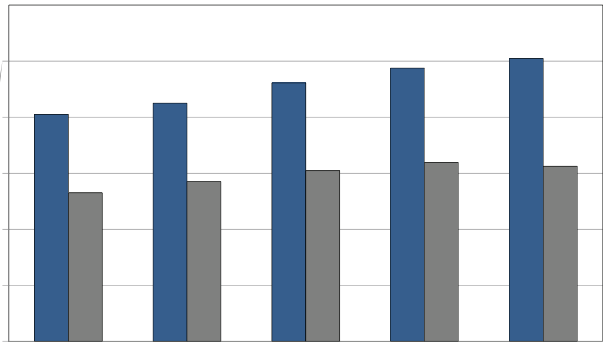
MORAVIAN COLLEGE

FINANCIAL REPORT

2009-2010

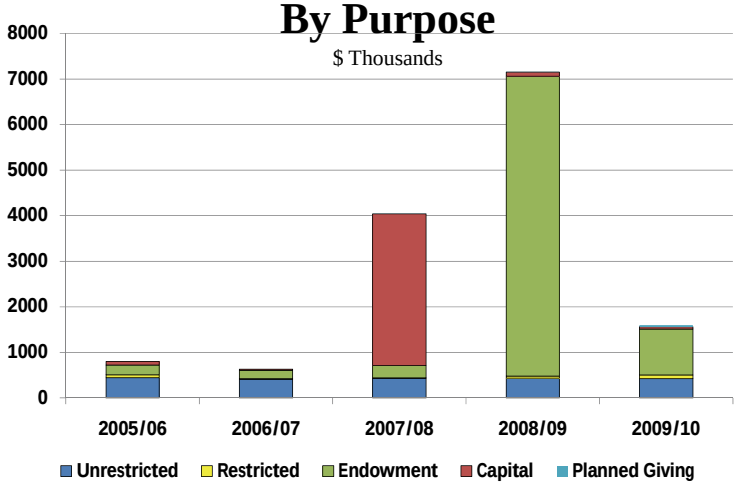
College Tuition Revenue

$Thousands



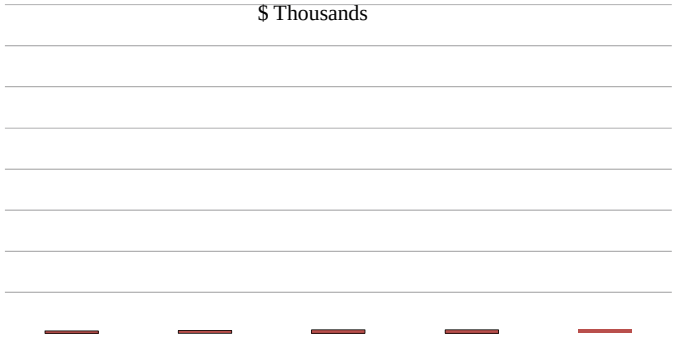
Gifts from Trustees in 2007/2008 and 2008/2009 reflect the "quiet phase" of the comprehensive campaign. 2009/2010 was negatively impacted by reduced foundation and corporate giving, as well as the elimination of many matching gift programs.

Giving History – Seminary By Purpose



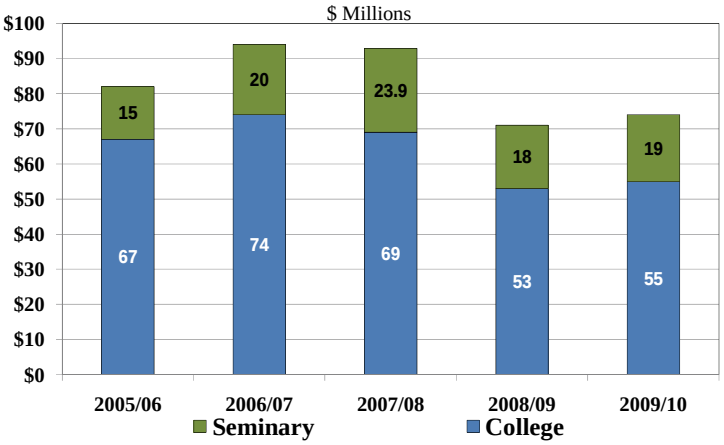
Two historic gifts were received during years 2006/2007 and 2007/2008. A bequest of $3.1 million was received in 2006/2007 and a transformational estate gift of $6.2 million was received in 2007/2008.

Giving History – Seminary By Source

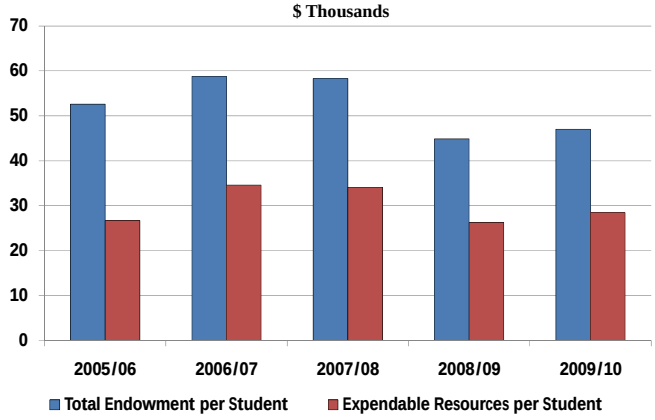


The two large estate gifts came from friends of the Seminary totaling $9.3 million during 2006/2007 and 2007/2008. They were directed to the Seminary's campaign – *A Mission that Matters*. This five-year campaign is expected to attain its goal of $15 million by 2011. The campaign will strengthen the Seminary's ability to fulfill its mission by funding additional student scholarships, endowing faculty chairs, and providing resources for the renovations and upgrades of the Bahnson Center.

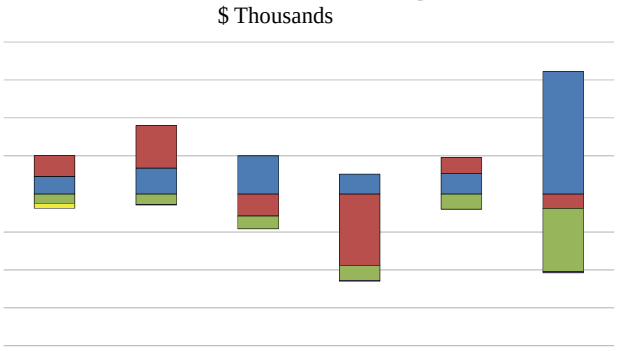
Market Value of Endowment



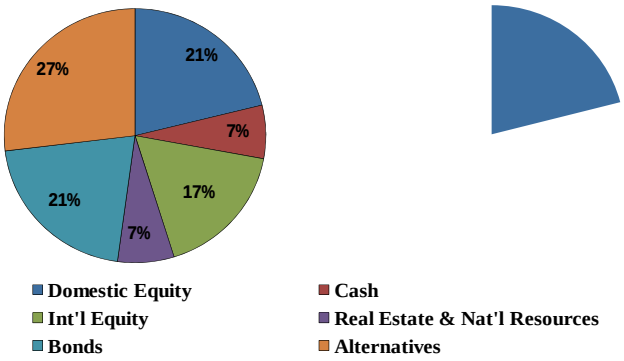
Expendable Resources and Endowment per Student



Endowment Changes



Endowment Asset Allocation



Moravian College and Theological Seminary completed another successful year despite the challenges of a difficult economic environment. Cost containment efforts throughout the campus allowed the institution to end the year with an operating surplus and we have continued to invest in our campus for future generations of students. The College enrollment remained strong with an average 2009/2010 enrollment of 1694 full time equivalent students in the undergraduate and graduate programs, a slight decrease from the previous year. Seminary enrollment remained steady 52 full time equivalent students.

The financial markets, while better than 2009, fluctuated significantly during the year. Our total return on investment for the fiscal year, net of fees, was 7.0%. The market value of the endowment at June 30, 2010 was $74 million, up from $71 million in 2009. In fiscal year 2009/2010 the endowment provided $2.8 million in support for the College operations and $1.1 million in support for the Seminary operations. Our endowment spending rate has been held at 4.5% for the past six years and will be the same for 2010/2011.

The Comenius Center for Continuing, Professional and Graduate Studies launched several new graduate programs in fall 2009. A Master of Science Program in Nursing was established in partnership with St. Luke's Hospital. This program complements the existing BSN and RN to BS programs. The graduate business school introduced the Master of Science in Human Resource Management Program and the graduate education school introduced several new certificate programs including Reading Specialist, Supervision and Principal.

Major facilities projects included the commencement of construction of a new administration building to support the expanded graduate programs in the Comenius

with an increase in financial aid. Private gifts and grants decreased from $8.0 million in 2009 to $6.5 million in 2010. During the year, the investment portfolio underwent a major rebalancing, resulting in significant realized losses. However this was offset by a corresponding decrease in unrealized losses. The impact of the increased market value of the investment portfolio is also reflected in the decrease in unrealized losses of $8.7 million for the year.

College expenditures decreased modestly in all functional categories as a result of planned cost containment efforts. All salaries were frozen and discretionary expenditures were curtailed.

Seminary Statement of Activities
The net assets of the Seminary increased by $0.9 million in 2009/2010. An increase in net assets from non-operating activity of $1.2 million was slightly offset by a decrease in net assets from operating activity of $0.3 million.

Total operating revenues of $2.0 million for 2009/2010 were down $0.4 million as a result of a decline in private gifts and grants. An $88,000 increase in net tuition revenue was offset by an $83,000 decline in investment income.

Operating expenses increased by only $21,000, or less than 1% of all expenses.

Statement of Cash Flows
The primary purpose of a statement of cash flows is to provide relevant information about the cash receipts and cash payments of an enterprise during a period. The information provided in a statement of cash flows, if used with related disclosures and information in the other financial statements, should help investors, creditors, and others to (a) assess the College's ability to generate positive future net cash flows; (b) assess the ability to meet current obligations, and needs for external financing; (c) assess the reasons for differences between the change in net assets and associated cash receipts and payments; and (d) assess the effects on the College's financial position of both its cash and non-cash investing and financing transactions during the period.

Operating activities generally involve those activities associated with providing the institution's services. During the year the College and Seminary generated $2.1 million from operations. The determination of this amount results from adjustments to the change in net assets for non-cash revenues and expenses and the changes in certain asset and liability accounts.

Investing activities include acquiring and disposing of investments, property, plant, and equipment and other productive assets, that is

several buildings including Comenius Hall, Memorial Hall, Zinzendorf, Collier Hall of Science and the Day House.

Financing activities include obtaining resources from outside sources and providing them with a return on, and a return of, their investment; borrowing money and repaying amounts borrowed, or otherwise settling the obligation; and obtaining and paying for other resources obtained from creditors on long-term credit. During the year the Colle

Moravian College & Theological Seminary
2009/10 Financial Statements
Executive Summary

Balance Sheet (College & Seminary)

	2009/10	2008/09	Variance
Current Assets	18,598	18,659	(61)
Current Liabilities	6,225	7,096	(871)
Current Ratio	3.0	2.6	
Assets	176,906	172,227	4,679
Liabilities	36,713	38,170	(1,457)
Net Assets/Equity	140,193	134,057	6,136

Moravian College

Financial Statements

June 30, 2010

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June 30, 2010 and 2009

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Moravian College

Statement of Financial Position
June 30, 2010 and 2009
(With Comparative Totals for the Year Ended June 30, 2009)
(In Thousands)

	2010	2009
Assets		
Current Assets		
Cash and cash equivalents	$ 13,128	$ 13,951
Accounts receivable, net	761	671
Investment income receivable	238	152
Contributions receivable	1,599	832
Prepaids and other	841	485
Inventory	297	340
Deposits with trustee under debt agreement	1,734	2,228
Total ce[illegible]	[illegible]	[illegible]

Statement of Financial Position
June 30, 2010 and 2009
(With Comparative Totals for the Year Ended June 30, 2009)
(In Thousands)

		2010	2009
Liabilities and Net Assets			
Current Liabilities			
Current portion of long-term debt	1,ia		

Moravian College

Statement of Activities (College Only)
Years Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total (Summarized)
Operating Revenues and Other Additions					
Tuition and fees (net of student scholarships of of $19,144 in 2010; and $16,878 in 2009)	$ 31,245	$ -	$ -	$ 31,245	$ 31,879
Private gifts and grants	906	4,151	1,480	6,537	7,993
Investment income	848		165	1,013	1,295
Sponsored federal government programs and grants	532	-	-	532	478
State Grants	433	-	-	433	565
Auxiliary enterprises	11,480	-	-	11,480	12,036
Other sources	344	-	-	344	361
Net Assets released from restrictions, satisfaction of program restrictions	4,475	(4,475)	-	-	-

Total operating revenu.n73 0 Td .Tj 2.15986 0 Td (o)Tj 4.07973 0 Td (p)Tj 4.07973 0 Td (e)Tj 4.07973 0 Td (r)Tj 2.39984 0 Td (a)Tj 4.19973 0 Td (t)Tj 2.039

See notes to financial statements

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

These financial statements present financial information showing the financial position, the activities, and the cash flows of the College reflecting the presence or absence of donor-imposed restrictions. Accordingly, the amounts of net assets are classified according to the nature of restrictions, as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets which are subject to donor-imposed restrictions that will be met when expenditures are made for the designated purposes or with passage of time. The expiration of temporary restrictions on net assets is reported in the statements of activities as net assets released from restrictions. Temporarily restricted contributions and temporarily restricted endowment income whose restrictions are not met in the same period as received or earned are reported as increases in temporarily restricted net assets.

Permanently Restricted Net Assets

Net assets which are subject to donor-imposed restrictions that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Nonoperating Activities

Nonoperating activities reflect realized gains and losses on investments, unrealized gains and losses on investments, gains and losses associated with the sale of assets, changes in value of split interest agreements (primarily life income, annuity and trust agreements), and effect of postretirement benefit policy change.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the College considers all highly liquid investments, with an original maturity of three months or less, to be cash equivalents.t

2. Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are not collateralized. Student accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts.

Promises To Give

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimate6

2. Summary of Significant Accounting Policies (Continued)

Advance from Federal Government for Student Loans

The College is a participant in the Federal Perkins Loan program which makes student loans available to eligible participants. This program is funded by both the federal government and the College, with the portion estimated to be allocable to the federal government recorded as a liability in the statement of financial position, and the portion allocable to the College included in unrestricted net assets.

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6. Investments (Continued)

The majority of endowment, annuity and life income funds are combined in investments pools with each individual account subscribing to or disposing of shares on the basis of the market value per share. The investment objective is to maximize long term total return through a combination of income and capital appreciation in a manner consistent with sound investment practices. Total investments at June 30 were as follows (in thousands):

7. Split-Interest Agreements (Continued)

Gift revenu

10. Long-term Debt

Long-term debt of the College consisted of the following at June 30, 2010 and 2009 (amounts in thousands):

	2010	2009
Dormitory Bonds of 1964:		
Series A - 3-3/8%, due serially in annual amounts through 2013.	$ 59	$ 78
Series B - 3-5/8%, due serially in annual amounts through 2014.	71	87
Dormitory Bonds of 1970 - 3.000%, due serially in		

10. Long-term Debt (Continued)

The indentures of the College Revenue Bonds of 1995, 1999, 2001, and 2005 require the College to pledge as collateral its unrestricted gross revenues not previously pledged.

Principal repayments of long-term debt for the years ending after June 30, 2010 are as follows (in thousands):

2011

13. Postretirement Benefits Other Than Pensions

The College provides postretirement benefits other than pensions to its employees. Effective June 30, 2009, the benefits were limited to retirees between ages 60 and 65. Previously, the Plan provided partial premium reimbursement to eligible retirees age 60 and over. The statement of activities for the year end June 30, 2009 reflects non-operating income of $2,374,000 as a result of the benefit change. These benefits include partial reimbursements of premiums on medical insurance policies for employees and certain spouses and are available to all employees hired prior to January 1, 2004 who retire after 15 years of service to the College at age 60 or older. The College does not prefund these postretirement benefit obligations. Payments made to or on behalf of beneficiaries under these obligations

13. Postretirement Benefits Other Than Pensions (Continued)

The College's net postretirement benefit cost includes the following components for the years ended June 30 (in thousands):

	2010

14. Net Assets (Continued)

Unrestricted net assets are designated for the following as of June 30 (in thousands):

	2010	2009
Long-term investments	$ 14,239	$ 12,246
Plant facilities	49,104	48,186
Other	9,191	9,622
	$ 72,534	$ 70,054

15. Endowment

The College's endowment consists of 457 individual funds established for a variety of purposes. It includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by authoritative guidance, 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.

Interpretation of Relevant Law

The College's policy is to require the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent any explicit donor stipulations to the contrary. As a result of this interpretation, the College 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 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. The remaining T

15. Endowment (Continued)

The following schedule represents the endowment net asset composition by type of endowment fund as of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		(In Thousands)		
Donor restricted endowment funds	$ -	$ 9,713	$ 43,253	$ 52,966
Board-designated endowment funds	14,239	-	-	14,239
	$ 14,239	$ 9,713	$ 43,253	$ 67,205

The following schedule represents the changes in endowment net assets for the year ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		(In Thousands)		
Endowment assets, beginning of year	$ 12,246	$ 9,109	$ 41,677	$ 63,032
Investment income	157	570	-	727
Realized losses	(1,739)	(6,268)	-	(8,007)
Change in unrealized losses	2,566	9,627	-	12,193
Contributions	1,858	178	1,576	3,612
Appropriation for spending	(849)	(3,503)	-	(4,352)
Assets, end of year	$ 14,239	$ 9,713	$ 43,253	$ 67,205

15. Endowment (Continued)

The following schedule represents the endowment net asset composition by type of endowment fund as of June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		(In Thousands)		
Donor restricted endowment funds	$ -	$ 9,109	$ 41,677	$ 50,786
Board-designated endowment funds	12,246			

16. Fair Value of Financial Instruments

The Plan measures on a recurring basis its investments at fair value in accordance with FASB accounting standard "Fair Value Measurements and Disclosures," which provides the framework for measuring fair value. That framework provides fair value hierarchy used to classify the inputs used in measuring fair value. That hierarchy prioritizes the inputs used in determining valuations into three levels. The levels of fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Plan for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs.

16. Fair Value of Financial Instruments (Continued)

Description	2009	Level 1	Level 2	Level 3
Equity securities	$ 30,604	$ 30,604	$ -	$ -
Fixed income securities	12,981	12,981	-	-
Alternative investments	19,149	-	-	19,149

16. Fair Value of Financial Instruments (Continued)

Contributions Receivable (Carried at Fair Value)

The carrying amounts of contributions receivable to be received in less than one year approximates fair value because of the short maturity of these instruments. The fair value of contributions receivable to be received in more than one year is estimated based on future cash flow

Moravian College

16. Fair Value of Financial Instruments (Continued)

The Hedge Funds category includes investments in several funds. These funds allocate their assets to hedge fund managers that specialize in a wide range of alternative investment strategies. The funds offer the College exposure to a broad range of hedge fund strategies including long/short, global macro, emerging mark 3/12598 0 Td (,)Tj 3.12598 0 Td ( )Tj 5.29012 0 Td (g