ALLEGHENY COLLEGE
Meadville, Pennsylvania

Financial Statements
For the years ended June 30, 2014 and 2013

and Independent Auditors' Report Thereon

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Allegheny College
Meadville, Pennsylvania

We have audited the accompanying 2014 financial statements of Allegheny College (College), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of Allegheny College for the year ended June 30, 2013 were audited by other auditors whose report dated October 24, 2013 expressed an unmodified opinion on those statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, where due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Allegheny College as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
October 6, 2014

ALLEGHENY COLLEGE

STATEMENTS OF FINANCIAL POSITION

	June 30 2014	June 30 2013
ASSETS		
Cash and cash equivalents	$ 9,470,441	$ 9,004,954
Accounts and other receivables - net	927,072	315,317
Government grants and receivable	134,297	89,510
Inventories	511,365	469,804
Other assets	385,142	403,313
Contribution receivable - net	5,486,607	5,483,969
Student loans receivable - net	6,339,346	6,657,893
Investments	209,605,433	185,552,392
Land, buildings and equipment - net	120,515,396	124,260,054
Trusts held by others	7,827,496	7,025,139
Total Assets	$361,202,595	$339,262,345
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 734,223	$ 657,319
Accrued salaries and wages	3,976,483	3,927,896
Student deposits and deferred revenue	1,626,297	1,349,820
Accrued liabilities	1,938,683	1,697,943
Annuities payable	3,888,393	3,662,357
Swap liability	928,099	867,083
Trusts payable	2,910,047	2,813,752
Trusts held for others	370,813	325,135
Bonds and notes payable	53,640,074	55,015,722
Refundable government advances for student loans	5,203,062	5,048,174
Total Liabilities	75,216,174	75,365,201
NET ASSETS		
Unrestricted	109,133,582	103,067,723
Temporarily restricted	89,956,392	77,049,121
Permanently restricted	86,896,447	83,780,300
Total Net Assets	285,986,421	263,897,144
Total Liabilities And Net Assets	$361,202,595	$339,262,345

See notes to financial statements.

ALLEGHENY COLLEGE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and fees	$ 82,164,260	-	-	$ 82,164,260
Less student aid	(41,718,109)	-	-	(41,718,109)
	40,446,151	-	-	40,446,151
Federal grants and contracts	528,660	$ 250,455	-	779,115
State grants and contracts	314,092	17,131	-	331,223
Private gifts and grants	3,721,738	1,487,510	$ 2,092,096	7,301,344
Auxiliary enterprises	20,060,657	-	-	20,060,657
Investment return designated for current operations	3,078,974	5,618,305	-	8,697,279
Other sources	956,903	535,662	52,460	1,545,025
	69,107,175	7,909,063	2,144,556	79,160,794
Net assets released from restrictions	8,124,485	(8,183,876)	59,391	-
Total Revenues, Gains And Other Support	77,231,660	(274,813)	2,203,947	79,160,794
EXPENSES				
Instruction	26,515,617	-	-	26,515,617
Research	1,144,152	-	-	1,144,152
Academic support	8,215,117	-	-	8,215,117
Student services	16,121,088	-	-	16,121,088
Institutional support	12,976,407	-	-	12,976,407
Auxiliary enterprises	13,266,366	-	-	13,266,366
Total Operating Expenses	78,238,747	-	-	78,238,747
Increase In Net Assets - From Activities	(1,007,087)	(274,813)	2,203,947	922,047
NONOPERATING INCOME (LOSS), net				
Investment gain return not designated for current operations	7,755,091	13,399,449	1,187,416	22,341,956
Change in value of split-interest agreements	(621,129)	(217,365)	(275,216)	(1,113,710)
Change in value of swap agreement	(61,016)	-	-	(61,016)
Total Nonoperating Income	7,072,946	13,182,084	912,200	21,167,230
Changes In Net Assets	6,065,859	12,907,271	3,116,147	22,089,277
NET ASSETS				
Beginning of year	103,067,723	77,049,121	83,780,300	263,897,144
End of year	$109,133,582	$ 89,956,392	$ 86,896,447	$285,986,421

See notes to financial statements.

ALLEGHENY COLLEGE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and fees	$ 79,026,328	-	-	$ 79,026,328
Less student aid	(39,267,855)	-	-	(39,267,855)
	39,758,473	-	-	39,758,473
Federal grants and contracts	534,086	$ 339,353	-	873,439
State grants and contracts	320,214	15,143	-	335,357
Private gifts and grants	4,488,706	4,487,777	$ 4,427,009	13,403,492
Auxiliary enterprises	19,316,293	-	-	19,316,293
Investment return designated for current operations	2,864,667	5,081,798	-	7,946,465
Other sources	1,142,785	510,342	45,351	1,698,478
	68,425,224	10,434,413	4,472,360	83,331,997
Net assets released from restrictions	8,713,322	(8,713,322)	-	-
Total Revenues, Gains And Other Support	77,138,546	1,721,091	4,472,360	83,331,997
EXPENSES				
Instruction	25,779,784	-	-	25,779,784
Research	1,003,454	-	-	1,003,454
Academic support	7,734,558	-	-	7,734,558
Student services	15,931,696	-	-	15,931,696
Institutional support	13,223,903	-	-	13,223,903
Auxiliary enterprises	13,124,806	-	-	13,124,806
Total Operating Expenses	76,798,201	-	-	76,798,201
Increase In Net Assets - From Activities	340,345	1,721,091	4,472,360	6,533,796
NONOPERATING INCOME (LOSS), net				
Investment gain return not designated for current operations	3,648,111	7,999,754	718,397	12,366,262
Change in value of split-interest agreements	(271,188)	(211,763)	(221,090)	(704,041)
Change in value of swap agreement	1,176,810	-	-	1,176,810
Total Nonoperating Income	4,553,733	7,787,991	497,307	12,839,031
Changes In Net Assets	4,894,078	9,509,082	4,969,667	19,372,827
NET ASSETS				
Beginning of year	98,173,645	67,540,039	78,810,633	244,524,317
End of year	$103,067,723	$ 77,049,121	$ 83,780,300	$ 263,897,144

See notes to financial statements.

ALLEGHENY COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 22,089,277	$ 19,372,827
Adjustments to reconcile changes in net assets to net cash (used-in) provided by operating activities:		
Depreciation and amoritzation	6,389,828	6,211,585
Noncash contributions	(17,500)	-
Realized and unrealized gains on investments	(31,445,517)	(19,258,474)
Contributions restricted for long-term investment and investment in plant	(2,185,807)	(4,439,866)
Investment gain restricted for long-term investment	(52,460)	(45,389)
Change in value of split interest agreements	1,113,709	704,041
Change in value of swap agreement	61,016	(1,176,810)
Changes in assets and liabilities:		
Accounts receivable	(337,996)	(67,294)
Contributions receivable	1,590,731	1,941,419
Other assets	(843,918)	(345,792)
Accounts payable and other liabilities	843,276	302,029
Net cash (Used In) Provided By Operating Activities	(2,795,361)	3,198,276
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of land, buildings and equipment	(2,626,999)	(2,649,086)
Proceeds from sales of investments	31,445,517	71,139,083
Purchases of investments	(24,053,040)	(68,194,369)
Investment gain restricted for long-term investment	52,460	45,389
Net Cash Provided By Investing Activities	4,817,938	341,017
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investment and investment in plant	609,937	457,805
Payments on annuity obligations	(791,378)	(928,223)
New borrowings	145,527	-
Repayments of borrowings	(1,521,176)	(1,468,844)
Net Cash Used In Financing Activities	(1,557,090)	(1,939,262)
Increase In Cash And Cash Equivalents	465,487	1,600,031
CASH AND CASH EQUIVALENTS		
Beginning of year	9,004,954	7,404,923
End of year	$ 9,470,441	$ 9,004,954
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 2,010,348	$ 2,067,262

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements is as follows:

Organization - Allegheny College (College) is a four-year coeducational college fully accredited by the Middle States Association of Colleges and Secondary Schools. The College generates its operating revenues generally from student tuition fees and gifts. The College's students are primarily from the states of Pennsylvania, New York and Ohio. The College is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Presentation - The College classifies net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the College and changes therein are classified and reported as follows:

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

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

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use the income earned on related investments for general or specific purposes.

Revenue Recognition - Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulations or by law.

Cash and Cash Equivalents - The College considers all short-term investments with a maturity at the date of acquisition of three months or less and that are not intended for long-term or restricted purposes to be cash equivalents.

Loans to Students - Loans to students are reported at their outstanding principal adjusted for any charge-offs and net of the allowance for loan losses. The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the College's loan loss experience, adverse situations that may affect the borrower's ability to repay, and current economic conditions.

Contributions - Contributions are recognized when the donor makes a promise to give to the College that is, in substance, unconditional. Noncash contributions are valued at the fair value of the asset contributed at the date of the contribution. Contributions received and unconditional promises to give are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on existence of donor restrictions and nature of restrictions, if they exist.

Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is met or expires, temporarily restricted net assets, are released to unrestricted net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are calculated using a risk-free rate of return.

Substantially all of the temporary restrictions on assets as of June 30, 2014 and 2013 relate to amounts given to the College for future capital additions, loans and scholarships to students, or unexpended gains under Pennsylvania Trust Law. Permanently restricted net assets consist of endowment fund investments to be held indefinitely, certain split-interest agreements, and certain trusts held and administered by others.

Agency Transactions - The College receives resources in certain transactions where it is acting as an intermediary for the resource providers. The resources are then delivered to third parties. These transactions are recognized as changes in assets and liabilities and do not affect the statements of activities.

Accounts and Other Receivables - Accounts receivable represent the balance of unpaid student tuition charges and miscellaneous receivables owed to the College.

Allowance for Doubtful Accounts - The allowance for doubtful accounts is determined by management based on the College's historical losses, specific circumstances and general economic conditions. Periodically, management reviews receivables and records an allowance. Receivables are charged off against the allowance when all attempts to collect the receivables have failed.

Inventories - Inventories are stated at the lower of cost (first-in, first-out basis) or market.

Investments and Investment Income - Investments are reported at fair values. Investments received from donors as gifts are recorded at fair value at the date of gift. Investment return includes interest, dividends and both realized and unrealized gains and losses.

The College's investments comprise the College's endowment and other investments held for general operating purposes. Level 1 investments are defined as marketable securities, including mutual funds, and are reported at fair values based on quoted active market prices. Level 2 investments, including international equity funds and bond funds, are reported based on observable prices not quoted on active exchanges or readily determinable fair values based on comparable market data.

Level 3 investments, including real estate and other less-marketable investments that have unobservable fair value and liabilities, are recorded at fair value based on appraisals or recent comparable financial activity. Investments with greater than 20% ownership are reported under the equity method of accounting. Level 3 investments include marketable alternatives, real assets and private equities. Marketable alternatives include (i) event-driven strategies, such as merger arbitrage and distressed security investing, and (ii) value-driven strategies, such as long/short, market neutral, and other types of hedge funds. Private equities are underlying assets that are nonmarketable equity or equity-like securities. Private equities include equity, mezzanine and subordinated debt holdings in venture capital, buyout and recapitalized companies or properties. Real assets are assets whose income streams and/or market values tend to rise with inflation; they include U.S. Treasury inflation-indexed bonds, real estate and natural resources, such as oil and gas, timber and other commodities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 3 investments are carried at net asset value (NAV) value as of June 30, 2014 and 2013, as provided by the investment managers. These valuations include assumptions and methods that were reviewed by College management. The College believes that the carrying amount of its Level 3 investments is a reasonable estimate of NAV as of June 30, 2014 and 2013. When readily determinable NAV does not exist (such as investments not listed on national exchanges or over-the-counter markets or do not have comparable market data), and although College management makes every reasonable effort to ensure the accuracy of fair value, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market existed, and such differences could be material. Most of the College's Level 3 investments are highly liquid and can be redeemed in 90 days or less.

Pennsylvania Trust Law's "Total Investment Return Policy" - The Board of Trustees, in accordance with Pennsylvania Trust Law's "Total Investment Return Policy," designates only a portion of the College's cumulative investment return for support of current operations. The amount computed under the endowment spending policy and nonendowment investment income is used to support current operations. The spendable return on endowment, as calculated based on the 12-quarter average market value of the endowment, was 5.0% for both 2014 and 2013. Additionally, the College's Board of Trustees may specifically authorize an amount for fundraising spending, which is also classified as current operating, up to a maximum of 7% in total. The total spendable return on endowment was 5.4% and 5.6% for 2014 and 2013, respectively. The remaining endowment income (loss) is recorded as nonoperating investment return not designated for current operations.

Annuities - Annuities represent the College's obligation to pay a donor an annual amount, based on the donor's original contribution, over the remaining life of the donor. These annuities are stated at the net present value of the projected future cash flows assuming discount rates ranging from 6% to 8% in 2014 and 2013.

Land, Buildings and Equipment - Land, buildings and equipment are stated at cost at date of acquisition (in the case of gifts, fair value at date of donation), less accumulated depreciation. Interest expense is capitalized on qualifying assets during the period necessary to ready the asset for its intended use. Interest capitalized is net of interest earnings, if any, from proceeds of tax-exempt borrowings for the respective projects. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. The estimated useful lives of buildings and equipment are summarized as follows:

	Years
Building and improvements	20-50
Equipment and fixtures	3-10
Vehicles	3

The College reviews its land, buildings and equipment for impairment when events or changes in circumstances may indicate that the carrying amount of these assets may not be recoverable. No impairment charges were recorded by the College in 2014 or 2013. Repairs, maintenance and minor replacements of existing facilities are charged to expense as incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Split-Interest Agreements and Trusts Held by Others - The College's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts and gift annuities for which the College serves as trustee. 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 beneficiaries. The liabilities are adjusted during the terms of the trusts for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

The College is also the beneficiary of certain trusts held and administered by others. The College's portion of the fair market value of the underlying assets of these trusts and the net realized and unrealized gains (losses) of trusts held by others are primarily recorded in permanently restricted net assets. Trusts that permit the principal of the trust to be invaded and distributed to the College are recorded in temporarily restricted net assets. The College considers these trusts held by others to be a Level 2 measurement.

Contributions with Restrictions Met in the Same Year - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a release to unrestricted net assets is made to reflect the satisfaction or expiration of such restrictions.

Fund-Raising Expense - The College includes fund-raising expenses in institutional support. These expenses are $4,234,715 and $4,213,116 in 2014 and 2013, respectively. Included in these amounts are approximately $574,617 and $533,597, respectively, which are the allocated portion (joint costs) of fund-raising costs for activities that include program and other components.

Use of Estimates and Assumptions - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties - The College utilizes various investment instruments that are exposed to risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements and accompanying notes.

Taxes - The College adopted the Financial Accounting Standards Board (FASB) guidance for accounting for uncertainty in income taxes, which provides criteria for the recognition and measurement of uncertain tax positions. This guidance requires that an uncertain tax position should be recognized only if it is "more likely than not" that the position is sustainable based on its technical merits. Recognizable tax positions should then be measured to determine the amount of benefit recognized in the financial statements. The College files U.S. federal, state and local information returns, and no returns are currently under examination. The statute of limitations on the College's U.S. federal tax returns remains open for the years ended June 30, 2011 through the present. The College continues to evaluate its tax positions pursuant to the principles of FASB guidance and has determined that there is no material impact on the College's financial statements.

NOTE 2 - RECEIVABLES

Student accounts receivable as of June 30, 2014 and 2013 consist of the following:

	2014	2013
Accounts and other receivables	$ 1,212,072	$ 575,317
Less allowance for doubtful accounts	(285,000)	(260,000)
	$ 927,072	$ 315,317

The Board budgets for direct write-offs at the beginning of the year. In order to create the allowance, the College performs a student-by-student review for internal and external collection accounts. Once the analysis is complete, an allowance percentage is placed on each age and type for all internal and external collection accounts.

Contributions receivable as of June 30, 2014 and 2013 are promises to give from various donors that are unconditional. The net present value of the contributions receivable as of June 30, 2014 and 2013 is as follows:

	2014	2013
Amounts due in:		
Less than one year	$ 3,477,949	$ 3,104,361
One to five years	2,662,086	3,051,613
Greater than five years	30,300	30,000
	6,170,335	6,185,974
Discounts	(66,582)	(50,267)
Allowances	(617,146)	(651,738)
Net contributions receivable	$ 5,486,607	$ 5,483,969

The College received a $1,000,000 contribution in May 2005 as a challenge grant, which is a conditional contribution. The challenge grant is being recognized as revenue when the matching contributions are made. As of both June 30, 2014 and 2013, $905,000 has been recognized as revenue.

Student Loans Receivable - Net - The College makes loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources.

NOTE 2 - RECEIVABLES (Continued)

As of June 30, 2014 and 2013, student loans receivable - net consisted of the following:

	2014	2013
Student loans receivable	$ 7,290,858	$ 7,654,278
Less allowance for doubtful accounts	(951,512)	(996,385)
Student loans receivable - net	$ 6,339,346	$ 6,657,893

Allowances for doubtful accounts are established based on prior collection experience and current economic factors that, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

NOTE 3 - INVESTMENTS

Investments are carried at fair value of $209,605,433 and $185,552,392 as of June 30, 2014 and 2013, respectively. The aggregate carrying value of investments, exclusive of cash equivalents, as of June 30, 2014 and 2013, are summarized as follows:

	2014 - Endowment Investments			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market	$ 1,703,103	-	-	$ 1,703,103
U.S. Equity Large Cap	29,638,472	-	-	29,638,472
U.S. Equity Mid Cap	12,544,432	-	-	12,544,432
U.S. Equity Small Cap	-	-	-	-
Global ex. U.S. Equity	50,840,638	-	-	50,840,638
Fixed income and bond	-	-		-
U.S. government/credit securities	-	$ 26,576,293	-	26,576,293
Emerging markets	-	5,287,419	-	5,287,419
Venture capital/private equity	-	-	$ 11,182,800	11,182,800
Debt funds	-	-	10,005,509	10,005,509
Private real estate	-	-	13,439,801	13,439,801
Hedge funds	-	-	18,133,637	18,133,637
Real assets	-	-	5,341,229	5,341,229
	$ 94,726,645	$ 31,863,712	$ 58,102,976	$ 184,693,333

NOTE 3 - INVESTMENTS (Continued)

	2014 - Other Investments			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market	$ 6,619,504	-	-	$ 6,619,504
U.S. Equity Large Cap	7,358,701	-	-	7,358,701
U.S. Equity Mid Cap	342,418	-	-	342,418
U.S. Equity Small Cap	1,771,892	-	-	1,771,892
Global ex. U.S. Equity	1,516,193	-	-	1,516,193
Fixed income and bond	5,679,589	-	-	5,679,589
Total assets	$ 23,288,297	-	-	23,288,297
Equity-method investment				1,623,803
				$ 24,912,100

	2013 - Endowment Investments			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market	$ 4,439,136	-	-	$ 4,439,136
U.S. Equity Large Cap	25,388,937	-	-	25,388,937
U.S. Equity Mid Cap	9,833,501	-	-	9,833,501
U.S. Equity Small Cap	3,112,431	-	-	3,112,431
Global ex. U.S. Equity	39,035,747	-	-	39,035,747
Fixed income and bond	-	-	-	-
U.S. government/credit securities		$ 22,713,597	-	22,713,597
Emerging markets		5,417,992	-	5,417,992
Venture capital/private equity	-	-	$ 10,360,273	10,360,273
Debt funds	-	-	9,194,240	9,194,240
Private real estate	-	-	11,059,317	11,059,317
Hedge funds	-	-	15,559,543	15,559,543
Real assets	-	-	6,686,531	6,686,531
	$ 81,809,752	$ 28,131,589	$ 52,859,904	$ 162,801,245

NOTE 3 - INVESTMENTS (Continued)

	2013 - Other Investments			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market	$ 6,468,002	-	-	$ 6,468,002
U.S. Equity Large Cap	6,283,813	-	-	6,283,813
U.S. Equity Mid Cap	274,811	-	-	274,811
U.S. Equity Small Cap	1,641,663	-	-	1,641,663
Global ex. U.S. Equity	1,300,090	-	-	1,300,090
Fixed income and bond	5,384,536	-	-	5,384,536
Total assets	$ 21,352,915	-	-	21,352,915
Equity-method investment				1,398,232
				$ 22,751,147

Total investment summary:

	2014	2013
Endowment	$ 184,693,333	$ 162,801,245
Other	24,912,100	22,751,147
	$ 209,605,433	$ 185,552,392

Potential capital calls related to Level 3 investments were approximately $10,761,000 as of June 30, 2014. There were no significant transfers in or out of Levels 1, 2 or 3 for the years ended June 30, 2014 or 2013.

A reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for the years ended June 30, 2014 and 2013 is as follows (in thousands):

	2014					
	V/C and P/E	Debt Funds	Private Real Estate	Hedge Funds	Real Assets	Total
Balance - beginning of year	$ 10,360	$ 9,194	$ 11,059	$ 15,560	$ 6,687	$ 52,860
Realized gains (losses)	1,997	-	729	-	(197)	2,529
Unrealized gains	160	811	681	2,574	651	4,877
Return of capital	644	-	1,914	-	-	2,558
Purchases	1,911	-	3,781	-	-	5,692
Sales	(3,889)	-	(4,724)	-	(1,800)	(10,413)
	$ 11,183	$ 10,005	$ 13,440	$ 18,134	$ 5,341	$ 58,103

NOTE 3 - INVESTMENTS (Continued)

	2013					
	V/C and P/E	Debt Funds	Private Real Estate	Hedge Funds	Real Assets	Total
Balance - beginning of year	$ 9,839	$ 7,551	$ 9,770	$ 24,044	$ 6,862	$ 58,066
Realized gains (losses)	1,023	-	533	367	(42)	1,881
Unrealized gains (losses)	(1)	1,643	259	1,695	(733)	2,863
Return of capital	632	-	979	-	-	1,611
Purchases	1,154	-	2,012	600	600	4,366
Sales	(2,287)	-	(2,494)	(11,146)	-	(15,927)
	$ 10,360	$ 9,194	$ 11,059	$ 15,560	$ 6,687	$ 52,860

Management fees are included in realized gains (losses) in the table above. The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses related to assets still held at the reporting date.

The total investment pool provides daily liquidity for 53.2% of the holdings. Of Level 3 investments, real assets offer daily liquidity, while debt funds and hedge funds (approximately 16.0% of total investments) offer quarterly liquidity. Venture capital/private equity and private real estate, representing 12.5% of total investments, have liquidity requirements greater than 90 days.

Individual endowment funds within the College's consolidated endowment pool had fair values less than the individual principal values by approximately $54,000 and $861,000 as of June 30, 2014 and 2013, respectively. This represents .03% of the $184,693,333 fair value of the total 2014 endowment pool and 0.53% of the $162,801,245 fair value of the total 2013 endowment pool, respectively.

As of June 30, 2014 and 2013, there were no significant concentrations of investments, since no individual investment exceeded 10% of total assets.

The College uses prices and inputs that are current as of the measurement date obtained through multiple third-party custodians from independent pricing services.

A description of the valuation techniques applied to the major categories of investments measured at fair value is outlined below. The fair value of common, preferred and foreign stocks is determined using quoted market prices in active markets. Such actively traded securities are categorized in Level 1 of the fair value hierarchy.

Mutual funds are open-ended Securities and Exchange Commission registered funds with daily net asset values (NAV). The mutual funds allow investors to sell their interest to the fund at a published daily NAV, with no restrictions on redemptions. These mutual funds are categorized in Level 1 of the fair value hierarchy.

Government securities, government agency securities, corporate fixed-income securities, and asset-backed mortgage securities, including residential mortgage-backed securities, commercial mortgage-backed securities and other securitized assets, are categorized in Level 2 of the fair value hierarchy because the fair value is based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

NOTE 3 - INVESTMENTS (Continued)

Limited liability partnerships are partnerships created and administered by a general partner who invests either directly in a specified investment strategy or indirectly through other limited liability partnerships in a so-called "fund of funds." The underlying investments of these funds can be actively traded securities in the case of certain hedge fund strategies or illiquid and privately held equity investment, as in the case of private equity investments, private real estate, hedge fund strategies or real assets. The partnership documents outline the terms and conditions by which the general partner administers the partnership and its investments. Each limited partner owns a specified share of the partnership. These partnerships cannot be marketed to the public and are restricted, by regulation, to qualified investors. The underlying investments of these partnerships include many different types of investments, including interest rate swaps, commercial paper, foreign currency, private equity, short interest in common stock and convertible bonds. The valuation of the partnership interest typically is performed at least quarterly by the general partner through unaudited statements and validated through annual audited financial statements. In certain partnerships, the readily available data on market values allows for monthly valuation of the partnership interest. As such, these partnerships are categorized in Level 3 of the fair value hierarchy.

There has been no significant change in valuation techniques of investments during either year.

A breakdown of total investment return for the years ended June 30 is as follows:

Total Investment Return

	2014	2013
Interest and dividends earnings	$ 2,134,800	$ 1,935,186
Realized and unrealized gains	29,993,158	19,348,815
Fees and other expenses	(1,088,723)	(971,274)
Total investment gain	31,039,235	20,312,727
Total investment return policy amount designated for current operations	8,697,279	7,946,465
Total investment return policy amount not designated for current operations	$ 22,341,956	$ 12,366,262

NOTE 3 - INVESTMENTS (Continued)

Endowment Pennsylvania Trust Law Spending consists of:

	2014	2013
Total Pennsylvania Trust Law Spending	$ 7,822,746	$ 7,104,170
Fundraising spending	822,073	900,000
Total investment gain	8,644,819	8,004,170
Unrestricted investment (loss) return	52,460	(57,705)
Investment return designated for current operations	$ 8,697,279	$ 7,946,465

NOTE 4 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings, and equipment as of June 30, 2014 and 2013 consist of the following:

	2014	2013
Land	$ 15,187,093	$ 15,112,266
Buildings and improvement	173,440,956	172,131,238
Furniture, fixtures and equipment	16,962,988	16,082,007
Computer equipment	11,525,798	11,488,623
Scientific equipment	9,029,864	8,873,295
Vehicles	476,700	483,268
Works of art	1,787,817	1,762,561
Construction-in-progress	774,482	653,970
	229,185,698	226,587,228
Less accumulated depreciation	(108,670,302)	(102,327,174)
Land, building and equipment, net	$ 120,515,396	$ 124,260,054

The College maintains various collections of inexhaustible assets to which at times no value can be determined. Such collections could include contributed works of art, historical treasures, literature, and the like that are held for exhibition and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not capitalized or recognized for financial statement purposes.

Depreciation expense amounted to $6,371,657 and $6,199,883 for the years ended June 30, 2014 and 2013, respectively.

NOTE 4 - LAND, BUILDINGS AND EQUIPMENT (Continued)

Construction-in-progress includes approximately $220,234 and $145,000 of obligations not paid as of June 30, 2014 and 2013, respectively. There was no capitalized interest in 2014 or 2013.

NOTE 5 - ACCOUNTING FOR CONDITIONAL ASSET RETIREMENT OBLIGATIONS

Under the provisions of ASC 410-20, *Asset Retirement and Environmental Obligations*, the College is obligated to record a liability for conditional asset retirement obligations. The College performed an analysis of such obligations and determined that asbestos remediation costs represented the College's primary source of such liabilities. The College reviewed all facilities and determined the timing, method and cost of asbestos remediation using a variety of assumptions and estimates. The analysis included an estimated inflation factor and discount rate, which were used to determine the present value of the obligation. The cumulative cost of asset remediation is amortized over the remaining useful life of the affected asset. The liability related to conditional asset remediation obligations as of June 30 is included in accrued liabilities in the accompanying statements of financial position as follows:

	2014	2013
Beginning balance	$ 949,377	$ 905,635
Accretion	45,855	43,742
	$ 995,232	$ 949,377

NOTE 6 - BORROWING ARRANGEMENTS

Bonds and notes payable as of June 30, 2014 and 2013 consist of the following:

	2014	2013
Refinancing note payable to bank, quarterly variable interest payments, swapped to fixed-rate payments	$ 22,695,325	$ 23,989,332
College Revenue Bonds Series 2006 - capital improvement (Net of unamortized discount of $97,634 in 2014 and $102,158 in 2013)	13,902,366	13,897,842
College Revenue Bonds Series 2009 - capital improvement (Net of unamortized discount of $178,273 in 2014 and $185,452 in 2013)	16,911,727	17,219,548
Note payable - athletic equipment	130,656	-
	$ 53,640,074	$ 55,015,722

In January 2014, Allegheny College entered into three long-term debt agreements with a financial institution for the purchase of athletic equipment totaling $145,527. Interest accrues on the borrowings at an average rate of 3.67%. The combined loan balance outstanding at June 30, 2014 was $130,656.

NOTE 6 - BORROWING ARRANGEMENTS (Continued)

On December 15, 2010, the College obtained a bank loan in the amount of $26,386,313 (2010 Refinancing Note). The proceeds of the 2010 Refinancing Note were used to (i) refund the Pennsylvania Higher Educational Facilities Authority Bonds Series 1998 (Refinanced Bonds) and (ii) pay the cost of issuance of the 2010 Refinancing Note. The College recognized a loss on refinancing related to the write-off of unamortized bond issuance costs of $947,632. The 2010 Refinancing Note carries a variable rate of interest. Amounts outstanding under the 2010 Refinancing Note will bear interest at a rate per annum equal to the sum of 65% of London InterBank Offered Rate (LIBOR) in effect on each reset date plus 1.22%. The 2010 Refinancing Note is a limited obligation of the College, as it is payable solely from net revenues. Principal and interest are payable in quarterly installments, which commenced March 1, 2011, with a final payment due on June 1, 2031. The Note agreement provides that the College maintain certain ratios and other covenants.

In addition, the College entered into a Rate Swap Transaction (RST) for the purpose of fixing the interest rate on the 2010 Refinancing Note at a rate of 3.315%. The RST was effective December 15, 2010, and will continue to June 1, 2031. The fair value of the RST as of June 30, 2014 was approximately $928,099 with a notational amount of $22,695,325. The fair value of the RST as of June 30, 2013 was approximately $867,000 with a notational amount of $23,898,332.

The Series 2009A and 2009B Bonds were issued through the Crawford County Industrial Development Authority. The Series 2009A Bonds require semiannual interest payments at fixed interest rates originally ranging from 2.375% to 6.00% and have maturity dates from 2010 to 2031. The Series 2009B Bonds require weekly variable interest calculations and monthly payments. The principal portion is payable in installments, which commenced on November 1, 2010, with final payment due November 1, 2039. The Bond agreement provides that the College maintain certain ratios and other covenants. As of both June 30, 2014 and 2013, the College had approximately $836,400 of debt service reserve funds from the 2009 bond proceeds, which is included in investments.

The Series 2006 Bonds were issued through the Pennsylvania Higher Educational Facilities Authority. The Series 2006 Bonds require semiannual interest payments with two interest rates of 4.75% and 4.80%, with two maturity dates of 2031 and 2036, respectively. The principal portion is payable in installments, which will commence on May 1, 2028, with final payment due May 1, 2036. The Bond agreement provides that the College maintain certain ratios and other covenants. As of June 30, 2014 and 2013, the College had approximately $1.3 million of debt service reserve funds from the 2006 bond proceeds, which is included in investments. Scheduled payments in each of the next five fiscal years and thereafter are as follows:

	Principal	Interest	Total
2015	$ 1,595,275	$ 2,136,134	$ 3,731,409
2016	1,649,589	2,082,624	3,732,213
2017	1,704,649	2,020,864	3,725,513
2018	1,751,414	1,960,331	3,711,746
2019	1,804,374	1,894,891	3,699,264
Thereafter	45,134,773	18,786,389	63,921,162
	$ 53,640,074	$ 28,881,233	$ 82,521,307

Interest expense was approximately $1,964,000 for 2014 and $2,019,000 for 2013.

NOTE 7 - LINE OF CREDIT

The College currently has available a $5,000,000 revolving line of credit, which is payable on demand. This line of credit is unsecured. Interest is payable monthly on the outstanding principal balance at the best rate option or LIBOR rate, plus 0.65% (0.08024% as of June 30, 2014). This line of credit may be canceled by either the lender or the College upon notification in writing to either party. There were no outstanding borrowings on the line of credit as of June 30, 2014 or 2013.

NOTE 8 - OPERATING LEASES

The College leases certain equipment for use by various instructional, administrative and supporting departments. Minimum future rental commitments under noncancelable leases having an initial or remaining term in excess of one year as of June 30, 2014, are as follows:

Year Ending June 30	Amount
2015	$ 200,272
2016	167,311
2017	108,707
2018	12,692
2019	241
	$ 489,223

Operating lease expense for the years ended June 30, 2014 and 2013 was $213,658 and $211,141, respectively.

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from temporary restrictions during fiscal years 2014 and 2013 are as follows:

	2014	2013
Instructional	$ 1,987,894	$ 1,863,601
Research	377,122	260,261
Academic support	916,317	649,270
Student services	653,629	681,391
Institutional support	177,541	312,911
Scholarships	3,136,917	3,020,958
Capital additions	813,747	302,576
Satisfaction of time restriction and other	120,709	1,622,354
	$ 8,183,876	$ 8,713,322

NOTE 10 - NET ASSETS

Unrestricted net assets as of June 30, 2014 and 2013 include the following:

	2014	2013
Board Designated Endowment	$ 31,920,159	$ 25,657,952
Undesignated	77,213,423	77,409,771
	$ 109,133,582	$ 103,067,723

Temporarily restricted net assets as of June 30, 2014 and 2013, include the following:

	2014	2013
Education and general	$ 806,020	$ 6,603,145
Split-interest agreements	2,169,035	2,088,613
Trusts held by others	16,195	16,195
Capital additions, renovations and Maintenance	534,089	440,378
Endowment - unexpended gains	86,431,053	67,900,790
	$ 89,956,392	$ 77,049,121

Permanently restricted net assets as of June 30, 2014 and 2013, include the following:

	2014	2013
Endowment	$ 77,643,677	$ 75,297,065
Split-interest agreements	1,441,469	1,474,291
Trusts held by others	7,811,301	7,008,944
	$ 86,896,447	$ 83,780,300

Changes in endowment net assets for the years ended June 30, 2014 and 2013, are as follows:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ 25,657,952	$ 67,900,790	$ 75,297,065	$ 168,855,807
Investment gain	5,619,442	22,661,058	254,517	28,535,017
Contributions - outright gifts and contributions - less changes in and allowances	3,721,739	1,487,510	2,092,095	7,301,344
Appropriation for endowment assets for expenditure (spending funds)	(3,078,974)	(5,618,305)	-	(8,697,279)
	$ 31,920,159	$ 86,431,053	$ 77,643,677	$ 195,994,889

NOTE 10 - NET ASSETS (Continued)

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ 21,588,591	$ 55,738,865	$ 70,813,661	$ 148,141,117
Investment gain	680,255	17,281,731	-	17,961,986
Contributions - outright gifts and contributions - less changes in and allowances	6,215,765	-	4,483,404	10,699,169
Appropriation for endowment assets for expenditure (spending funds)	(2,826,659)	(5,119,806)	-	(7,946,465)
	$ 25,657,952	$ 67,900,790	$ 75,297,065	$ 168,855,807

NOTE 11 - PELL GRANT AND PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY PROGRAMS

Activity of the Pell Grant and Pennsylvania Higher Education Assistance Agency programs is not reflected in the College's statements of activities. Students received approximately $2,333,100 and $2,315,000 from the Federal Pell Grant and $1,828,975 and $1,832,000 from the Pennsylvania Higher Education Assistance Agency programs in the years ended June 30, 2014 and 2013, respectively.

NOTE 12 - EMPLOYEE BENEFITS

The College has defined contribution pension plans covering substantially all of its full-time employees. Contributions to these annuity funded plans amounted to approximately $2,111,000 and $2,038,000 for the years ended June 30, 2014 and 2013, respectively.

The College provides medical premium coverage at the option of employees who have completed 10 consecutive years of full-time employment and who have attained the age of 58 or upon retirement until they reach the age of 65. The College and employee each pay their same percentages of the premium monthly during the period after retirement as they did while the employee was working. The liability related to this postretirement benefit was approximately $170,000 and $166,000 as of June 30, 2014 and 2013, respectively, and is included in the accrued liabilities line on the accompanying statements of financial position.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The College applies fair value guidance to all assets and liabilities that are being measured and reported on a fair value basis. This guidance establishes a hierarchal disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value. This guidance requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following categories:

Level 1 - Valuations based on quoted market prices in active markets for identical assets that the organization has the ability to access. Since valuations are based on quoted market prices that are readily available in the active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment.

The hierarchy is broken down into three levels based on the observability of inputs as follows. The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is practicable to estimate fair value:

- The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

- Contributions receivable are reported at the present value of estimated future receipts, which approximates fair value.

- The carrying values of investments, trusts held by others, annuities and remainder interest trusts are based primarily on Level 1 quoted market prices. Where such quoted market prices are not available, Level 2 and Level 3 inputs, which include audited financial statements, appraisals or recent or comparable cost are used as an estimate of fair value.

- The carrying value of split-interest obligations approximates fair value, as the obligations are recorded at the net present value of estimated future payments.

- The carrying value of the bonds is $30,814,093 as of June 30, 2014, as compared to the estimated fair value of $32,579,213. Fair value of the bonds payable was calculated by discounting scheduled cash flows through the maturity of the bonds and notes using Level 2 inputs and estimated market rates. The carrying value of the note payable is $22,695,325 as of June 30, 2014, as compared to the estimated fair value of $26,386,313. Fair value of the notes was calculated by discounting scheduled cash flows using Level 2 inputs and estimated market rates.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2014, the College had entered into various contracts for the construction and renovation of various campus facilities that have remaining commitments of approximately $1,532,611.

The Guaranteed Access to Educational Program (GATE) is a private subsidized educational loan program designed specifically to meet the educational costs of students attending participating accredited institutions. The GATE loans must be repaid by borrowers over a period that typically extends 13 years after graduation. Allegheny College participated in the GATE Loan Program through the 2006-2007 academic year. The total potential commitments in excess of the expected contribution by the College to this program amount to approximately $1.7 million as of June 30, 2014.

In addition, the College receives significant financial assistance from governmental agencies in the form of grants. The disbursement of funds received under such programs generally requires compliance with terms and conditions specified in grant agreements and is subject to audit by grantor agencies. The grant agreements provide for possible auditing of expenditures by grantor agencies and possible disallowance of certain expenditures.

The College is involved in various legal proceedings, administrative actions and claims arising in the normal course of business. In the opinion of management, the College's liability, if any, under pending litigation and administrative actions will not materially affect its financial statements.

NOTE 15 - RELATED PARTIES

The College engages in transactions with businesses whose executives are members of the Board of Trustees.

NOTE 16 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 6, 2014, the date the financial statements were issued.