THE CULINARY INSTITUTE OF AMERICA

Consolidated Financial Statements

May 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

THE CULINARY INSTITUTE OF AMERICA

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

Board of Trustees
The Culinary Institute of America:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Culinary Institute of America (the Institute), which comprise the consolidated statements of financial position as of May 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

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

KPMG LLP

August 22, 2013

THE CULINARY INSTITUTE OF AMERICA

Consolidated Statements of Financial Position

May 31, 2013 and 2012

Assets		**2013**	**2012**
Cash and cash equivalents	$	1,800,951	6,200,610
Cash held as collateral by swap counterparties (note 7)		3,990,000	5,340,000
Investments (note 3)		136,285,485	111,388,825
Student accounts receivable, net (note 2)		6,510,431	4,677,443
Other receivables		2,359,790	2,057,258
Inventory		2,330,806	2,398,359
Prepaid expenses and other assets		1,794,507	2,243,478
Contributions receivable, net (note 5)		6,641,516	5,349,572
Long-term loans to students, net (note 2)		1,905,014	2,094,497
Deposits with bond trustees (note 8)		15,638,419	8,872,922
Bond issuance and related costs, net		3,641,523	3,583,323
Land, buildings, and equipment, net (note 6)		198,961,848	189,271,245
Total assets	$	381,860,290	343,477,532
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	4,219,234	3,242,369
Deferred revenue		22,957,608	18,413,994
Accrued liabilities		6,200,091	7,301,158
Accrued compensated absences		4,266,458	3,890,642
Fair value of derivative instruments (note 7)		10,869,146	14,739,495
Bonds and notes payable (note 7)		103,381,308	94,572,895
U.S. Government grants refundable		1,678,471	1,682,991
Total liabilities		153,572,316	143,843,544
Net assets:			
Unrestricted		172,473,265	145,315,169
Temporarily restricted (note 10)		31,631,560	31,168,055
Permanently restricted (note 10)		24,183,149	23,150,764
Total net assets		228,287,974	199,633,988
Total liabilities and net assets	$	381,860,290	343,477,532

See accompanying notes to consolidated financial statements.

THE CULINARY INSTITUTE OF AMERICA

Consolidated Statement of Activities

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

	2013				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**2012 Total**
Operating revenues and gains:					
Tuition and fees	$ 119,285,238	—	—	119,285,238	116,211,723
Less scholarships and awards	(19,635,164)	—	—	(19,635,164)	(17,264,535)
Net tuition	99,650,074	—	—	99,650,074	98,947,188
Contributions for operations (note 5)	3,560,597	3,456,754	—	7,017,351	4,715,962
Government grants and contracts	699,601	—	—	699,601	849,729
Investment return designated for operations	3,348,448	2,217,411	—	5,565,859	3,972,753
Sales and services of educational activities	10,761,745	—	—	10,761,745	10,560,909
Sales and services of auxiliary enterprises	17,927,164	—	—	17,927,164	17,862,964
Other sources	5,722,963	—	—	5,722,963	4,537,167
Net assets released from restrictions	3,608,289	(3,608,289)	—	—	—
Total operating revenues and gains	145,278,881	2,065,876	—	147,344,757	141,446,672
Operating expenses:					
Instruction	58,416,725	—	—	58,416,725	55,680,926
Academic support	18,127,108	—	—	18,127,108	17,975,078
Student services	13,254,630	—	—	13,254,630	12,472,321
Institutional support	31,806,074	—	—	31,806,074	31,056,433
Auxiliary enterprises	14,391,909	—	—	14,391,909	14,153,368
Total operating expenses	135,996,446	—	—	135,996,446	131,338,126
Increase (decrease) in net assets from operations	9,282,435	2,065,876	—	11,348,311	10,108,546
Nonoperating activities:					
Contributions for plant and endowment (note 5)	845,823	783,022	1,028,855	2,657,700	13,721,434
Net assets released for plant	7,439,885	(7,439,885)	—	—	—
Investment return, net of amounts designated for current operations	6,035,545	5,054,492	3,530	11,093,567	(6,505,211)
Change in fair value of derivative instruments (note 7)	3,870,349	—	—	3,870,349	(6,810,626)
Change in value of gift annuity agreement	—	—	—	—	567,551
Cost of debt extinguishment	(315,941)	—	—	(315,941)	—
Increase (decrease) in net assets from nonoperating activities	17,875,661	(1,602,371)	1,032,385	17,305,675	973,148
Increase in net assets	27,158,096	463,505	1,032,385	28,653,986	11,081,694
Net assets at the beginning of the year	145,315,169	31,168,055	23,150,764	199,633,988	188,552,294
Net assets at the end of the year	$ 172,473,265	31,631,560	24,183,149	228,287,974	199,633,988

See accompanying notes to consolidated financial statements.

THE CULINARY INSTITUTE OF AMERICA

Consolidated Statement of Activities

Year ended May 31, 2012
(with summarized information for the year ended May 31, 2011)

	2012				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**2011 Total**
Operating revenues and gains:					
Tuition and fees	$ 116,211,723	—	—	116,211,723	108,559,959
Less scholarships and awards	(17,264,535)	—	—	(17,264,535)	(19,082,812)
Net tuition	98,947,188	—	—	98,947,188	89,477,147
Contributions for operations (note 5)	4,377,421	338,541	—	4,715,962	3,538,356
Government grants and contracts	849,729	—	—	849,729	989,364
Investment return designated for operations	2,665,216	1,308,425	(888)	3,972,753	3,760,063
Sales and services of educational activities	10,560,909	—	—	10,560,909	10,339,632
Sales and services of auxiliary enterprises	17,862,964	—	—	17,862,964	16,923,677
Other sources	4,537,167	—	—	4,537,167	4,672,343
Net assets released from restrictions	2,744,289	(2,744,289)	—	—	—
Total operating revenues and gains	142,544,883	(1,097,323)	(888)	141,446,672	129,700,582
Operating expenses:					
Instruction	55,680,926	—	—	55,680,926	52,559,859
Academic support	17,975,078	—	—	17,975,078	17,466,842
Student services	12,472,321	—	—	12,472,321	12,395,542
Institutional support	31,056,433	—	—	31,056,433	28,530,388
Auxiliary enterprises	14,153,368	—	—	14,153,368	14,216,633
Total operating expenses	131,338,126	—	—	131,338,126	125,169,264
Increase (decrease) in net assets from operations	11,206,757	(1,097,323)	(888)	10,108,546	4,531,318
Nonoperating activities:					
Contributions for plant and endowment (note 5)	633,767	12,967,678	119,989	13,721,434	12,958,372
Net assets released for plant	2,453,257	(2,453,257)	—	—	—
Investment return, net of amounts designated for current operations	(5,642,553)	(862,658)	—	(6,505,211)	7,595,711
Change in fair value of derivative instruments (note 7)	(6,810,626)	—	—	(6,810,626)	(485,973)
Change in value of gift annuity agreement	567,551	—	—	567,551	—
Cost of debt extinguishment	—	—	—	—	(175,915)
Increase (decrease) in net assets from nonoperating activities	(8,798,604)	9,651,763	119,989	973,148	19,892,195
Increase in net assets	2,408,153	8,554,440	119,101	11,081,694	24,423,513
Net assets at the beginning of the year	142,907,016	22,613,615	23,031,663	188,552,294	164,128,781
Net assets at the end of the year	$ 145,315,169	31,168,055	23,150,764	199,633,988	188,552,294

See accompanying notes to consolidated financial statements.

THE CULINARY INSTITUTE OF AMERICA

Consolidated Statements of Cash Flows

Years ended May 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 28,653,986	11,081,694
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,000,649	7,989,078
Net realized and unrealized (gain) loss on investments and deposits with bond trustees	(16,409,500)	4,019,286
Equipment donations	(729,181)	(423,660)
Change in (appreciation) depreciation in fair value of derivative instruments	(3,870,349)	6,810,628
Loss on extinguishment of debt	315,941	—
Contributions restricted for long-term investment	(2,657,700)	(13,721,434)
Change in operating assets and liabilities that provide (use) cash:		
Student accounts receivable, net	(1,832,988)	(1,096,912)
Other receivables	(302,532)	223,035
Inventory	67,553	(109,225)
Prepaid expenses and other assets	448,971	(518,384)
Contributions receivable, net	(1,291,944)	2,557,628
Accounts payable and accrued liabilities	(1,506,830)	1,602,774
Annuity and life income obligations	—	(610,427)
Deferred revenue	4,543,614	1,923,590
Net cash provided by operating activities	13,429,690	19,727,671
Cash flows from investing activities:		
Purchases of land, buildings, and equipment	(15,089,168)	(7,040,797)
Decrease (increase) in long-term loans to students	189,483	(53,439)
Proceeds from sales and maturities of investments	108,552,631	20,764,616
Purchases of investments	(117,040,330)	(35,526,626)
Net cash used in investing activities	(23,387,384)	(21,856,246)
Cash flows from financing activities:		
Repayments of principal of indebtedness	(3,545,000)	(3,400,000)
Change in cash held as collateral by swap counterparties	1,350,000	(4,440,000)
Proceeds from issuance of bonds payable	22,150,000	—
Extinguishment of bonds payable	(12,185,000)	—
Bond issuance costs paid	(455,967)	—
Premium received from bond issued	2,355,780	—
Change in deposits with bond trustees	(6,764,958)	(547,509)
Net decrease in U.S. Government grants refundable	(4,520)	(7,889)
Contributions restricted for long-term investment	2,657,700	13,721,434
Net cash provided by financing activities	5,558,035	5,326,036
(Decrease) increase in cash and cash equivalents	(4,399,659)	3,197,461
Cash and cash equivalents at beginning of year	6,200,610	3,003,149
Cash and cash equivalents at end of year	$ 1,800,951	6,200,610
Supplemental data:		
Interest paid	$ 3,062,069	3,215,704
Gifts-in-kind	2,230,812	1,580,717
Purchases of plant and equipment included in accounts payable	1,758,444	—

See accompanying notes to consolidated financial statements.

(1) The Institute

The Culinary Institute of America (Institute) has been a leader in culinary education since 1946. The Institute has three domestic campuses, located on the East and West coasts of the United States of America in Hyde Park, NY and St. Helena, CA (Greystone), respectively, as well as a campus in San Antonio, TX. The Institute also has an international campus located in Singapore that is operated through The Culinary Institute of America Singapore, Ltd., a wholly owned subsidiary of the Institute.

At its Hyde Park campus, the Institute offers associate's degrees, in either culinary arts or baking and pastry arts, and bachelor's degrees in culinary arts management, or baking and pastry arts management. At its Greystone campus, the Institute offers either culinary arts or baking and pastry associate's degrees. At its San Antonio campus, the Institute offers an associate in applied science (AAS) degree in culinary arts. At both the Greystone and San Antonio campuses, credit bearing certificate programs are also offered. In addition, the Institute offers continuing education programs at all of its campuses. At the Singapore campus, the Institute has a collaboration agreement with the Singapore Institute of Technology for the culinary education of undergraduate degree students. In addition, the Institute operates nine public restaurants, five at the Hyde Park campus, two at the Greystone campus, and two at the San Antonio campus.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements include the accounts of The Culinary Institute of America and its wholly owned subsidiary (collectively, the Institute). All significant intercompany balances and transactions have been eliminated in consolidation.

The Institute's consolidated financial statements have been prepared on the accrual basis of accounting and are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, which addresses the presentation of financial statements for not-for-profit entities. Accordingly, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Institute are classified as follows:

Unrestricted net assets – generally are not subject to donor-imposed stipulations, but may be designated for specific purposes by the board of trustees or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted net assets – are subject to donor-imposed stipulations that expire by the passage of time or can be fulfilled or removed by actions pursuant to the stipulations. Temporarily restricted net assets consist primarily of gifts restricted by donors for capital projects and other operating purposes.

Permanently restricted net assets – are subject to donor-imposed stipulations that they be maintained in perpetuity. Generally, donors of these assets usually permit the use of all or part of the investment return on these assets. Permanently restricted net assets primarily consist of the Institute's permanent endowment funds.

Expenses are reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations are reported as a reclassification between the applicable classes of net assets as an increase in one class of net assets and decrease in another. It is the Institute's policy to record temporarily restricted contributions received and expended in the same accounting period as unrestricted.

Nonoperating activities include contributions to be used for facilities and equipment, or contributions for the endowment fund. Nonoperating activities also includes investment return net of amounts designated for current operations, as well as gains or losses resulting from nonrecurring financing activities.

(b) Contributions

Contributions, including unconditional promises to give, are recognized as revenues when donors' commitments are received. Contributions of assets other than cash are recorded at their estimated fair value. Conditional pledges are recognized as revenues when conditions are substantially met. Unconditional pledges, net of an allowance for uncollectible amounts, are reported at their estimated net present values, and are classified as either temporarily or permanently restricted. The allowance for uncollectible contributions is estimated based upon management's judgment and includes factors such as prior collection history.

(c) Cash and Cash Equivalents

The Institute considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless they are part of long-term investment funds.

(d) Revenue Recognition and Receivables

Students are billed prior to the start of each semester. The related net revenue is deferred and recognized when the educational services are rendered. The Institute extends credit, primarily to students, in the form of notes and accounts receivable for educational expenses. Student accounts receivable do not bear interest, but long-term loans to students bear interest at rates averaging 5%.

The receivables are recorded at their current unpaid principal balance and associated interest income, if applicable, is accrued based on the principal amount outstanding and applicable interest rates. Allowances for doubtful accounts are recorded representing the amounts that, in the opinion of management of the Institute, are necessary to account for probable losses related to the receivables. These allowances are determined based upon numerous considerations, including economic conditions, the specific composition of the receivable balance, as well as trends of delinquencies and write-offs. On a periodic basis, these factors are considered and the allowances for doubtful accounts are adjusted accordingly, with a corresponding adjustment to the provision for allowance for doubtful accounts.

Reserves have been provided for accounts receivable estimated to be uncollectible at May 31, 2013 and 2012 of $2,724,002 and $2,352,403, respectively.

Reserves have been provided for long-term loans to students estimated to be uncollectible at May 31, 2013 and 2012 of $402,105 and $369,372, respectively.

(e) Investments

Investments are recorded at fair value. If an investment is held directly by the Institute and in an active market where quoted prices exists, the Institute 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 Institute also holds shares or units in alternative investment funds involving hedge and private equity strategies. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets that require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

The Institute utilizes the net asset value (NAV) reported by each of the alternative investment 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 Institute's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the Institute's interest in the funds.

Endowment and investment return includes interest and dividends, realized gains and losses, and the change in unrealized appreciation (depreciation) on the associated investments. The average cost of investment securities sold is used to determine the basis for computing realized gains or losses, and the Institute accounts for investment sales and purchases on a trade date basis.

(f) Inventory

Inventory primarily represents restaurant operating supplies and food and beverage and are stated at the lower of cost, determined principally on the weighted average cost method, or market.

(g) Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost at the date of acquisition or fair value at date of donation.

Depreciation is recorded using the straight-line method with estimated useful lives used in the calculation of depreciation by major category of assets are as follows:

Buildings and building improvements	50 years
Kitchen equipment and renovations	15 years
Furniture and equipment	7 years
Computer equipment	5 years

In June 2011, the Institute entered into a long-term ground lease with a component of the Collegiate Housing Foundation (CHF), a national not-for-profit organization, for the construction of three separate townhouses to be utilized for a 161-bed student housing facility. Pursuant to this 40-year agreement, the development, construction and financing of the facility is the exclusive responsibility of the CHF-CIA, LLC, the component of CHF. The facility is owned by CHF-CIA, LLC, a separate 501(c)(3) entity, and financed through tax-exempt bonds issued by the Dutchess County Local Development Corporation. The Institute does not pay nor is it responsible for the debt. When the financing is paid in full, the ownership interest in the facility may be conveyed to the Institute. Accordingly, the assets, related long-term debt and associated results of operations of CHF-CIA, LLC have been properly excluded from the Institute’s consolidated financial statements.

(h) Discount and Bond Premium

Bonds payable are recorded net of the discount or premium. Amortization and accretion of this discount or premium is recorded using the straight-line method. Net accretion (amortization expense) amounted to $50,471 and $(19,303) for the years ended May 31, 2013 and 2012, respectively.

(i) Bond Issuance Costs

Bond issuance costs are capitalized and amortized over the term of the related bond, using the straight-line method. Bond issuance costs are $3,641,523 and $3,583,323, net of amortization, at May 31, 2013 and 2012, respectively. Amortization expense amounted to $164,930 and $160,810 in 2013 and 2012, respectively.

(j) Interest Rate Swap Agreements

The Institute accounts for its interest rate swap transactions in accordance with ASC 815, *Derivatives and Hedging*. The Institute uses interest rate swap agreements as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. The interest rate swap agreements in place are not designated as a hedge of cash flows related to the corresponding debt agreements. The fair value of the interest rate swaps is recognized as either an asset or liability. Gains and losses on settlements and changes in the fair value of the interest rate swap transactions are reflected in the consolidated statement of activities.

(k) Income Taxes

The Institute has a tax determination letter dated February 22, 1973, from the Internal Revenue Service stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code.

ASC 740, *Income Taxes*, permits an entity to recognize the benefit and requires accrual of an uncertain tax position only when the position is “more likely than not” to be sustained in the event of examination by tax authorities. In evaluating whether a tax position has met the recognition threshold, the Institute must presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. ASC 740 also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. Tax positions deemed to meet the "more-likely than-not" threshold are recorded as a tax expense in the current year.

The Institute believes it has no significant uncertain tax positions.

(l) Commitments and Contingencies

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

The Institute recognizes a liability for the fair value of conditional asset retirement obligations if their fair values can be reasonably estimated. The Institute has identified a specific legal obligation related to an environmental remediation matter as a conditional asset retirement obligation. The liability associated with this obligation cannot be reasonably estimated due to the fact that a settlement date cannot be determined. Management does not believe that this item is material to the Institute's consolidated financial statements.

(m) Management Estimates

The preparation of consolidated financial statements in accordance 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, and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of interest rate swaps, valuation allowances for receivables, and the valuation of certain investments. Actual results could differ from those estimates.

(n) Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents, investments, student accounts receivable, other receivables, deposits with bond trustees, accounts payable – The carrying amounts approximate fair value because of the short-term maturity of these instruments or they have been otherwise recorded at their estimated fair value.

Long-term loans to students – Determination of the fair value cannot be made as these notes are comprised of federally sponsored student loans that bear interest rates and repayment terms, and are subject to significant restrictions on their transfer and disposition.

Bonds and notes payable – The fair value of long-term debt is based on quoted market prices for similar issues. The fair value of the Institute's long-term debt is approximately \$103,451,000 and \$95,385,000 at May 31, 2013 and 2012, respectively.

Interest rate swaps – The interest rate swap agreements are recorded at fair value within the accompanying consolidated financial statements based on dealer quotes of the estimated settlement amounts required of the Institute if the agreement was terminated, taking into consideration current interest rates. The interest rate swaps are categorized as Level 2 in the fair value hierarchy.

(o) Reclassifications

Certain reclassifications have been made to the 2012 information to conform with the 2013 presentation.

(3) Investments

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

Investments and other financial instruments are reported at fair value. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Items measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Institute has the ability to access at the measurement date. Assets and liabilities classified as Level 1 generally include listed equities. Level 1 also includes cash and cash equivalents given the short maturity of these investments.
- Level 2 inputs are quoted market prices for markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly. Assets and liabilities classified as Level 2 generally include fixed income securities or investments in common collective trusts that hold Level 1 assets and derivative instruments.
- Level 3 inputs include pricing inputs that are unobservable for the assets and reflect certain assumptions to determine fair value. Assets classified as Level 3 include the Institute's alternative investments (private equities and hedge funds). The Institute utilized the NAV reported by the alternative investments as a practical expedient for measuring and reporting their fair values in the accompanying financial statements. The investments in these partnerships and funds may include certain private instruments, which do not trade in public markets and, therefore, may be subject to greater liquidity risk.

With respect to those investments reported at NAV as a practical expedient, classification in Level 2 or 3 is based on the Institute's ability to redeem its interest at or near the date of the consolidated statements of financial position, and if the interest can be redeemed in the near term, the investment is classified in Level 2.

Realized and unrealized gains and losses from these investments are reported in the consolidated statements of activities as they occur.

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. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes is not necessarily an indication of the risk associated with investing in those investments or a reflection on the liquidity of each fund's underlying assets and liabilities.

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

	May 31, 2013	Level 1	Level 2	Level 3	Redemption frequency	Days' notice
Investments:						
Time deposits and short-term funds	$ 68,631	68,631	—	—	Daily	1 – 3
Commingled equity and debt funds	7,618,056	7,618,056	—	—	Daily	1 – 3
Multi-strategy	119,839,356	—	119,839,356	—	Quarterly	90
Hedge funds	488,810	—	488,810	—	Quarterly	90
Real assets	3,948,573	—	—	3,948,573	Illiquid	—
Private equity	3,222,059	—	—	3,222,059	Illiquid	—
Real estate	1,100,000	—	—	1,100,000	—	—
Total investments	$ 136,285,485	7,686,687	120,328,166	8,270,632		

As of May 31, 2013, 88% of the Institute's total investments were invested in a fund-of-funds managed by Perella Weinberg Partners, the Institute's outsourced chief investment officer. This particular fund offers the Institute the ability to direct investments via share classes offering exposure in global equities, fixed income, absolute return, real assets and private equity. As of May 31, 2013, the Institute's investment in this multi-strategy fund comprised of 56% global equities, 11% global fixed income, 18% absolute return, 14% real assets and 1% private equity.

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

	May 31, 2012	Level 1	Level 2	Level 3	Redemption frequency	Days' notice
Investments:						
Time deposits and short-term funds	$ 182,111	182,111	—	—	Daily	1 – 3
Equity securities:						
Large cap equity	15,477,378	5,179,102	10,298,276	—	Daily - Monthly	1 – 30
Small/Mid cap equity	6,500,589	5,243,131	1,257,458	—	Daily	1 – 3
International equity	2,583,719	—	2,583,719	—	Daily - Monthly	1 – 90
Commingled equity and debt funds	36,575,825	36,488,728	87,097	—	Daily	1 – 3
U.S. government debt securities	14,197,408	14,197,408	—	—	Daily	1 – 3
Corporate debt securities	11,513,093	11,513,093	—	—	Daily	1 – 3
Mortgage backed securities	601,494	601,494	—	—	Daily	1 – 3
Real assets	3,880,583	—	—	3,880,583		
Private equity	18,776,625	—	12,239,482	6,537,143	Quarterly - Illiquid	90 – NA
Real estate	1,100,000	—	—	1,100,000	—	—
Total investments	$ 111,388,825	73,405,067	26,466,032	11,517,726		

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

	2013		
	Total	Real assets (including real estate)	Private equity
Beginning of year balance	$ 11,517,726	4,980,583	6,537,143
Purchases	1,044,960	400,000	644,960
Realized and unrealized gains	731,555	421,599	309,956
Redemptions	(5,023,609)	(753,609)	(4,270,000)
End of year balance	$ 8,270,632	5,048,573	3,222,059

	2012		
	Total	Real assets (including real estate)	Private equity
Beginning of year balance	$ 11,204,974	5,171,511	6,033,463
Purchases	575,000	—	575,000
Realized and unrealized gains	119,254	98,427	20,827
Redemptions	(381,502)	(289,355)	(92,147)
End of year balance	$ 11,517,726	4,980,583	6,537,143

There were no transfers between Level 1 and Level 2 investments during the fiscal year ended May 31, 2013. Additionally, there were no transfers between Level 2 and Level 3 investments during the fiscal years ended May 31, 2013.

The following schedule summarizes the investment return and its classification in the accompanying consolidated statements of activities:

		2013	2012
Interest income and dividends	$	621,385	1,593,230
Net realized and unrealized gains and (losses)		16,232,525	(3,954,866)
Directly paid managed investment fees		(194,484)	(170,822)
Total return on investments		16,659,426	(2,532,458)
Investment return designated for current operations		(5,565,859)	(3,972,753)
Investment return, net of amounts designated for current operations	$	11,093,567	(6,505,211)

Liquidity

The investments fair value as of May 31, 2013 are summarized below by redemption period:

Investments redemption period:		
Daily (up to 3 days)	$	7,686,687
Quarterly		120,328,166
Not redeemable until liquidated		8,270,632
Total	$	136,285,485

The limitations and restrictions on the Institute's ability to redeem or sell Level 3 investments vary by investment and range from required notice periods (generally 30 to 180 days after initial lock-up periods) for certain limited partnership and real asset funds, to specified terms at inception (generally 10 years) associated with private equity interests. Based upon the terms and conditions in effect at May 31, 2013, the Institute's investments in the amount of $8,270,632 are locked up until redeemed.

Under the terms of certain limited partnership agreements, the Institute is obligated periodically to advance additional funding for certain funds that the Institute is invested in. At May 31, 2013, the Institute had capital commitments of $1,143,000 for which calls had not been exercised. Such commitments generally have fixed expiration dates or other termination dates. The Institute maintains sufficient liquidity in its investment portfolio to cover such commitments.

(4) Endowment Funds

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

(a) Return Objectives and Risk Parameters

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

(b) Strategies Employed for Achieving Objects

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee is responsible for establishing an asset allocation policy. The asset allocation policy is designed to attempt to achieve diversity among capital markets and within capital markets, by investment discipline and management style. The Investment Committee designs a policy portfolio in light of the endowment's needs for liquidity, preservation of purchasing power, and risk tolerance.

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

(c) Spending Policy

The Institute has a policy of appropriating for distribution each year a percentage of its endowment fund based on the fund's average fair value over the prior 12 quarters. The spending rate was 5.0% for both the years ended May 31, 2013 and 2012. In establishing this policy, the Institute considered the long-term expected return on its endowment. Accordingly, over the long term, the Institute expects the current spending policy to allow its endowment to grow at an average of 2.0% real growth plus the rate of inflation (as measured by the Consumer Price Index). This is consistent with the Institute's objective to maintain the purchasing power of the endowment assets held as well as to provide additional growth through new gifts and investment return.

In establishing these policies, the Institute considered the expected return on its endowment and its programming needs. Accordingly, the Institute expects the current spending policy to allow its endowment to maintain its purchasing power and to provide a predictable and stable source of

(Continued)

revenue to the annual operating budget. Additional real growth will be provided through new gifts, any excess investment return, or additions by the Board of Trustees.

The following is a summary of the Institute's endowment net asset composition by type of fund as of May 31, 2013 and 2012:

	2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	$ (1,551,052)	24,141,425	23,593,149	46,183,522
Board designated (quasi)	68,946,969	—	—	68,946,969
	$ 67,395,917	24,141,425	23,593,149	115,130,491

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	$ (3,107,654)	19,276,714	23,088,797	39,257,857
Board designated (quasi)	60,897,250	—	—	60,897,250
	$ 57,789,596	19,276,714	23,088,797	100,155,107

Annually, the Institute's management assesses whether certain endowment balances comprising its permanently restricted fund, as of May 31, 2013, had market values less than their historical corpus values. Aggregate shortfalls amounted to $1,551,052 and $3,107,654 at May 31, 2013 and 2012, respectively, and are accounted for in the unrestricted fund. Permanent endowment corpuses are separately maintained in the Permanent Fund. Endowment earnings shortfalls are covered by investments held in unrestricted net assets.

The reconciliation of permanently restricted endowment net assets to permanently restricted net assets at May 31, 2013 and 2012 is as follows:

	2013	2012
Permanent endowment investment balance	$ 23,593,149	23,088,797
Permanent endowment pledge receivable	590,000	61,967
Permanently restricted net assets	$ 24,183,149	23,150,764

The following is a summary of the components of the return of the endowment pool and changes in endowment net assets for the years ended May 31, 2013 and 2012:

	2013			2012		
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Unrestricted**	**Temporarily restricted**	**Permanently restricted**
Endowment net assets, beginning of year	$ 57,789,596	19,276,714	23,088,797	59,095,060	11,186,689	22,811,552
Dividends and interest	312,047	219,832	—	990,104	454,712	—
Net realized and unrealized gains (losses)	9,033,901	5,634,137	3,530	(3,515,581)	1,611	(888)
Amounts appropriated for spending	(3,348,448)	(2,217,411)	—	(2,665,216)	(1,308,425)	—
Endowment reinvestment of appropriated spending and changed restrictions	3,106,723	259,274	—	2,420,795	(261,784)	—
Contributions, pledge payments and other transfers	502,098	968,879	500,822	1,464,434	9,203,911	278,133
Endowment net assets, end of year	$ 67,395,917	24,141,425	23,593,149	57,789,596	19,276,714	23,088,797

The Institute follows the New York Prudent Management of Institutional Funds Act (NYPMIFA) in the management of its endowment. The Institute has interpreted NYPMIFA as allowing the Institute to spend or accumulate the amount of an endowment fund that the Institute determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The Institute has not changed the way permanently restricted net assets are classified as a result of this interpretation and classifies as permanently restricted net assets (a) the original values of gifts donated to permanent endowments, (b) the original values of subsequent gifts to permanent endowments, and (c) accumulations to permanent endowments made in accordance with the directions of the applicable donors' gift instruments at the times the accumulations are added to the funds. Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities*, requires the portion of a donor restricted endowment fund that is not classified in permanently restricted net assets to be classified as temporarily restricted net assets until those amounts are appropriated for spending by the Institute's Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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

- The duration and preservation of the fund
- The purposes of the Institute and the endowment fund
- General economic conditions
- The expected total return from income and the appreciation of investments
- Other resources of the Institute

- Where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of an endowment fund, giving due consideration to the effect that such alternatives may have on the Institute
- The investment policies of the Institute

(5) Contributions and Contributions Receivable

At May 31, 2013 and 2012, contributions receivable estimated to be collected are as follows:

		2013	2012
Less than one year	$	1,846,223	2,500,851
One to five years		3,588,619	2,049,477
Thereafter		2,472,525	2,415,574
		7,907,367	6,965,902
Less present value discount (3% on May 31, 2013, 5% on May 31, 2012)		(891,211)	(1,223,241)
Less allowance for doubtful receivables		(374,640)	(393,089)
Total	$	6,641,516	5,349,572

Net contributions include gifts which support both operating and nonoperating activities of the Institute are comprised of the following:

		2013	2012
Pledge revenue	$	4,371,450	2,856,423
Cash and other gift revenue		2,787,810	13,701,534
Gifts-in-kind		2,230,812	1,580,717
Gross contributions		9,390,072	18,138,674
Receivable write-offs and net change in allowance for doubtful receivables		(47,051)	80,324
Net change in present value adjustment		332,030	218,398
Net contributions	$	9,675,051	18,437,396

For the years ended May 31, 2013 and 2012, the Institute's fundraising expense amounted to $2,192,546 and $2,334,772, respectively. These amounts do not include expenses incurred for fundraising events which amounted to $597,329 and $765,039, respectively.

(6) Land, Buildings, and Equipment

Land, buildings, and equipment as of May 31, 2013 and 2012 consists of:

		2013	2012
Land	$	7,373,865	7,373,865
Buildings and building improvements		231,646,612	226,051,963
Furniture and equipment		63,697,190	59,815,282
Construction-in-progress		11,637,224	3,536,987
		314,354,891	296,778,097
Less accumulated depreciation		(115,393,042)	(107,506,852)
Total	$	198,961,849	189,271,245

During fiscal year 2013, the Institute began major construction of a conference center located at the Hyde Park campus. To finance this project, the Institute issued Series 2012 Insured Revenue Bonds with the Dormitory Authority of the State of New York in October 2012 (see note 7).

Depreciation of buildings and building improvements, and furniture and equipment was $7,886,190 and $7,808,966 for the fiscal years ended May 31, 2013 and 2012, respectively.

Interest costs incurred during construction are capitalized, net of interest earned on construction funds. Capitalized interest during fiscal year ended May 31, 2013 was $356,245. There was no capitalized interest for the fiscal year ended May 31, 2012.

(7) Bonds Payable

Bonds payable are comprised of the following at May 31, 2013 and 2012:

	Maturity date	Interest rate	Original issue	Outstanding at May 31, 2013	Outstanding at May 31, 2012
Dormitory Authority of the State of New York:					
Revenue bonds:					
Series 1999 (a)	7/1/28	4.0% – 5.375%	$ 20,275,000	—	12,970,000
Revenue bonds:					
Series 2004A (b)	7/1/27	2.0% – 4.0%	9,760,000	7,080,000	7,405,000
Series 2004B (b)	7/1/16	2.5% – 4.0%	9,720,000	3,660,000	4,495,000
Series 2004C (b)	7/1/33	Variable	23,725,000	23,725,000	23,725,000
Revenue bonds:					
Series 2004D (c)	7/1/34	Variable	19,000,000	16,025,000	16,500,000
Revenue bonds:					
Series 2006 (d)	7/1/36	Variable	15,125,000	13,400,000	13,725,000
Revenue bonds:					
Series 2012 (e)	7/1/42	3.0% – 5.0%	22,150,000	22,150,000	—
California Statewide Communities Development Authority:					
Revenue bonds:					
Series 2008 (e)	10/1/38	Variable	18,200,000	15,375,000	16,175,000
				$ 101,415,000	94,995,000

(a) The Series 1999 Bonds are secured by the pledge and assignment to a financial institution (Trustee) of amounts recorded in the Debt Service Reserve Fund (note 8). Additionally, the bonds are secured by pledged tuition revenues (as defined in the loan agreement), a mortgage and security interests in certain fixtures, furnishings, and equipment located therein. These bonds were refunded in full with the issuance of the Series 2012 Bonds.

(b) The Series 2004A, Series 2004B and Series 2004C Bonds are secured by the pledge and assignment to a financial institution (Trustee) of amounts recorded in the Debt Service Reserve Fund (note 8). Additionally, the bonds are secured by pledged tuition revenues (as defined in the loan agreement), a mortgage on the associated student townhouses and security interests in certain fixtures, furnishings and equipment located therein.

For the Series 2004C Bonds, the Institute entered into an interest rate swap agreement, the effect of which is to modify the interest rate characteristics of the Series 2004C Bonds from a floating to a fixed rate. The interest rate swap agreement requires the Institute to pay a fixed rate of interest (3.359%) and receive variable rates of interest based on fluctuations in the one-month LIBOR rate. The original notional amount of this interest rate swap was $23,725,000 and decreases consistent with the scheduled principal payments on the associated Series 2004C Bonds. The swap agreement matures on July 1, 2033. The fair value of the interest rate swap is $4,125,007 at May 31, 2013.

During fiscal year 2008, the Institute completed a reoffering of the Series 2004C Bonds in order to modify the variable interest rate mode from the Auction Rate Mode to the Weekly Rate Mode, as defined and provided for within the combined Reoffering Circular. Also, the associated bond series have been additionally secured by an irrevocable, transferable direct pay letter of credit issued by TD Banknorth N.A. under terms of a Reimbursement Agreement dated May 1, 2008 between the Institution and the aforementioned bank. This letter of credit will expire in May of 2015.

(c) The Series 2004D Bonds are secured by the pledge and assignment to a financial institution (Trustee) of amounts recorded in the Debt Service Reserve Fund (note 8). Additionally, the bonds are secured by pledged tuition revenues (as defined in the loan agreement), a mortgage on the Admissions Building and Anton Parking Plaza and security interests in certain fixtures, furnishings and equipment located therein. For the Series 2004D Bonds, the Institute entered into an interest rate swap agreement, the effect of which is to modify the interest rate characteristics of the Series 2004D Bonds from a floating to a fixed rate. The interest rate swap agreement requires the Institute to pay a fixed rate (3.597%) and receive variable rates of interest based on fluctuations in the one-month LIBOR rate. The original notional amount of this interest rate swap was $14,000,000 and decreases consistent with the scheduled principal payments on the associated Series 2004D Bonds. The swap agreement matures on July 1, 2034. The fair value of the interest swap is $2,862,056 at May 31, 2013.

During fiscal year 2008, the Institute completed a reoffering of the Series 2004D Bonds in order to modify the variable interest rate mode from the Auction Rate Mode to the Weekly Rate Mode, as defined and provided for within the combined Reoffering Circular. Also, the associated bond series have been additionally secured by an irrevocable, transferable direct pay letter of credit issued by TD Banknorth N.A. under terms of a Reimbursement Agreement dated May 1, 2008 between the Institution and the aforementioned bank. This letter of credit will expire in May of 2015.

(d) The Series 2006 Bonds are secured by the pledge and assignment to a financial institution (Trustee) of amounts recorded in the Debt Service Reserve Fund (note 8). Additionally, the bonds are secured by pledged tuition revenues (as defined in the loan agreement), a mortgage on the associated townhouses and security interests in certain fixtures, furnishings, and equipment located therein. For the Series 2006 Bonds, the Institute entered into an interest rate swap agreement, the effect of which is to modify the interest rate characteristics of the Series 2006 Bonds from a floating to a fixed rate. The interest rate swap agreement requires the Institute to pay a fixed rate (3.678%) and receive variable rates of interest based on fluctuations in the one-month LIBOR rate. The original notional amount of this interest rate swap was $15,125,000 and decreases consistent with the scheduled principal payments on the associated Series 2006 Bonds. The swap agreement matures on July 1, 2036. The fair value of the interest rate swap is $2,765,679 at May 31, 2013.

During fiscal year 2008, the Institute completed a reoffering of the Series 2006 Bonds in order to modify the variable interest rate mode from the Auction Rate Mode to the Weekly Rate Mode, as defined and provided for within the combined Reoffering Circular. Also, the associated bond series have been additionally secured by an irrevocable, transferable direct pay letter of credit issued by TD Banknorth N.A. under terms of a Reimbursement Agreement dated May 1, 2008 between the Institution and the aforementioned bank. This letter of credit is renewed annually with a current maturity date of May 31, 2015.

(e) The Series 2008 Bonds were issued to (1) finance the renovation and equipping of the student residential property and the campus store located at Greystone and (2) refund in full the previously issued California Statewide Communities Development Authority (Series 2005 Bonds).

The bonds are secured by pledged tuition revenues (as defined in the loan agreement) subject to the prior DASNY pledges and a first lien mortgage on the Greystone campus. In connection with the issuance of the Series 2005 Bonds, the Institute entered into an interest rate swap agreement, the effect of which is to modify the interest rate characteristics of the Series 2005 Bonds and subsequently, the refunding portion of the Series 2008 Bonds from a floating to fixed rate. The interest rate swap agreement requires the Institute to pay a fixed rate (3.23%) and receive variable rates of interest based on fluctuations in the one-month LIBOR rate. The original notional amount of this interest rate swap was $14,150,000 and decreases consistent with the scheduled principal payments on the associated Series 2005 Bonds which were refunded by the Series 2008 Bonds. The fair value of the interest rate swap is $1,116,404 at May 31, 2013.

During the fiscal year 2011, the Institute completed a remarketing of the Series 2008 Bonds which converted the Bonds from variable rate bonds secured by a bank letter of credit to variable rate bank qualified private placement bonds. The converted Series 2008 Bonds were purchased by TD Bank, NA and are subject to a Continuing Covenants Agreement dated October 29, 2010 between the Institute and the aforementioned bank. The purchase period is for ten years expiring in 2020. The 2005 interest rate swap agreement continues to hedge a portion of the converted Series 2008 Bonds, as the swap was assumed by TD Bank, NA and the rate was modified to 3.28%. The Institute was in compliance with its debt covenants as of May 31, 2013.

(f) The Series 2012 Bonds were issued to (1) finance the construction and equipping of a new conference center located at the Hyde Park Campus and (2) refund in full, the previously issued Dormitory Authority of the State of New York (Series 1999 Bonds). These bonds are secured by the pledge and assignment to the Trustee of the Revenues and security interests in pledged tuition revenues (as defined by the loan agreement). The bonds were issued at fixed interest rates ranging from 3.0% to 5.0% at the date of issuance depending on the underlying principal maturity date. These bonds were issued at a premium that is being amortized using the straight-line method over the remaining life of the bonds, resulting in a yield ranging from 0.98% to 4.07%.

Scheduled principal payments and maturities of bonds payable are summarized as follows:

Year ending May 31:		
2014	$	3,485,000
2015		3,820,000
2016		3,975,000
2017		4,110,000
2018		4,310,000
Thereafter through 2042		81,715,000
Bond principal maturities		101,415,000
Add: bond premium		2,288,966
Less: bond discounts		(322,658)
Bonds and notes payable, net	$	103,381,308

Total interest expense for the years ended May 31, 2013 and 2012, was $3,230,250 and $3,368,109 respectively.

The fair values of the aforementioned interest rate swaps are included on the accompanying consolidated statements of financial position and the change in the fair values is reported as appreciation or depreciation in fair value of derivative instruments within the consolidated statements of activities. The counterparties to these arrangements are major financial institutions with which the Institute also has other financial relationships. The Institute is exposed to credit loss in the event of nonperformance by the counterparties. However, the Institute does not anticipate nonperformance by the counterparties. Further, in accordance with collateral requirements set forth in the swap agreements, the Institute deposited $3,990,000 and $5,340,000 with the counterparties at May 31, 2013 and 2012 respectively.

Credit Facility

The Institute has an unsecured line of credit totaling $3.0 million in 2013 and had a total of $6.0 million in unsecured lines of credit in 2012. At May 31, 2013 and 2012, there were no outstanding borrowings under this line. The interest rate fluctuates from time to time based on changes in the LIBOR interest rates.

(8) Deposits with Bond Trustees

Funds on deposit with bond trustees, primarily representing investments in U.S. Treasury obligations at fair value, relate to the Series 1999, Series 2004, Series 2004D, Series 2006, Series 2008 and Series 2012, Bonds as follows:

		Debt service fund	Debt service reserve fund	Project fund	Arbitrage fund	Total
Series 2004	$	1,289,209	2,750,659	—	—	4,039,868
Series 2004D		440,123	1,177,304	—	—	1,617,427
Series 2006		305,258	895,449	—	—	1,200,707
Series 2008		—	—	23,728	—	23,728
Series 2012		864,126	1,599,188	6,293,375	—	8,756,689
2013 Total	$	2,898,716	6,422,600	6,317,103	—	15,638,419
2012 Total	$	3,028,357	5,805,271	23,724	15,570	8,872,922

The amount in the debt service funds is for the anticipated principal and bond interest payments due July 1, 2013.

At May 31, 2013, the Institute is required to maintain Debt Service Reserve Funds of an aggregate minimum in the amount of $ $6,395,655 which are available to cover any deficits in the Debt Service Fund.

(9) Retirement Plan

All employees of the Institute who have been employed by the Institute for at least one year and work in excess of 1,000 hours annually are eligible to participate in the Institute’s Retirement Defined Contribution Plan with the Teacher’s Insurance and Annuity Association, College Retirement Equities Fund (TIAA/CREF). Under this plan, the Institute makes annual contributions which are immediately vested for the benefit of the participants. For the years ended May 31, 2013 and 2012, the expense amounted to $3,449,389 and $3,279,193, respectively.

The Institute also has a Supplemental Tax Deferred Annuity Plan with TIAA/CREF for employees who want to make additional retirement contributions. There is no pension expense to the Institute for this plan.

(10) Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

	2013	2012
Gifts for operations	$ 850,350	682,650
Gifts for scholarships	1,270,592	910,700
Gifts for campaign for excellence	5,041,032	3,045,463
Gifts for plant	328,161	7,252,528
Term endowment	24,141,425	19,276,714
Total	$ 31,631,560	31,168,055

Temporarily restricted net assets included contributions receivable of $6,051,516 and $5,287,815 at May 31, 2013 and 2012, respectively.

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

	2013	2012
Student scholarships	$ 9,934,136	8,902,049
Library support	10,112,258	10,111,960
Building maintenance	2,460,355	2,460,355
Operating support	1,676,400	1,676,400
Total	$ 24,183,149	23,150,764

(11) Subsequent Events

During the fiscal year 2013, the Institute commenced construction in connection with the expansion of the Student Recreation Center, as well as a conference center on the Hyde Park campus. In connection with the completion of these two projects, the Institute anticipates issuing new bonds in the approximate amount of $31 million during the fiscal year ending May 31, 2014. The bonds are expected to be issued on terms traditional with such issuances.

The Institute evaluated subsequent events for potential recognition or disclosure through August 22, 2013, the date on which the financial statements were issued.