SIENA COLLEGE

Financial Statements

May 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

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Index

KPMG LLP
515 Broadway
Albany, NY 12207

Independent Auditors' Report

Board of Trustees
Siena College:

We have audited the accompanying statements of financial position of Siena College (College) as of May 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Siena College as of May 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

September 23, 2009

SIENA COLLEGE

Statements of Financial Position

May 31, 2009 and 2008

Assets		2009	2008
Cash and cash equivalents	$	3,871,931	2,569,679
Short-term investments		8,207,765	10,274,910
Accounts receivable, net		1,633,009	1,347,086
Accrued investment income		263,278	379,292
Contributions receivable, net		3,320,620	3,915,013
Deposits with bond trustees		7,102,616	7,097,606
Prepaid expenses and other assets		1,868,307	3,553,834
Student loans receivable, net		3,428,940	3,392,255
Investments		110,133,451	144,945,216
Land, buildings, and equipment, net		92,463,900	92,432,770
Total assets	$	232,293,817	269,907,661
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	9,352,279	8,457,455
Deposits and deferred revenues		2,216,878	2,501,275
Annuities payable		1,128,659	1,107,699
Postretirement benefits		6,312,854	6,102,175
Federal student loan funds		3,058,398	3,018,503
Asset retirement obligation		3,291,405	3,164,808
Long-term debt		45,902,023	48,915,680
Total liabilities		71,262,496	73,267,595
Net assets:			
Unrestricted:			
Invested in property, plant and equipment from:			
College funds		53,661,808	50,630,255
Government appropriations		57,495	64,814
Gifts and others		463,750	469,426
		54,183,053	51,164,495
Undesignated		18,184,267	26,329,789
Designated by external contracts:			
Debt service and related escrows		6,174,839	6,868,108
Planned giving annuity reserves		696,826	743,224
		6,871,665	7,611,332
Designated by Board of Trustees:			
Capital projects and equipment		25,060,074	36,901,729
Long-term investments and growth		7,869,261	12,065,224
Program support		593,021	830,172
		33,522,356	49,797,125
Total unrestricted		112,761,341	134,902,741
Temporarily restricted		3,703,935	3,893,615
Permanently restricted:			
Financial aid		36,277,475	48,262,057
Academic and student services programs		5,184,952	6,362,965
Faculty chairs		1,334,928	1,796,121
Facilities		1,768,690	1,422,567
Total permanently restricted		44,566,045	57,843,710
Total net assets		161,031,321	196,640,066
Total liabilities and net assets	$	232,293,817	269,907,661

See accompanying notes to financial statements.

SIENA COLLEGE

Statement of Activities

Year ended May 31, 2009

(With summarized information for the year ended May 31, 2008)

	Unrestricted	Temporarily restricted	Permanently restricted	2009 Total	2008 Total
Operating revenues:					
Tuition, fees, room, and board	$ 97,555,076	—	—	97,555,076	89,718,457
Less financial aid	27,945,199	—	—	27,945,199	25,633,870
Net tuition, fees, room, and board	69,609,877	—	—	69,609,877	64,084,587
Government grants and contributions	1,419,792	210,624	—	1,630,416	1,203,647
Private gifts and grants	2,742,087	131,093	—	2,873,180	2,685,700
Investment returns designated for current operations	6,061,909	—	—	6,061,909	5,561,054
Other sources	3,895,462	—	—	3,895,462	3,805,101
Net assets released from restrictions	267,847	(267,847)	—	—	—
Total operating revenues	83,996,974	73,870	—	84,070,844	77,340,089
Operating expenses:					
Instruction	35,838,801	—	—	35,838,801	33,322,160
General administration	6,253,613	—	—	6,253,613	4,855,345
Student services	15,473,264	—	—	15,473,264	14,888,135
Institutional support	8,618,132	—	—	8,618,132	7,136,792
Auxiliaries	17,705,169	—	—	17,705,169	16,470,671
Other	101,973	—	—	101,973	105,216
Total operating expenses	83,990,952	—	—	83,990,952	76,778,319
Increase in net assets from operating activities	6,022	73,870	—	79,892	561,770
Nonoperating activities:					
Investment return, net of amounts designated for operations	(22,074,571)	(132,855)	(14,144,388)	(36,351,814)	976,342
Contributions	44,079	92,550	795,961	932,590	1,910,451
Actuarial gain (loss) on annuity obligations	—	5,294	(7,408)	(2,114)	24,899
Other-fundraising expense	(267,299)	—	—	(267,299)	—
Net assets released from restrictions and changes in donor intent	150,369	(228,539)	78,170	—	—
(Decrease) increase in net assets from nonoperating activities	(22,147,422)	(263,550)	(13,277,665)	(35,688,637)	2,911,692
(Decrease) increase in net assets before effect of adoption of SFAS No. 158	(22,141,400)	(189,680)	(13,277,665)	(35,608,745)	3,473,462
Effect of adoption of SFAS No. 158	—	—	—	—	659,046
Net (decrease) increase in net assets	(22,141,400)	(189,680)	(13,277,665)	(35,608,745)	4,132,508
Net assets at beginning of year	134,902,741	3,893,615	57,843,710	196,640,066	192,507,558
Net assets at end of year	$ 112,761,341	3,703,935	44,566,045	161,031,321	196,640,066

See accompanying notes to financial statements.

SIENA COLLEGE

Statement of Activities

Year ended May 31, 2008

	Unrestricted	Temporarily restricted	Permanently restricted	2008 Total
Operating revenues:				
Tuition, fees, room, and board	$ 89,718,457	—	—	89,718,457
Less financial aid	25,633,870	—	—	25,633,870
Net tuition, fees, room, and board	64,084,587	—	—	64,084,587
Government grants and contributions	1,084,159	119,488	—	1,203,647
Private gifts and grants	2,654,749	30,951	—	2,685,700
Investment returns designated for current operations	5,561,054	—	—	5,561,054
Other sources	3,801,850	3,251	—	3,805,101
Net assets released from restrictions	187,527	(187,527)	—	—
Total operating revenues	77,373,926	(33,837)	—	77,340,089
Operating expenses:				
Instruction	33,322,160	—	—	33,322,160
General administration	4,855,345	—	—	4,855,345
Student services	14,888,135	—	—	14,888,135
Institutional support	7,136,792	—	—	7,136,792
Auxiliaries	16,470,671	—	—	16,470,671
Other	105,216	—	—	105,216
Total operating expenses	76,778,319	—	—	76,778,319
Increase (decrease) in net assets from operating activities	595,607	(33,837)	—	561,770
Nonoperating activities:				
Investment return in excess of amounts allocated to operations	(139,789)	9,782	1,106,349	976,342
Contributions	40,982	387,001	1,482,468	1,910,451
Actuarial gain (loss) on annuity obligations	—	26,601	(1,702)	24,899
Net assets released from restrictions	672,347	(731,515)	59,168	—
Increase (decrease) in net assets from nonoperating activities	573,540	(308,131)	2,646,283	2,911,692
Increase (decrease) in net assets before effect of adoption of SFAS No. 158	1,169,147	(341,968)	2,646,283	3,473,462
Effect of adoption of SFAS No. 158	659,046	—	—	659,046
Increase (decrease) in net assets	1,828,193	(341,968)	2,646,283	4,132,508
Net assets at beginning of year	133,074,548	4,235,583	55,197,427	192,507,558
Net assets at end of year	$ 134,902,741	3,893,615	57,843,710	196,640,066

See accompanying notes to financial statements.

SIENA COLLEGE

Statements of Cash Flows

Years ended May 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	$ (35,608,745)	4,132,508
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Nonoperating contributions	(932,590)	(1,910,451)
Realized and unrealized losses (gains) on investments	33,173,407	(3,157,779)
Depreciation	5,668,637	5,611,945
Provision for doubtful accounts	169,722	273,670
Amortization of bond premium	(58,608)	(58,607)
Effect of adoption of SFAS No. 158	—	(659,046)
Change in assets and liabilities that provide (use) cash:		
Accounts receivable	(455,645)	(149,427)
Accrued investment income	116,014	(72,328)
Contributions receivable	594,393	(862)
Prepaid expenses and other assets	1,685,527	(1,207,125)
Accounts payable and accrued expenses	894,824	(401,648)
Deposits and deferred revenues	(284,397)	(442,830)
Annuities payable	20,960	86,745
Postretirement benefits	210,679	57,632
Asset retirement obligation	126,597	121,682
Net cash provided by operating activities	5,320,775	2,224,079
Cash flows from investing activities:		
Purchases of land, buildings, and equipment	(5,699,767)	(6,581,199)
Proceeds from student loan collections	403,331	586,453
Student loans issued	(440,016)	(822,850)
Change in short-term investments, net	2,067,145	1,009,605
Purchases of investments	(5,239,854)	(4,170,698)
Proceeds from sales and maturities of investments	6,878,212	6,983,548
Increase (decrease) in deposits with trustees	(5,010)	114,611
Net cash used in investing activities	(2,035,959)	(2,880,530)
Cash flows from financing activities:		
Nonoperating contributions for endowment and long-lived assets	932,590	1,910,451
Investment income on life income and annuity agreements	(107,894)	155,394
Payments to beneficiaries	107,894	(155,394)
Increase in federal student loan funds	39,895	29,333
Principal payments of long-term debt	(2,955,049)	(2,817,396)
Net cash used in financing activities	(1,982,564)	(877,612)
Net increase (decrease) increase in cash and cash equivalents	1,302,252	(1,534,063)
Cash and cash equivalents, beginning of year	2,569,679	4,103,742
Cash and cash equivalents, end of year	$ 3,871,931	2,569,679
Supplemental data:		
Interest paid	$ 2,174,728	2,417,224

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 to baccalaureate degrees. An independent college in the liberal arts tradition, the College emphasizes the principles and values of St. Francis of Assisi in its programs. The students are primarily from the Northeastern United States.

(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.

(Continued)

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, 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. Unrealized losses recognized on endowment fund investments are recorded as reductions in permanently restricted net assets.

(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 investments classified as Level 3 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 representing investment funds are included in long-term 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, 2009 and 2008, 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 on a short-term basis. The College's short-term investments are pooled with other institutions in a fund that invests in fixed income securities that are publicly traded.

(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, 2009 and 2008, are reported net of provisions for doubtful accounts of $525,000 and $514,000, respectively.

Student loan receivables as of May 31, 2009 and 2008 are reported net of allowance for doubtful loans of $291,000 and $308,000, 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.

Under Statement of Financial Accounting Standards No. 107, *Disclosure about Fair Value of Financial Instruments*, the College is required to disclose the fair value of student loans. 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, private equity and real estate 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 which 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 utilized the net asset value (NAV) reported by each of the alternative funds as a practical expedient for determining the fair value of the investment. 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 have experienced volatility and, in some cases, significant declines. Management is monitoring investment market conditions and the impact such declines are having on the College's investment portfolio. Due to the level of risk associated with certain investment securities, it is at least reasonable possible that 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 statement of financial position.

(j) Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost, or if donated, at estimated fair market 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.

The College adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income taxes, an Interpretation of FASB Statement No. 109* (FIN 48) as of June 1, 2007. FIN 48 addresses the accounting for uncertainties in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosure. There was no impact to the financial statements as a result of the adoption of FIN 48.

(Continued)

(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

The fair value of the College's financial instruments approximates the carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivables, pledges receivable, 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.

(n) Recently Issued Accounting Standards

Effective June 1, 2008, the College adopted FASB Statement No. 157, *Fair Value Measurements* (Statement 157). Statement 157 requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that the College would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Effective May 31, 2009, the College adopted FASB Staff Position No. FAS 157-g, *Estimating the Fair Value of Investments in Investment Companies That Have Calculated Net Asset Value per Share in Accordance with the AICPA Audit and Accounting Guide, Investment Companies*. This provision amends Statement 157 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. This provision applies to investments in entities that meet the definition of an investment company in accordance with the AICPA Audit and Accounting Guide, "Investment Companies". The College elected to apply the concept of this provision to its foreign private equity funds, absolute return funds, equity hedge trust funds, small cap equity trust funds and venture capital fund investments.

Effective June 1, 2008, the College adopted FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (Statement 159). Statement 159 permits entities to choose to measure eligible items at fair value at specified election dates. It does not affect any existing accounting literature requiring certain assets and liabilities to be carried at fair value, and does not eliminate disclosure requirements included in other accounting standards. The fair value option may be applied instrument by instrument, is irrevocable, and is applied only to entire instruments and not to portions of instruments. The College elected not to change the valuation methodology of financial assets and liabilities, and thus the adoption of Statement 159 had no impact on the College's financial statements.

Effective June 1, 2008, the College adopted FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), and requires disclosures about endowment funds, both donor restricted endowment funds and board-designated (quasi) endowment funds. As of May 31, 2009, New York state had not enacted the provisions of UPMIFA and, accordingly, the impact of FSP 117-1 has been limited to additional disclosures regarding the College's endowment funds.

(2) Contributions Receivable

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

		2009	2008
Within one year	$	620,671	1,169,913
One to five years		1,038,607	1,033,416
Over five years		2,129,143	2,109,040
		3,788,421	4,312,369
Less allowance for uncollectible pledges and unamortized discount (discount rates ranging from 2.95% to 4.83%)		(467,801)	(397,356)
	$	3,320,620	3,915,013

As of May 31, 2009, contributions receivable of $1,718,727 and $1,601,893 are temporarily and permanently restricted, respectively. As of May 31, 2008, contributions receivable of $2,005,743 and $1,909,270 are temporarily and permanently restricted, respectively.

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

		2009	2008
Maintain satisfactory relationship with vendors	$	320,833	366,667

(Continued)

(3) Land, Buildings, and Equipment

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

	2009	2008
Land and land improvements	$ 8,272,739	8,276,543
Buildings	118,272,808	115,899,273
Equipment, furnishings, and books	28,624,622	27,553,460
Construction-in-progress	689,996	120,968
	155,860,165	151,850,244
Less accumulated depreciation	(63,396,265)	(59,417,474)
	$ 92,463,900	92,432,770

Depreciation expense for the years ended May 31, 2009 and 2008, was $5,668,637 and $5,611,945, respectively. Fully depreciated assets of approximately $1,689,346 and $1,715,240 were written off during the years ended May 31, 2009 and 2008, respectively.

(4) Investments

Investments consist of the following as of May 31:

	2009		2008	
	Fair value	Cost	Fair value	Cost
Short-term investments	$ 1,024,657	1,115,658	3,084,927	3,084,927
Common stocks	10,111,488	10,694,335	13,646,866	10,747,913
U.S. private equity – large cap:				
Mutual funds	13,652,036	13,747,771	20,395,687	12,640,775
Investment company	6,430,259	9,830,061	10,537,427	9,594,152
Fixed income securities	28,951,119	29,546,269	31,609,983	31,491,052
Foreign private equity – limited partnership and limited liability company	15,476,386	17,306,907	21,194,298	17,802,607
Absolute return funds – limited partnership	16,063,150	11,715,916	18,399,276	11,715,916
Equity hedge funds – trust	7,786,913	5,927,891	15,233,389	6,193,702
Small cap equity – trust	2,650,731	1,382,492	3,907,688	1,866,672
Venture capital	4,682,485	5,875,737	4,737,200	4,737,200
Other	3,304,227	3,303,868	2,198,475	2,198,771
	$ 110,133,451	110,446,905	144,945,216	112,073,687

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

		2009	2008
Interest income and dividends	$	2,883,502	3,379,617
Realized (losses) gains, net		(81,463)	7,652,220
Unrealized losses, net		(33,091,944)	(4,494,441)
	$	(30,289,905)	6,537,396

At May 31, 2009, the College is committed to advance, over the next several years, an additional $6,920,293 for private equity and venture capital investments.

(5) Fair Value Hierarchy

The College adopted Statement 157 on June 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Statement 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets and liabilities that are measured at fair value on a recurring basis at May 31, 2009:

	May 31, 2009	Level 1	Level 2	Level 3
Assets:				
Short-term investments	$ 1,024,657	1,024,657	—	—
Common stocks	10,111,488	10,111,488	—	—
U.S. private equity – large cap:				
Mutual funds	13,652,036	13,652,036	—	—
Investment company	6,430,259	—	6,430,259	—
Fixed income securities	28,951,119	—	28,951,119	—
Foreign private equity – limited partnership and limited liability company	15,476,386	—	15,476,386	—
Absolute return funds – limited partnership	16,063,150	—	—	16,063,150
Equity hedge funds – trust	7,786,913	—	7,786,913	—
Small cap equity – trust	2,650,731	—	2,650,731	—
Venture capital	4,682,485	—	—	4,682,485
Other	3,304,227	—	3,304,227	—
Total investments	110,133,451	24,788,181	64,599,635	20,745,635
Deposits with bond trustees	7,102,616	7,102,616	—	—
Total assets	$ 117,236,067	31,890,797	64,599,635	20,745,635

The following table presents the College’s activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in Statement 157 for the year ended May 31, 2009:

Balance at May 31, 2008	$ 23,136,479
Total realized and unrealized losses	(3,529,383)
Purchases	1,138,539
Sales/settlements	—
Balance at May 31, 2009	$ 20,745,635
Total losses for 2009 included in income attributable to the change in unrealized gains (or losses) relating to assets held at May 31, 2009	$ (3,529,383)

(6) Long-Term Debt

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

		2009	2008
Dormitory Authority of the State of New York (DASNY):			
Siena College Series 2001 bonds, 4.5% to 5%, maturing 2031	$	15,355,000	16,920,000
Siena College Series 1997 bonds, 5.2% to 5.75%, maturing 2026		1,590,000	2,325,000
Siena College Series 2006 bonds, 4% to 5%, maturing 2026 (includes premium of $991,445)		25,850,000	26,100,000
Albany County Industrial Development Agency (ACIDA)			
Tax Exempt Civic Facility Series 2003A Bond, 4.33%, maturing 2013		2,115,578	2,520,627
	$	44,910,578	47,865,627

Principal and interest payments on long-term debt as of May 31, 2009 are due as follows:

2010	$	5,183,392
2011		5,192,996
2012		4,614,238
2013		3,682,384
2014		3,419,479
Thereafter		42,855,673
		64,948,162
Less amounts representing interest		(20,037,584)
Add premium		991,445
	$	45,902,023

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

2010	$	3,092,832
2011		3,261,873
2012		2,831,773
2013		1,997,568
2014		1,834,374

The estimated fair value of the long-term debt at May 31, 2009 approximates $45,085,769 based on prevailing rates presently available to the College.

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

(Continued)

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

		2009	2008
Debt service fund	$	5,908,264	5,922,030
Building and equipment funds		1,194,352	1,175,576
	$	7,102,616	7,097,606

Deposits with trustees are comprised of $46,918 and $3,248 of cash and cash equivalents and $7,055,698 and $7,094,358 of U.S. Treasury obligations as of May 31, 2009 and 2008, respectively.

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 was in compliance with these provisions as of May 31, 2009.

(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, 2009 and 2008 was $2,833,210 and $2,601,628, 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.

The College adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Pension and other Postretirement Benefit Plans* (FAS 158), effective for fiscal year ended May 31, 2008, and recorded a gain of $659,046 related to recording the funded status as of and is presented as a separate line item within nonoperating activities on the statement of activities.

(Continued)

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

		2009	2008
Change in benefit obligations:			
Benefit obligation at beginning of year	$	6,102,175	5,645,763
Service cost		355,539	372,738
Interest cost		395,613	348,945
Plan participants' contributions		122,712	115,490
Actuarial (gain) loss		(233,180)	40,702
Benefits paid		(463,863)	(421,463)
Medicare Part D prescription drug federal subsidy		33,858	—
Benefit obligation at end of year	$	6,312,854	6,102,175
Change in Plan assets:			
Fair value of assets, beginning of year	$	—	—
Employer contribution		307,293	305,973
Participant contribution		122,712	115,490
Benefits paid		(463,863)	(421,463)
Medicare Part D prescription drug federal subsidy		33,858	—
Fair value of assets, end of year	$	—	—
Amount recognized in the *Statement of Financial Position:*			
Funded status	$	(6,312,854)	(6,102,175)

Amounts recorded in unrestricted net assets as of May 31, 2009 and 2008 not yet amortized as components of net periodic benefit costs are as follows:

		2009	2008
Unamortized prior service costs	$	(1,557,316)	(2,001,359)
Unamortized actuarial loss		1,055,593	1,342,313
Amount recognized as an increase to unrestricted net assets	$	(501,723)	(659,046)

The amortization of the above items expected to be recognized in net periodic costs for the year ended May 31, 2010 is $401,935.

A summary of the components of net periodic postretirement benefit cost for the years ended May 31, 2009 and 2008, is as follows:

		2009	2008
Components of net periodic benefit cost:			
Service cost	$	355,539	372,738
Interest cost		395,613	348,945
Amortization of gains and losses		53,540	85,965
Amortization of unrecognized prior service cost		(444,043)	(444,043)
Net periodic postretirement benefit cost	$	360,649	363,605

Assumptions

A summary of the weighted-average assumptions used to determine the benefit obligation at May 31, 2009 and 2008 is presented below:

	2009	2008
Discount rate	7.00%	6.84%
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, 2009 and 2008 is presented below:

	2009	2008
Discount rate	6.84%	6.25%

A summary of the assumed healthcare cost trend rates at May 31, 2009 is presented below:

	Pre-65 Medical trend rates	Post-65 Medical trend rates	Prescription drugs trend rates
Healthcare cost trend rate for next year	9.0%	6.0%	9.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	2014	2014	2014

(Continued)

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

		One percentage point	
		Increase	**Decrease**
Effect on total of service and interest cost components	$	120,328	(104,688)
Effect on postretirement benefits obligation		851,524	(758,995)

Cash Flow Contributions

The College expects to contribute approximately $272,767 to the Plan during the year ending May 31, 2010.

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**
2010	$	288,965	(16,198)
2011		330,491	(23,213)
2012		371,657	(27,462)
2013		409,728	(31,652)
2014		455,731	(37,330)
Years 2015 – 2019		2,960,238	(283,667)

(8) Asset Retirement Obligations

Financial Accounting Standards Board (FASB) Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (*an interpretation of FASB Statement No. 143*), (FIN 47) provides clarification with respect to the timing of liability recognition for legal obligations associated with the retirement of tangible long-lived assets when the timing and/or method of settlement of the obligation is conditional on a future event.

The ability to reasonably estimate a conditional asset retirement obligation (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.

The College is required to measure the conditional AROs at fair value using the methodology prescribed by FIN 47. The fair values of the conditional AROs are estimated using a probability-weighted, discounted cash flow model with multiple scenarios, if applicable. The present value of future estimated cash flows is calculated using credit-adjusted, risk-free rates applicable to the College in order to determine the fair value of the conditional AROs.

As of May 31, 2009 and 2008, the College has recorded an asset retirement obligation related to asbestos contamination in buildings in the amount of $3,291,405 and $3,164,808, 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.

(9) Components of Unrestricted Operating Revenues

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

		2009	2008
Tuition and fees:			
Tuition	$	72,922,880	67,166,821
Organized student activities		594,284	506,062
Lab and course fees		879,164	775,036
Other student fees		578,038	595,198
		74,974,366	69,043,117
Less:			
Financial aid from college resources		(26,217,299)	(24,067,646)
Financial aid from donors		(1,727,900)	(1,566,224)
Net tuition and fees		47,029,167	43,409,247
Dormitory and dining hall:			
Room		14,977,442	13,856,183
Board		7,603,268	6,819,157
Net student revenues		69,609,877	64,084,587
Government grants and contributions		1,419,792	1,084,159
Private gifts and grants		2,742,087	2,654,749
Investment return		4,077,198	3,777,786
Investment return expended for operations – scholarship component and other program		1,984,711	1,783,268
Ticket sales and promotions		731,220	600,036
Summer camps and merchandising		533,973	532,608
Continuing education and professional conferences		798,812	745,775
Commissions and outside rentals		162,175	154,436
Student activities		243,525	222,772
Other		1,425,757	1,546,223
Net assets released from restrictions		267,847	187,527
Total unrestricted operating revenues	$	83,996,974	77,373,926

(Continued)

(10) Expenses Prior to Allocations

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

		2009	2008
Instruction	$	23,212,822	22,536,664
Academic support		6,419,643	4,742,463
Library		1,589,391	1,589,099
General administration		6,093,618	4,843,939
Student services		12,525,380	12,073,655
Institutional support		7,945,821	6,317,203
Auxiliaries		11,054,605	10,006,907
Other		101,972	105,216
Operation and maintenance of plant		7,028,736	6,467,333
Interest		2,223,730	2,362,213
Depreciation		5,668,637	5,611,945
Asset retirement obligations		126,597	121,682
Total operating expenses	$	83,990,952	76,778,319

(11) Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

		2009	2008
Gifts for operations	$	2,371,364	2,414,784
Gifts for scholarships		17,125	23,500
Gifts for plant		1,315,446	1,455,331
Total	$	3,703,935	3,893,615

Permanently restricted net assets consist entirely of endowment corpus and pledges, with donor stipulations that they be invested in perpetuity for the following purposes:

		2009	2008
Student scholarships	$	36,277,475	48,262,057
Building maintenance		1,768,690	1,422,567
Operating support		6,519,880	8,159,086
Total	$	44,566,045	57,843,710

(Continued)

Changes in endowment net assets for the years ended 2009 and 2008 are as follows:

	2009		2008	
	Permanently Restricted	**Board of Trustees Designated**	**Permanently Restricted**	**Board of Trustees Designated**
Net Assets at Beginning of year	$ 57,843,710	49,797,125	55,197,427	52,867,162
Investment returns	(14,144,388)	(12,167,931)	1,106,349	1,834,299
Contributions and changes in donor intent	866,723	15,620	1,539,934	9,300
Distributions for Unrestricted Operations	—	(4,122,458)	—	(4,913,636)
Net Assets at End of year	$ 44,566,045	33,522,356	57,843,710	49,797,125

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

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 5.0% for both the years ended 2009 and 2008. In establishing this policy, the College considered the long-term expected return on its endowment.