imposed stipulations and include amounts designated by the Board of Trustees (Board) for specific purposes. Unrestricted net assets also include the cumulative excess of realized and unrealized investment losses over the corpus of donor-restricted endowments of $2,136,947 and $2,371,345 at June 30, 2013 and 2012, respectively.

- *Temporarily restricted net assets* include gifts and split-interest agreements limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled or removed by action of the Organization pursuant to those stipulations.

- *Permanently restricted net assets* include gifts and contributions whose use is limited by donor-imposed stipulations or applicable laws that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Losses on the

2. Summary of Significant Accounting Policies (continued)

investments of permanently restricted endowed funds shall reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss shall reduce unrestricted net assets.

Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level valuation hierarchy is used for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels of inputs are defined as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities
- Level 2 – Other significant observable inputs (including quoted prices for similar assets and liabilities, interest rates, prepayment speeds, and credit risk, etc.)
- Level 3 – Significant unobservable inputs (including an entity's own assumptions)

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.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an initial maturity of three months or less when purchased, unless designated for long-term purposes or the acquisition of long-term assets, and therefore classified as assets limited as to use.

Investments

Investments in marketable securities with readily determinable fair values, and all investments in debt securities are recorded at their fair values based on quoted market prices. Investment income or loss (including realized and unrealized gains on investments and interest and dividends) is included in unrestricted total revenues and other support, unless the income or loss is restricted by the donor or by law.

2. Summary of Significant Accounting Policies (continued)

Investments Without Readily Determinable Values

Investments without readily determinable values consist of funds-of-funds, investments in private equity companies, partnerships, and limited liability companies and are included with investments at fair value. Under generally accepted accounting principles, a reporting entity is permitted, as a practical expedient, to estimate the fair value of such an investment using the net asset value per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) of certain investments, if the net asset value per share of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of investment funds. Classification within the fair value hierarchy for an investment measured at net asset value requires judgment. If a reporting entity has the ability to redeem its investment with the investee at the net asset value per share (or its equivalent) at the measurement date, it is categorized as a Level 2 measurement. If the reporting entity will never have this ability, the fair value measurement of the investment is categorized as Level 3. If a reporting entity does not have this ability at the measurement date, but will have it at a future date, the reporting entity shall consider the length of time until the investment becomes redeemable in determining whether the measurement shall be categorized as a Level 2 or a Level 3. At June 30, 2013 and 2012, the net asset value approximates fair value of the funds as reported by the managers. Due to the inherent uncertainty of these estimates, these values may differ from the values that would have been used had a ready market for these investments existed and the differences could be material.

Recognition of Donor Restrictions

Unconditional promises to give cash and other assets to the College are reported at fair value at the date the promise is received. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are presented as net assets released from restrictions in the consolidated statements of activities and changes in net assets.

Conditional promises to give and contributions are not recorded in the consolidated financial statements, as they depend on an occurrence of a specified future or uncertain event to bind the donor. As the conditions are substantially met, the College will recognize an increase in support. See Note 3 for more information on contributions received by the College.

2. Summary of Significant Accounting Policies (continued)

Assets Limited as to Use

Assets limited as to use include the fair value of investments so designated by the Board (quasi-endowment), cash restricted by donors for investment in buildings and equipment, and assets held by the Trustee under bond indenture agreements.

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation. Donated property and equipment is recorded as support at estimated fair value at the date of donation and is reported as unrestricted support unless the donor has restricted the use of the donated asset to a specific purpose. Expenditures in excess of $1,500 with an estimated useful life of two or more years are capitalized. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the depreciable assets. Leasehold improvements are amortized over the shorter of the useful life of the related asset or lease term. Buildings are depreciated over 60 years. Building improvements are depreciated over 15 years. Equipment is depreciated between 3 and 15 years.

Property and equipment activity funded by contributions of cash and other assets restricted for that specific use is reported as temporarily restricted until the asset is placed into service.

Accrued Compensated Absences

The Organization allows for the carryover of an employee’s annual vacation accrual based on the type of position and length of service. Accrued compensation attributable to vacation leave is included in accounts payable and accrued liabilities in the consolidated statements of financial position and totals $693,413 and $660,008 at June 30, 2013 and 2012, respectively.

Debt Issuance

Debt issuance costs are included in deferred charges, prepaid expenses, and other assets in the consolidated statements of financial position and are amortized using the straight-line method (approximates the effective yield method) over the life of the related debt. Amortization of debt issuance costs is allocated to the various functional expense classifications of educational and general expenses in the consolidated statements of activities and changes in net assets. Unamortized debt issuance costs amounted to $3,045,596 and $3,212,477 at June 30, 2013 and 2012, respectively.

2. Summary of Significant Accounting Policies (continued)

Collections

Collections of works of art are not recognized as assets in the consolidated statements of financial position. Proceeds from the sale of collection items are recognized as an increase in the appropriate class of net assets based on donor-imposed restrictions, if any.

Tuition and Fee Revenue Recognition

Tuition and fees are recorded when earned, along with the related expenses. Programs and academic terms that extend over more than one fiscal year are apportioned between the two fiscal years.

Financial Aid

A substantial amount of funding from federal and state governments is received for the benefit of certain eligible students attending the College. For most of these funds, the College acts in an agent capacity, and accordingly, such amounts are not recorded as revenue and expenses in the consolidated statements of activities and changes in net assets. Only the financial aid revenue for which the College has the ability to directly award to students is included in the consolidated statements of activities and changes in net assets.

Income Taxes

The College is incorporated as a non-profit organization and is exempt from federal income taxation under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. ECP2, Inc. is a taxable for-profit subsidiary wholly owned by the College. Eckerd College Real Estate, LLC is a single member LLC disregarded for tax purposes.

The College follows the guidance promulgated by Accounting Standards Codification Topic 740 *Accounting for Income Taxes* (ASC 740). ASC 740 prescribes a “more likely than not” minimum recognition threshold that a tax position is required to meet before being recognized in the consolidated financial statements. There were no uncertain tax positions recorded in the consolidated financial statements for fiscal years 2013 and 2012.

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The College's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period, to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States. Although estimates are considered to be fairly stated at the time estimates are made, actual results could differ from those estimates.

Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, *Improving Disclosures About Fair Value Measurements* (ASU 2010-06). ASU 2010-06 amended ASC 820 to clarify certain existing fair value disclosures and require a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each "class" of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2, and 3 of the fair value hierarchy and present information regarding the purchases, sales, issuances and settlements of Level 3 assets and liabilities on a gross basis. The requirement to present changes in Level 3 measurements on a gross basis became effective July 1, 2011, while all other guidance in ASU 2010-06 was adopted July 1, 2010.

In July 2010, FASB issued ASU No. 2010-20, *Disclosures About the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, which requires an entity to provide a greater level of disaggregated information about the credit quality of its financing receivables and its allowance for credit losses. The disclosures are effective for the Organization's 2011-12 fiscal year. The amendment has had a minimal impact on the College as higher education institutions do not lend for purposes of making a profit and consequently, credit worthiness, risk, and return on investment are not evaluated prior to lending, or monitored as such over the life of the loan. See Note 5 for more information.

2. Summary of Significant Accounting Policies (continued)

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 amended ASC 820, *Fair Value Measurements and Disclosures*, to converge the fair value measurement guidance in US generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. The amendment has no significant impact on the College or its disclosures.

Reclassifications

Certain amounts from prior years have been reclassified to conform to the current year's presentation.

3. Contributions Receivable

Multiyear unconditional pledges are initially recognized at fair value as contributions receivable and revenue in the appropriate net asset category after discounting the contributions to the present value of future cash flows. The discount rate used to measure the present value is based on risk-adjusted interest rates applicable to the years in which promises are received and is not revised in subsequent periods (average 5% rate). Amortization of the discounts is included in contribution revenue.

Contributions receivable at June 30 are expected to be realized in the following periods:

	2013	**2012**
One year or less	**$ 1,060,012**	$ 1,117,017
One to five years	**563,209**	1,529,014
	1,623,221	2,646,031
Net present value discount	**(38,828)**	(101,726)
Allowance for uncollectibles	**(177,030)**	(332,690)
Contributions receivable, net	**$ 1,407,363**	$ 2,211,615

4. Beneficial Interest in Assets Held by Others

Donors have established and funded trusts that are administered by parties other than the College. Under the terms of the trusts, the College has the irrevocable right to receive the income earned on the trust assets either in perpetuity or for the life of the trust. The College does not control the assets held by an outside trustee. The College's beneficial interest in assets administrated by third parties is valued at the net present value of future cash flows less the present value of amounts due to third-party beneficiaries. The amounts recorded as beneficial interest in assets held by others are $967,502 and $947,785 at June 30, 2013 and 2012, respectively.

5. Student Loans Receivable

The College makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. At June 30, 2013 and 2012, student loans represented 0.70% and 0.76% of total assets, respectively.

At June 30, student loans consisted of the following:

	2013	2012
Federal government programs	**$ 1,309,163**	$ 1,362,693
Institutional programs	**402,046**	417,240
	1,711,209	1,779,933
Less allowance for doubtful accounts:		
Beginning of year	**(414,060)**	(414,829)
Decreases (increases)	**(100)**	769
End of year	**(414,160)**	(414,060)
Loans receivable, net – students	**$ 1,297,049**	$ 1,365,873

5. Student Loans Receivable (continued)

The College participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government are ultimately refundable to the government and are classified as liabilities in the consolidated statement of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At June 30, 2013 and 2012, the following amounts were past due under student loan programs:

June 30	60-179 Days	180-729 Days Past Due	729+ Days Past Due	Total Past Due
2013	**$ 12,386**	**$ 101,907**	**$ 324,044**	**$ 438,337**
2012	$ 13,335	$ 71,493	$ 287,538	$ 372,366

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the Perkins loan program are guaranteed by the government and, therefore, reserves reduce the receivable and liability balances under the program.

6. Investments and Assets Limited as to Use

Investments at June 30 consist of the following:

	2013	2012
Pooled investments:		
Endowment	**$ 39,737,422**	$ 35,952,426
Split-interest agreements	**3,047,971**	2,887,734
Nonpooled investments:		
Endowment	**2,852,127**	2,379,712
Split-interest agreements	**1,029,364**	962,797
Investments related to debt service and other long-term purposes	**3,649,355**	5,673,838
	$ 50,316,239	$ 47,856,507

6. Investments and Assets Limited as to Use (continued)

The investments are shown in the consolidated statements of financial position as follows:

	2013	2012
Investments	**$ 28,778,211**	$ 25,524,308
Assets limited as to use	**21,538,028**	22,332,199
Total investments and assets limited as to use	**$ 50,316,239**	$ 47,856,507

Assets limited as to use include funds so designated by the Board, increased or decreased by cumulative endowment gains or losses on Board-designated endowments, respectively; assets held by the Trustee under bond indenture agreements, and cash restricted by donors for investment in buildings and equipment. Assets that are limited as to use are as follows at June 30:

	2013	2012
Endowment funds:		
Board-designated reserves invested as funds functioning as endowment	**$ 16,617,934**	$ 16,408,458
Cumulative gains on Board-designated reserves	**1,270,739**	323,803
Net Board-designated reserves	**17,888,673**	16,732,261
Debt service and other bond funds:		
Reserve fund	**2,288,813**	2,288,813
Bond and revenue fund	**1,023,895**	1,003,085
	3,312,708	3,291,898
Assets restricted for investments in building and equipment	**336,647**	2,308,040
	$ 21,538,028	$ 22,332,199

7. Fair Value Measurements

The following tables present assets and liabilities that are measured at fair value on a recurring basis by the valuation hierarchy as of June 30:

		2013		
		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments and assets limited to use:				
Cash and equivalents	$ 4,063,955	$ 4,063,955	$ –	$ –
Fixed income securities	25,316	25,316	–	–
Equity securities:				
Domestic	10,935,911	10,935,911	–	–
International	10,260,554	10,260,554	–	–
Fixed income mutual funds	5,979,245	5,979,245	–	–
Inflation hedging mutual funds	2,987,544	2,987,544	–	–
Investments in limited partnerships(1)	15,900,740	–	5,981,964	9,918,776
Assets held for sale(2)	162,974	–	162,974	–
Total investments and assets limited as to use	$ 50,316,239	$ 34,252,525	$ 6,144,938	$ 9,918,776
Beneficial interest in assets held by others(3)	$ 967,502	$ –	$ –	$ 967,502

7. Fair Value Measurements (continued)

			2012					
			Fair Value Measurements at Reporting Date Using					
		Total		**Quoted Prices in Active Markets (Level 1)**		**Other Observable Inputs (Level 2)**		**Unobservable Inputs (Level 3)**
Investments and assets limited to use:								
Cash and equivalents	$	6,453,255	$	6,453,255	$	–	$	–
Fixed income securities		28,428		28,428		–		–
Equity securities:								
Domestic		9,100,177		9,100,177		–		–
International		9,117,715		9,117,715		–		–
Fixed income mutual funds		5,814,471		5,814,471		–		–
Inflation hedging mutual funds		3,319,140		3,319,140		–		–
Investments in limited partnerships[1]		13,819,348		–		5,271,774		8,547,574
Assets held for sale[2]		203,973		–		203,973		–
Total investments and assets limited as to use	$	47,856,507	$	33,833,186	$	5,475,747	$	8,547,574
Beneficial interest in assets held by others[3]	$	947,785	$	–	$	–	$	947,785

(1) As described in Note 2, *Investments Without Readily Determinable Values*, the College invests in alternative investments that are reported at estimated fair value, as a practical expedient, using the net asset value per share, or its equivalent. The College has reviewed the audited financial statements for all of the underlying funds and has used judgment for reporting these investments as Level 2 and Level 3 within the fair value hierarchy. In consideration of the College's ability to redeem at net asset value, \$5,981,964 and \$5,271,774 have been shown as Level 2 at June 30, 2013 and 2012, and all other alternative investments have been classified as Level 3.

7. Fair Value Measurements (continued)

(2) Assets held for sale is comprised of donated property and other noncash contributions, which are recorded at fair value as of the period end. The fair value is based on third party appraisal, when required by the College's Gift Policy, or other observable inputs for similar assets.

(3) Included in beneficial interest in assets held by others are funded trusts that are administered by parties other than the College. Under the terms of the trust, the College has the irrevocable right to receive the income earned on the trust assets either in perpetuity or for the life of the trust. The College does not control the assets held by an outside trustee. Further explanation is disclosed in Note 4.

	2013			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Global equity fund[a]	**$ 2,625,771**	$ –	Monthly	–
Equity long/short hedge funds[b]	**5,115,152**	–	Quarterly	45–90 days
Multi-strategy hedge fund[c]	**3,730,549**	–	Annually	90 days
Fixed income fund[d]	**807,679**	–	Monthly	–
Real estate funds[e]	**2,548,514**	–	Monthly	–
Private real assets[f]	**1,073,075**	**2,607,500**	–	–
	$ 15,900,740	**$ 2,607,500**		

	2012			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Global equity fund[a]	$ 2,179,571	$ –	Monthly	–
Equity long/short hedge funds[b]	4,514,956	–	Quarterly	45–90 days
Multi-strategy hedge fund[c]	3,271,088	–	Annually	90 days
Fixed income fund[d]	807,402	–	Monthly	–
Real estate funds[e]	2,284,801	–	Monthly	–
Private real assets[f]	761,530	1,440,000	–	–
	$ 13,819,348	$ 1,440,000		

7. Fair Value Measurements (continued)

(a) This class includes a fund that invests to achieve long-term growth primarily by investing in a diversified portfolio of equity securities of companies outside of the United States and Canada. The fair value of the investments in this class has been estimated using the net asset value of the College's interest in partnership capital. This investment within this class was acquired during the 2011-12 fiscal year.

(b) This class includes investments in hedge funds that invest both long and short primarily in diversified portfolios of US and international equities as well as distressed illiquid securities. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Investments representing approximately 33% at June 30, 2012, were acquired in the 2012-11 fiscal year. Those investments had a one year lockup provision that expired in November 2012.

(c) This class invests primarily with a group of hedge fund managers diversifying across varying styles, including equity long/short and event driven strategies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

(d) This class invests with the objective of achieving favorable income-oriented returns from a globally diversified portfolio of primarily debt or debt-like securities. An associated objective is the preservation and enhancement of principal. The fair value of the investments in this class has been estimated using the net asset value of the College's interest in partnership capital. This investment within this class was acquired during the 2011-12 fiscal year.

(e) This class includes a fund that consists of portfolios of publicly traded US real estate investment trusts and other publicly held real estate companies in North America, Europe, Australia and Asia. The fair value of the investments in this class has been estimated using the net asset value of the College's interest in partnership capital.

(f) This class includes three fund investments in US and non-US commercial real estate and energy-related investment partnerships. The fair value of the investments in this class has been estimated using the net asset value of the College's interest in partnership capital; however, the underlying investments are considered illiquid. In the 2012-13 fiscal year the College committed to an additional fund in the amount of $1,500,000, however no capital contributions have been made at June 30, 2013.

7. Fair Value Measurements (continued)

Student loans receivable are primarily federally sponsored student loans with U.S. government stated interest rates and repayment terms, which are recorded at net realizable value. The student loans receivable along with its associated liability, U.S. government grants refundable, have not been measured at fair value due to the significant restrictions as to their transfer or disposition, which could not be made without incurring excessive costs.

It is not practicable for the Organization to determine the fair value of long-term debt since the incremental rate of borrowing is not readily available. The information pertinent to estimating the fair value such as the carrying amount, effective interest rate, and maturity are disclosed in Note 11.

The following table presents a reconciliation of the consolidated statements of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended June 30:

	2013	2012
Beginning balance	**$ 8,547,574**	$ 10,005,150
Net realized and unrealized gains (losses) included in change in net assets	**1,132,964**	(339,907)
Purchases	**332,500**	1,916,702
Sales	**(94,262)**	(3,034,371)
Ending balance	**$ 9,918,776**	$ 8,547,574

The components of net investment earnings, including the interest earned on cash and cash equivalents for the fiscal years ended June 30 are as follows:

	2013	2012
Investment income	**$ 992,450**	$ 1,272,557
Realized gains	**96,815**	229,888
Investment fees	**(77,188)**	(74,717)
Investment return before unrealized gains	**1,012,077**	1,427,728
Unrealized (losses) gains	**3,987,725**	(2,488,948)
Net investment (loss) return	**$ 4,999,802**	$ (1,061,220)

7. Fair Value Measurements (continued)

Net investment return is shown on the consolidated statement of activities as follows:

	2013	2012
Operating activities:		
Investment return on endowment, distributed	**$ 1,972,346**	$ –
Other investment (loss) income	**(20,430)**	11,837
Nonoperating activities:		
Investment (loss) return on endowment	**3,047,886**	(1,073,057)
Net investment (loss) return	**$ 4,999,802**	$ (1,061,220)

8. Endowment

The College's endowment consists of approximately 230 individual funds established for a variety of purposes and is included in the College's investments and assets limited as to use (Note 6). The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Effective July 1, 2012, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in Chapter 617, *Florida Statutes*, replaced FUMIFA, and governs College's administration and reporting of the endowment.

The College's Board of Trustees has interpreted the statute as requiring the prudent management and expenditure of endowment funds in keeping with the donor's intended use of the funds. As a result of this interpretation, the College classifies the fair value of the original endowment gift along with subsequent additions made by the donor to the endowment as permanently restricted net assets on the date of each gift or addition.

Cumulative unexpended income, gains, and losses are accumulated in unrestricted net assets unless specified by donor. Amounts are appropriated for expenditure in keeping with the use and purpose for which the fund was established, and are expended from unrestricted net appreciation if available, or in the absence of appreciation, from permanently restricted net assets.

8. Endowment (continued)

Amounts are appropriated for expenditure by the College in a manner consistent with the standards for expenditure prescribed by *Florida Statutes*. Accordingly, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The general purposes of the organization and the donor-restricted 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
- The investment policies of the College

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. The spending policy adopted by the Board of Trustees is calculated at 5% of the moving average market value of the preceding eight quarters, and is made on December 31 for the following fiscal year. The calculated spending distribution for the 2013 and 2012, fiscal years were $2,141,586 and $1,946,624, respectively.

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

8. Endowment (continued)

At fiscal year-end, the net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2012				
Donor-restricted fund	$ (2,371,345)	$ –	$ 30,907,209	$ 28,535,864
Board-designated funds	16,732,261	–	–	16,732,261
Total funds	$ 14,360,916	$ –	$ 30,907,209	$ 45,268,125
June 30, 2013				
Donor-restricted fund	**$ (2,136,947)**	**$ 1,697,312**	**$ 31,644,562**	**$ 31,204,927**
Board-designated funds	**17,888,673**	–	–	**17,888,673**
Total funds	**$ 15,751,726**	**$ 1,697,312**	**$ 31,644,562**	**$ 49,093,600**

Changes in endowment funds for fiscal years ended June 30, 2013 and 2012, were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets June 30, 2011	$ 17,220,371	$ –	$ 30,254,400	$ 47,474,771
Investment loss	(1,073,057)	–	–	(1,073,057)
Contributions	160,226	–	652,809	813,035
Reinvested	(223,957)	–	–	(223,957)
Expended	(1,722,667)	–	–	(1,722,667)
Net assets June 30, 2012	14,360,916	–	30,907,209	45,268,125
Investment return	**1,996,148**	**3,024,084**	–	**5,020,232**
Contributions	**209,476**	–	**737,353**	**946,829**
Reinvested	**(169,240)**	–	–	**(169,240)**
Expended	**(645,574)**	**(1,326,772)**	–	**(1,972,346)**
Net assets June 30, 2013	**$ 15,751,726**	**$ 1,697,312**	**$ 31,644,562**	**$ 49,093,600**

Cumulative endowment losses totaling $2,136,947 and $2,371,345 at June 30, 2013 and 2012, respectively, are included in unrestricted net assets.

9. Interfund Receivable and Payable

Interfund payables of the College's unrestricted fund total $6,504,050 and $6,935,987 as of June 30, 2013 and 2012, respectively, which is due to the permanently restricted fund for amounts borrowed from the endowment in previous years to fund certain capital projects. Prior to the 2006-07 fiscal year, quarterly interest payments at prime were paid from the operating fund to the endowment fund on this balance. In May of 2006, the Board of Trustees approved an amortization schedule for repayment of the borrowed funds over a 30-year term at 6.0% interest. Payments made during the 2012-13 fiscal year include $431,937 in principal and $408,094 in interest. Payments made during the 2011-12 fiscal year include $404,202 in principal and $432,940 in interest. The interfund balances are eliminated in the consolidated financial statements.

10. Property and Equipment

Property and equipment consist of the following at June 30:

	2013	2012
Land and land improvements	**$ 15,714,983**	$ 12,066,911
Buildings and building improvements	**104,238,994**	82,015,470
Leasehold improvements	**210,131**	210,131
Equipment	**47,152,123**	44,614,257
Construction-in-progress	**3,362,569**	18,328,345
	170,678,800	157,235,114
Less accumulated depreciation	**(77,932,474)**	(72,908,765)
	$ 92,746,326	$ 84,326,349

Included in land and buildings are balances of $765,000 and $584,500, respectively, that are temporarily restricted by donors. Proceeds from the future disposal will be used in accordance with donor restrictions. See Note 15 for more information.

Total depreciation for the years ended June 30, 2013 and 2012, are $5,023,709 and $4,148,512, respectively, which are allocated among all educational and general expenses in the consolidated statements of activities and changes in net assets.

11. Bonds Payable

Bonds payable at June 30 consist of the following:

		2013		2012
$31,430,000 Pinellas County Educational Facilities Authority (PCEFA) Revenue Bonds, Series 2006, interest only until October 1, 2008, when principal payments of $740,000 to $2,185,000 are due in annual installments from October 2008 to October 2031, with interest ranging from 4.00% to 5.25%	**$**	**27,375,000**	$	28,240,000
Premium		**180,275**		190,153
Total bonds payable	**$**	**27,555,275**	$	28,430,153

On May 18, 2006, the Pinellas County Educational Facilities Authority (the Authority) issued $31,430,000 in tax exempt revenue bonds on behalf of the College. The 2006 revenue bonds are general obligations of the College and are secured by an assignment of gross revenues and a mortgage on certain parcels of land. In accordance with the Loan Agreement and the Trust Indenture, the College is required to comply with certain covenants including the maintenance of minimum reserves, debt coverage, net worth requirements, and limiting the incurrence of certain indebtedness and sale of certain assets. The bond proceeds were to fund the acquisition, construction, equipping, and installation of a new residence hall on the campus of Eckerd College, fund the renovation of the former Cobb Library building, and fund other capital improvements related to or required by such projects. In addition, proceeds were also used to refund the Authority's Revenue Bonds, Series 1989, Series 1991, Series 1993, and the 1997 loan to the College from the Authority's Refunding Program Revenue Bonds. Additionally, the debt reserve fund, insurance premium, and the costs of issuing the Bonds were funded from the proceeds. As of June 30, 2013, there were no known events of default by the College in the fulfillment of any of the terms, covenants, provisions, or conditions of the PCEFA Bond Indentures.

11. Bonds Payable (continued)

Maturities of bonds payable in each of the next five years ended June 30 are as follows:

Years Ending June 30:	
2014	$ 905,000
2015	945,000
2016	985,000
2017	980,000
2018	1,080,000
Thereafter	22,480,000
	$ 27,375,000

Total interest expense for the years ended June 30, 2013 and 2012, are $1,787,975 and $1,848,375, respectively, all of which is allocated to education and general and auxiliary enterprise expenses in the consolidated statements of activities and changes in nets assets. Of the total interest expense, $408,094 and $432,940 was paid for the interfund loan related to the College's endowment in fiscal years 2012-13 and 2011-12, respectively (Notes 8 and 9). The interfund loan interest has been eliminated in the consolidated financial statements.

12. Postretirement Benefits and Deferred Compensation Obligation

Postretirement Benefits Obligation

The College has two unfunded postretirement benefit plans that provide life insurance and medical benefits for retired employees. The plans are contributory and are provided to all employees who have completed five years of full-time service and faculty who have completed seven years of full-time service and retire after age 55. The life insurance plan for faculty members who also participate in the deferred compensation plan is noncontributory through age 70. In the fiscal year 2012-13, the College executed a new life insurance policy that charges premiums based on age bands effective July 1, 2013. The change in premiums resulted in a decrease in participation. Both the change in the plan provision and the reduction in participation and assumed participation decreased the College's liability as shown in the table below.

The College recognizes the expected cost of providing postretirement benefits to current and future retirees in the periods in which employee services are rendered, thereby matching total compensation cost with revenues generated by employee service.

12. Postretirement Benefits and Deferred Compensation Obligation (continued)

The activity of the postretirement benefit plan consists of the following as of and for the year ended June 30:

	2013	2012
Unfunded postretirement benefit, beginning of year	**$ 3,174,962**	$ 2,832,365
Change in plan provisions	**(337,523)**	–
Service cost	**95,807**	56,971
Interest cost	**156,766**	150,240
Actuarial (gain) loss	**(1,206,903)**	182,993
Benefits paid	**(55,884)**	(87,273)
Plan participant contributions	**48,294**	39,666
Unfunded postretirement benefit, end of year	**$ 1,875,519**	$ 3,174,962

The weighted-average assumptions used in computing the plan obligations are as follows:

	2013	2012
Discount rate at year-end	**5.30%**	4.85%
Healthcare cost trend rate:		
Rate assumed for next year	**7.75%**	8.50%
Ultimate healthcare cost trend rate	**5.00%**	5.50%
Year ultimate healthcare cost trend rate is attained	**2020**	2017

The weighted-average discount rate used to calculate net periodic cost was 4.85% and 5.75% for the year ended June 30, 2013 and 2012, respectively.

12. Postretirement Benefits and Deferred Compensation Obligation (continued)

The following represents the College's best estimate of contributions expected to be paid to the plan and the expected amortization during the next fiscal year:

Year ending June 30, 2014:	
Expected employer contributions	$ 87,076
Expected employee contributions	67,890
	$ 154,966
Expected amortization of prior service credit	$ (36,526)
Expected amortization of net gain	$ (109,506)

Benefits expected to be paid in the next five fiscal years, and in the aggregate for the five fiscal years thereafter, are as follows:

Year ending June 30:	
2014	$ 154,966
2015	182,482
2016	164,470
2017	159,916
2018	188,490
Years 2019–2023	976,994

The amounts recognized as a charge (credit) against unrestricted net assets are as follows for the year ended June 30:

	2013	**2012**
Prior service (credit) cost	**$ (336,339)**	$ 1,667
Unrecognized net gain	**(1,327,514)**	(120,611)
Total amount reflected as a credit to unrestricted net assets	**$ (1,663,853)**	$ (118,944)

12. Postretirement Benefits and Deferred Compensation Obligation (continued)

Changes in the charge (credit) to unrestricted net assets during the period:

	2013	2012
Balance, beginning of year	**$ (118,944)**	$ (324,318)
Prior service cost credit	**(337,523)**	–
Amortization of prior service cost	**(483)**	(483)
Amortization of net gain	**–**	22,864
Net (gain) loss for the period	**(1,206,903)**	182,993
Balance, end of year	**$ (1,663,853)**	$ (118,944)

Deferred Compensation Obligation

The College had a deferred compensation plan covering certain faculty members who completed 15 years of full-time service, had attained the age of 60, and had elected early retirement prior to February 2009. Persons who elected to participate in the plan received 40% of the annual salary they would have received if early retirement were not elected, with payments ceasing upon reaching age 70 or death, whichever occurs first. The plan was not pre-funded; therefore, payments to retirees are made currently by the College.

The College recognizes the compensation cost of an employee’s pension benefits (including prior service cost) over that employee’s approximate service period thereby matching total compensation cost with revenues generated by employee service.

The activity of the deferred compensation plan consists of the following as of and for the year ended June 30:

	2013	2012
Benefit obligation, beginning of year	**$ 1,239,773**	$ 1,579,404
Service cost	**–**	–
Interest cost	**16,697**	30,028
Actuarial loss	**13,516**	85,450
Benefits paid/employer contribution	**(430,780)**	(455,109)
Benefit obligation, end of year	**$ 839,206**	$ 1,239,773

12. Postretirement Benefits and Deferred Compensation Obligation (continued)

The discount rate at year-end is a weighted-average assumption used in computing plan obligations. The rates used were 1.17% and 1.63% for fiscal years 2012-13 and 2011-12, respectively.

The discount rate at the beginning of the year is a weighted-average assumption used in computing net periodic cost. The rates used were 1.63% and 2.17% for fiscal years 2012-13 and 2011-12, respectively. For fiscal years 2012-13 and 2011-12, the assumptions included a rate of increase in future compensation levels of 0.00%.

The following represents the College's best estimate of contributions expected to be paid to the plan during the next fiscal year:

Year ending June 30, 2014:	
Expected employer contributions	$ 357,912

Benefits expected to be paid in the next five fiscal years, and in the aggregate for the five fiscal years thereafter, are as follows:

Year ending June 30:	
2014	$ 357,912
2015	314,776
2016	132,239
2017	23,798
2018	23,483
Years 2019–2023	–

Changes in the charge (credit) to unrestricted net assets during fiscal year 2012-13 and 2011-12 were:

	2013	**2012**
Balance at end of prior year	**$ (28,442)**	$ (12,037)
Amortization of net loss recognized	**(146,412)**	(101,855)
Net loss for the period	**13,516**	85,450
Balance at end of year	**$ (161,338)**	$ (28,442)

12. Postretirement Benefits and Deferred Compensation Obligation (continued)

The College also maintains a defined contribution retirement plan for qualified employees. Under the plan, the College purchases individual annuity contracts from a financial institution. The contracts vest immediately upon the employee's entrance to the plan. Contributions are based on 10% of eligible participants' salaries. The total contributions for the year ended June 30, 2013 and 2012, are $1,919,102 and $1,863,560, respectively.

13. Net Assets

The College has satisfied time and/or use restrictions pursuant to the terms of certain contributions. The temporarily restricted net assets released from restrictions consist of the following for the year ended June 30:

	2013	2012
Collection of pledges	**$ 234,285**	$ 369,652
Satisfaction of program activities and scholarships	**4,832,118**	3,537,827
Gifts to plant fund expended for capital projects purchased and placed into service	**22,918,853**	900,432
	$ 27,985,256	$ 4,807,911

Temporarily restricted net assets at June 30 are restricted for the following purposes or periods:

	2013	2012
Assets restricted for investment in buildings and equipment	**$ 1,570,681**	$ 20,794,909
Contributions receivable	**1,244,711**	1,901,632
Beneficial interest in assets held by others	**362,227**	345,952
Programs and scholarships, including unappropriated cumulative endowment gains	**3,616,930**	1,731,458
Split-interest agreements	**1,860,292**	1,795,582
Student loan funds	**245,370**	241,535
	$ 8,900,211	$ 26,811,068

13. Net Assets (continued)

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

	2013	2012
Endowment corpus, primarily for scholarships	**$ 31,644,562**	$ 30,907,209
Contributions receivable	**162,652**	309,983
Beneficial interest in assets held by others	**605,275**	601,833
Student loan funds and loans receivable	**758,510**	810,968
Split-interest agreements	**80,134**	–
	$ 33,251,133	$ 32,629,993

The composition of permanently restricted net assets at June 30 is as follows:

	2013	2012
Cash and investments	**$ 25,634,459**	$ 24,502,400
Interfund loan receivable	**6,504,050**	6,935,987
Contributions receivable	**162,652**	309,983
Beneficial interest in assets held by others	**605,275**	601,833
Student loans receivable	**264,563**	279,790
Split-interest agreements	**80,134**	–
	$ 33,251,133	$ 32,629,993

14. Split-Interest Agreements

The College administers and is the beneficiary of various split-interest agreements, including charitable lead trusts, charitable remainder trusts, charitable gift annuities, and life income funds. The College recognizes irrevocable split-interest agreements when they are executed. All distributions or remainder interests in the split-interest agreements are available for the College's use based on the existence or absence of donor-imposed restrictions. The College maintained investments of $4,077,335 at June 30, 2013, and $3,850,531 at June 30, 2012, which met the reserves and investment limitations required by Florida Statutes. *Florida Statutes* 627.481 requires reserves to be maintained equal to the sum of the reserves on its outstanding annuity agreements plus a surplus of 10%. In addition, the annuity investments are limited to no more than 50% equities (including mutual funds) and no more than 10% may be invested in any one stock or fund.

14. Split-Interest Agreements (continued)

If an unrelated third party acts as trustee or fiscal agent, a contribution is recognized as a Beneficial Interest in Assets Held by Others. See Note 4 for more information on balances related to beneficial interest in assets held by others.

Accounting standards require that the following instruments be recorded as income and net assets at the present value of their ultimate interest:

Charitable Lead Trusts **–** Donors have established and funded trusts, held by the College, under which specific distributions are to be made to the College over a specified period. Upon termination of the trust, the remainder of the trust assets is paid back to the donor or to the beneficiary or beneficiaries designated by the donor. Trusts were recorded as contributions from split-interest agreements at the fair value of the assets received less the present value of the estimated future payments associated with remainder interests, if any. The assets held in trust by the College were recorded at their fair value at the date of recognition.

Charitable Remainder Trusts **–** Donors have established and funded trusts, held by the College, under which specified distributions are to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the College receives its designated share of the assets remaining in the trust. Trusts were recorded as contributions from split-interest agreements at the fair value of trust assets, less the present value of the estimated future payments to be made under the specific terms of the trust. The assets in the trusts are assumed to earn rates ranging from 6.0% to 8.0% over the estimated life of the trust and are discounted at rates ranging from 6.8% to 7.8% in 2013 and 2012.

Charitable Gift Annuities **–** Donors have contributed assets to the College in exchange for a promise by the College to pay a fixed amount or percentage for a specified period of time to the donor or to individuals or colleges designated by the donor. Under the terms of such agreements, no trust exists as the assets received are held as assets and the related annuity liability is an obligation of the College. The liability for charitable gift annuities is discounted at rates ranging from 1.2% to 9.6% and 3.0% to 10.0% during 2013 and 2012. The College maintains assets sufficient to meet annuity reserve requirements under Florida state law.

15. Affiliated Entities

Eckerd College Real Estate, LLC

In May 2009 the College, as sole member, formed ECRE to hold title to and liquidate certain real estate holdings. In September 2009, real estate consisting of an office/assembly building of 29,850 square feet located on approximately 7.33 acres of land was donated to the College and then transferred to ECRE. The property is to be sold with the proceeds used to fund construction of a new center for ceramic arts and sculpture building and to enhance the College's endowment.

The property remains unsold at June 30, 2013, and continues to be classified as held and used within the temporarily restricted net asset classification.

ECP2, Inc.

ECP2, Inc. holds title to certain residential roads remaining from the donation of a development in the U.S. Virgin Islands. The roads do not have an economic value and are therefore not reflected in the College's consolidated financial statements. Ownership of the roads will be transferred locally within the development.

16. Related-Party Transactions

Certain Board members have outstanding pledges to the Organization at June 30, 2013 and 2012, which are included in contributions receivable in the consolidated statements of financial position (as described in Note 3). The net present value of these pledges is $634,587 and $1,091,367 at June 30, 2013 and 2012, respectively.

17. Concentration of Credit Risk

Revenues of the College are generated principally from tuition and fees from its students. In this regard, credit is extended in the form of accounts receivable and student loans.

The College limits credit risk by diversifying its investment portfolio among equities, various index funds, limited partnerships and cash equivalents. As a result, management believes that significant concentrations of credit risk do not exist within the investment pool.

The College maintains bank balances in excess of the $250,000 guaranteed by the Federal Deposit Insurance Corporation.

18. Advancement and Fund-Raising Costs

The College incurred expenses of $1,556,439 and $1,589,540 during the years ended June 30, 2013 and 2012, respectively, related to advancement and fund-raising.

19. Commitments and Contingencies

Leases

The Organization leases certain vehicles, equipment and classroom space under operating leases, expiring in various years through 2018.

Future minimum lease payments under operating leases are as follows:

Years ending June 30:	
2014	$ 434,910
2015	246,200
2016	104,951
2017	12,540
2018	4,050
Thereafter	–
	$ 802,651

Total rent expense under operating leases was $505,162 and $502,396 for the years ended June 30, 2013 and 2012, respectively, and is included in the various functional classifications of educational and general expenses in the consolidated statements of activities and changes in net assets.

Construction-in-Progress

The Organization has committed to renovate the Sheen science complex in connection with the construction of the James Center for Molecular and Life Sciences, which was completed during the fiscal 2012-13. As of June 30, 2013, the College has about $3.4 million in outstanding commitments related to the Sheen science complex. The renovations are expected to be completed in the summer of 2014.

19. Commitments and Contingencies (continued)

Grants

The grant revenue amounts are subject to audit and adjustment by the grantor agencies. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the College. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

20. Subsequent Events

Management of the College has reviewed subsequent events through October 17, 2013 (the date the accompanying consolidated financial statements are to be issued), for events or transactions that provide additional evidence about conditions that existed at the consolidated statement of financial position date.

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