BUCKNELL UNIVERSITY

Consolidated Financial Statements

June 30, 2013
(with comparative information as of June 30, 2012)

(With Independent Auditors' Report Thereon)

BUCKNELL UNIVERSITY

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KPMG LLP
Suite 1000
30 North Third Street
PO Box 1190
Harrisburg, PA 17108-1190

Independent Auditors' Report

The Board of Trustees
Bucknell University:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Bucknell University and its subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2013 and the related consolidated statements of activities and cash flows for the year 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 audit. We conducted our audit 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 organization'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 organization'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 Bucknell University and its subsidiaries as of June 30, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the 2012 consolidated financial statements of Bucknell University and its subsidiaries, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 17, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

Harrisburg, Pennsylvania
October 2, 2013

BUCKNELL UNIVERSITY

Consolidated Statement of Financial Position

June 30, 2013
(with comparative information as of June 30, 2012)

(In thousands)

Assets		**2013**	**2012**
Cash and cash equivalents	$	12,646	12,378
Inventories, prepaid expenses, and other assets		3,170	1,702
Accounts and other receivables, net (note 2)		4,395	3,688
Contributions receivable, net (note 2)		22,973	18,604
Loans and notes receivable, net (note 2)		5,089	5,656
Investments (note 3)		726,611	662,360
Funds held in trust by others (note 3)		10,547	10,003
Funds held for construction (note 5)		7,693	21,809
Property and equipment, net (notes 4, 5, and 10)		269,983	254,037
Total assets	$	1,063,107	990,237
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	22,515	18,874
Student deposits and deferred revenues		9,756	8,753
Funds held for the accounts of others		2,333	2,241
Postretirement healthcare (note 9)		59,280	62,570
Annuities payable		15,669	15,263
Advances from federal government		4,572	4,454
Long-term debt (note 5)		65,683	69,124
Total liabilities		179,808	181,279
Net assets:			
Unrestricted		393,108	357,717
Temporarily restricted (note 6)		258,305	233,869
Permanently restricted (note 7)		231,886	217,372
Total net assets		883,299	808,958
Total liabilities and net assets	$	1,063,107	990,237

See accompanying notes to consolidated financial statements.

BUCKNELL UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2013
(with comparative information for the year ended June 30, 2012)

(In thousands)

	2013				2012
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Total**
Operating revenues:					
Tuition and fees	$ 159,434	—	—	159,434	154,846
Institutional scholarships	(47,935)	—	—	(47,935)	(47,108)
Net tuition and fees	111,499	—	—	111,499	107,738
Sales and services of auxiliary enterprises	31,518	—	—	31,518	30,848
Government grants and contracts	3,122	—	—	3,122	3,190
Private gifts, grants, and contributions	8,271	3,833	—	12,104	12,350
Net investment income (note 3)	11,690	20,741	—	32,431	29,480
Other	5,989		—	5,989	5,615
Net assets released from restrictions	23,866	(23,866)	—	—	—
Total operating revenues	195,955	708	—	196,663	189,221
Operating expenses (notes 8, 9, and 11):					
Education and general:					
Instruction	70,194	—	—	70,194	66,250
Research and public service	2,620	—	—	2,620	2,616
Academic support	26,793	—	—	26,793	23,660
Student services	35,654	—	—	35,654	33,289
Institutional support	33,320	—	—	33,320	26,994
Auxiliary enterprises	26,510	—	—	26,510	26,447
Total operating expenses	195,091	—	—	195,091	179,256
Change in net assets from operating revenues, net of expenses	864	708	—	1,572	9,965
Nonoperating activities:					
Nonoperating net investment income (note 3)	14,997	21,490	1,112	37,599	(43,236)
Capital gifts and grants	7,210	6,713	13,402	27,325	13,706
Postretiree (costs)/credits other than net periodic expense	7,325	—	—	7,325	(9,332)
Other nonoperating gains/(losses)	520	—	—	520	(39)
Net assets released from restrictions	4,475	(4,475)	—	—	—
Increase in net assets from nonoperating activities	34,527	23,728	14,514	72,769	(38,901)
Change in net assets	35,391	24,436	14,514	74,341	(28,936)
Net assets, beginning of year	357,717	233,869	217,372	808,958	837,894
Net assets, end of year	$ 393,108	258,305	231,886	883,299	808,958

See accompanying notes to consolidated financial statements.

BUCKNELL UNIVERSITY

Consolidated Statement of Cash Flows

Year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

(In thousands)

		2013	2012
Cash flows from operating activities:			
Change in net assets	$	74,341	(28,936)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Postretiree (credits) costs other than net periodic expense (note 9)		(7,325)	9,332
Amortization of bond premium		(495)	(356)
Depreciation		16,519	15,667
(Gain) loss on debt retirements		(512)	—
(Gain) loss on disposal of fixed assets		(8)	39
Contributions restricted for long-term investment		(20,115)	(13,542)
Net investment (appreciation) depreciation		(59,945)	20,230
Changes in asset and liabilities:			
Inventories, prepaid expenses, and other assets		(1,468)	485
Accounts and other receivables		(707)	446
Employee loans receivable		81	30
Accounts payable and accrued expenses		3,550	(1,574)
Postretirement healthcare		4,035	2,873
Net cash provided by operating activities		7,951	4,694
Cash flows from investing activities:			
Sales of investments		241,672	183,520
Purchases of investments		(244,907)	(202,244)
Loans and notes issued		(338)	(293)
Loans and notes collected		824	778
Deposits to funds held for construction		—	(30,000)
Withdrawals from funds held for construction		14,116	18,781
Sale proceeds of property and equipment		273	—
Purchase of property and equipment		(31,426)	(34,784)
Net cash used in investing activities		(19,786)	(64,242)
Cash flows from financing activities:			
Payment of bonds and notes payable		(19,728)	(2,530)
Proceeds from issuance of debt		17,294	30,000
Receipts under annuity liability arrangements		693	607
Payments to annuitants		(1,902)	(1,894)
Proceeds from private gifts restricted for long-term investment		15,746	25,633
Net cash provided by financing activities		12,103	51,816
Net increase (decrease) in cash and cash equivalents		268	(7,732)
Cash and cash equivalents – beginning of year		12,378	20,110
Cash and cash equivalents – end of year	$	12,646	12,378
Supplemental disclosure of cash flow information:			
Cash paid for interest during the year	$	2,691	1,466

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

Bucknell University is a private, not-for-profit institution of higher education in Lewisburg, Pennsylvania. Bucknell University provides education services at the graduate and undergraduate levels. These consolidated financial statements include Bucknell University, Bison Ventures, Inc., a wholly owned subsidiary formed in May 2009, and Bucknell Real Estate, Inc, a tax-exempt title holding company formed in October 2010 (collectively, University). All significant intercompany balances have been eliminated in preparing these consolidated financial statements (financial statements).

The significant accounting policies followed by the University are described below to enhance the usefulness of the financial statements to the reader.

(a) Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Financial reporting standards require that net assets, revenues, gains, and losses be classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the investment income on related investments for general or specific purposes. Such assets primarily include the University's donor-restricted endowment funds.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time.

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Revenues from sources other than contributions are reported as increases in unrestricted net assets. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. 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.

(Continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and reported in accordance with donor-imposed restrictions, if any. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Nonoperating activities include the following:

- Endowment investment income earned in excess of the University's spending policy;
- Capital gifts and grants restricted or designated for capital expenditures or long-term investment (e.g., endowment gifts);
- Split interest agreements' net investment earnings and other gains or losses primarily related to annuity liabilities determined at net present value;
- Prior service costs or credits and actuarial gains or losses of the postretirement healthcare plan.

(b) Fair Value

The University accounts for its investments and funds held in trust at fair value; however, as permitted by generally accepted accounting principles, the University has not elected fair value accounting for any assets (accounts, loans, notes, and contributions receivable) or liabilities (long-term debt, postretirement healthcare obligations, and annuities payable) that are not otherwise required to be measured at fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy for fair value measurements is based upon the transparency of inputs as further described in note 3.

With respect to investments that do not have a readily determinable fair value and for which it is industry practice for the investee to calculate and regularly report in its financial statements a net asset value per share (or its equivalent), the University, as a practical expedient, estimates fair value using the net asset value per share as reported by the investee. The University considers whether adjustment to the most recent net asset value per share is necessary if the net asset value per share obtained from the investee is not as of the University's financial statement date, if the University has plans to sell the investment in the short term, or if the investee's investment assets are not valued at fair value on a recurring basis.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit with financial institutions and other highly liquid investments with maturities of three months or less.

(d) Investments

Investments are recorded at estimated fair value as described in note 1(b) and note 3. Because certain investments are not readily marketable, their net asset value per share or equivalent has been used as a practical determinant for fair value and is subject to additional uncertainty. Therefore, values realized upon disposition may vary significantly from currently reported values.

The University's investments are exposed to various risks such as interest rate, market, and credit risks. Such risks, and the resulting investment fair values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

(e) Funds Held in Trust by Others

Funds held in trust by others are for the benefit of the University based on the terms of the irrevocable trusts. These funds are neither in the possession, nor under the control, of the University. Such terms provide that the University a) is to receive annually the investment income earned by the funds that are held in trust, or b) is to receive a remainder interest in the trust. The present values of the estimated future cash flows from the trusts are recognized as assets and contribution income at the dates the trusts are established. Investment income distributions from the trusts are recorded as investment income and the carrying value of the assets is adjusted for changes in the estimates of future receipts. Funds held in trust by others are carried at fair value as described in note 1(b) and note 3.

(f) Property and Equipment

Property and equipment are stated at cost or at estimated fair value if acquired by gift, less accumulated depreciation. Depreciation of the University's property and equipment is computed using a straight-line method over 15 to 50 years for buildings and improvements and 3 to 10 years for equipment, furniture, fixtures, and library books. As permitted by generally accepted accounting principles, the University does not capitalize works of art, historical artifacts, and collectibles, which are principally acquired by donation.

(g) Inventories

Inventories are stated at cost using the first-in, first-out method.

(h) Split-Interest Agreements and Annuities Payable

The University's split-interest agreements with donors consist primarily of charitable gift annuities, life income funds, and charitable trusts for which the University serves as trustee. Principally all

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assets held in these trusts are included in investments. Contribution revenues are recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, changes in the estimated present value of future cash outflows, and other changes in the estimates of future benefits. The annuities payable represent the net present value of future cash outflows over the annuitant's life expectancy as required by the annuity agreements.

The University uses the applicable federal rate at the time of the gift as the basis for determining discount rates in recording annuity obligations at net present value for charitable gift annuities, life income funds, and charitable trusts for which the University serves as trustee. Discount rates for determining the net present value of annuities payable as of June 30, 2013 and 2012 ranged from 1.2% to 7.0%.

(i) Advances from Federal Government for Student Loans

Funds provided by the U.S. government under the Federal Perkins Loan Program (Perkins) are loaned to qualified students and may be reloaned after collections. These funds, excluding University required matching funds to Perkins, are ultimately refundable to the U.S. government and are reported as a liability.

(j) Tax Status

Bucknell University, recognized by the Internal Revenue Service as a not-for-profit educational institution, qualifies under Section 501(c)(3) of the Internal Revenue Code and thus is exempt from federal income tax on activities related to its exempt purpose. Bison Ventures, Inc., a wholly owned for-profit, taxable subsidiary, operates a bookstore in Lewisburg, Pennsylvania. Bucknell Real Estate, Inc., a title holding company formed for the benefit of Bucknell University, qualifies under Section 501(c)(2) of the Internal Revenue Code and thus is exempt from federal income tax on activities related to its exempt purpose.

The University records income tax liabilities and assets using a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The University does not believe that there are any unrecognized tax benefits or costs that should be recorded in the financial statements. The University is subject to routine audits by taxing jurisdictions and provision for audit adjustments, if any, is included in the financial statements when estimable.

(k) Prior Year Information

The financial statements include certain prior year comparative information summarized in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's audited financial statements for the year ended

(Continued)

(In thousands of dollars)

June 30, 2012, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the current year presentation.

(l) Subsequent Events

Management has evaluated subsequent events through October 2, 2013, the date the financial statements were issued.

(2) Receivables

(a) Accounts, Notes, and Loans Receivable

Accounts, notes, and loans receivable as of June 30 consist of the following:

		2013	2012
Accounts and other receivables:			
Students	$	1,020	872
Other		371	381
Less allowance for doubtful accounts		(324)	(335)
		1,067	918
Accrued grants/contracts revenue		3,328	2,770
Total	$	4,395	3,688
Loans and notes receivable:			
Student loans	$	4,517	4,994
Employee loans		821	902
Less allowance for doubtful accounts		(249)	(240)
Total	$	5,089	5,656

(In thousands of dollars)

(b) Contributions Receivable

The net present value of contributions receivable as of June 30 follows:

		2013	2012
Unconditional promises expected to be collected:			
One year or less	$	10,711	7,010
Over one year to five years		12,342	10,894
Over five years		2,670	2,873
		25,723	20,777
Less allowance for uncollectible contributions		(2,750)	(2,173)
Total contributions receivable	$	22,973	18,604

The net present value of contributions receivable is recorded as follows:

		2013	2012
Temporarily restricted (donor use and time restrictions)	$	13,280	11,402
Permanently restricted (donor endowment funds)		9,693	7,202
Total contributions receivable	$	22,973	18,604

Contributions receivable are recorded at estimated fair value on the date the donor's unconditional promise to contribute is made using the present value of future cash flows. Contributions receivable are not measured at fair value subsequent to the initial measurement because the discount rate selected for each contribution receivable remains constant over time.

Discount rates used to determine net present values of contributions receivable as of June 30, 2013 and 2012 ranged from 1.2% to 6.5%. The discount to present value amounted to approximately $2,274 and $2,467 at June 30, 2013 and 2012, respectively.

(In thousands of dollars)

(3) Investments and Funds Held in Trust by Others

A summary of the investments held by the University and funds held in trust by others at June 30 follows:

	2013	2012
U.S. government agency bonds and notes	$ 1,169	—
Publicly traded mutual funds	114,874	125,011
Certificates of deposit	481	1,450
Custodial investment funds-fixed income securities	6,688	9,489
Total fixed income investments	123,212	135,950
Publicly traded equity securities and mutual funds	220,415	188,662
Custodial investment funds-equity securities	13,843	11,104
Total equity security investments	234,258	199,766
Redeemable alternative funds	181,815	140,846
Private funds	186,208	183,988
Total alternative investment funds	368,023	324,834
Other investments	1,118	1,810
Total investments	726,611	662,360
Funds held in trust by others	10,547	10,003
Total investments and funds held in trust by others	$ 737,158	672,363

Alternative investment funds are principally ownership interests in investment entities structured as limited partnerships or corporations or units/shares of investment funds that are not traded in public markets or exchanges. Underlying securities owned by the limited partnerships/corporations or investment funds include certain publicly traded securities that have readily available market values and other investments that are not readily marketable. All alternative investment funds are held in the University's endowment fund.

The University has used an estimate of fair value of custodial investment funds and redeemable alternative funds of $202,346 as of June 30, 2013 and $161,439 as of June 30, 2012 based on the net asset value per share of the respective investment fund consistent with the measurement provisions as described in note 1(b). These investments are redeemable, generally at each calendar quarter end or anniversary date, at net asset value, under the terms of the underlying investment agreements or subscription documents. However, it is possible that these redemption rights may be restricted in the future. At June 30, 2013 and 2012, $63,286 and $21,271, respectively, of certain redeemable alternative funds were restricted from redemption due to limitations placed by the investment fund managers such as stated lock-up periods for recent investments made (usually within the last year) or due to investment funds that segregate certain underlying securities as currently nonredeemable (e.g., side pocket investments).

Private funds generally are not redeemable at net asset value until the underlying partnership or limited liability corporation dissolves or the underlying investments of the fund are sold. Most of the underlying investments in private funds are ownership interests in closely held companies and are not readily marketable. Although a secondary market may exist from time to time for private funds, individual transactions are typically not observable. When such secondary market transactions do occur, they may occur at amounts that differ from the reported net asset value. It is, therefore, reasonably possible that if the University were to sell these investments in the secondary market, buyers may require a discount to the reported fair value and the discount could be significant.

Under the terms of the agreements with alternative investment funds, the University has remaining commitments to invest in these funds of approximately $109,874 at June 30, 2013. Remaining commitments at June 30, 2012 were approximately $77,226.

(a) Investment Fair Value Accounting and Reporting

As described in note 1(b), fair value is defined as the price the University would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value disclosures are required using a three-level hierarchy based upon the transparency of inputs to the valuation of an asset or liability.

Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the University. Unobservable inputs reflect the University’s view of assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. That information includes, but is not limited to, the recent audited financial statements of the respective alternative investment funds, financial information of underlying securities of the respective funds provided by the fund manager, and review of performance data of similar funds or investments.

Each investment (including funds held in trust by others) is assigned a level based upon the observability of the inputs, which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below:

Level 1: Quoted prices in active markets for identical financial instruments.

Level 2: Other significant observable inputs, including quoted prices for similar financial instruments, interest rates, credit spreads, etc., Generally, University investments in redeemable investment funds and commingled investment funds that are fully redeemable in a period of 60 days or less, given timely notice under the terms of the investment fund, at net asset value, or its equivalent, are included in Level 2.

Level 3: Significant unobservable inputs. This category includes financial instruments whose fair value requires significant management judgment or estimation. This category generally includes private funds and certain other nonmarketable investments. Generally, fair value for these investments is estimated based on the reported net asset value or its equivalent of the alternative investment fund.

Included in Level 3 are those otherwise redeemable alternative funds that are in an initial lock-up period as specified in the investment agreement; that have side pocket investments that are excluded from the redemption provisions of the fund; or that have the redemption provisions suspended by the investment manager. The University's policy is to recognize the transfers in or transfers out of Level 3 (or any other Level) on the date circumstances have changed or the defined event has occurred.

In certain cases, the inputs to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which fair value level is based on the lowest level of input that is significant to the fair value measurement of the specific alternative investment fund or fund held in trust by others.

The classification of investments in the fair value levels described above is not necessarily an indication of the degree of risks, liquidity, and price volatility.

(Continued)

(In thousands of dollars)

The following table presents fair value information at June 30, 2013 of the University's investments and funds held in trust by others:

	Total	Level 1	Level 2	Level 3	Redemption or liquidation	Days notice	Outstanding commitments
U.S. govt bonds and notes	$ 1,169	—	1,169	—			
Publicly traded mutual funds:							
U.S. fixed income	101,609	101,609	—	—	Daily (1)		$ —
International fixed income	13,265	13,265	—	—	Daily (1)		—
Certificates of deposit	481	—	481	—	Monthly (2)	30	—
Custodial investment funds – bond funds	6,688	—	6,688	—	Weekly – monthly	5	—
Fixed income investments	123,212	114,874	8,338	—			—
Publicly traded equity securities	67,792	67,792	—	—	Daily (1)		—
Publicly traded mutual funds	133,177	133,177	—	—	Daily (1)		—
Publicly traded index funds	19,446	19,446	—	—	Daily (1)		—
Custodial investment funds	13,843	—	13,843	—	Monthly	5	—
Equity investments	234,258	220,415	13,843	—			—
Multistrategy	88,960	—	41,264	47,696	Quarterly – annually	33-65	—
Long/short equity strategy	30,093	—	17,727	12,366	Monthly – annually	60	—
Other strategies	62,762	—	59,538	3,224	Monthly – annually	30-90	—
Redeemable alternative funds	181,815	—	118,529	63,286			—
Private real estate	21,445	—	—	21,445	Illiquid		17,852
Private energy	28,025	—	—	28,025	Illiquid		19,789
Private – other	136,738	—	—	136,738	Illiquid		72,233
Private funds	186,208	—	—	186,208			109,874
Alternative investment funds	368,023	—	118,529	249,494			109,874
Other investments	1,118	—	—	1,118	Illiquid		—
Total investments	$ 726,611	335,289	140,710	250,612			$ 109,874
Funds held in trust by others	$ 10,547	—	—	10,547	Illiquid (3)		

(In thousands of dollars)

The following table presents fair value information at June 30, 2012 of the University's investments and funds held in trust by others:

	Total	Level 1	Level 2	Level 3	Redemption or liquidation	Days notice	Outstanding commitments
Publicly traded mutual funds:							
U.S. fixed income	$ 111,880	111,880	—	—	Daily (1)		$ —
International fixed income	13,131	13,131	—	—	Daily (1)		—
Certificates of deposit	1,450	—	1,450	—	Monthly (2)	30	—
Custodial investment funds – bond funds	9,489	—	9,489	—	Weekly – monthly	5	—
Fixed income investments	135,950	125,011	10,939	—			—
Publicly traded equity securities	59,337	59,337	—	—	Daily (1)		—
Publicly traded mutual funds	106,597	106,597	—	—	Daily (1)		—
Publicly traded index funds	22,728	22,728	—	—	Daily (1)		—
Custodial investment funds	11,104	—	11,104	—	Monthly	5	—
Equity investments	199,766	188,662	11,104	—			—
Multistrategy	72,767	—	49,560	23,207	Quarterly – annually	33-90	—
Long/short equity strategy	24,265	—	9,878	14,387	Monthly – annually	60	—
Other strategies	43,814	—	39,940	3,874	Monthly – annually	30-90	—
Redeemable alternative funds	140,846	—	99,378	41,468			—
Private real estate	22,012	—	—	22,012	Illiquid		8,465
Private energy	23,291	—	—	23,291	Illiquid		22,488
Private – other	138,685	—	—	138,685	Illiquid		46,273
Private funds	183,988	—	—	183,988			77,226
Alternative investment funds	324,834	—	99,378	225,456			77,226
Other investments	1,810	—	—	1,810	Illiquid		—
Total investments	$ 662,360	313,673	121,421	227,266			$ 77,226
Funds held in trust by others	$ 10,003	—	—	10,003	Illiquid (3)		

Notes regarding redemption or liquidation on pages 15 and 16:

(1) Bucknell University may sell the investments in these categories on same day or next day terms. However, the settlement of trades and receipt of cash proceeds is governed by the national exchange on which the equity security, fixed income security, or mutual fund shares trade. These settlement terms typically range from 1 to 3 days.

(Continued)

(In thousands of dollars)

(2) Certificates of deposit that may be liquidated prior to maturity with 30-day notice or less. A penalty for early redemption may apply.

(3) Funds held in trust by others include $5,547 and $5,205 at June 30, 2013 and 2012, respectively, for which the University irrevocably receives investment income from the trusts and the trust assets are held by others in perpetuity; whereas, $5,000 and $4,798 at June 30, 2013 and 2012, respectively, represent the estimated net present value of expected University receipts from funds held in trust by others as provided by the termination provisions of the trust agreements.

Publicly Traded Mutual Funds and Equity Securities

The following securities, mutual funds, and index funds have daily quoted prices in active markets:

		2013	2012
Publicly traded mutual funds – fixed income:			
U.S. fixed income	$	101,609	111,880
International fixed income		13,265	13,131
Publicly traded fixed income securities		114,874	125,011
Publicly traded U.S. equity securities by general industry sector:			
Consumer related		14,365	10,009
Information technology		28,030	28,696
Other sectors		25,397	20,632
		67,792	59,337
Publicly traded mutual funds:			
Domestic equities – by capitalization objective:			
Large capitalization		34,048	29,314
Small and mid sized capitalization		3,262	3,237
		37,310	32,551
International equities			
Developed markets:			
Large capitalization		55,309	51,536
Small and mid sized capitalization		4,559	3,280
Emerging markets		35,999	19,230
		95,867	74,046
Total publicly traded mutual funds		133,177	106,597

(In thousands of dollars)

		2013	2012
Publicly traded index funds:			
Domestic equities	$	19,446	16,060
International equities		—	6,668
Total publicly traded index funds		19,446	22,728
Equity investments		220,415	188,662
Total – publicly traded securities	$	335,289	313,673

Redeemable Alternative Funds

Multistrategy

Multistrategy funds pursue multiple strategies to diversify risks and reduce volatility. These funds have the ability to shift investments between net long and net short positions in equity, fixed income, commodities, currencies, and private investments. At June 30, 2013 and 2012 certain of these funds had redemption restrictions or illiquid side pocket investments totaling $47,696 and $3,007, respectively.

Long/Short Equity Strategy

Long/short equity funds invest in both long and short positions primarily in U.S. common stocks. These funds have the ability to shift investments between value and growth strategies, small and large capitalization stocks, and net long and net short positions. At June 30, 2013 and 2012 approximately $12,366 and $14,387, respectively, of these funds were not redeemable because the funds have restrictions that do not allow for redemptions in the first 12 months after acquisition.

Other Strategies

Other strategies' funds invest on both the long and short side in fixed income arbitrage, master limited partnerships, and securities in the healthcare sector. At June 30, 2013 and 2012 approximately $3,224 and $3,877, respectively, of these funds could not be redeemed because of certain illiquid side pocket investments or the investment manager has restricted the amount of annual redemptions.

Private Funds

Real Estate Funds

Private real estate funds invest primarily in U.S. and non-U.S. real estate. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the remaining life of the respective funds that expire over the next 1 to 9 years.

(Continued)

(In thousands of dollars)

Energy Funds

Private energy funds invest primarily in U.S. and non-U.S. oil, gas, and renewable energy assets. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the remaining life of the respective funds that expire over the next 2 to 11 years.

Private – Other

These funds invest primarily in U.S. and non-U.S. private corporations in multiple industries and locations and in other private funds (e.g., fund of funds). Approximately $38,863 and $39,219 at June 30, 2013 and 2012, respectively, of this category includes private funds that have a primary objective of investing outside of the United States. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the remaining life of the respective funds that expire over the next 15 years.

The following tables present a reconciliation of investments in which significant unobservable inputs (Level 3) were used to determine fair value:

		Balance at June 30, 2012	Acquisitions/ purchases	Sales, redemptions, or distributions	Net appreciation (depreciation)	Transfer into (out of) Level 3	Balance at June 30, 2013
Investments:							
Redeemable alternative funds	$	41,468	24,000	(1,068)	4,847	(5,961)	63,286
Private funds		183,988	24,005	(39,492)	17,707	—	186,208
Other investments		1,810	665	(1,370)	13	—	1,118
Total	$	227,266	48,670	(41,930)	22,567	(5,961)	250,612
Funds held in trust by others	$	10,003	—	(694)	1,238	—	10,547

		Balance at June 30, 2011	Acquisitions/ purchases	Sales, redemptions, or distributions	Net appreciation (depreciation)	Transfer into (out of) Level 3	Balance at June 30, 2012
Investments:							
Redeemable alternative funds	$	75,968	9,516	(6,344)	(1,117)	(36,555)	41,468
Private funds		198,796	28,578	(37,875)	(5,511)	—	183,988
Other investments		998	1,000	(429)	241	—	1,810
Total	$	275,762	39,094	(44,648)	(6,387)	(36,555)	227,266
Funds held in trust by others	$	10,987	—	(1,152)	168	—	10,003

(In thousands of dollars)

Transfers out of Level 3 to Level 2 of $5,961 and $36,555 for the years ended June 30, 2013 and 2012, respectively, were recorded on the date the initial lock-up period ended or the date side pocket investments were made available for redemption. For the years ended June 30, 2013 and 2012, there were no transfers between Level 1 and Level 2.

(b) Additional Investment and Investment Income Information

Unless precluded by donor restriction, endowment funds are pooled and collectively managed on a unitized basis. Each individual endowment fund subscribes to or disposes of units in the pool using the estimated fair value at the end of the quarter such subscription or disposition occurs.

The following is a summary of endowment and other fund investments and funds held in trust by others:

	June 30, 2013			June 30, 2012		
	Endowment	**Other**	**Total**	**Endowment**	**Other**	**Total**
Fixed income investments	$ 73,590	49,622	123,212	83,899	52,051	135,950
Publicly traded equity securities and similar funds	219,403	14,855	234,258	185,278	14,488	199,766
Alternative investment funds	368,023	—	368,023	324,834	—	324,834
Other investments	—	1,118	1,118	—	1,810	1,810
Total investments	661,016	65,595	726,611	594,011	68,349	662,360
Funds held in trust by others	5,547	5,000	10,547	5,205	4,798	10,003
Total	$ 666,563	70,595	737,158	599,216	73,147	672,363
Other funds are held for the following:						
Operations and facilities		$ 39,805			$ 43,719	
Split interest agreements		30,790			29,428	
		$ 70,595			$ 73,147	

Net investment income (loss) for the years ended June 30 consisted of the following:

	2013	**2012**
Interest and dividends	$ 11,697	8,159
Net appreciation (depreciation)	59,945	(20,230)
Investment expenses	(1,612)	(1,685)
Total investment income (loss)	$ 70,030	(13,756)

Net appreciation (depreciation) includes unrealized and realized gains/(losses) on specific investment securities owned by the University as well as the University's share of net investment return on mutual funds, private funds, redeemable alternative funds, and net appreciation of funds held in trust by others.

(In thousands of dollars)

Investment expenses include those investment custody fees, internal and external investment advisory costs, and investment management fees incurred for services rendered for the sole benefit of the University. Investment expenses incurred directly by mutual funds and alternative investment funds that are contracted by the respective fund managers are included in the University's share of the respective fund's net investment return and are not reported separately as investment expenses by the University.

Investment income (loss) is presented in the consolidated statement of activities as follows:

		2013	2012
Endowment income available for operations	$	31,932	28,646
Other investment income		499	834
Net investment income – operating	$	32,431	29,480
Endowment investment income and (losses) gains	$	67,722	(13,734)
Endowment income withdrawn for operations		(31,932)	(28,646)
Net endowment income reinvested (used)		35,790	(42,380)
Other gains (losses) – principally related to split interest agreements		1,809	(856)
Net investment income – nonoperating	$	37,599	(43,236)
Total investment income (loss)	$	70,030	(13,756)

(c) Endowment Accounting and Reporting

The University's endowment consists of individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(d) Interpretation of Relevant Law Regarding Donor Endowments and Spending Policy

The University has interpreted the Commonwealth of Pennsylvania law as requiring the preservation of the fair value of a donor-restricted endowment gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations, if any, 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.

(In thousands of dollars)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University under its endowment spending policy.

Commonwealth of Pennsylvania law permits the University to allocate to income each year a portion of endowment net realized gains based on a minimum of 2% and a maximum of 7% of a three-year or more moving average of the market value of the endowed assets. Unless the terms of a gift instrument state otherwise, accumulated endowment net realized gains may, therefore, eventually be spent over time by the University. As a result, net appreciation of donor endowments is recorded in the financial statements as temporarily restricted net assets.

The University's endowment spending policy allows for the spending of pooled endowment earnings determined at 4.5% of a 12-quarter moving average of the fair value of pooled assets. Should the determined spendable amount not provide for a 5.0% increment over the previous fiscal year spendable amount, the determined amount may be further adjusted to the 5.0% incremental level, but not exceeding 5.5% of the 12-quarter moving average of the fair value of pooled assets. In accordance with this policy, the rate was 5.5% of the 12-quarter moving average of the fair value of pooled assets for each of the years ended June 30, 2013 and 2012.

(e) Summary of Endowment Balances and Activity by Net Asset Classification

Endowment net assets consisted of the following at June 30, 2013:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(662)	206,722	213,891	419,951
Board-designated endowment funds		240,343	6,269	—	246,612
Total endowment net assets	$	239,681	212,991	213,891	666,563

Endowment net assets consisted of the following at June 30, 2012:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(2,242)	185,329	202,481	385,568
Board-designated endowment funds		207,962	5,686	—	213,648
Total endowment net assets	$	205,720	191,015	202,481	599,216

(In thousands of dollars)

Temporarily restricted board-designated funds include donor purpose or time restricted funds for which the terms of the gift permit, but not require, expenditure of the funds.

(f) Donor Endowment Funds with Fair Values Less than Contributed Value

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the original value of gifts donated. Deficiencies of this nature that are reported in unrestricted net assets were $662 and $2,242 as of June 30, 2013 and 2012, respectively. Subsequent gains that restore the fair value of the assets of the endowment fund to the original value will be classified as an increase in unrestricted net assets.

Changes in endowment net assets for the year ended June 30, 2013 follow:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2012	$ 205,720	191,015	202,481	599,216
Contributions received	85	356	10,268	10,709
Proceeds from expired split-interest agreements	—	—	848	848
	85	356	11,116	11,557
Investment return:				
Interest and dividends	3,818	6,446	—	10,264
Net depreciation	21,266	35,898	294	57,458
	25,084	42,344	294	67,722
Withdrawal for operating activities under the University's spending policy	(11,208)	(20,724)	—	(31,932)
Transfer to board-designated endowment funds	20,000	—	—	20,000
Endowment net assets, June 30, 2013	$ 239,681	212,991	213,891	666,563

(In thousands of dollars)

Changes in endowment net assets for the year ended June 30, 2012 follow:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2011	$	174,590	214,242	186,535	575,367
Contributions received		85	—	16,073	16,158
Proceeds from expired split-interest agreements		—	—	71	71
		85	—	16,144	16,229
Investment return:					
Interest and dividends		2,309	4,497	—	6,806
Net depreciation		(6,903)	(13,439)	(198)	(20,540)
		(4,594)	(8,942)	(198)	(13,734)
Withdrawal for operating activities under the University’s spending policy		(9,409)	(19,237)	—	(28,646)
Transfer to board-designated endowment funds		45,048	4,952	—	50,000
Endowment net assets, June 30, 2012	$	205,720	191,015	202,481	599,216

(g) Endowment Investment Return Objectives and Risk Parameters

The University 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 organizations must hold in perpetuity or for a donor-specified period, as well as board-designated funds. The long-term return objective, as approved by the Board of Trustees, is to produce an inflation-adjusted rate of return measured over rolling five-year periods that exceeds the endowment spending policy. The University maintains a diversified asset allocation that places emphasis on generating an acceptable level of return given a prudent level of risk.

Risk may take the form of investment concentration, volatility, illiquidity, or other dimensions, and is monitored to ensure the incremental risks are appropriate for the given level of incremental returns.

To satisfy its long-term rate-of-return objectives, the University 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 University targets a diversified asset allocation that is divided into four asset groups: Growth, Hybrid, Inflation-protection, and Low-volatility assets. Growth assets (principally publicly traded equity securities and mutual funds and certain private alternative investment funds) are intended to produce equity-like returns, while hybrid assets (principally redeemable alternative investment funds) are meant to produce returns that are less correlated with Growth assets. Inflation-protection assets (principally private real estate and private energy funds and certain redeemable alternative funds) are expected to provide reasonable returns but are likely to perform better during periods of rising inflation. Lastly, low-volatility assets (principally fixed income investments) should produce modest returns in most environments and provide stability for the endowment.

(In thousands of dollars)

The ranges for these asset classes, as approved by the Board of Trustees, are as follows:

	Range
Growth assets	40% – 75%
Inflation-protection assets	0 – 20
Low-volatility assets	5 – 20
Hybrid assets	10 – 50

(4) Property and Equipment

Property and equipment as of June 30 are summarized as follows:

		2013	2012
Land	$	5,326	5,326
Buildings and improvements		326,329	315,573
Equipment, furniture, and fixtures		121,610	117,518
Library books and materials		48,449	47,799
Construction in progress		29,525	12,672
		531,239	498,888
Less accumulated depreciation:			
Buildings and improvements		114,154	105,131
Equipment, furniture, and fixtures		107,770	102,523
Library books and materials		39,332	37,197
		261,256	244,851
Property and equipment, net	$	269,983	254,037

(In thousands of dollars)

(5) Debt

The following is a summary of bonds and notes payable as of June 30:

		2013	2012
University revenue bonds, Series 2002 A	$	—	17,455
University revenue bonds, Series 2002 B		4,270	4,675
University revenue bonds, Series 2010		7,450	9,170
University revenue bonds, Series 2012A		26,715	26,715
University revenue bonds, Series 2013A		14,630	—
Total par value of bonds outstanding		53,065	58,015
Bond premium – Series 2002 A		—	325
Bond premium – Series 2010		351	563
Bond premium – Series 2012A		3,101	3,248
Bond premium – Series 2013A		2,563	—
Total bonds payable (including unamortized bond premium)		59,080	62,151
Notes payable		5,009	5,262
Capital lease obligation		1,594	1,711
Total long-term debt	$	65,683	69,124

(a) Bonds Payable

The University entered into various agreements with the Union County Higher Educational Facilities Financing Authority (Authority) that provided issuance of $7,890 University Variable Rate Revenue Bonds, Series 2002B. The Series 2002B bonds require annual principal payments each April 1 (with final payment on April 1, 2022) and bear variable rate interest (0.09% and 0.15% at June 30, 2013 and 2012, respectively) as determined by the remarketing agent. The Series 2002B bonds are callable at any time in whole or in part by the Authority upon direction of the University.

The Series 2002B bonds are remarketed weekly by the remarketing agent. The University must provide funds required to purchase tendered Series 2002B bonds should weekly remarketing proceeds be insufficient to pay the selling bondholders.

In April 2010, the University entered into various agreements with the Authority that provided issuance of $12,445 Revenue Bonds, Series 2010. The proceeds of the bonds were used to redeem previously issued bonds and pay for the costs of issuance. The Series 2010 bonds bear interest ranging from 2% to 5% with annual principal payments made on April 1. These bonds mature in various amounts through April 1, 2018. The 2010 bonds are not subject to call or early redemption.

In April 2012, the University entered into various agreements with the Authority that provided for the issuance of University Revenue Bonds, Series 2012A, at a par value of $26,715. The proceeds of the bonds will be used for the construction of academic and other facilities as well as improvements to existing facilities. Gross proceeds from the issuance of the 2012A bonds were $30,000 (including par value plus bond premium received upon issuance of $3,285). The bonds mature annually beginning on April 1, 2023 with final maturity on April 1, 2042. The bonds bear interest ranging from 4% to 5%. At June 30, 2013, unexpended bond proceeds of $7,693 were invested by the bond trustee in U.S. government securities and money market funds and are reported as funds held for construction on the statement of financial position.

In April 2013, the University entered into various agreements with the Authority that provided issuance of $14,630 Revenue Bonds, Series 2013A. Total proceeds were $17,294 (including original issue premium of $2,664, which is amortized to interest expense over the term of the bonds using the interest rate method). The proceeds of the bonds were used to pay for the costs of issuance ($194) and to redeem the Series 2002A bonds ($17,100). The refinancing of the debt resulted in a gain of $180 and is included in other nonoperating gains in the Statement of Activities. The Series 2013A bonds bear interest ranging from 2% to 5% with annual principal payments made on April 1. These bonds mature in various amounts through April 1, 2022 and are not subject to call or early redemption.

(b) Notes Payable

In December 2009, the University entered into a loan agreement with the Borough of Lewisburg, Pennsylvania. The loan bears interest at 2.7%, requires annual debt service payments of $55, and matures in 2033. The principal balance of the loan was $842 and $873 at June 30, 2013 and 2012, respectively.

In December 2010, Bucknell Real Estate, Inc. entered into a financing arrangement with a bank and its related community development entities for the acquisition and construction of improvements to several buildings in Lewisburg, Pennsylvania (collectively, the Project). Under the terms of the Project, the University advanced $12,022 and the community development entity loaned $4,167 for the acquisition of the properties and construction of the improvements. Under the terms of the $4,167 loan, the University pays interest quarterly at an annual rate of 1.01%. Principal payments begin in April 2018 through the maturity date of January 2046. However, in March 2018 the University may exercise an option to acquire those community development entities and effectively retire the debt at the then fair market value (i.e., the fair value of remaining cash flows of the debt instrument). At June 30, 2013 and 2012, the carrying amount of the community development loan was $4,167.

During the year ended June 30, 2013, the University satisfied its requirements of a June 2004 agreement for the acquisition of certain land and building. Accordingly, the note payable obligation portion of the agreement ($222) was deemed retired as was accrued interest since 2004 resulting in a nonoperating gain of $332.

(In thousands of dollars)

(c) *Future Principal Maturities*

Principal maturities of bonds and notes payable described above for the next five fiscal years follow:

2014	$	2,547
2015		2,663
2016		2,719
2017		2,840
2018		2,988

(d) *Capital Lease Obligation*

In May 2009, the University entered into various agreements with community development entities owned or controlled by a bank and a real estate corporation. The agreements provided financing to construct a bookstore in Lewisburg, Pennsylvania. Concurrent with these financing agreements, the University, primarily through its wholly owned taxable subsidiary, entered into agreements that provide for the University to lease the bookstore from the real estate corporation. The agreements provide that the University may exercise a purchase option, including closing costs, in May 2016. Because of the interdependent loan agreements and lease agreements, the University has accounted for the financing arrangement as a capital lease.

Future net cash outflows under the bookstore related agreements described above range from $270 for the year ended June 30, 2014 to $936 for the year ended June 30, 2017. At June 30, 2013 and 2012, the carrying value of property and equipment (net of accumulated depreciation) under the capital lease arrangement was $5,647 and $5,860, respectively.

(e) *Line of Credit*

In April 2012, the University entered into a $10 million line-of-credit borrowing arrangement with a local bank. This short-term borrowing facility is renewable annually and carries an interest rate of the one-month London Interbank Offered Rate (approximately 0.20% at June 30, 2013) plus 1.45% on outstanding borrowings. No amounts were borrowed under this facility during the year ended June 30, 2013.

(In thousands of dollars)

(6) Temporarily Restricted Net Assets

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

		2013	2012
Donor endowments subject to time restrictions (use of investment gains) under Pennsylvania law or donor agreements	$	206,722	185,329
Contributions receivable subject to time and/or purpose restrictions		13,280	11,402
Unexpended donor-restricted funds available for:			
Scholarship and financial aid		10,860	10,300
Other University activities		27,443	26,838
Total temporarily restricted net assets	$	258,305	233,869

(7) Permanently Restricted Net Assets

Permanently restricted net assets are principally donor endowment funds. The investment income earned on these funds is used, as specified by the donors, to support University activities as listed below:

		2013	2012
Donor-contributed principal invested to support:			
Scholarship and financial aid	$	137,859	126,586
Instruction and academic programs		53,386	51,877
Library and related services		7,734	7,731
Other		32,907	31,178
Total permanently restricted net assets	$	231,886	217,372

(8) Defined-Contribution Retirement Plan

Retirement benefits for staff, faculty, and administration are provided under the University's defined-contribution retirement program administered by TIAA-CREF. The University's policy is to pay its share of contributions (which are 10% of eligible salaries and wages) to the plan each month; there are no unfunded benefits. University contributions to the plan were $7,144 and $6,890 for the years ended June 30, 2013 and 2012, respectively.

(9) Postretirement Healthcare Benefits

Certain current and former employees are covered by a postretirement healthcare plan. The University accrues the cost of these postretirement benefits over the employee's service period. Participants must have 15 years of continuous service after the later of: a) age 47 or b) date of hire to be eligible for postretirement healthcare benefits. Those benefits are limited per participant to a multiple of calendar year 2006 healthcare premiums. Furthermore, participants retiring after September 1, 2000 are required to contribute up to 25% of retiree health care premiums. The percent of retiree co-payment is based on the participant's annual salary at the time of retirement.

(In thousands of dollars)

The following table sets forth the plan's funded status and amounts recognized in the University's consolidated statement of financial position at June 30:

		2013	2012
Change in benefit obligation during year:			
Benefit obligation at beginning of year	$	62,570	50,365
Service cost		3,188	2,278
Interest cost		2,543	2,781
Benefit payments		(2,038)	(1,999)
Actuarial (gain) loss		(6,983)	9,145
Benefit obligation at end of year	$	59,280	62,570
Change in plan assets during year:			
Fair value of plan assets at beginning of year	$	—	—
Employer contributions		2,038	1,999
Benefit payments		(2,038)	(1,999)
Fair value of plan assets at end of year	$	—	—
Net periodic benefit cost recognized for year:			
Service cost	$	3,188	2,278
Interest cost		2,543	2,781
Amortization of prior service costs		(187)	(187)
Amortization of net loss		529	—
Net periodic benefit cost reported as operating expenses	$	6,073	4,872

(In thousands of dollars)

		2013	2012
Effect of a 1% increase in medical cost trend rate:			
Change in total of service cost and interest cost	$	823	629
Change in benefit obligation		7,274	5,222
Effect of a 1% decrease in medical cost trend rate:			
Change in total of service cost and interest cost	$	(693)	(530)
Change in benefit obligation		(6,267)	(4,502)
Weighted average assumptions at end of year:			
Discount rate		4.51%	4.14%
Initial healthcare cost trend rate		9.00	9.00
Ultimate healthcare cost trend rate		5.00	5.00
Years remaining to attain ultimate healthcare cost trend rate		9	5
Measurement date		June 30, 2013	June 30, 2012

Estimated actuarial gain (loss) and prior service credit that will be amortized over the fiscal year June 30, 2013 are $(17) and $(529), respectively.

Expected cash outflow information for fiscal years ending after June 30, 2013:

Year ending June 30:		
2014	$	2,339
2015		2,379
2016		2,606
2017		2,817
2018		3,059
2019 – 2023		18,938

Additionally, the following items were recognized during the years ended June 30, 2013 and 2012 and are presented in the consolidated statement of activities as nonoperating activities:

		2013	2012
Nonoperating activities include:			
Change in unrecognized prior service credits	$	(187)	(187)
Net actuarial gain (loss) during the year		6,983	(9,145)
Amortization of actuarial loss		529	—
Total nonoperating gain (loss) activities related to retiree healthcare	$	7,325	(9,332)

(In thousands of dollars)

Amounts recognized in unrestricted net assets in the consolidated statement of financial position include the following:

		June 30	
		2013	2012
Unrecognized prior service credits	$	937	1,124
Unrecognized actuarial loss		(6,153)	(13,665)
	$	(5,216)	(12,541)

In December 2003, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Act) became law. The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health benefits that provide a benefit that is at least actuarially equivalent to the Medicare benefit. The University, through arrangements with its healthcare insurance provider, pays insurance premiums that are billed net of the federal subsidy.

(10) Commitment and Contingencies

The University has a contingent liability as guarantor of a portion of certain faculty and administrative employees' mortgages and loans. The portion of these outstanding mortgages and loans that is being guaranteed by the University amounts to $1,306 and $1,284 at June 30, 2013 and 2012, respectively. No guaranteed mortgages were in default as of June 30, 2013 and 2012.

Amounts received and expended by the University under various federal and state programs are subject to audit by governmental entities. In the opinion of management, audit adjustments, if any, will not have a significant effect on the consolidated financial position of the University.

The University is obligated for certain future payments under construction and similar agreements of approximately $6,102 at June 30, 2013.

The University is party to various litigation and other claims in the ordinary course of business. It is the opinion of management, as advised by legal counsel, that these matters will not have a material effect on the financial statements of the University.

(In thousands of dollars)

(11) Operating Expenses

Operating expenses by natural classification for the years ended June 30, 2013 and 2012 follow:

		2013	2012
Compensation and benefits	$	117,873	111,098
Purchased services and supplies		49,763	42,245
Utilities and fuel		8,785	8,812
Depreciation		16,519	15,667
Interest		2,151	1,434
Total operating expenses	$	195,091	179,256

(a) Fund-Raising

Fund-raising expenses totaled $10,774 and $7,682 for the years ended June 30, 2013 and 2012, respectively. Fund-raising expenses are reported as institutional support in the consolidated statement of activities and include salaries and wages, fringe benefits, supplies, purchased services, publications, travel, and allocable costs such as depreciation, information technology, and operation and maintenance of facilities' expenses. Fund-raising expenses do not include alumni relations costs.

For the year ended June 30, 2013, fund-raising costs also include costs associated with the nationwide publicity and events promoting the university's 'WE DO' comprehensive fund-raising campaign; those comprehensive campaign costs include approximately $2,981 for special events, print, publication and other media production costs, and professional services.

(b) Related-Party Transaction

A member of the University's Board of Trustees is president and chief operating officer of a healthcare organization providing certain healthcare insurance and services to the University. The President of the University is a member of that healthcare organization's board of directors. Amounts paid to the healthcare organization and its affiliates for these services totaled $6,013 and $5,257 for the years ended June 30, 2013 and 2012, respectively.

Also, the University and the healthcare organization conduct certain programs whereby University students and faculty participate with the healthcare organization in educational and research activities related to medical and healthcare endeavors. The healthcare organization provides approximately 75% of the grant revenues to support these University programs. University expenditures for the year ended June 30, 2013 for those programs totaled $265.

(12) Fair Value of Financial Instruments

The carrying amounts of cash, accounts and other receivables, employee loans receivable, and accounts payable and accrued expenses approximate fair value because of the short maturity of these financial instruments. The fair values of investments and funds held in trust by others are more fully discussed in notes 1(b) and 3. A reasonable estimate of the fair value of loans and notes receivable (with carrying values of $5,089 and $5,656 at June 30, 2013 and 2012, respectively) could not be made because the notes are not salable.

Bonds payable, with a carrying value of $59,080 and $62,151 at June 30, 2013 and 2012, respectively, had a fair value of approximately $57,438 and $63,140 at June 30, 2013 and 2012, respectively. Fair value of bonds payable are considered Level 3 fair values since the University determines debt fair value based on the underlying cash flows and their net present values at current interest rates of tax exempt debt instruments of similar credit quality.