CALVIN

College

Consolidated Financial Statements

Grand Rapids, Michigan

June 30, 2012 and 2011

CALVIN COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Calvin College
Grand Rapids, Michigan

We have audited the accompanying consolidated balance sheets of Calvin College (College) as of June 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of two wholly owned subsidiaries described in Note 1 of these financial statements. Those statements reflect total assets of approximately $14,741,000 and $14,829,000 as of June 30, 2012 and 2011, respectively, and total revenues of approximately $2,283,000 and $2,061,000, respectively, for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us and in our opinion, insofar as it relates to the amounts included for the subsidiaries, is based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits, and the reports of the other auditor, provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Calvin College as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

During the year ending June 30, 2012, the College restructured the statements of activities to provide a measure of operations. Nonoperating revenues and expenses are segregated from operating revenues and expenses. The College accounted for the change in value of the interest rate swaps as a nonoperating loss. The interest rate assumptions for post retirement benefit obligations were adjusted to market value, which resulted in a nonoperating loss.

Capin Crouse LLP

Greenwood, Indiana
October 11, 2012

CALVIN COLLEGE

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS:		
Cash	$ 13,668,023	$ 1,652,731
Investments	7,349,597	7,382,536
Receivables:		
Student accounts, net of allowance of $300,000 at June 30, 2012 and 2011	1,510,162	1,662,836
Government grants	600,740	1,479,142
Student loans, net of allowance of $737,309 and $556,665 at June 30, 2012 and 2011, respectively	7,324,376	7,501,386
Contributions receivable, net of allowance of $0 at June 30, 2012 and 2011	8,036,324	10,689,257
Bequests receivable	1,605,703	1,147,867
Other	1,828,352	1,713,893
Inventory	592,571	624,483
Prepaid expenses	2,069,999	1,775,085
Cash value of life insurance	1,948,479	1,884,427
Investments held for long-term purposes	160,771,317	175,177,003
Plant assets:		
Land	9,242,222	8,844,669
Construction in progress	967,816	554,738
Buildings	241,440,549	238,488,796
Furniture and equipment	58,034,290	56,913,004
Accumulated depreciation	(74,895,979)	(69,669,479)
Total assets	$ 442,094,541	$ 447,822,374
LIABILITIES:		
Accounts payable	$ 3,591,597	$ 3,552,544
Accrued payroll	4,342,000	4,641,000
Accrued post-retirement health benefits	31,213,580	20,337,010
Accrued expenses and other liabilities	2,593,760	3,038,145
Deferred revenue	1,687,809	1,430,026
Line of credit	15,450,959	7,859,644
Conditional gift	500,000	500,000
Tuition gift certificate liability	3,794,513	3,979,448
Annuity contracts and trust funds held for others	6,121,716	6,403,959
Long-term debt	116,233,162	116,176,042
Fair value of interest rate swap agreements	30,755,745	0
Amounts held for student and other organizations	379,739	277,909
Federal Perkins Loan advances	6,692,124	6,976,363
Total liabilities	223,356,704	175,172,090
NET ASSETS:		
Unrestricted	114,009,157	161,949,695
Temporarily restricted	20,317,968	28,589,332
Permanently restricted	84,410,712	82,111,257
Total net assets	218,737,837	272,650,284
Total liabilities and net assets	$ 442,094,541	$ 447,822,374

See Accompanying Footnotes

CALVIN COLLEGE

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Tuition and Fees	$ 97,949,616	$ -	$ -	$ 97,949,616
Less: Financial aid	(32,828,966)	-	-	(32,828,966)
Net tuition and fees	65,120,650	-	-	65,120,650
Government grants	2,447,800	306,284	-	2,754,084
Denominational ministry shares	2,653,013	-	-	2,653,013
Private gifts and grants	8,176,535	3,102,046	-	11,278,581
Long-term investment income and gains allocated for operations	783,207	4,256,093	-	5,039,300
Investment income (loss)	(1,518,677)	497,819	-	(1,020,858)
Other revenue	4,608,756	(34,799)	-	4,573,957
Auxiliary enterprises	24,347,152	-	-	24,347,152
Net assets released from restrictions	11,742,211	(9,587,706)	(2,154,505)	-
Total revenues	118,360,647	(1,460,263)	(2,154,505)	114,745,879
OPERATING EXPENSES				
Program expenses				
Instructional	58,808,266	-	-	58,808,266
Research	2,987,307	-	-	2,987,307
Public service	3,694,509	-	-	3,694,509
Academic support	10,749,713	-	-	10,749,713
Student services	10,395,463	-	-	10,395,463
Auxiliary enterprises	22,237,786	-	-	22,237,786
Support services				
Institutional support	16,646,636	-	-	16,646,636
Allocable expenses				
Operation and maintenance of plant	9,777,749	-	-	9,777,749
Interest	4,704,834	-	-	4,704,834
Unfunded depreciation	6,029,672	-	-	6,029,672
Other	1,759,984	-	-	1,759,984
Less: Allocated Expenses	(22,272,239)	-	-	(22,272,239)
Total expenses	125,519,680	0	0	125,519,680
Change in Net Assets from Operating Activities	(7,159,033)	(1,460,263)	(2,154,505)	(10,773,801)
NONOPERATING ACTIVITIES				
Investment income (loss)	(404,476)	(2,197,998)	265	(2,602,209)
Long-term investment income and gains, net of amounts allocated for operations	(783,207)	(4,256,093)	-	(5,039,300)
Private gifts and grants	671,592	(117,291)	4,453,695	5,007,996
Adjustment to prior service cost and actuarial liability for retiree health plan	(9,440,756)	-	-	(9,440,756)
Changes in the value of split interest agreements	(68,913)	(239,719)	-	(308,632)
Changes in the value of interest rate swap agreements	(30,755,745)	-	-	(30,755,745)
Change in Net Assets from Nonoperating Activities	(40,781,505)	(6,811,101)	4,453,960	(43,138,646)
Total Change in Net Assets	(47,940,538)	(8,271,364)	2,299,455	(53,912,447)
NET ASSETS:				
Beginning of year	161,949,695	28,589,332	82,111,257	272,650,284
End of year	$114,009,157	$20,317,968	$84,410,712	$218,737,837

See Accompanying Footnotes

CALVIN COLLEGE

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Tuition and Fees	$ 95,958,682	$ -	$ -	$ 95,958,682
Less: Financial aid	(31,648,867)	-	-	(31,648,867)
Net tuition and fees	64,309,815	-	-	64,309,815
Government grants	2,873,092	249,368	-	3,122,460
Denominational ministry shares	2,624,006	-	-	2,624,006
Private gifts and grants	4,096,124	7,080,234	-	11,176,358
Long-term investment income and gains allocated for operations	724,600	4,421,200	-	5,145,800
Investment income	7,815,312	976,043	-	8,791,355
Other revenue	4,120,708	539,166	-	4,659,874
Auxiliary enterprises	23,868,945	-	-	23,868,945
Net assets released from restrictions	10,580,664	(10,612,309)	31,645	-
Total revenues	121,013,266	2,653,702	31,645	123,698,613
OPERATING EXPENSES				
Program expenses				
Instructional	55,714,270	-	-	55,714,270
Research	2,305,662	-	-	2,305,662
Public service	3,862,815	-	-	3,862,815
Academic support	12,029,979	-	-	12,029,979
Student services	10,353,230	-	-	10,353,230
Auxiliary enterprises	21,002,551	-	-	21,002,551
Support services				
Institutional support	15,462,032	-	-	15,462,032
Allocable expenses				
Operation and maintenance of plant	9,829,943	-	-	9,829,943
Interest	5,168,118	-	-	5,168,118
Unfunded depreciation	5,875,111	-	-	5,875,111
Other	1,208,879	-	-	1,208,879
Less: Allocated Expenses	(22,082,051)	-	-	(22,082,051)
Total expenses	120,730,539	0	0	120,730,539
Change in Net Assets from Operating Activities	282,726	2,653,702	31,645	2,968,073
NONOPERATING ACTIVITIES				
Investment income	2,401,967	14,655,778	238	17,057,983
Long-term investment income and gains, net of amounts allocated for operations	(724,600)	(4,421,200)	-	(5,145,800)
Private gifts and grants	1,807,809		4,826,798	6,634,607
Changes in the value of split interest agreements	48,604	244,918	-	293,522
Change in Net Assets from Nonoperating Activities	3,533,780	10,479,496	4,827,036	18,840,312
Total Change in Net Assets	3,816,507	13,133,198	4,858,681	21,808,386
NET ASSETS:				
Beginning of year	158,133,188	15,456,134	77,252,576	250,841,898
End of year	$161,949,695	$28,589,332	$82,111,257	$272,650,284

CALVIN COLLEGE

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from students for tuition, fees, and auxiliary enterprises	$ 92,427,140	$ 92,893,826
Gifts and grants received for operations	20,313,478	25,291,729
Interest and dividends received	1,495,243	1,935,744
Cash paid for interest	(4,753,291)	(4,926,351)
Cash paid to suppliers and employees	(113,723,714)	(107,573,804)
Net cash flows from operating activities	(4,241,144)	7,621,144
CASH FLOWS FROM INVESTING ACTIVITIES:		
Student loans advanced	(1,103,417)	(735,036)
Student loans collected	1,031,463	1,166,003
Proceeds from dispositions of investments	96,097,195	98,435,492
Acquisition of investments	(86,776,880)	(82,937,480)
Acquisition and construction of plant assets	(6,056,718)	(13,335,102)
Net cash flows from investing activities	3,191,642	2,593,877
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted gifts and grants	4,453,695	4,824,298
Proceeds from debt	7,924,212	1,960,849
Federal Perkins Loan advances	(108,091)	226,056
Tuition gift certificates sold	1,459,028	1,453,168
Annuity and trust contracts received	324,070	324,070
Annuity and trust beneficiary payments	(712,343)	(730,990)
Payments of debt	(275,777)	(17,807,099)
Net cash flows from financing activities	13,064,794	(9,749,648)
Net change in cash	12,015,292	465,373
CASH:		
Beginning of year	1,652,731	1,187,358
End of year	$ 13,668,023	$ 1,652,731

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CALVIN COLLEGE

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
SUPPLEMENTAL DISCLOSURES:		
Reconciliation of Change in Net Assets to Net Cash Used In Operating Activities:		
Change in net assets	$ (53,912,447)	$ 21,808,386
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Permanently restricted gifts and grants	(4,453,695)	(4,824,298)
Net realized and unrealized capital gains	5,118,310	(23,913,594)
Depreciation	6,617,843	6,474,477
Gains on disposal of fixed assets	36,088	(2,315)
Decrease in cash surrender value of life insurance	(64,052)	(55,688)
Decrease in liability for tuition gift certificates	(1,643,963)	(1,700,128)
Increase in post-retirement health benefit liability	9,440,756	-
Changes in the value of split-interest agreements	106,030	413,660
Increase in fair value of interest rate swap agreements	30,755,745	-
Perkins loan administrative cost charge	(176,148)	(190,197)
Changes in:		
Receivables	3,360,679	6,746,645
Inventory	31,912	41,586
Prepaid expenses	(294,914)	(689,620)
Accounts payable to suppliers	(215,330)	1,622,505
Accrued payroll, expenses, and other liabilities	692,429	1,014,756
Deferred revenue	257,783	334,164
Conditional gifts	-	500,000
Amounts held for student and other organizations	101,830	40,805
Net cash flows from operating activities	$ (4,241,144)	$ 7,621,144

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Calvin College (the College) is the College of the Christian Reformed Church in North America. The College has one campus located in Grand Rapids, Michigan.

Basis of Presentation

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America. The College follows net asset accounting methods whereby resources are classified for accounting and reporting purposes into one of three net asset classes: permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. This classification is determined based on the existence or absence of donor-imposed restrictions.

> Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of the College. Permanently restricted net assets are comprised generally of gifts made to the endowment and institutional loan funds of the College.
>
> Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be removed by actions of the College pursuant to those stipulations. Temporarily restricted net assets are comprised generally of gifts made for specific purposes identified by the donor such as equipment, currently funded scholarships, endowment investment earnings in excess of spending rule, and specific institutional activities.
>
> Unrestricted net assets result from all other activities not classified as either permanently restricted or temporarily restricted. Unrestricted net assets are comprised generally of the educational, residence hall, and food service operations of the College. Also included are the campus store, conference center, unrestricted contributions for operations, research grants and contracts, quasi endowments, and investment earnings.

The College owns a 100% interest in Weyhill Properties, LLC (Weyhill). Weyhill is a limited liability company that provides Class A commercial office space to top tier area businesses. The College also owns a 100% interest in Coach Homes in the Woods, LLC (Coach Homes). Coach Homes is a limited liability company that provides housing for the community and for Calvin College students. The consolidated financial statements of the College include the transactions and balances of Weyhill and Coach Homes. All significant intra-organization transactions and balances have been eliminated.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect (a) the reported amounts of assets and liabilities, (b) the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and (c) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash represents cash on hand and cash in checking and savings accounts. The college maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The accounts, at times, exceed federally insured limits. The College has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash deposits.

Investments

Investments are recorded at fair value, which is determined using published exchange market quotations where applicable and using estimated market value when no ready market exists. Estimated market value is based on expected future cash flows. Corporate equities in which the College has an ownership interest of 20% to 50% are reported using the equity method. Real estate is initially reported at cost (if purchased) or fair value on the date of donation as determined by appraisals and thereafter at the lower of cost or fair value. Notes receivable are reported at amortized cost. Interest is calculated using the simple interest method. Donated investments are recorded at market value at the date of donation and thereafter carried in accordance with the above policies. Investments held for long-term purposes relate generally to the tuition gift certificate program, endowment, annuities and trusts, debt service reserve, and funds earmarked for the repayment of long-term debt. Unrealized gains and losses are included in unrestricted investment income in the consolidated statements of activities unless a donor or law temporarily or permanently restricts their use. Subsequent gains or losses resulting from disposition of real estate are recorded as investment gains or losses in the period realized.

Certain investments in Commonfund Group, Fuller Foundation, and certain other partnerships and joint ventures are carried at fair value as determined by the fund's managers based on information provided by the fund's professional managers. In determining fair value, the manager utilizes the valuation of the underlying investment entities reflected on the audited consolidated financial statements of the funds. The underlying investment entities value securities and other financial instruments at market value when possible or at fair value determined by the respective entity's general partner or manager when no market value is available. The estimated fair values of certain of the investments of the underlying investment

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

entities, which include private placements and other securities for which prices are not readily available, may not reflect amounts that could be realized upon immediate sale nor amounts that ultimately may be realized. The estimated fair value may differ significantly from the values that would have been used had a ready market existed for these investments.

Student Accounts Receivable

Student accounts receivable are reported net of any anticipated losses due to uncollectible accounts. The College considers an account to be past due when a student leaves mid-semester with an unpaid account balance or when a student still has an account balance after the final payment due date of the semester. Past due accounts are subject to internal letter collection efforts and are subsequently placed with third party collection agencies. If an inactive account balance still exists at the conclusion of the nine to twelve month collection period, the account is written-off. The collectability of individual accounts are evaluated at the close of each fiscal year, and the allowance for uncollectible accounts is adjusted to a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. Historical write-off history as a percentage of outstanding receivable balances is used to help establish an appropriate allowance for uncollectible accounts. The College does not assess finance charges against student receivables that are past due.

Student Loans Receivable

Student loans receivable are reported net of any anticipated losses due to uncollectible loans. The College considers a loan to be in default when it has been past due for a period of nine months. Past due accounts are subject to internal collection efforts for a period of one year and are subsequently placed with third party collection agencies for another year. If an account is still delinquent after the two year collection period, the loan is assigned to the Department of Education in the case of Federal Perkins Loans or written-off in the case of institutional loans. The allowance for uncollectible accounts is calculated as the average of the outstanding loan balance multiplied by the cohort default rate and one half of loans in default in the case of Federal Perkins Loans and one half of loans in default in the case of institutional loans. The Federal Perkins Loans program has provisions for deferment, forbearance, and cancellation of individual loans. The deferment and forbearance provisions of the Federal Perkins Loan program are generally applied to institutional loans as well. Interest continues to accrue while the loan is placed with a collection agency. At June 30, 2012 and 2011, student loans receivable past due 90 days or more and continuing to accrue interest totaled $893,057 and $749,452 respectively. At June 30, 2012 and 2011, student loans receivable once accruing interest but no longer accruing interest (non-accrual) totaled $82,492 and $19,394, respectively. No student loans were written off during the year so the change in the related allowance is due solely to the adjustment of the allowance account to better reflect the amount of net student loans deemed to be collectable at June 30, 2012.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Unconditional promises to give to the College are recognized as income of the College when made. Conditional promises to give are recognized as income to the College when the conditions are met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. The College determines this discount rate based on the yields of various bond issues corresponding to the timing of the promise to give. Amortization of the discounts is included in gift income. The allowance for uncollectible amounts is provided for contributions receivable estimated to be uncollectible. Management establishes an allowance based on its estimation of uncollectible contributions receivable. This allowance is analyzed and adjusted annually. At June 30, 2012 and 2011, approximately 46% and 35% of outstanding contributions receivable were made by two and one donors, respectively.

Bond Issuance Costs

Bond issuance costs include amounts paid in connection with the issuance of the MHEFA 2007A, MHEFA 2007B, Taxable 2007A, and Taxable 2007B bond issues. The 2007 bonds were defeased at the end of June, 2012 and the remaining $336,369 of unamortized bond issuance costs were charged to expense at that time. Amortization expense related to the 2007 bond issuance costs was $13,251 for the fiscal years ended June 30, 2011. Bond issuance costs associated with the MFA 2012A, MFA 2012B, and Taxable 2012 bonds were incurred when issued at the end of June, 2012. The 2012 bond issuance costs will be amortized using the straight-line method over the life of the respective bond issues beginning with the fiscal year ending June 30, 2013.

Inventory

Inventory consisting of books and merchandise is carried at the lower of cost (retail method) or market value.

Plant Assets

Plant assets are recorded at cost if purchased or fair value if contributed. Depreciation is computed by the straight-line method based on the estimated useful lives of the related assets ranging from three to eighty years. Expenditures for maintenance and repairs are charged to expense as incurred whereas major additions are capitalized. The capitalization threshold for equipment is $5,000.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset Retirement Obligations

Asset retirement obligations (ARO) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value, and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing of the amount or the original estimate of undiscounted cash flows. The College matures ARO liabilities when the related obligations are settled. The ARO liability is included in accrued expenses and other liabilities on the consolidated balance sheet.

Deferred Revenue

Deferred revenue results primarily from deposits received for fall enrollment and from tuition and fees received for summer programs.

Revenue and Expenses

Revenue is recognized when earned, and support is recognized when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the College.

The College reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Gifts to fund building projects are recorded as unrestricted if the release of restriction occurs in the year of receipt. Approximately 40% of private gifts and grants during the year ended June 30, 2012, came from six significant donors. For the year ended June 30, 2011, approximately 74% of private gifts and grants came from seven significant donors.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. Fund-raising expenses of $4,383,671 and $3,978,872 are included in institutional support for the years ended June 30, 2012 and 2011, respectively. Advertising costs are expensed when incurred. Included in various functional categories are advertising costs of $282,243 and $270,695 for the years ended June 30, 2012 and 2011, respectively.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The estimated fair values of financial instruments that differ from the carrying amounts have been determined by the College using available market information. The estimates are not necessarily indicative of the amounts the College could realize in a current market exchange. The fair values and the following methods and assumptions used to estimate those fair values for each class of financial instruments for which it is practicable to estimate fair value are as follows.

Cash, receivables, and current obligations: The carrying amount of cash, notes and accounts receivable, accounts payable, accrued payroll, accrued expenses, and other current obligations approximate fair value due to the short-term maturity of these financial instruments. A reasonable estimate of fair value of student loans receivable under government loan programs could not be made because the notes are not saleable and can only be assigned to the U.S. government or its designees. The fair value of student loans receivable under the College's loan program approximates carrying value.

Contributions receivable: The fair value of contributions receivable was estimated by taking the present value of estimated future cash flows using an average discount rate as stated in Note 3.

Investments: The basis of the fair values of all investments is summarized in Note 2. It was not practicable to estimate the fair value of real estate and notes receivable because of the excessive cost of obtaining independent valuations for the real estate and lack of readily determinable market for the notes.

Other liabilities: Included in other liabilities is a liability for post-retirement benefits other than pensions. The fair value of this liability is based on an actuarial calculation using the rates and assumptions outlined in Note 5.

Annuity contracts, trust liabilities, and funds held for others: The fair value of annuity contracts, trust liabilities, and funds held for others is based on the present value of future cash flows to annuitants, income beneficiaries, and other remainderman, respectively, using published mortality rate tables adopted by the Internal Revenue Service (IRS) at assumed rates of return as stated in Note 6.

Long-term debt: At June 30, 2012, the fair value of long-term debt approximates carrying value because 99.3% of the debt outstanding is variable rate where the interest rate moves in tandem with the market. The related interest rate swaps are reported at fair value which is determined by comparing the net present value of the cash flows from the fixed portion of the swap to the net present value of the cash flows from the variable portion of the swap using market data prevalent at the date of valuation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Release of Restrictions

Release of restrictions generally represents contributed monies that have been spent in the manner specified by the donor; therefore, the donor-imposed restrictions have been satisfied. Release of restrictions, however, can also represent other circumstances. For example, a donor can redirect a contribution made in a prior fiscal year. It is also common for donors to contribute to a multiple goal campaign without specifically identifying which aspect of the campaign it should be applied. In these situations, the College classifies the contribution as temporarily restricted until such time as the ultimate disposition is determined.

Income Taxes

The College is exempt from federal income tax under section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and comparable state law and has been classified as a publicly supported organization that is not a private foundation under section 509(a) of the Code. Contributions to the College are tax deductible within the limitations prescribed by the Code.

Accounting for Uncertainty in Tax Provisions

On July 1, 2009, the College adopted the new provisions of the *Income Tax* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). These provisions clarify the accounting for uncertainty in tax positions and prescribe guidance related to the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the consolidated balance sheet if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of June 30, 2012, the College had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

CALVIN COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2: INVESTMENTS

Investment portfolio mix at June 30:

	2012		2011	
	Cost	Carrying Value	Cost	Carrying Value
At fair value:				
Mutual funds				
Commonfund	$ 97,033,301	$ 103,150,708	$ 100,342,294	$ 114,252,539
Fuller Foundation	52,108,034	49,467,449	50,778,381	54,285,070
Other	1,164,637	1,142,726	206,550	216,822
Partnerships and joint ventures	1,321,603	1,143,982	1,211,099	1,151,459
U.S. government securities	-	-	-	-
Land and real estate	-	-	1,050,218	1,250,000
Cash and cash equivalents	3,349,396	3,349,396	216,263	216,263
Corporate equities	1,284,981	5,103,416	1,277,684	4,256,600
At other than fair value:				
Land, real estate, and other	3,009,145	3,010,920	2,997,252	2,997,451
Notes receivable	3,875,104	1,752,317	3,933,363	3,933,335
Total	$ 163,146,201	$ 168,120,914	$ 162,013,104	$ 182,559,539

Investment income consists of:

	2012	2011
Divided and interest income from investments at fair value	$ 1,412,925	$ 1,743,798
Divided and interest income from investments at other than fair value	97,207	207,136
Net realized gain at fair value	6,831,828	6,541,129
Net realized loss at other than fair value	-	-
Net unrealized gain (loss) at fair value	(11,965,026)	17,357,275
Total	$ (3,623,066)	$ 25,849,338

NOTE 2: INVESTMENTS (CONTINUED)

Effective July 1, 2009, the College adopted the Net Asset Value (NAV) provisions of the *Fair Value Measurements and Disclosure* topic of the FASB ASC. The College selects appropriate valuation techniques based on the inputs available to measure the fair value of its investments. When available, the College measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The inputs used to measure the fair value of investments are applied in the following order:

Level 1 – Inputs consist of unadjusted quoted prices in active markets for identical assets

Level 2 – Inputs other than quoted prices in active markets for identical assets that are observable either directly or indirectly

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumption

The valuation techniques used to measure the fair value of investments are applied in the following order:

Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities

Cost approach – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost)

Income approach – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models)

CALVIN COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2: INVESTMENTS (CONTINUED)

Investment portfolio by valuation hierarchy:

June 30, 2012:	June 30, 2012	Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Investments:				
At fair value:				
Mutual Funds:				
Growth	$ 70,588,842	$ 8,412,440	$ 4,333,562	$ 57,842,840
International growth	44,852,668	8,710,087	27,345,217	8,797,364
Fixed income	15,835,605	616,091	15,073,950	145,564
Hedge	4,215,776	32,528	4,020,608	162,640
Money market	2,635,331	2,635,331	-	-
Natural resources	4,570,129	-	-	4,570,129
Commodities	2,861,795	1,774,313	1,058,864	28,618
Real estate	505,459	-	-	505,459
Other Investments:				
Services	1,638,580	81,219	-	1,557,361
Natural resources	3,297,383	3,047,385	-	249,998
Real estate	1,165,982	-	-	1,165,982
Industry	23,564	23,564	-	-
Money market	3,192,026	3,192,026	-	-
Certificates of deposit	210,185	210,185	-	-
Self managed real estate	-	-	-	-
At other than fair value:				
Land, real estate, and other	3,009,146	-	-	3,009,146
Notes receivable	1,752,317	-	-	1,752,317
Assets held in trusts:				
Mutual Funds:				
Growth	7,613,001	142,194	-	7,470,807
Fixed income	11,820	1,773	10,047	-
Other Investments:				
Certificates of deposit	16,595	16,595	-	-
Industry	124,710	124,710	-	-
Total	$ 168,120,914	$ 29,020,441	$ 51,842,248	$ 87,258,225
Liabilities:				
Revocable trusts	$ 2,493,932	$ -	$ 2,493,932	$ -

CALVIN COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2: INVESTMENTS (CONTINUED)

Investment portfolio by valuation hierarchy (continued):

June 30, 2011:	June 30, 2011	Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Investments:				
At fair value:				
Mutual Funds:				
Growth	$ 110,186,846	$ -	$ 49,959,661	$ 60,227,185
International growth	19,313,888	-	12,237,218	7,076,670
Fixed income	14,267,677	-	14,267,677	-
Hedge	4,546,959	-	4,546,959	-
Money market	4,571,875	31,491	4,540,384	-
Natural resources	4,226,053	-	-	4,226,053
Commodities	3,296,255	-	3,296,255	-
Real estate	96,195	-	-	96,195
Other Investments:				
Services	993,850	197,978	-	795,872
Natural resources	3,099,201	2,849,203	-	249,998
Real estate	1,173,459	-	-	1,173,459
Industry	3,486	3,486	-	-
Money market	31,960	31,960	-	-
Certificates of deposit	209,746	209,746	-	-
Self managed real estate	1,250,000	-	-	1,250,000
At other than fair value:				
Land, real estate, and other	2,997,451	-	-	2,997,451
Notes receivable	3,933,335	-	-	3,933,335
Assets held in trusts:				
Mutual Funds:				
Growth	8,202,834	182,796	-	8,020,038
Fixed income	11,823	-	11,823	-
Other Investments:				
Certificates of deposit	5,097	5,097	-	-
Industry	141,549	141,549	-	-
Total	$ 182,559,539	$ 3,653,306	$ 88,859,977	$ 90,046,256
Liabilities:				
Revocable trusts	$ 2,662,256	$ -	$ 2,662,256	$ -

CALVIN COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2: INVESTMENTS (CONTINUED)

Fair value measurements using significant unobservable inputs (Level 3):

June 30, 2012:	Investments held at Commonfund	Investments held at Fuller Foundation	Partnerships, Joint Ventures, Land, and Real Estate	Corporate Equities, Bonds, and Note Receivable
Beginning balance	$ 26,303,095	$ 53,343,047	$ 2,401,459	$ 1,067,870
Total realized and unrealized gains (losses) included in changes in net assets	862,532	(1,397,200)	(317,763)	531,328
Net purchases (sales)	141,908	(3,493,863)	(939,714)	202,240
Transfers out of Level 3	3,763,903	-	-	27,921
Ending balance	$ 31,071,437	$ 48,451,984	$ 1,143,982	$ 1,829,359

	Investments held at Commonfund	Investments held at Fuller Foundation	Partnerships, Joint Ventures, Land, and Real Estate	Corporate Equities, Bonds, and Note Receivable
Unrealized gains (losses) relating to assets still held at the reporting date	$ (1,300,691)	$ (2,671,616)	$ (177,621)	$ 1,126,013

	Trading Revenues	Other Revenues
Total realized and unrealized gains included in changes in net assets	$ (321,103)	$ -
Change in unrealized gains relating to assets still held at reporting date	$ (3,023,915)	$ -

CALVIN COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2: INVESTMENTS (CONTINUED)

Fair value measurements using significant unobservable inputs (Level 3) (continued):

June 30, 2011:	Investments held at Commonfund	Investments held at Fuller Foundation	Partnerships, Joint Ventures, Land, and Real Estate	Corporate Equities, Bonds, and Note Receivable
Beginning balance	$ 18,645,821	$ 46,730,857	$ 2,953,555	$ 843,801
Total realized and unrealized gains (losses) included in changes in net assets	5,935,987	4,997,387	36,879	(47,929)
Net purchases (sales)	1,777,987	1,614,803	(588,975)	271,998
Transfers out of Level 3	(56,700)	-	-	-
Ending balance	$ 26,303,095	$ 53,343,047	$ 2,401,459	$ 1,067,870

	Investments held at Commonfund	Investments held at Fuller Foundation	Partnerships, Joint Ventures, Land, and Real Estate	Corporate Equities, Bonds, and Note Receivable
Unrealized gains (losses) relating to assets still held at the reporting date	$ (292,335)	$ 3,486,389	$ 140,142	$ 685,872

	Trading Revenues	Other Revenues
Total realized and unrealized gains included in changes in net assets	$ 10,922,324	$ -
Change in unrealized gains relating to assets still held at reporting date	$ 4,020,068	$ -

NOTE 2: INVESTMENTS (CONTINUED)

The College uses the NAV to determine the fair value of all the underlying investments which do not have a readily determinable fair value and prepare their consolidated financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists Level 3 investments in other investment companies by major category.

June 30, 2012:	Strategy	NAV in funds	Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Investments held at Commonfund	Primarily distressed, venture, natural resources, and buyout, in the U.S. and international markets, and global equities.	$31,071,437	$19,693,351	1 to 12 years	Monthly redemption with a range of 5 - 30 day's notice	Certain private equity structures cannot be redeemed	None
Investments held at Fuller Foundation	Long-term, diversified alternative investments with active management.	48,451,984	0	N/A	Quarterly redemption with 120 day's notice	None	None
Partnerships and Joint Ventures	Mezzanine and buyout, in the U.S. and international markets	1,143,982	528,514	1 to 9 years	Private equity structures which cannot be redeemed	Certain funds have lock up provisions of up to 2 years.	None
Total		$80,667,403	$20,221,865				

CALVIN COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2: INVESTMENTS (CONTINUED)

Level 3 investments in other investment companies by major category (continued):

June 30, 2011:	Strategy	NAV in funds	Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Investments held at Commonfund	Primarily distressed, venture, natural resources, and buyout, in the U.S. and international markets, and global equities.	$26,303,095	$13,856,901	1 to 12 years	Monthly redemption with a range of 5 - 30 day's notice	Certain private equity structures cannot be redeemed	None
Investments held at Fuller Foundation	Long-term, diversified alternative investments with active management.	53,343,047	0	N/A	Quarterly redemption with 120 day's notice	None	None
Partnerships and Joint Ventures	Mezzanine and buyout, in the U.S. and international markets	1,151,459	902,104	1 to 9 years	Private equity structures which cannot be redeemed	Certain funds have lock up provisions of up to 2 years.	None
Total		$80,797,601	$14,759,005				

NOTE 2: INVESTMENTS (CONTINUED)

Investments held at Commonfund (the Funds) may hold certain investments which may be valued by a single market maker. Those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material. Additionally, certain investments in limited partnerships, investment funds, and other debt instruments may be restricted as to resale or may require advance notice for redemption or withdrawal. The Fund's investments in partnerships are subject to various risk factors arising from the investment activities of the underlying vehicles including market, credit, and currency risk. Certain investment partnerships owned by the Funds transact in short sales and various domestic and international derivative investments, including forward foreign currency contracts, futures, written and purchased options, and swaps, exposing the investment partnership to market risk in excess of the amounts recorded in their financial statements. In addition, credit risk arises from certain options, forwards, and swaps from potential counterparty nonperformance. The Funds invest in securities of foreign companies, which involve special risks including revaluation of currency and future adverse political and economic developments. Moreover, securities of many foreign companies and their markets may be less liquid and their prices more volatile than those of comparable U.S. companies. Certain Funds invest in mortgage-backed securities, including collateralized mortgage obligations. Yields on mortgage-backed securities are affected by interest and prepayment rates which, in turn, are influenced by a variety of economic, geographical, social, and other factors. Maturities on mortgage-backed securities represent stated maturity dates. Actual maturity dates may differ based on prepayment rates. Certain Funds own investment partnerships that have limited liquidity and only permit redemptions at specified intervals. Such liquidity parameters may impact the Fund's ability to react quickly to changing market conditions and to meet their own liquidity needs.

Investments held at Fuller Foundation include a variety of instruments such as common stocks, securities convertible into common stocks; and shares of investment trusts, regulated investment companies, and private equity funds, options, warrants, puts, and calls. Derivative instruments are utilized on a limited basis in covered hedging transactions. Certain other funds consist of domestic or foreign fixed income securities, including U.S. government issued or backed securities, corporate bonds, and securities convertible into common stocks. Fuller Foundation investments are reported at fair value, which is determined by its management utilizing market quotes for publicly marketable securities, and based upon information received from investment managers, general partners, third-party administrators and custodians, and other independently obtained information for private partnerships and private direct equity. Investment securities, in general, are exposed to various 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 values of Fuller Foundation investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated financial statements.

CALVIN COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2: INVESTMENTS (CONTINUED)

Investments held under trust agreements, for which the College is trustee, had cost and carrying values of $7,276,933 and $7,766,125, respectively, at June 30, 2012, and cost and carrying values of $6,831,881 and $8,361,303, respectively, at June 30, 2011. Investments held under annuity agreements had cost and carrying values of $1,378,321 and $1,423,625, respectively, at June 30, 2012, and cost and carrying values of $1,203,165 and $1,410,676, respectively, at June 30, 2011.

Investment management fees paid to outside custodians for investments and assets held in trust totaled $408,822 and $430,179 for the years ended June 30, 2012 and 2011, respectively. These fees have been allocated to investment income and, in the case of annuities and trusts, to the change in value of split interest agreements in the consolidated statements of activities.

Breakdown of unrealized and realized gains/(losses) for FY 2010-2012:

	Pre UPMIFA		Post UPMIFA	
	Realized	Unrealized	Realized	Unrealized
Fiscal 2010				
Unrestricted	$ 2,967,615	$ 8,720,673	$ (959,598)	$ 7,014,388
Temporarily restricted	(493,940)	817,773	3,433,273	2,524,058
Permanently restricted	-	-	-	-
Total	2,473,675	9,538,446	2,473,675	9,538,446
Fiscal 2011				
Unrestricted	6,847,795	16,517,161	2,335,011	7,677,731
Temporarily restricted	(306,666)	840,114	4,206,118	9,679,544
Permanently restricted	-	-	-	-
Total	6,541,129	17,357,275	6,541,129	17,357,275
Fiscal 2012				
Unrestricted	6,547,439	(11,672,195)	4,830,916	(6,560,969)
Temporarily restricted	284,389	(292,830)	2,000,912	(5,404,056)
Permanently restricted	-	-	-	-
	6,831,828	(11,965,026)	6,831,828	(11,965,026)

CALVIN COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 3: CONTRIBUTIONS RECEIVABLE

The College has accepted contributions receivable for plant construction, endowment growth, academic enrichment, research, financial aid and the Calvin Fund. Unconditional promises to give are reflected at the present value of estimated future cash flows using average discount rates of 3.6% and 3.5% in 2012 and 2011, respectively. Contributions comprised of the following:

	2012	2011
Gross contributions receivable	$ 8,657,284	$ 11,379,963
Less: unamortized discount	(620,960)	(690,706)
Net contributions receivable	$ 8,036,324	$ 10,689,257

At June 30, 2012, contributions receivable are expected to mature as follows:

Amounts due in:	
Less than one year	$ 4,030,610
One year to five years	4,149,981
Greater than five years	476,693
Total	$ 8,657,284

The net amount of this receivable is based on an estimate of future cash flows at June 30, 2012 and 2011. Due to the unknown factors which may affect individual donor's future cash flows, it is reasonably possible that the estimated future cash flows of contributions receivable could increase or decrease by a material amount in the near term. Management believes that the asset values reflected in the accompanying consolidated balance sheets approximate fair value at June 30, 2012 and 2011.

CALVIN COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 4: TUITION GIFT CERTIFICATE PROGRAM

The College has established a gift certificate program to provide for the prepayment of tuition on behalf of a specified potential College student. The cost of a unit is one one-hundredth of the current years tuition for full-time enrollment. The relative value of the units purchased remains constant with any future rate increases. The College records the purchase price of the certificate as a liability and recognizes the income in the year the certificate is redeemed. An adjustment is made annually to carry the liability of total outstanding units at the current unit price. This adjustment, which is the result of changes in tuition rates, is reflected in the consolidated financial statements as interest expense.

	Units	Amounts
Balance at June 30, 2010	16,994	$ 4,226,408
Units sold at $248.70	5,841	1,452,657
Units sold at $255.65	2	511
Total units sold during the year	5,843	1,453,168
Units redeemed during the year	7,271	1,808,298
Balance before adjustment to current rates	15,566	3,871,278
Adjustment to recognize liability for all units outstanding at end of year at current rates of $255.65	-	108,170
Balance at June 30, 2011	15,566	3,979,448
Units sold at $255.65	5,704	1,458,228
Units sold at $267.05	3	801
Total units sold during the year	5,707	1,459,029
Units redeemed during the year	7,064	1,805,912
Balance before adjustment to current rates	14,209	3,632,565
Adjustment to recognize liability for all units outstanding at end of year at current rates of $267.05	-	161,949
Balance at June 30, 2012	14,209	$ 3,794,514

NOTE 5: POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

The College provides health care benefits to retired employees who were employed at the later of age forty-two or date of hire and who have attained age sixty-two. Qualified covered employees retiring prior to age sixty-five receive one hundred percent hospital preferred benefits with co-pay provisions until age sixty-five and Medicare supplemental benefits thereafter. The plans current and future benefits are funded by unrestricted undesignated net assets of the College.

The following table sets forth the change in benefit obligations for the plan:

	2012	2011
Change in benefit obligation:		
Benefit obligation, June 30	$ 20,337,010	$ 19,801,212
Service cost	850,887	854,574
Interest cost	1,125,761	1,048,065
Expected benefit payments	(758,560)	(745,488)
Actuarial gain	(638,542)	(2,389,413)
Change due to change in assumptions:		
Part D impact adjustment	2,275,568	1,224,247
Mortality	59,759	1,405,314
Discount rate	5,673,927	(744,321)
Medical inflation	2,287,770	(117,180)
Benefit obligation, June 30 (recognized on consolidated balance sheet)	$ 31,213,580	$ 20,337,010

CALVIN COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 5: POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Reconciliation of funded status at year end:

	2012	2011
Accumulated post-retirement benefit obligation:		
Retired participants and beneficiaries	$ (10,358,012)	$ (7,279,486)
Active participants:		
Fully eligible	(5,383,731)	(3,447,719)
Not yet eligible	(15,471,837)	(9,609,805)
Total	(31,213,580)	(20,337,010)
Fair value of plan assets	-	-
Unfunded obligation	(31,213,580)	(20,337,010)
Unrecognized transition obligation	820,066	1,093,422
Unrecognized prior service cost	-	-
Unrecognized (gain) loss	9,221,695	(492,417)
Accrued post-retirement benefit cost	$ (21,171,819)	$ (19,736,005)

NOTE 5: POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Change in net assets:

Intangible assets and accumulated comprehensive loss:

	2012	2011
Beginning of year	$ (601,005)	$ (1,495,136)
Reclassified during the year:		
Transition asset	273,356	273,356
Arising during the year:		
Gain (loss)	(9,714,112)	620,775
End of year accumulated comprehensive loss	$ (10,041,761)	$ (601,005)

Components of net periodic benefit cost:

	2012	2011
Service cost	$ 850,887	$ 854,574
Interest cost	1,125,761	1,048,065
Amortization of transition obligation	273,356	273,356
Net periodic pension cost	$ 2,250,004	$ 2,175,995

CALVIN COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 5: POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Change in net assets (continued):

Components of net periodic benefit costs anticipated for the year ending June 30, 2013:

	2013
Service cost	$ 1,367,902
Interest cost	1,286,141
Amortization of transition obligation	734,912
Net periodic pension cost	$ 3,388,955

Weighted-average assumptions and method disclosures as of June 30, 2012 and 2011, include:

	2012	2011
Discount rate:		
Liability	4.25%	5.50%
Net periodic benefit cost	5.75%	5.75%

Mortality rates were determined using the IRS 1.430(h) Annuitant and Non-annuitant (sex distinct) mortality table.

CALVIN COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 5: POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 8.0% and 5.0% for the fiscal years ended June 30, 2012 and 2011, respectively. It then decreases to 4.0% in 2016 at which time it will hold constant. A one percentage-point increase in the health care cost trend rate for each year would increase the accumulated postretirement benefit obligation and periodic postretirement benefit cost by 11.6% and 13.0%, respectively.

The benefit obligation of the plan is calculated based on a measurement date of June 30, 2012.

No contributions, other than those needed to pay current retiree benefits, are expected.

Estimated Future Benefit Payments: The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

2013	$	951,447
2014		1,022,591
2015		1,099,253
2016		1,177,644
2017		1,256,018
Aggregate for years 2018-2022	$	7,598,678

NOTE 6: ANNUITY CONTRACTS AND TRUST FUNDS HELD FOR OTHERS

Annuity agreements provide for a fixed annual payment for the life of the donor or designated beneficiary. Under the annuity agreements, a donor makes a payment to the College and is entitled to annual payments from the College thereafter until death. The excess of the amount paid by the donor over the present value of estimated annual payments is recorded as contribution revenue and the present value of the estimated payments is recorded as a liability at the inception of the agreement. Annuity net assets are classified as unrestricted.

The trust agreements, including unitrusts and pooled income funds, provide for distribution of either a fixed percentage of the fair market value of net assets or a portion of annual earnings. The assets held in trust by the College are recorded at fair market value when received and the liability to the donor is recorded at the present value of the estimated future payments to be distributed over the donors expected life. The amount of the contribution is the difference between these amounts. Distributions are made to the donor or other designated beneficiary throughout the term of the agreement. Trust net assets are classified as temporarily restricted. Upon termination of the trust the remaining net assets are transferred to unrestricted unless otherwise directed by the trust agreement.

The discount rate used to calculate the present value of the annuity contracts and trust agreements ranged from 2.4% to 11.0% with actuarial assumptions based on published life expectancy tables adopted by the IRS.

NOTE 7: DEBT

	2012	2011
NOTES AND BONDS:		
MFA Revenue Refunding Bonds of 2012, Series A, direct bank purchase obligations, due serially each September 1 in amounts ranging from $1,495,000 in 2018 to $1,575,000 in 2034. The bonds were issued at a variable rate and are hedged, effectively converting the variable rate bonds to a fixed rate of 4.81% per annum, payable monthly. These bonds replaced the MHEFA 2007A bonds which were scheduled to mature in 2034.	39,000,000	39,000,000
MFA Revenue Bonds of 2012, Series B, direct bank purchase obligations, due serially each September 1 in amounts ranging from $1,635,000 in 2018 to $6,380,000 in 2038. The bonds were issued at a variable rate and are hedged, effectively converting the variable rate bonds to a fixed rate of 5.10% per annum, payable monthly. These bonds replaced the MHEFA 2007B bonds which were scheduled to mature in 2038.	57,000,000	57,000,000
Taxable Notes of 2012, Series A, direct bank purchase obligation, due serially each March 1 in amounts ranging from $315,000 in 2018 to $870,000 in 2037. The notes were issued at a variable rate and are hedged, effectively converting the variable rate notes to a fixed rate of 6.47% per annum, payable monthly. The bonds replaced the 2007A taxable notes which were scheduled to mature in 2037.	11,000,000	11,000,000

NOTE 7: DEBT (CONTINUED)

	2012	2011
NOTES AND BONDS (CONTINUED):		
Taxable Notes of 2012, Series B, direct bank purchase obligations, due serially each March 1 in amounts ranging from $165,000 in 2013 to $590,000 in 2037. The notes were issued at a variable rate and are hedged, effectively converting the variable rate notes to a fixed rate of 6.67% per annum, payable monthly. The bonds replaced the 2007B taxable notes which were scheduled to mature in 2037.	8,370,000	8,525,000
Sub-Total Notes and Bonds	115,370,000	115,525,000
OTHER:		
Variable rate, secured by life insurance policy	351,528	336,594
Land Contract	198,978	-
Capital Lease Obligations (see related note)	312,656	314,448
TOTAL DEBT	$ 116,233,162	$ 116,176,042

In June 2012, the College, through the MFA, issued Limited Obligation Revenue Refunding Bonds, Series 2012A and 2012B, to retire the MHEFA Limited Obligation Revenue Bonds of 2007A and 2007B. The MHEFA 2007A and 2007B bonds were associated with the following capital projects:

- Construction of a communications building
- Construction of a conference center
- Construction of a pedestrian bridge
- Construction of a field house complex
- Construction of a residence hall wing
- Construction of an atrium
- Other renovations and improvements to existing buildings

NOTE 7: DEBT (CONTINUED)

The MFA 2012A and 2012B bonds were issued with a $96,000,000 irrevocable, direct bank purchase obligation priced at 1.08% per annum and 1.48% per annum respectively.

In June 2012, the College issued Taxable Notes, Series 2012A and 2012B, to retire the taxable 2007A and 2007B bonds that were associated with the following projects:

- Purchase and renovation of an apartment complex
- Purchase and renovation of three commercial office buildings
- Purchase and renovation of a six story commercial office building

The Taxable 2012A and 2012B notes were issued with a $19,370,000 irrevocable, direct bank purchase obligation priced at 1.55% per annum each.

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NOTE 7: DEBT (CONTINUED)

The following is a schedule by years of annual maturities under the various debt and capital lease agreements as of June 30, 2012:

Year	Capital Leases	Other	MFA 2012A	MFA 2012B	Taxable 2012A	Taxable 2012B	Total
06/30/2013	118,382	550,506				165,000	833,888
06/30/2014	121,872					175,000	296,872
06/30/2015	24,101					185,000	209,101
06/30/2016	25,087					190,000	215,087
06/30/2017	23,214					205,000	228,214
06/30/2018			1,495,000	1,635,000	315,000	215,000	3,660,000
06/30/2019			2,565,000	930,000	335,000	225,000	4,055,000
06/30/2020			2,550,000	810,000	350,000	240,000	3,950,000
06/30/2021			2,555,000	695,000	375,000	250,000	3,875,000
06/30/2022			2,735,000	875,000	390,000	265,000	4,265,000
06/30/2023			2,825,000	915,000	415,000	280,000	4,435,000
06/30/2024			2,920,000	955,000	435,000	295,000	4,605,000
06/30/2025			3,070,000	1,130,000	460,000	310,000	4,970,000
06/30/2026			3,070,000	910,000	485,000	330,000	4,795,000
06/30/2027			3,225,000	1,085,000	510,000	345,000	5,165,000
06/30/2028			3,335,000	1,130,000	540,000	365,000	5,370,000
06/30/2029			1,315,000	3,310,000	570,000	385,000	5,580,000
06/30/2030			1,380,000	3,540,000	600,000	405,000	5,925,000
06/30/2031			1,410,000	3,545,000	630,000	430,000	6,015,000
06/30/2032			1,455,000	3,580,000	665,000	450,000	6,150,000
06/30/2033			1,520,000	3,810,000	705,000	475,000	6,510,000
06/30/2034			1,575,000	3,950,000	740,000	505,000	6,770,000
06/30/2035				5,725,000	785,000	530,000	7,040,000
06/30/2036				5,970,000	825,000	560,000	7,355,000
06/30/2037				6,120,000	870,000	590,000	7,580,000
06/30/2038				6,380,000			6,380,000
	$ 312,656	$ 550,506	$ 39,000,000	$ 57,000,000	$ 11,000,000	$ 8,370,000	$ 116,233,162

For the years ended June 30, 2012 and 2011, interest was incurred and expensed in the amount of $4,704,834 and $5,168,118, respectively.

In December 2011, the College obtained a $11,000,000 unsecured line of credit for general operating purposes at the bank prime rate (3.25% at June 30, 2012) or LIBOR plus 1.50% (1.75% at June 30, 2012) and maturing December 15, 2012. At June 30, 2012, there was a $8,000,000 balance outstanding on the line of credit.

In December 2011, the College obtained a $7,000,000 unsecured construction line of credit for the Fine Arts Center renovation at LIBOR plus 1.65% (1.900% at June 30, 2012) with a maturity of January 1, 2013. At June 30, 2012, there was a $7,000,000 balance outstanding on the construction line of credit.

NOTE 7: DEBT (CONTINUED)

The College, through its subsidiary Weyhill Properties, LLC, has an unsecured line of credit for general operating purposes at LIBOR plus 1.65% (1.90% at June 30, 2012) with a maturity December 23, 2012. At June 30, 2012, there was a $450,959 balance outstanding on the line of credit.

The College was in compliance with all financial and reporting covenants at June 30, 2012 and 2011.

NOTE 8: INTEREST RATE SWAP AGREEMENT

The College has entered into interest rate swap agreements to reduce the impact of changes in interest rates. The MFA 2012A, MFA 2012B, Taxable 2012A, and Taxable 2012B debt were issued at a variable rate and are hedged with the interest rate swaps, effectively converting the variable rate debt to a fixed rate that averages 5.25%, payable monthly. As of June 30, 2012, the total notional value of the swaps is $115,370,000 and they mature in intervals that correspond with the principal maturities for each bond. For the year ended June 30, 2012, the change in the fair value of the interest rate swap agreements reported on the statement of activities is ($30,755,745). Prior to the issuance of the 2012 debt, the interest rate swaps were associated with the 2007 debt, at which time it was determined that the fair value of the interest rate swaps were qualified as an effective cash flow hedge. Since non-profit organizations do not have an other comprehensive income category to post the interest rate swap charges, they were netted in the long-term debt line and thus eliminated in the financial statements. Therefore no amounts associated with the interest rate swaps appear in the financial statements prior to the fiscal year ended June 30, 2012. Due to the refinancing that occurred in 2012, the ability to use the effective cash flow hedge accounting was lost because the most recent standards require that the bonds contain a no prepayment provision to continue to qualify for that accounting treatment.

NOTE 9: CAPITAL LEASE OBLIGATIONS

The College has a capital lease agreement for certain equipment associated with the fieldhouse complex and campus safety office. The capitalized cost and accumulated amortization as of June 30, 2012, was $730,403, and $154,242, respectively.

Future minimum payments under capital lease as of June 30, 2012, are as follows:

2013	$	129,592
2014		129,592
2015		26,657
2016		26,657
2017		23,758
Total future minimum lease payments		336,256
Less amount representing interest		(23,600)
Present Value of net minimum capital lease payments	$	312,656

NOTE 10: COMMITMENTS

The College entered into an architectural contract associated with the Student Commons Building totaling $1,596,000. Payments of $37,146 were made through June 30, 2012. Future payments are contingent on the progress of the construction project. No time line has yet been established for the project.

In December 2006, the College entered into a 10-year lease agreement related to laundry equipment located in the residence halls. The lessor is obligated to provide, maintain, and replace laundry equipment during the lease period. The cost to the College is approximately $22.50 per residential student per year. Payments under the terms of the lease were approximately $65,000 for the years ended June 30, 2012 and 2011.

NOTE 11: GUARANTEES

In some instances the College guarantees bank loans taken out by students to pay their current account balance at the College. Loans guaranteed by the College total $12,749 as of June 30, 2012. The guarantees last over the terms of the respective loans through fiscal year ending June 30, 2019. In the event of default, the College repurchases the loan from the bank and resumes collection efforts with respect to the loan. The College has not recognized a guarantee liability because the amount is not significant.

CALVIN COLLEGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 12: NET ASSETS

Net assets consist of:

	2012	2011
Unrestricted:		
Available for operations	$ (5,440,571)	$ (1,151,872)
Board designated for loan funds	1,149,023	1,130,557
Endowment investment earnings in excess of amounts spent and quasi endowments	16,751,505	15,648,596
Gift portion of annuities held in the annuity fund	470,459	609,351
Investment in and funds designated for plant assets, net of related debt	141,876,247	146,314,068
Other comprehensive unrealized losses		
Interest rate swaps	(30,755,745)	0
Post retirement benefit obligation	(10,041,761)	(601,005)
Total unrestricted net assets	114,009,157	161,949,695
Temporarily Restricted:		
Available for donor specified projects and activities	17,031,059	24,739,387
Gifts yet to be designated	382,840	677,249
Charitable remainder unitrusts and annuity trusts	2,904,069	3,172,696
Total temporarily restricted net assets	20,317,968	28,589,332
Permanently Restricted:		
Permanently restricted to loan funds	87,991	86,739
Investment in perpetuity, the income from which is expendable on donor specified activities	84,322,721	82,024,518
Total permanently restricted net assets	84,410,712	82,111,257
Total Net Assets	$ 218,737,837	$ 272,650,284

NOTE 13: EMPLOYEE BENEFIT PLANS

The College participates in a multi-employer defined contribution plan which covers substantially all full-time employees. The College contributes 10% of participants salaries on a monthly basis to the Teachers Insurance and Annuity Association. Total contributions to this plan for the years ended June 30, 2012 and 2011, were $4,155,073 and $3,955,926, respectively. All contributions vest immediately. Employees may also make voluntary contributions to this plan up to the limits allowed by law.

NOTE 14: RELATED PARTY TRANSACTIONS

The College has a 33% interest in Creative Dining Services, Inc., which is reported using the equity method. Creative Dining Services, Inc. provides catering services to the West Michigan area and several other midwestern states. Services acquired from Creative Dining Services, Inc. totaled $9,660,106 and 9,248,029 for the years ended June 30, 2012 and 2011, respectively.

The College provides a plan through which employees enrolled in courses at the College can receive tuition waivers. Such individuals must meet certain employment and academic requirements. Employees dependents enrolled at the College can also receive tuition remission. Benefits under the plan do not vest. Total tuition charges waived under the plans during the years ended June 30, 2012 and 2011, totaled $2,793,789 and $2,808,035, respectively.

The College provides various services to Calvin Theological Seminary (the Seminary of the Christian Reformed Church in North America), which is located adjacent to the College on property owned by the College. Various costs are allocated between the College and Seminary to the extent practicable. The Seminary paid the College a monthly amount of $60,927 and $61,600 for these services rendered in 2012 and 2011, respectively. The Seminary also reimburses the College for costs paid by the College on behalf of the Seminary. At June 30, 2012 and 2011, the College had receivables from the Seminary in the amounts of $328,499 and $263,852, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 15: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2012		2011	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Purpose restrictions:				
Instructional	$ 1,427,017	$ -	$ 1,256,208	$ -
Research	506,472	-	569,281	-
Public service	1,754,959	-	2,736,866	-
Academic support	813,893	-	840,094	-
Student services	138,922	-	255,740	-
Institutional support	618,540	-	1,027,183	-
Operation of physical plant	282,471	-	300,177	-
Financial aid	3,639,622	-	3,275,496	-
Time restrictions:				
Trust maturities	29,845	-	-	-
Donor redesignation or restrictions	375,965	2,154,505	351,264	(31,645)
Total	$ 9,587,706	$ 2,154,505	$ 10,612,309	$ (31,645)

NOTE 16: ENDOWMENT FUNDS

The College's endowments consist of individual funds established to provide financial support for to the College in perpetuity. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence of absence of donor-imposed restrictions.

The state of Michigan enacted UPMIFA effective September 15, 2009, and the College's Board of Trustees has interpreted the full provisions of UPMIFA. 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 portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the College and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the College
(7) The investment policy of the College

NOTE 16: ENDOWMENT FUNDS (CONTINUED)

Endowment Net Asset Composition:

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ (2,787,598)	$ 382,839	$ 84,322,722	$ 81,917,963
Board-designated endowment	17,150,552	-	-	17,150,552
Unappropriated investment income	2,388,550	6,325,203	-	8,713,753
Total	$ 16,751,504	$ 6,708,042	$ 84,322,722	$ 107,782,268

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ (1,290,708)	$ 677,249	$ 82,024,518	$ 81,411,059
Board-designated endowment	13,363,071	-	-	13,363,071
Unappropriated investment income	3,576,233	12,779,294	-	16,355,527
Total	$ 15,648,596	$ 13,456,543	$ 82,024,518	$ 111,129,657

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 16: ENDOWMENT FUNDS (CONTINUED)

Changes in Endowment Net Assets:

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets beginning of year	$ 15,648,596	$ 13,456,543	$ 82,024,518	$ 111,129,657
Contributions	170,892	(117,291)	4,453,695	4,507,296
Board-designations	2,119,699	-	-	2,119,699
Investment income	(404,476)	(2,197,998)	-	(2,602,474)
Appropriation for expenditure	(783,207)	(4,256,093)	-	(5,039,300)
Donor redesignation of restrictions	2,107,826	(177,119)	(2,155,491)	(224,784)
Total	$ 18,859,330	$ 6,708,042	$ 84,322,722	$ 109,890,094

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets beginning of year	$ 13,579,921	$ 3,226,298	$ 77,167,062	$ 93,973,281
Contributions	317,350	(4,683)	4,826,798	5,139,465
Board-designations	73,958	-	-	73,958
Investment income	2,401,967	14,655,778	-	17,057,745
Appropriation for expenditure	(724,600)	(4,421,200)	-	(5,145,800)
Donor redesignation of restrictions	-	350	30,658	31,008
Total	$ 15,648,596	$ 13,456,543	$ 82,024,518	$ 111,129,657

NOTE 16: ENDOWMENT FUNDS (CONTINUED)

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only):

	2012	2011
Permanently restricted net assets:		
The portion of perpetural endowment funds that is required to be retained permanently either by explicit donor stipluations or by state law	$ 84,322,722	$ 82,024,518
Temporarily restricted net assets:		
Contributions for which the donor has yet to convey a final disposition of the gift	$ 382,839	$ 677,249
Unappropriated investment income	6,325,203	12,779,294
Total temporarily restricted net assets	$ 6,708,042	$ 13,456,543

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor, or state law requires the College to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in the unrestricted net assets were $2,787,598 and $1,290,708 as of June 30, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and from appropriations in excess of investment income for certain programs as was deemed prudent by the board.

Return objectives and risk parameters: The College has adopted investment and spending policies for the 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 College must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a prudent level of investment risk. The College expects its endowment funds, over time, to provide an average rate of return of approximately 9% annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: To satisfy its long-term, rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

NOTE 16: ENDOWMENT FUNDS (CONTINUED)

The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policies and how the investment objectives relate to spending policy: The College has a policy of appropriating for distribution each year 6% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long-term, the College expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the College's objective to maintain the intergenerational equity of the endowment assets held in perpetuity or for a specified term through investment returns as well as new donations.

NOTE 17: SUPPLEMENTAL DISCLOSURE FOR STATEMENT OF CASH FLOWS

For the years ended June 30, 2012 and 2011, the College disposed of fully depreciated equipment with a cost of $1,427,430 and $974,004, respectively. This is a non cash transaction and is not reflected in the College's consolidated statements of cash flows.

NOTE 18: SUBSEQUENT EVENTS

Subsequent events have been evaluated through the report date, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.