MOREHOUSE COLLEGE

Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

Independent Auditors' Report

The Board of Trustees
Morehouse College:

We have audited the accompanying statements of financial position of Morehouse College (the College) as of June 30, 2012 and 2011, 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 audit 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 Morehouse College at June 30, 2012 and 2011, 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

November 9, 2012

MOREHOUSE COLLEGE

Statements of Financial Position

June 30, 2012 and 2011

Assets		**2012**	**2011**
Cash and cash equivalents	$	5,147,361	12,684,587
Accounts receivable, net of allowances of $311,711 and $579,294 at June 30, 2012 and 2011, respectively		5,610,557	4,873,273
Prepaid expenses, deferred charges, and other assets		1,323,841	1,195,341
Contributions receivable (note 3)		7,155,546	5,461,300
Investments (note 2)		133,597,239	142,062,219
Notes receivable, net of allowances of $1,431,109 and $1,366,920 at June 30, 2012 and 2011, respectively		2,394,845	2,548,839
Property, plant, and equipment, net (notes 4, 6, 7, and 8)		152,677,846	154,546,295
Total assets	$	307,907,235	323,371,854
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	6,952,733	8,557,015
Deferred revenue		2,963,283	3,478,699
Deferred compensation (note 10)		299,775	342,472
Asset retirement obligations (note 6)		1,577,224	1,525,050
Capital lease obligations (note 7)		17,625,148	18,515,875
Bonds and notes payable (note 5)		47,978,249	49,992,008
Refundable advances from Federal government for student loans		1,956,826	1,828,651
Total liabilities		79,353,238	84,239,770
Net assets:			
Unrestricted (note 13)		87,617,594	95,116,238
Temporarily restricted (note 14)		71,393,264	75,867,413
Permanently restricted (note 14)		69,543,139	68,148,433
Total net assets		228,553,997	239,132,084
Commitments and contingencies (notes 5, 6, 7, 10, and 16)			
Total liabilities and net assets	$	307,907,235	323,371,854

See accompanying notes to financial statements.

MOREHOUSE COLLEGE

Statement of Activities

Year ended June 30, 2012
(with summarized financial information for
the year ended June 30, 2011)

	2012				2011
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Total**
Revenue and support:					
Tuition and fees	$ 54,248,058	—	—	54,248,058	53,891,886
Less student aid	(24,337,364)	—	—	(24,337,364)	(22,134,812)
Tuition and fees, net	29,910,694	—	—	29,910,694	31,757,074
Government grants and contracts	16,346,763	—	—	16,346,763	14,929,210
Private gifts, grants, and contracts	507,714	9,373,445	1,394,706	11,275,865	9,218,526
Investment income:					
Interest and dividends	69,243	1,268,097	—	1,337,340	1,397,738
Net realized gains (losses)	(671,970)	8,691,745	—	8,019,775	4,171,098
Net unrealized gains (losses)	(671,614)	(7,506,115)	—	(8,177,729)	17,839,109
Sales and services of auxiliary enterprises	19,876,445	1,200	—	19,877,645	19,246,773
Other income	1,660,534	585,985	—	2,246,519	1,901,371
Net assets released from restrictions (note 15)	16,888,506	(16,888,506)	—	—	—
Total revenue and support	83,916,315	(4,474,149)	1,394,706	80,836,872	100,460,899
Expenses (note 8):					
Instruction	24,064,532	—	—	24,064,532	25,099,512
Research	5,924,906	—	—	5,924,906	4,935,606
Public service	1,299,695	—	—	1,299,695	2,368,950
Academic support	5,707,284	—	—	5,707,284	5,492,341
Student services	7,037,105	—	—	7,037,105	7,036,662
Institutional support	27,571,426	—	—	27,571,426	30,205,923
Auxiliary enterprises	19,810,011	—	—	19,810,011	20,445,557
Total expenses	91,414,959	—	—	91,414,959	95,584,551
Change in net assets	(7,498,644)	(4,474,149)	1,394,706	(10,578,087)	4,876,348
Net assets at beginning of year	95,116,238	75,867,413	68,148,433	239,132,084	234,255,736
Net assets at end of year	$ 87,617,594	71,393,264	69,543,139	228,553,997	239,132,084

See accompanying notes to financial statements.

MOREHOUSE COLLEGE

Statement of Activities

Year ended June 30, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and support:				
Tuition and fees	$ 53,891,886	—	—	53,891,886
Less student aid	(22,134,812)	—	—	(22,134,812)
Tuition and fees, net	31,757,074	—	—	31,757,074
Government grants and contracts	14,929,210	—	—	14,929,210
Private gifts, grants, and contracts	885,542	7,298,468	1,034,516	9,218,526
Investment income:				
Interest and dividends	159,196	1,238,542	—	1,397,738
Net realized gains	26	4,171,072	—	4,171,098
Net unrealized gains	1,289,130	16,549,979	—	17,839,109
Sales and services of auxiliary enterprises	19,246,773	—	—	19,246,773
Other income	1,537,185	364,186	—	1,901,371
Net assets released from restrictions (note 15)	17,272,796	(17,272,796)	—	—
Total revenue and support	87,076,932	12,349,451	1,034,516	100,460,899
Expenses (note 8):				
Instruction	25,099,512	—	—	25,099,512
Research	4,935,606	—	—	4,935,606
Public service	2,368,950	—	—	2,368,950
Academic support	5,492,341	—	—	5,492,341
Student services	7,036,662	—	—	7,036,662
Institutional support	30,205,923	—	—	30,205,923
Auxiliary enterprises	20,445,557	—	—	20,445,557
Total expenses	95,584,551	—	—	95,584,551
Change in net assets	(8,507,619)	12,349,451	1,034,516	4,876,348
Net assets at beginning of year	103,623,857	63,517,962	67,113,917	234,255,736
Net assets at end of year	$ 95,116,238	75,867,413	68,148,433	239,132,084

See accompanying notes to financial statements.

MOREHOUSE COLLEGE

Statements of Cash Flows

Years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ (10,578,087)	4,876,348
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	4,784,086	4,860,984
Amortization of bond discount	18,144	18,974
Amortization of bond premium	(43,778)	(46,044)
Amortization of bond issue costs	8,156	43,773
Accretion of asset retirement obligation	52,174	72,621
Net realized gains on sales of investments	(8,019,775)	(4,171,098)
Net unrealized losses (gains) on investments	8,177,729	(17,839,109)
(Increase) decrease in accounts receivable, net	(737,284)	791,446
(Increase) decrease in contributions receivable, net	(1,694,246)	3,337,528
Increase in prepaid expenses, deferred charges, and other assets	(136,656)	(164,833)
(Decrease) increase in accounts payable and accrued expenses	(1,604,282)	571,530
Decrease in deferred revenue	(515,416)	(1,091,828)
(Decrease) increase in deferred compensation	(42,697)	62,357
Receipt of agency funds (Federal Direct Student Loans and Federal Pell grants)	41,719,410	34,922,984
Disbursement of agency funds	(41,719,410)	(34,922,984)
Gifts and grants and investment income restricted for long-term investment	(865,000)	(141,264)
Net cash used in operating activities	(11,196,932)	(8,818,615)
Cash flows from investing activities:		
Proceeds from the sales and maturities of investments	91,900,428	51,346,192
Purchases of investments	(83,593,402)	(49,586,493)
Decrease in restricted investments	—	2,301,227
Purchases of property, plant, and equipment	(2,915,637)	(6,109,419)
Repayments of notes receivable, net	153,994	453,498
Net cash provided by (used in) investing activities	5,545,383	(1,594,995)
Cash flows from financing activities:		
Principal repayments of capital lease obligations	(890,727)	(701,460)
Principal repayments of bonds and notes payable	(1,988,125)	(1,918,126)
Increase (decrease) in refundable advances from Federal government for student loans	128,175	(2,126)
Gifts and grants and investment income restricted for long-term investment	865,000	141,264
Net cash used in financing activities	(1,885,677)	(2,480,448)
Net decrease in cash and cash equivalents	(7,537,226)	(12,894,058)
Cash and cash equivalents at beginning of year	12,684,587	25,578,645
Cash and cash equivalents at end of year	$ 5,147,361	12,684,587
Supplemental data:		
Interest paid	$ 2,162,237	2,238,276

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Description of Business

Morehouse College (the College) is a private, not-for-profit undergraduate liberal arts college for men located in Atlanta, Georgia. The College provides an educational program in the arts and humanities, the natural sciences and mathematics, and the social sciences and business. Accredited by the Southern Association of Colleges and Schools, the College has an enrollment of approximately 2,400 students.

(b) Accrual Basis

The financial statements of the College have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

(c) Basis of Presentation

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed purpose or time restrictions. Accordingly, net assets of the College are classified and reported as follows:

Unrestricted

Unrestricted net assets are net assets that are not subject to donor-imposed purpose or time restrictions. Net assets included in this class include unrestricted gifts and board-designated endowment funds.

Temporarily Restricted

The College reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are restricted as to timing of use. When a donor restriction expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Net assets in this class include gifts for restricted purposes and earnings on donor-restricted endowment funds.

Permanently Restricted

Permanently restricted net assets result from donors who stipulate that the principal portion of their donated resources be maintained permanently. The College is generally permitted to use or expend part or all of the income and gains derived from the donated assets on unrestricted purposes, or restricted purposes if so designated by the donor.

Revenue from sources other than contributions is reported as increases in unrestricted net assets. Contributions are reported as increases in the appropriate net asset category. Contributions of assets other than cash and cash equivalents are recorded at their estimated fair value at the date of the gift, as determined by independent appraisal or other valuation methods as deemed appropriate by management. Contributions to be received after one year are discounted at rates commensurate with the risk involved as of the date of the promise to give. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

(d) Cash Equivalents

Cash equivalents consist primarily of interest-bearing checking accounts, savings accounts, and investments with a maturity at date of purchase of three months or less.

(e) Investments

Investments are carried at fair value, with the difference between fair value and cost (or fair value at date of gift) being recorded as unrealized gains (losses). The fair value of publicly traded fixed income and equity securities is based upon quoted market prices and exchange rates, if applicable. Fair values for marketable alternative investments (often referred to as hedge funds and typically in the form of limited partnerships) are not as readily ascertainable. Investments in these asset classes are valued using the most current information provided by the investment manager, which are reviewed and evaluated by the College.

Investment managers typically value privately held companies at cost or an adjusted value based on a recent arms’ length transactions. Public companies are valued using quoted market prices and exchange rates, if applicable. Real estate partnerships and funds are valued based on appraisals of properties held and conducted by third-party appraisers retained by the general partner or investment manager. Investment managers of marketable alternatives provide values based on quoted market prices and exchange rates for publicly held securities and valuation estimates of derivative instruments. Valuations provided by the investment managers are evaluated by management, and management believes such values are reasonable estimates of fair value at June 30, 2012 and 2011, respectively.

The College’s investments include various types of investment securities and investment vehicles. Investment securities are exposed to a number of risks, such as interest rate, currency, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably 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 College’s financial statements.

(Continued)

(f) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. A summary of depreciable lives is as follows:

Buildings	40 – 70 years
Equipment	5 – 10 years

(g) Conditional Asset Retirement Obligations

The College has identified asbestos and lead paint abatement as conditional asset retirement obligations. The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the College capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the recorded liability is recognized as a gain or loss in the statements of activities.

(h) Refundable Advances from the U.S. Government

Funds provided by the U.S. government under the Federal Perkins Student Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are presented in the accompanying financial statements as a liability.

(i) Allocation of Functional Expenses

Costs related to the operation and maintenance of physical plant, including depreciation of plant assets and interest expense, are allocated to program and supporting activities based upon the use of the College's facilities.

(j) Management Estimates

Management of the College has made certain estimates and assumptions related to the reporting of allowances for doubtful accounts and notes receivable, valuation of certain investments without readily determinable fair values, estimated useful lives of property and equipment, accrued expenses, accruals for asset retirement obligations and deferred compensation to prepare the financial statements in conformity with U.S. GAAP. Actual results could differ from those estimates.

(k) Income Taxes

The College is recognized as an organization exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a) of the Code, is subject to federal income tax. The College's management has reviewed its tax positions and determined that it does not have material uncertain tax positions that should be reflected in the financial statements for 2012.

(Continued)

(l) New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04 *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS)* (ASU 2011-04). ASU 2011-04 includes common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. The ASU will require reporting entities to disclose additional information for fair value measurements categorized within Level 3 of the fair value hierarchy; quantitative information about the unobservable inputs used in the fair value measurement and the valuation processes used by the reporting entity. ASU 2011-04 was implemented during the College's 2012 fiscal year.

(m) Reclassifications

In certain instances, amounts previously reported in the 2011 financial statements have been reclassified to conform to the 2012 presentation. Such reclassifications have no effect on total assets, liabilities, or net assets as previously reported.

(2) Investments

The following table summarizes the College's investments as of June 30, 2012 and 2011:

	Fair value	
	2012	**2011**
Cash and cash equivalents	$ 17,010,069	8,840,614
Equity securities:		
U.S. equity	24,731,088	32,517,673
Commingled funds	3,132,541	2,528,068
Commodities	860,818	1,501,529
Fixed income securities:		
Government bonds	1,829,868	2,694,868
U.S. Treasuries	6,027,217	10,459,558
Corporate bonds	1,150,059	4,119,026
Alternative investments:		
Equity securities:		
Non-U.S. equities	24,602,285	25,389,937
Private equity funds	6,959,942	6,586,511
Commingled funds	7,458,707	6,849,028
High-yield trust funds	14,804,064	16,845,927
Real asset funds	7,823,509	7,303,619
Interest in high-yield funds	—	970,511
Multi-strategy hedge funds	17,207,072	15,455,350
Total investments at fair value	$ 133,597,239	142,062,219

Investment management expenses totaled $825,013 and $874,111 for the years ended June 30, 2012 and 2011, respectively, and are included in investment income in the accompanying statements of activities.

Unfunded commitments, redemption frequency, and notice period relative to the College's alternative investments to which the College applied net asset value (NAV) or its equivalent relative to the determination of fair value at June 30, 2012 and 2011 are as follows:

	Fair value at June 30 2012	Fair value at June 30 2011	Unfunded commitments at June 30, 2012	Unfunded commitments at June 30, 2011	Redemption frequency	Redemption restrictions
Alternative investments:						
Private equity funds	$ 6,959,942	6,586,510	5,755,000	6,338,000	N/A	N/A
Commingled funds	7,458,707	6,849,028	—	—	Daily	None
High-yield trust funds	14,804,064	16,845,927	—	—	Daily to monthly	None to 30 days
Non-U.S. equity	24,602,285	25,389,937	—	—	Monthly	30 days
Real asset funds	7,823,509	7,303,619	1,535,000	1,335,000	N/A	N/A
Interest in high-yield funds	—	970,511	—	—	N/A	N/A
Multi-strategy hedge funds	17,207,072	15,455,350	—	—	Quarterly	90 days
Total	$ 78,855,579	79,400,882	7,290,000	7,673,000		

(3) Contributions Receivable

Contributions receivable at June 30, 2012 and 2011 are summarized as follows:

	2012	2011
Unconditional promises to give	$ 8,571,250	6,670,536
Less allowance for doubtful accounts	(603,242)	(497,544)
	7,968,008	6,172,992
Less unamortized discount	(812,462)	(711,692)
Net contributions receivable	$ 7,155,546	5,461,300
Amounts due in:		
Less than one year	$ 4,084,136	3,541,655
One to five years	4,287,114	2,663,109
More than five years	200,000	465,772
	$ 8,571,250	6,670,536

Contributions to be received after one year are discounted at an appropriate risk-adjusted discount rate commensurate with the risks involved. Estimated cash flows to be received after one year were discounted at June 30, 2012 using rates ranging from 7.38% to 10.63%.

(4) Property, Plant, and Equipment

Property, plant, and equipment consist of the following at June 30, 2012 and 2011:

	2012	2011
Land	$ 20,532,387	20,159,462
Buildings	169,085,121	167,320,251
Equipment	38,486,048	37,978,263
	228,103,556	225,457,976
Less accumulated depreciation	75,425,710	70,911,681
	$ 152,677,846	154,546,295

Depreciation expense totaled $4,784,086 and $4,860,984 for the years ended June 30, 2012 and 2011, respectively. Buildings and equipment includes assets held under capital leases for infrastructure, information technology, and other equipment. The cost and accumulated depreciation related to such capital leases consist of the following at June 30, 2012 and 2011:

	2012	2011
Cost	$ 21,878,587	22,283,674
Accumulated depreciation	(5,273,821)	(4,849,408)
	$ 16,604,766	17,434,266

The College capitalized interest totaling $0 and $415,938 for the years ended June 30, 2012 and 2011, respectively.

(5) Bonds and Notes Payable

Bonds and notes payable include the following at June 30, 2012 and 2011:

	Date issued	Interest percentage	Maturity	Original issue	Outstanding principal at June 30 2012	Outstanding principal at June 30 2011
Morehouse College Dormitory and Dining Hall System Bonds:						
E series	July 1982	3.00%	2022	$ 1,385,000	1,060,000	1,155,000
F series	January 1991	5.50	2018	2,206,000	771,000	871,000
					1,831,000	2,026,000
Development Authority of Fulton County Series 2007	May 2007	4.00% – 5.00%	2037	45,300,000	41,340,000	42,540,000
Bank note payable	October 2009	Variable	2017	5,150,000	3,983,750	4,576,875
Add: unamortized bond premium					1,153,353	1,197,131
Less: unamortized bond discount					(329,854)	(347,998)
					$ 47,978,249	49,992,008

(Continued)

The College's bonds and notes payable mature as follows:

2013	$	2,058,125
2014		2,143,125
2015		2,228,125
2016		1,683,125
2017		1,743,125
Thereafter		37,299,125
		47,154,750
Add unamortized premium		1,153,353
Less unamortized discount		(329,854)
	$	47,978,249

The bonds are secured by certain physical plant, along with a first lien on and pledge of certain revenues.

The College's bonds payable outstanding at June 30, 2012 and 2011 are repayable in annual or semiannual payments through the stated maturity dates.

In October 2009, the College converted its then outstanding Series 1997 Urban Residential Finance Authority of the City of Atlanta, Georgia bonds to a tax-exempt variable rate term loan from a bank. The term loan matures no later than 2017 with annual maturities similar to the previously existing 1997 Bonds. The bank has the option to put the loan to the College at each fifth anniversary of the loan. The loan bears interest at 67% of the sum of one-month LIBOR plus 2.50%, which approximated 1.84% at June 30, 2012.

The terms of the Series 2007 bond indenture provide for certain financial and nonfinancial covenants, including a minimum total net asset requirement of $200 million and a minimum debt service coverage ratio. As of June 30, 2012 and 2011, the College did not meet the minimum debt service coverage ratio. The lender has provided the College a waiver for the debt covenant violation.

(6) Asset Retirement Obligations

The College's asset retirement obligations arise primarily from contractual commitments to remove asbestos and lead paint in College facilities at the time of major renovation or demolition.

Activity for the College's asset retirement obligations for the years ended June 30, 2012 and 2011 are as follows:

		2012	2011
Balance at beginning of year	$	1,525,050	1,452,429
Accretion expense		52,174	72,621
Balance at the end of year	$	1,577,224	1,525,050

(7) Lease Commitments

During August 2002, the College entered into a facility lease agreement (the Agreement) with TUFF Morehouse LLC (TUFF) for a student housing facility constructed by TUFF and financed by tax-exempt revenue bonds issued by the Development Authority of Fulton County. TUFF is named as the borrower in the related bond agreement. In connection with the Agreement, the College entered into a ground lease as lessor with TUFF for land on which the student housing facility was constructed. The term of the Agreement commenced on August 1, 2002 and ends July 31, 2034. The College took possession of the student housing facility on August 24, 2003, the recognized substantial completion date as defined in the Agreement.

Based upon the terms of the Agreement, during August 2003, the College recorded the facility as a capital asset with an offsetting capital lease obligation, in the amount of $20,735,000. Annual rental payments on the student housing facility range from $1,367,873 to $1,372,423 during the term of the Agreement.

In April 2008, the College entered into a five-year capital lease with Fidelity National Capital for equipment related to Information Technology infrastructure upgrades. A capital asset with an offsetting lease obligation was recorded for $664,600. The annual lease payments total $154,308.

Future minimum lease payments under the aforementioned capital leases are as follows:

2013	$	1,575,563
2014		1,422,020
2015		1,334,845
2016		1,336,434
2017		1,335,757
Thereafter		22,131,975
		29,136,594
Amount representing interest		11,511,446
	$	17,625,148

The College has entered into various noncancelable operating leases expiring through 2017, primarily for office equipment. Rental expense related to operating leases was approximately $154,237 and $216,400 in 2012 and 2011, respectively. Future minimum lease payments under the aforementioned leases are as follows:

2013	$	252,499
2014		233,561
2015		67,946
2016		9,575
2017		1,169
	$	564,750

(8) Expenses

Expenses are reported in the accompanying statements of activities in functional categories recommended by the National Association of College and University Business Officers. The College's primary program services are instruction, research, and public service. Expenses reported as academic support, student services, institutional support, and auxiliary enterprises are incurred in support of these primary program services. Institutional support includes fund-raising expenses of approximately $3,841,000 and $3,840,000 in 2012 and 2011, respectively.

Expenditures by natural classification for the years ended June 30, 2012 and 2011 are as follows:

		2012	2011
Salaries and benefits	$	45,993,692	45,642,345
Depreciation		4,784,086	4,860,984
Interest		2,141,762	1,792,246
Travel		3,092,693	2,732,984
Supplies and other services		7,974,942	7,576,377
Utilities		3,478,942	4,066,469
Contractual services		13,492,459	14,866,598
Other		10,456,383	14,046,548
	$	91,414,959	95,584,551

(9) Agency Funds

Activity of the Federal Pell Grant program and the Federal Direct Student Loan program is reflected as agency transactions in the College's accompanying financial statements and, thus, is not included in the accompanying statements of activities. Students received $5,437,705 and $5,710,835 from the Federal Pell Grant program and $36,281,705 and $29,212,149 from the Federal Direct Student Loan program in fiscal year 2012 and 2011, respectively.

(10) Retirement Plans

The College maintains a defined contribution retirement plan covering substantially all full-time employees with one year's service or greater, under which the contributions are made to the Teacher's Insurance and Annuity Association for the purchase of retirement annuities for employees. Total pension expense under this plan for the years ended June 30, 2012 and 2011 totaled approximately $1,384,919 and $1,323,000, respectively.

The College also has supplemental retirement plans for certain employees. The College's future obligations related to the plans totaled $181,154 and $181,154 at June 30, 2012 and 2011, respectively. This amount is included in the deferred compensation liability in the accompanying statements of financial position.

The College has a 457(b) Deferred Compensation Plan, limited to management or highly compensated employees. The deferred compensation is invested with TIAA-CREF and is considered College property until the employee withdraws the funds due to emergency, termination, or retirement. The participants' contributions are subject to the general creditors of the College. Accordingly, the invested assets are recorded at fair value in investments in the accompanying statements of financial position, with a corresponding liability in the amount of $118,621 and $161,318 at June 30, 2012 and 2011, respectively. The College does not record any related transaction activity as revenue or expense.

(11) Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses approximates fair value because of the nature and relatively short maturity of these financial instruments. The fair value of contributions receivable approximates carrying value given discount rates and credit risks factors utilized in arriving at carrying value. Investments are reported at fair value as of the date of the financial statements. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation).

A reasonable estimate of the fair value of the notes receivable from students under government loan programs and refundable advances from federal government for student loans could not be made because the notes receivable are not marketable and can only be assigned to the U.S. government or its designees. The fair value of notes receivable from students under College loan programs and from others approximates carrying value.

The fair value of bonds and notes payable was approximately $60,100,000 and $63,000,000 at June 30, 2012 and 2011, respectively. The fair value of the capital lease obligations was approximately $18,600,000 and $19,900,000 at June 30, 2012 and 2011, respectively.

The College’s estimates of fair value for financial assets and liabilities are based on the framework established in FASB ASC 820. This standard 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Valuations based on unadjusted quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2: Valuation based on pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the financial reporting date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments for which fair value is estimated using other securities, the parameters of which can be directly observed.
- Level 3: Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets.

The College has $78,855,579 and $79,400,883 of investments at June 30, 2012 and 2011, respectively, which are classified into Levels 2 and 3 and are reported at estimated fair value using NAV per share as a practical expedient. Unless it is probable that all or a portion of the investment will be sold for an amount different from net asset value, the College has applied a practical expedient and concluded that the net asset value reported by the underlying fund approximates the fair value of these investments.

While the College’s investment in these funds is classified as Level 2 or 3, the underlying investments of the fund may be classified Level 1 in the fund itself. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment to the investor and does not necessarily correspond to the perceived risk of that investment. The funds and the College use inputs in applying various valuation techniques that are assumptions which market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, operating statistics, specific and broad credit data, liquidity statistics, recent transactions, earnings forecasts, future cash flows, market multiples, discount rates, and other factors.

Underlying fund investments made directly by the College whose values are based on quoted market prices in active markets, and are, therefore, classified within Level 1, include actively traded common and preferred stock, U.S. government fixed income instruments, and non-U.S. government fixed income instruments. Level 1 investments may also include listed mutual funds, exchange traded funds (ETFs), and money market funds.

Investments that trade in markets that are considered to be active, but are based on dealer quotations or alternative pricing sources supported by observable inputs or investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. Alternative pricing sources include quotations from market participants and pricing models, which are based on accepted industry modeling techniques. These investments include U.S. investment-grade and below investment-grade debt securities, international corporate bonds, mortgage-backed securities, asset-backed securities, senior loans and bank loans, most derivative contracts other than futures, and commingled fund investments that would otherwise be classified Level 3 but for which the College had the ability to redeem at net asset value on or within 90 days after June 30, 2012.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 investments include limited partnerships, private placement investments, and commingled fund investments. Inputs used may include the original transaction price, recent transactions in the same or similar market, completed or pending third-party transactions in the underlying investment or comparable issuers, and subsequent rounds of financing. When observable prices are not available these investments are valued using one or more valuation techniques described below.

- Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Income Approach: This approach determines a valuation by discounting future cash flows.
- Cost Approach: This approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset.

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value.

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value, as well as the general classification pursuant to the valuation hierarchy.

Equity Securities

Investments in equity securities valued at the quoted prices in an active market are classified within Level 1 of the fair value hierarchy. Investments in equity securities valued at quoted prices in inactive markets or estimated using other similar securities are classified within Level 2 of the hierarchy.

Fixed Income Securities

When quoted prices are available in an active market, fixed income securities are classified within Level 1 of the fair value hierarchy. Quoted prices in inactive markets are classified within Level 2. If quoted market prices are not available or accessible, then fair values are estimated using pricing models, matrix pricing, or discounted cash flows models. The fair values of fixed income securities estimated using pricing models or matrix pricing based on observable prices of fixed income securities that trade in inactive markets are generally classified within Level 2 of the fair value hierarchy. Securities are classified within Level 3 when there is limited activity or less transparency around inputs to the valuation.

Alternative Investments

Alternative investments consist of investments in various funds. These investments are aggregated into private equity, real assets, commingled, domestic fixed income, equity index, and hedge funds based on the characteristics of their underlying investments. The fair value of such investments is determined using the NAV per share as a practical expedient. The investments, which are redeemable at or near year-end at NAV per share, are classified within Level 2 of the fair value hierarchy; otherwise, they are classified within Level 3 of the fair value hierarchy.

Assets and liabilities recorded at fair value are classified in their entirely based on the lowest level of input that is significant to the fair value measurements. The following is a summary of the College's investments within the fair value hierarchy as of June 30, 2012 and 2011, as well as related strategy:

	June 30, 2012					
	Total	**Level 1**	**Level 2**	**Level 3**	**Redemption or liquidation**	**Notice period**
Cash and cash equivalents	$ 17,010,069	17,010,069	—	—	Daily	None
Equity securities:						
U.S. equity	24,731,088	24,731,088	—	—	Daily	None – 1 week
Commingled funds	3,132,541	3,132,541	—	—	Daily	None
Commodities	860,818	860,818	—	—	Daily	1 Day
Fixed income securities:						
Government bonds	1,829,868	1,829,868	—	—	Daily	None
U.S. treasuries	6,027,217	5,742,655	284,562	—	Daily	None
Corporate bonds	1,150,059	—	1,150,059	—	Daily	None
	9,007,144	7,572,523	1,434,621	—		
Alternative investments:						
Equities:						
Non-U.S. Equities – (a)	24,602,285	—	24,602,285	—	Monthly	30 Days
Private equity funds – (b)	6,959,942	—	—	6,959,942	N/A	N/A
Commingled funds – (c)	7,458,707	—	7,458,707	—	Daily	None
High-yield trust funds – (d)	14,804,064	—	14,804,064	—	Daily – Monthly	None – 30 Days
Investments in limited partnerships:						
Real asset funds – (e)	7,823,509	—	—	7,823,509	N/A	N/A
Interest in high-yield funds	—	—	—	—	N/A	N/A
Multi-strategy hedge funds – (f)	17,207,072	—	17,207,072	—	Quarterly	90 Days
	78,855,579	—	64,072,128	14,783,451		
	$ 133,597,239	53,307,039	65,506,749	14,783,451		

	June 30, 2011					
	Total	**Level 1**	**Level 2**	**Level 3**	**Redemption or liquidation**	**Notice period**
Cash and cash equivalents	$ 8,840,614	8,840,614	—	—	Daily	None
Equity securities:						
U.S. Equity	32,517,673	32,517,673	—	—	Daily	None – 1 week
Commingled funds	2,528,068	2,528,068	—	—	Daily	None
Commodities	1,501,529	1,501,529	—	—	Daily	1 Day
Fixed income securities:						
Government bonds	2,694,868	2,694,868	—	—	Daily	None
U.S. treasuries	10,459,558	10,176,745	282,813	—	Daily	None
Corporate bonds	4,119,026	—	4,119,026	—	Daily	None
	17,273,452	12,871,613	4,401,839	—		
Alternative investments:						
Equities:						
Non-U.S. Equities – (a)	25,389,937	—	25,389,937	—	Monthly	30 Days
Private equity funds – (b)	6,586,511	—	—	6,586,511	N/A	N/A
Commingled funds – (c)	6,849,028	—	6,849,028	—	Daily	None
High-yield trust funds – (d)	16,845,927	—	16,845,927	—	Daily – Monthly	None – 30 Days
Investments in limited partnerships:						
Real asset funds – (e)	7,303,619	—	—	7,303,619	N/A	N/A
Interest in high-yield funds	970,511	—	—	970,511	N/A	N/A
Multi-strategy hedge funds – (f)	15,455,350	—	15,455,350	—	Quarterly	90 Days
	79,400,883	—	64,540,242	14,860,641		
	$ 142,062,219	58,259,497	68,942,081	14,860,641		

(a) Non-U.S. Equity

This class includes funds that seek to achieve a total return net of fees in excess of the total return (less a representative passive management fee) of the non-U.S. equities market, as measured by the MSCI All Country World ex U.S. Free Index. The class provides a broadly diversified portfolio by investing in other commingled products and separate accounts that hold publicly traded/listed non-U.S. equities. The managers employ a variety of disciplines and investment objectives while investing in companies across a range of industries. These funds will typically hold assets that are highly liquid. Foreign securities are valued on the basis of quotations from the primary market in which they are traded and translated at each valuation date from the local currency into U.S. dollars using current exchange rates. The fair market value of commingled products (including limited partnerships) has been estimated using the net asset value per share of the investments.

(b) Private Equity

This class includes invest in limited partnerships or other pooled investment vehicles organized by independent fund sponsors (the Partnerships) primarily to make private investments in nonpublic companies consisting primarily of equity and equity related ownership interests in such companies. The funds may also invest directly in nonpublic entities in which the Partnerships invest. Investments in limited partnerships are valued at fair value based on the applicable percentage ownership of the

Partnerships' net assets as of December 31, 2011. The fair value of these investments has been estimated using the net asset value provided by the Partnerships. The Partnerships value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying limited partnerships, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the Partnerships and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized.

(c) Commingled Funds

The fair value of commingled products (including limited partnerships) has been estimated using the net asset value per share of the investments. The underlying stock and other securities listed on security exchanges are valued at their closing sale prices on the valuation date, or if no sale of a security was made on the valuation date, at their recorded bid price.

(d) High-Yield Trust Funds

This class consists of a portfolio that seeks to achieve a total return net of fees in excess of the total return (less a representative passive management fee) of the U.S. medium to low grade fixed income market, as measured by the Merrill Lynch High Yield Cash Pay Index and provides a broadly diversified portfolio by investing in other commingled products and separate accounts that hold publicly traded/listed fixed income securities. The managers employ a variety of disciplines and investment objectives while investing in companies across a range of industries, these funds will typically hold assets that are highly liquid. Publicly traded equity securities are valued at market, determined by using the last reported sale price (or, if no sales are reported and in the case of certain securities traded over-the-counter, at the mean between the last reported bid and asked prices). In the case of securities for which market quotations are not readily available, such securities are valued at fair value as determined in good faith by the Investment Manager. For this purpose, the fair value of such securities will generally be determined as the amount realized from an orderly disposition of such securities over a reasonable period of time. The fair value of commingled products (including limited partnerships) has been estimated using the net asset value per share of the investments.

(e) Real Asset Funds

This class includes investments which comprised primarily of real estate investments either directly owned or through a partnership interest and mortgage and other loans on income producing real estate. The estimated fair value of real estate and real estate related assets is generally determined through an appraisal process. In determining fair value, the fund managers utilized the valuations provided by the Partnerships.

(f) Multi-Strategy Hedge Funds

This class includes investments in funds that invest in different strategies, shifting capital among them according to their profitability and outlook. The underlying investment managers employ event driven and diversified strategies, seeking to generate risk-adjusted returns across market and business cycles. In determining fair value, the fund managers utilized the valuations provided by the Partnerships. The Partnerships value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying limited

(Continued)

partnerships, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the Partnerships and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized.

The following tables summarize the changes in fair values associated with Level 3 assets for the years ended June 30, 2012 and 2011:

	Private equity funds	Real asset funds	Interest in high-yield funds	Total
Balance as of June 30, 2011	$ 6,586,511	7,303,619	970,511	14,860,641
Purchases	1,652,462	436,737	—	2,089,199
Sales	(1,846,437)	(854,567)	—	(2,701,004)
Realized gains (losses)	403,617	334,124	(970,511)	(232,770)
Unrealized gains (losses)	163,789	608,596	—	772,385
Management fees	—	(5,000)	—	(5,000)
Balance as of June 30, 2012	$ 6,959,942	7,823,509	—	14,783,451

	Private equity funds	Real asset funds	Interest in high-yield funds	Total
Balance as of June 30, 2010	$ 4,616,765	6,196,989	813,310	11,627,064
Purchases	1,397,373	859,900	—	2,257,273
Sales	(194,269)	(199,912)	—	(394,181)
Realized gains (losses)	12,444	(93,017)	—	(80,573)
Unrealized gains (losses)	754,198	559,659	157,201	1,471,058
Management fees	—	(20,000)	—	(20,000)
Balance as of June 30, 2011	$ 6,586,511	7,303,619	970,511	14,860,641

During 2012 and 2011, there were no transfers between Level 1 and Level 2, into or out of Level 3. The change in net unrealized gains and (losses) related to Level 3 investments still held at June 30, 2012 and 2011 was $608,596 and $1,471,058, respectively.

(12) Endowments

The College follows the provisions of ASC Subtopic 958-205, *Not-for-Profit Entities – Presentation of Financial Statements* relative to its endowment.

(a) Interpretation of Relevant Law

The College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act), as adopted in Georgia, as providing among other things, expanded flexibility by allowing `the College, subject to a standard of prudence, to spend from an endowment fund without regard to the book value of the corpus of the fund. This flexibility under UPMIFA allows an expenditure that reduces the book value of the corpus of an endowment fund below its book value, which was previously not allowed. As a result of this interpretation, the College classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. If the endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' real value, which excess is available for appropriation and, therefore, classified as temporarily restricted net assets until appropriated for expenditure. The College currently records the investment returns on the specific purpose endowment funds in temporarily restricted net assets and makes those earnings available for expenditure for the donor-restricted purpose. In accordance with the Act, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the donor-restricted endowment fund

(3) The expected total return from income and the appreciation of investments

(4) Other resources of the College

(5) The investment policies of the College

(6) Possible effect of inflation or deflation

(7) General economic conditions

(b) Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets intended to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those donor-restricted funds that the College must hold in perpetuity. Under these policies, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed price and yield results of appropriate indexed benchmarks while assuming a moderate level of investment risk.

(c) Strategies Employed for Achieving Objectives

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 strategy across global equities, fixed income, marketable alternatives, and private investments to achieve its long-term return objectives within prudent risk constraints.

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

The College employs a total return endowment spending policy that establishes the amount of endowment investment return available to support current operating and capital needs. The distribution of endowment income in 2012 and 2011 was based on a target of 4.5% of the preceding three years' average fair value. In establishing these policies, the College considered the expected return on its endowment. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

Endowment fund composition by type of fund and net asset classification at June 30, 2012 are summarized as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(6,332,938)	50,952,545	68,188,787	112,808,394
Board-designated endowment funds		16,624,064	—	—	16,624,064
Total endowment net assets	$	10,291,126	50,952,545	68,188,787	129,432,458

Endowment fund composition by type of fund and net asset classification at June 30, 2011 are summarized as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(4,381,376)	58,026,117	66,649,382	120,294,123
Board-designated endowment funds		19,530,927	—	—	19,530,927
Total endowment net assets	$	15,149,551	58,026,117	66,649,382	139,825,050

(Continued)

Changes in endowment net assets for the fiscal year ended June 30, 2012 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	15,149,551	58,026,117	66,649,382	139,825,050
FY 2012 investment return:					
Investment income		—	527,453	—	527,453
Net appreciation (depreciation) (realized and unrealized)		(4,858,425)	(706,869)	—	(5,565,294)
Total investment return (loss)		(4,858,425)	(179,416)	—	(5,037,841)
Contributions		—	—	1,539,405	1,539,405
Appropriation of endowment for expenditure		—	(5,795,910)	—	(5,795,910)
Special appropriation of endowment		—	(1,098,246)	—	(1,098,246)
Endowment net assets, June 30, 2012	$	10,291,126	50,952,545	68,188,787	129,432,458

Changes in endowment net assets for the fiscal year ended June 30, 2011 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	11,199,984	43,360,847	65,564,897	120,125,728
FY 2011 investment return:					
Investment income		—	390,345	—	390,345
Net appreciation (depreciation) (realized and unrealized)		3,949,567	21,188,237	—	25,137,804
Total investment return		3,949,567	21,578,582	—	25,528,149
Contributions		—	—	1,084,485	1,084,485
Appropriation of endowment for expenditure		—	(5,724,293)	—	(5,724,293)
Special appropriation of endowment		—	(1,189,019)	—	(1,189,019)
Endowment net assets, June 30, 2011	$	15,149,551	58,026,117	66,649,382	139,825,050

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets and totaled $6,332,938 and $4,381,376 as of June 30, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of relatively new permanently restricted contributions.

(13) Unrestricted Net Assets

Unrestricted net assets consist of the following at June 30, 2012 and 2011:

	2012	2011
Undesignated	$ 7,970,091	6,534,223
Underwater endowment	(6,332,938)	(4,381,376)
Board-designated:		
Net investment in property, plant, and equipment	66,957,821	70,569,943
Quasi-endowment	16,624,064	19,530,927
Capital improvements	1,753,070	2,283,971
Debt repayment	574,508	566,024
Matching portion for Perkins loans	70,978	12,526
Total board-designated	85,980,441	92,963,391
Total unrestricted net assets	$ 87,617,594	95,116,238

(14) Restricted Net Assets

Temporarily restricted net assets consist of amounts restricted for the following purposes at June 30, 2012 and 2011:

	2012	2011
Student aid	$ 2,247,469	1,330,000
Property, plant, and equipment	1,181,109	1,259,788
Contributions receivable	6,304,922	4,464,822
Endowment	50,952,545	58,026,117
Restricted gifts and grants	10,707,219	10,786,686
	$ 71,393,264	75,867,413

Contributions receivable are restricted as to timing and/or to support various programs. Temporarily restricted endowment and gifts and grants are restricted to various programs and academic disciplines as directed by donors.

(Continued)

Permanently restricted net assets consist of the following at June 30, 2012 and 2011:

		2012	2011
Donor-restricted revolving loan funds	$	503,728	502,573
Contributions receivable		850,624	996,478
Endowment		68,188,787	66,649,382
	$	69,543,139	68,148,433

Income earned on endowment funds is available to fund scholarships and to support the College's various programs.

(15) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expense satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions consist of the following for the years ended June 30, 2012 and 2011:

		2012	2011
Student aid	$	7,617,209	5,321,595
Instruction		3,970,963	3,836,547
Research		194,088	130,353
Public service		333,275	1,286,863
Academic support		689,337	1,029,432
Student services		551,519	444,647
Institutional support		2,528,004	2,133,256
Auxiliary enterprises		717,536	196,876
Property, plant, and equipment acquired, placed in service, and capitalized		286,575	2,893,227
Total net assets released from restrictions	$	16,888,506	17,272,796

(16) Commitments and Contingencies

Certain federally funded financial aid programs are routinely subject to audit. The reports on examinations conducted pursuant to specific regulatory requirements by the auditors for the College, are required to be submitted to both the College and Federal granting agencies. Such agencies have the authority to determine liabilities as well as to limit, suspend, or terminate federal programs. Such audits could result in claims against the resources of the College. Since the College's management does not expect material claims to arise as a result of such audits, no provision for liabilities has been provided in the accompanying financial statements.

The College has outstanding commitments of approximately $7,290,000 and $7,673,000 as of June 30, 2012 and 2011, respectively, for future investments of endowment assets in limited partnerships. Although the College is obligated to fund these commitments, many of these agreements allow “exit with penalty” and/or resale. Funds to meet these commitments will be generated from rebalancing the investment asset allocation, as well as donor gifts and existing investment assets.

The College is involved in legal proceedings and claims that have arisen in the ordinary course of business and have not been finally adjudicated. These actions, when finally concluded and determined, will not, in the opinion of management, have a material adverse effect upon the financial position of the College.

(17) Subsequent Events

The College will refinance the Morehouse College Dormitory and Dining Hall Systems Bonds E and F series through the Private Colleges and University Authority in December of 2012.

In connection with the preparation of the financial statements, the College’s management reviewed subsequent events after the statement of financial position date of June 30, 2012 through November 9, 2012, which is the date the financial statements were issued. There were no additional matters requiring disclosure as of this date. There were no additional matters requiring disclosure as of this date.