Antioch College Corporation

Consolidated Financial Statements

June 30, 2013 and 2012

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Antioch College Corporation
Yellow Springs, Ohio

We have audited the accompanying consolidated financial statements of Antioch College Corporation and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Antioch College Corporation and Affiliate as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 21, 2013

		2013	2012
Assets:			
Cash and cash equivalents	$	2,458,591	1,543,419
Restricted cash		3,890,458	3,382,403
Accounts and grants receivable		47,641	11,484
Pledges receivable, net		8,308,997	2,748,167
Prepaid expenses and other assets		36,868	139,354
Investments, at fair value		41,821,832	45,629,057
Investments held in trust, at fair value		410,038	601,076
Interest rate swap, at fair value		63,388	-
Beneficial interest in perpetual and remainder trusts		495,022	476,837
Loan costs, net		197,625	12,271
Property, plant and equipment, net		19,561,598	12,277,433
Total assets	$	77,292,058	66,821,501
Liabilities:			
Accounts payable and accrued liabilities		1,506,745	622,395
Gift annuity obligations		518,705	677,263
Amounts held on behalf of others in trust		277,131	463,107
Loan costs payable		177,361	27,920
Deferred grants revenue		230,845	14,295
Long-term debt		6,200,000	6,200,000
Total liabilities		8,910,787	8,004,980
Net assets:			
Unrestricted net assets		9,551,210	9,091,889
Temporarily restricted net assets		40,083,260	31,748,518
Permanently restricted net assets		18,746,801	17,976,114
Total net assets		68,381,271	58,816,521
Total liabilities and net assets	$	77,292,058	66,821,501

See accompanying notes to consolidated financial statements.

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:								
Gifts, pledges and bequests	$ 10,522,897	8,227,337	754,028	19,504,262	5,604,819	817,592	-	6,422,411
Grants	93,174	5,200	-	98,374	375,419	-	-	375,419
Interest and dividend income	-	343,625	-	343,625	-	121,254	-	121,254
Net realized gain on investments	-	312,251	-	312,251	-	28,087,562	-	28,087,562
Change in net unrealized gain on investments	-	1,396,827	-	1,396,827	-	(4,793,693)	-	(4,793,693)
Program income	825,690	-	-	825,690	653,592	-	-	653,592
In-kind revenue	27,349	-	-	27,349	-			-
Other income	210,780	-	-	210,780	242,739	-	-	242,739
Net assets released from restrictions	2,196,910	(2,195,384)	(1,526)	-	8,450,421	(6,919,715)	(1,530,706)	-
Total operating revenue	13,876,800	8,089,856	752,502	22,719,158	15,326,990	17,313,000	(1,530,706)	31,109,284
Operating expenses:								
Instruction	1,261,001	-	-	1,261,001	895,953	-	-	895,953
Academic support	1,288,061	-	-	1,288,061	524,753	-	-	524,753
Student services	1,631,379	-	-	1,631,379	973,366	-	-	973,366
Institutional support	3,594,455	-	-	3,594,455	3,006,211	-	-	3,006,211
Facilities	2,090,276	-	-	2,090,276	1,703,678	-	-	1,703,678
Auxiliary enterprises	1,393,326	-	-	1,393,326	1,218,083	-	-	1,218,083
Fundraising activities	2,222,369	-	-	2,222,369	1,507,925	-	-	1,507,925
Total operating expense	13,480,867	-	-	13,480,867	9,829,969	-	-	9,829,969
Nonoperating income (expense)								
Change in value of gift annuity	-	119,655	-	119,655	-	(58,299)	-	(58,299)
Change in value of remainder and perpetual trusts	-	125,231	18,185	143,416	-	(42,957)	(37,391)	(80,348)
Change in value of interest rate swap	63,388	-	-	63,388	-	-	-	-
Total nonoperating income	63,388	244,886	18,185	326,459	-	(101,256)	(37,391)	(138,647)
Change in net assets	459,321	8,334,742	770,687	9,564,750	5,497,021	17,211,744	(1,568,097)	21,140,668
Net assets, beginning of year	9,091,889	31,748,518	17,976,114	58,816,521	3,594,868	14,536,774	19,544,211	37,675,853
Net assets, end of year	$ 9,551,210	40,083,260	18,746,801	68,381,271	9,091,889	31,748,518	17,976,114	58,816,521

See accompanying notes to consolidated financial statements.

		2013	2012
Cash flows from operating activities:			
Change in net assets	$	9,564,750	21,140,668
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		453,675	209,314
Amortization		18,486	60,490
Provision for uncollectible accounts and pledges		594,654	52,128
Change in discount for future pledges		141,125	(115,475)
Net realized gain on investments		(312,251)	(28,087,562)
Net unrealized (gain) loss on investments		(1,396,827)	4,793,693
Change in beneficial interest in perpetual and remainder trusts		(143,416)	80,348
Change in value of interest rate swap		(63,388)	-
Change in value of gift annuity		(119,655)	58,299
Contributions restricted for endowment and facilities		(2,784,303)	-
(Increase) decrease in operating assets:			
Accounts and grants receivable		(36,157)	210,569
Pledges receivable		(6,296,609)	1,875,290
Prepaid expenses and other assets		102,486	14,715
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses		884,350	357,747
Deferred grant revenue		216,550	(30,631)
Accounts held on behalf of others in trust		(185,976)	(12,131)
Net cash provided by operating activities		637,494	607,462
Cash flows from investing activities:			
Purchase of investments		(1,389,889)	(45,027,121)
Proceeds from sale of investments		7,097,230	51,276,907
Purchase of property, plant and equipment		(7,737,840)	(4,410,984)
Net cash (used in) provided by investing activities		(2,030,499)	1,838,802
Cash flows from financing activities:			
Debt issuance costs financed with guarantor		232,500	-
Repayment on loan costs		(83,059)	(60,490)
Contributions restricted for endowment and facilities		2,784,303	
Payments on gift annuity and trust obligations		(117,512)	(139,226)
Net cash provided by (used in) financing activities		2,816,232	(199,716)
Net increase in cash and cash equivalents		1,423,227	2,246,548
Cash and cash equivalents, beginning of year		4,925,822	2,679,274
Cash and cash equivalents, end of year	$	6,349,049	4,925,822
Reconciliation of ending cash to the statement of financial position:			
Cash and cash equivalents	$	2,458,591	1,543,419
Restricted cash		3,890,458	3,382,403
	$	6,349,049	4,925,822
Supplemental disclosures of cash flow information - interest paid	$	137,857	-
Supplemental disclosure of noncash financing activity - refinance debt	$	6,200,000	-

See accompanying notes to consolidated financial statements.

1. REPORTING ENTITY:

The financial statements include the accounts of the Antioch College Corporation ("the Organization") and the Continuation Fund, Inc. ("Continuation Fund"). The financial statements of the Continuation Fund have been consolidated since it is a 100% wholly-owned subsidiary of the Organization, which can exert operational control. In addition, the financial resources of the Continuation Fund are dedicated to the operation of Antioch College. All balances and transactions between the Organization and the Continuation Fund have been eliminated.

2. ORGANIZATION:

The Organization, a nonprofit organization, is an organization of former alumni and other interested parties, whose mission is to reestablish Antioch College as a private co-educational liberal arts institution of higher education. Antioch College, originally founded in 1854 in Yellow Springs, Ohio, was formerly a wholly owned subsidiary of Antioch University ("the University") which ceased Antioch College operations in 2008 due to financial reasons. The Organization subsequently purchased Antioch College and related assets and obligations from the University on September 4, 2009 for $6,200,000 in cash. Included with the purchase were an endowment and other investments, obligations under various split interest agreements, the Glen Helen Nature Preserve, campus buildings and land, and various other assets and obligations.

The Continuation Fund was founded for the purpose of holding the legacy endowment investments received from the University as part of the acquisition. The Organization also had a formal relationship with the College Revival Fund, Inc., which prior to and after the purchase of Antioch College, provided operational and financial support for the Organization. For the purposes of this report, the College Revival Fund, Inc., which ceased to exist in fiscal 2012, is not included in the consolidated financial statements because it does not meet the requirements for consolidation.

The purchase agreement with the University has a reversion clause under which, if the Organization is not successful in reestablishing Antioch College as an accredited institution of higher learning within a seven year period from the date of the asset purchase agreement, then the vast majority of remaining assets and obligations purchased under the agreement will then revert back to the University, subject to a lien held on certain real assets by the Morgan Family Foundation as part of the loan guaranty (See Notes 10 and 19).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Resources are reported for accounting purposes, in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

Permanently restricted

Permanently restricted net assets are subject to donor-imposed stipulations that the assets be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the investment return on these assets. Such assets primarily include the Organization's permanent endowment funds.

Temporarily restricted
Temporarily restricted net assets are those assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Unrestricted
Unrestricted net assets are assets that are not subject to donor-imposed stipulations. Unrestricted net assets have been designated for specific purposes by the Board of Trustees (Note 13). In addition, assets may otherwise be limited by contractual agreements with outside parties.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations, that simultaneously increase one class of net assets and decrease another, are reported as reclassifications between the applicable classes of net assets.

Contributions and investment return with donor-imposed restrictions are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction unless such donor-imposed restrictions are met within the period the contribution is made. In these cases, contributions are reported as unrestricted revenues. Contributions restricted for the endowment are classified as permanently restricted and retained as such in perpetuity in accordance with donor stipulations.

Cash and Cash Equivalents
Cash and cash equivalents include cash deposits with original maturities of three months or less. Cash and cash equivalents that comprise part of the investment balances for the endowment, third party trusts, gift annuities, and other restricted investments are not classified as cash or cash equivalents. Certain cash balances are classified as restricted and listed as a separate line item in the financial statements. Cash and cash equivalents are primarily deposited in one banking institution.

Grants Receivable and Deferred Grants Revenue
Grants receivable are reported at amounts billed or billable to grantors based upon amounts awarded and expended under these awards prior to the end of the fiscal year. Deferred grants receivable represent amounts advanced under certain grant awards whereby the related expenditures have not yet been incurred as of the end of the fiscal year. No allowance for uncollectible grants receivable has been recognized because management believes all amounts due are collectible.

Pledges Receivable
The Organization reports unconditional promises to give as pledges receivable and revenue when the promise is made by individuals and entities. Pledges receivable for contributions are unsecured and are reported net of an allowance for uncollectible pledges and a discount for the time value of money for long-term pledges. Contributions received are considered available for unrestricted use unless specifically restricted by the donor.

Pledges receivable greater than one year, less an allowance for uncollectible pledges, are discounted to reflect the time value of money. The Organization's discount rate of 1.52% is the average of the five year risk free rate of return and the bank prime rate.

Other Assets
The Organization had two certificates of deposit which were recorded at cost and pledged as security deposits as of June 30, 2012.

Investments
Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the consolidated statement of financial position with gains and losses included in the consolidated statement of activities and changes in net assets. Dividend and interest income are accrued as earned and are net of related investment expenses, which were $178,328 and $91,570 for the fiscal years ended June 30, 2013 and 2012, respectively. Realized gains and losses are determined on the average cost method and are reflected in revenue.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost at the date of acquisition or, if acquired by gift, at fair value at the date of donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, ranging from 3 to 39 years. The cost and related accumulated depreciation of sales and disposals are removed from the accounts, and any gain or loss is reflected in the current year's operations. Expenditures which substantially increase useful lives are capitalized, while maintenance and repairs are expensed as incurred.

Contributions In-Kind
Donated buildings, equipment, and other donated goods are recorded at their estimated fair value as of the date of the donation. No amounts have been reflected in the financial statements for donated services. Volunteers provided services throughout the year that were not recognized as contributions because the recognition criteria were not met.

Income Taxes and Uncertain Tax Positions
The Organization and the Continuation Fund are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization’s tax-exempt purpose is subject to taxation as unrelated business income. The Organization’s reporting returns are subject to audit by federal and state taxing authorities. The Organization’s open audit periods are 2009 – 2011. No income tax provision has been included in the financial statements as the Board has determined it does not have unrelated business income subject to taxation.

Use of Estimates
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain reclassifications have been made to the 2012 financial statement presentations in order to conform with the 2013 financial statement presentation.

4. PLEDGES RECEIVABLE:
The Organization has recognized certain pledges to the Organization’s restricted and unrestricted donor funds. Unconditional promises to give are included in the consolidated financial statements as pledges receivable and revenue of the appropriate net asset category.

Unconditional promises to give are expected to be realized in the following periods as of June 30, 2013:

In one year or less	$	4,806,946
Between one and five years		4,081,150
More than five years		-
Less:		
Allowance for uncollectible pledges		350,000
Allowance for discount for future pledges		229,100
Net pledges receivable	$	8,308,997

5. INVESTMENTS:

The cost and fair value of investments as of June 30, 2013 and 2012 were as follows:

		2013	
		Fair Value	Cost
Cash	$	13,495,111	13,495,111
Mutual fund fixed income		8,756,625	9,295,914
Mutual fund equities		8,858,498	8,163,903
Equity securities		206,126	166,081
Alternative investments		10,505,472	8,845,053
	$	41,821,832	39,966,062

		2012	
		Fair Value	Cost
Cash	$	21,964,619	21,964,619
Mutual fund fixed income		8,529,676	8,502,782
Mutual fund equities		7,777,596	7,924,886
Equity securities		233,176	193,249
Alternative investments		7,123,990	6,846,921
	$	45,629,057	45,432,457

The vast majority of the Organization’s investments at June 30, 2013, 98%, are held for the purpose of the endowment and can only be spent in accordance with donor-imposed restrictions.

Endowment Funds

The Organization’s endowment includes donor-restricted funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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 net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization 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 Organization 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 Organization, and (7) the investment policies of the Organization.

The changes in endowment net assets for the year ended June 30, 2013 and 2012 was as follows:

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2013					
Endowment net assets, July 1, 2012	$	-	27,002,832	17,497,751	44,500,583
Contributions		-	-	754,028	754,028
Investment income:					
Investment income, less fees		-	416,751	-	431,693
Net appreciation		-	1,719,002	-	1,719,002
Appropriation of assets for expenditure		-	(3,068,893)	-	(3,068,893)
Endowment net assets, June 30, 2013	$	-	26,069,692	18,251,779	44,321,471

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2012					
Endowment net assets, July 1, 2011	$	-	8,383,191	19,028,457	27,411,648
Investment income:					
Investment income, less fees		-	93,180	-	93,180
Net appreciation		-	23,348,179	-	23,348,179
Assets released from Restriction by donor		-	(2,934,154)	(1,530,706)	(4,464,860)
Appropriation of assets for expenditure		-	(1,887,564)	-	(1,887,564)
Endowment net assets, June 30, 2012	$	-	27,002,832	17,497,751	44,500,583

Return Objectives and Risk Parameters
The Organization has adopted investment and spending policies for endowment assets that attempt to accumulate a pool of assets sufficient to build capital for future use while providing a predictable level of funding to meet current needs. Endowment assets include those assets of donor-restricted funds that the

Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in manner that is intended to produce results with a moderate level of investment risk.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation within both equity and fixed income securities, so as to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Organization has a policy of appropriating for distribution each year between 5% and 7% of the value of the endowment investments. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at a rate that exceeds annual distributions. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

6. CHARITABLE REMAINDER TRUSTS:

The Organization serves as trustee for various charitable remainder trusts. The Organization is obligated to make periodic payments, generally quarterly, to the respective trust annuitants. The Organization records the trust investments as temporarily restricted net assets and reclassifies them according to the trust's directive at the termination of the trust. Currently the Organization is paying approximately $60,000 annually to the respective trust annuitants.

The Organization has valued the future liability for annuity contract payments by calculating the present value of the expected payments based upon the anticipated remaining length of the trust, with a rate of 3.25% at June 30, 2013 and 2012, respectively, to calculate the present value of the future liability. At June 30, 2013 and 2012, the estimated liability was $277,131 and $463,107, respectively. The investments backing the trusts are managed by Morgan Stanley Smith Barney, and totaled $410,038 and $601,076 at June 30, 2013 and 2012, respectively. The Organization has no responsibility to continue making trust payments once the assets of the respective trust assets have expired.

7. GIFT ANNUITIES:

As part of the acquisition of Antioch College the Organization inherited 34 gift annuity contracts for which the Organization is obligated to make a periodic payment, generally quarterly, to the respective annuitant. The Organization records the gift annuities investments as temporarily restricted net assets and reclassifies them according to the donor's wishes at the termination of the annuity contract. Currently the Organization is paying approximately $79,000 annually to the respective annuitants.

The Organization has valued the future liability for annuity contract payments by calculating the present value of the expected payments based upon the anticipated remaining length of the annuity contract, with a rate of 3.25% at June 30, 2013 and 2012, respectively, to calculate the present value of the future liability. At June 30, 2013 and 2012, the estimated liability was $518,705 and $677,263, respectively. The investments backing the gift annuities are managed by Fifth Third Institutional Services, and totaled

$405,559 and $444,462 at June 30, 2013 and 2012, respectively. The Organization is responsible for continuing to pay the annuitants under the contract even if there are no remaining investment assets.

8. BENEFICIAL INTEREST IN PERPETUAL AND REMAINDER TRUSTS:

As part of the acquisition of Antioch College, the Organization also inherited a beneficial interest in three charitable remainder trusts which are administered by outside parties. Two of the trusts are perpetual trusts which provide the Organization with the irrevocable right to income, approximately $12,000 annually, in perpetuity from the trusts. The Organization is the beneficiary (remainder designee) of the final trust in which it is to receive a 15% interest in the remainder upon termination of the trust. The beneficial interests are valued at the fair value of the underlying investments of each trust multiplied by the Organization's ownership or remainder percentage. At year end June 30, 2013 and 2012, the Organization's beneficial interest in these trusts was $495,022 and $476,837, respectively.

9. PROPERTY, PLANT AND EQUIPMENT:

The components of the Organization's property, plant and equipment consisted of the following at June 30, 2013 and 2012:

	2013	2012
Land	$ 3,591,303	3,591,303
Building and improvements	15,080,210	5,987,662
Furniture and equipment	625,197	377,770
Construction in progress	1,175,042	2,777,177
	20,471,752	12,733,912
Less accumulated depreciation	910,154	456,479
Net property, plant and equipment	$ 19,561,598	12,277,433

Depreciation expense was $453,675 and $209,314 for the years ended June 30, 2013 and 2012, respectively.

10. LONG-TERM DEBT:

Long-term debt at June 30, 2013 and 2012 consisted solely of a $6,200,000 note payable. On August 31, 2012, the Organization refinanced the $6,200,000 note payable through The Huntington National Bank at a variable interest rate. Interest only payments are due monthly with the principal and any accrued interest due in full on August 31, 2017. Prior to August 31, 2012, the note was payable to Wells Fargo at an interest rate of LIBOR plus 2.05% (2.30% as of June 30, 2012). The Morgan Family Foundation serves as guarantor on the note for which it charges the Organization 50 basis points per annum for the term of the guarantee. In addition, the Morgan Family Foundation holds a lien on certain real assets associated with Antioch College as part of the loan guaranty.

In conjunction with the refinancing, the Organization entered into an interest rate swap agreement with The Huntington National Bank that effectively fixed the interest rate of the note payable at 2.15%. This agreement requires monthly supplemental payments or credits that, when coupled with the variable rate interest expense, have the effect of fixing the cost of borrowing. The term of the swap agreement is the same as the promissory note. If terminated early, there would be a payment made or received by the Organization depending on the variable rate of interest at the time of termination. As of June 30, 2013, the interest rate swap is at an asset position with a fair value of $63,388.

11. LOAN COSTS PAYABLE:
The Organization has agreed to reimburse the Morgan Family Foundation for certain costs related to the origination and guaranty of the $6,200,000 note payable to Wells Fargo. At June 30, 2013 and 2012 the Organization owed the Morgan Family Foundation $177,361 and $27,920, respectively, which is to be repaid in quarterly installments of $11,625 with the final payment due in September 2017.

The related expense is being amortized over the life of the loan. For the years ended June 30, 2013 and 2012, amortization expense was $18,486 and $60,490, respectively.

12. ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS:
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at June 30, 2013 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Equity mutual funds	$ 8,756,625	-	-	8,756,625
Fixed income mutual funds	8,858,498	-	-	8,858,498
Equity securities	206,126	-	-	206,126
Alternative investments	-	10,505,472	-	10,505,472
Total Investments	$ 17,821,249	10,505,472	-	28,326,721
Investments held in trust	$ 410,038	-	-	410,038
Beneficial interest in trusts	$ -	-	495,022	495,022

	Fair Value Measurements at June 30, 2013 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Equity mutual funds	$ 7,777,596	-	-	7,777,596
Fixed income mutual funds	8,529,676	-	-	8,529,676
Equity securities	233,176	-	-	233,176
Alternative investments	-	7,123,990	-	7,123,990
Total Investments	$ 16,540,448	7,123,990	-	23,664,438
Investments held in trust	$ 601,076	-	-	601,076
Beneficial interest in trusts	$ -	-	476,837	476,837

The following is a reconciliation of activity for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2013 and 2012:

	Fair Value Measurements Using Significant Unobservable Inputs at June 30, 2013:		
	Private Equity	Trusts	Other
Beginning balance	$ -	476,837	-
Change in value of interest in trusts	-	18,185	-
Ending balance	$ -	495,022	-

	Fair Value Measurements Using Significant Unobservable Inputs at June 30, 2012:		
	Private Equity	Trusts	Other
Beginning balance	$ 10,700,464	514,228	137,888
Redemptions	(34,746,834)	-	-
Realized and unrealized gains	24,046,370	-	-
Change in value of interest in trusts	-	(37,391)	(137,888)
Ending balance	$ -	476,837	-

13. BOARD DESIGNATED FUNDS:

As part of the asset purchase agreement with the University, the Organization also agreed to designate future unrestricted funds of the Organization to honor the donor stipulations for $953,890 and $2,772,450 at June 30, 2013 and 2012, respectively, in temporarily restricted funds for which the principal had been previously spent by the University, but not necessarily in conjunction with the original donor stipulations. The Board of Trustees of the Organization has designated that future unrestricted funds, when available, will be spent as necessary to honor the original donor's stipulations.

14. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes at June 30, 2013 and 2012:

		2013	2012
Endowment:			
Scholarships	$	12,443,063	12,888,452
General purpose		6,728,588	6,969,432
Library		372,797	386,140
Faculty		4,155,509	4,304,251
Antioch Review		424,936	440,146
Glen Helen		1,665,853	1,725,481
Other		278,946	288,930
		26,069,692	27,002,832
Pledges receivable at end of year		8,308,997	2,748,167
Advancement/Admissions		2,337,790	-
Unexpended bequests		1,279,665	684,012
Capital projects		935,951	-
Faculty Fund		534,218	518,738
Glen Helen		252,243	423,134
Other		364,704	371,635
Total temporarily restricted net assets	$	40,083,260	31,748,518

Permanently restricted net assets consisted of the following at June 30, 2013 and 2012:

		2013	2012
Endowment:			
Scholarships	$	8,973,337	8,332,229
General purpose		5,252,205	5,152,185
Library		219,732	219,732
Faculty		2,454,637	2,454,637
Antioch Review		239,778	231,778
Glen Helen		947,029	942,129
Other		165,061	165,061
		18,251,779	17,497,751
Beneficial interest in perpetual trusts		495,022	476,837
Other		-	1,526
Total permanently restricted net assets	$	18,746,801	17,976,114

15. RELATED PARTIES:

The Organization had the following related party transactions during the year ended June 30, 2013 and 2012:

- The Vice Chairman of the Board of Trustees of the Organization also sits on the Board of the Morgan Family Foundation, which has guaranteed the Organization’s $6,200,000 note payable.
- The Continuation Fund loaned the Organization $4,184,863, which has been eliminated upon consolidation.

16. RETIREMENT PLAN:
During the fiscal year ended June 30, 2013, the Organization implemented a 401(k) defined contribution retirement plan for its eligible employees who elect to participate. The Organization's plan contributions for the fiscal year ended June 30, 2013 were $27,108.

17. FUNCTIONAL ALLOCATION OF EXPENSES:
The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

18. RISKS AND CONTINGENCIES

Credit Risk
Financial instruments which potentially subject the Organization to a concentration of credit risk consist principally of interest-bearing cash and cash equivalents, certificates of deposit, and investments. The Organization places cash and cash equivalents with high credit quality financial institutions.

The Organization's investments are managed by an independent asset management firms whose performance is reviewed by the Finance Committee of the Board of Trustees on a periodic basis. The Organization has not experienced any losses on such accounts.

Contingencies
At June 30, 2012, the Organization had pending applications for property tax exemptions with various taxing authorities located in Greene County, Ohio with outstanding assessments totaling approximately $202,000, which were not recognized as liabilities because management believed that the applications for exemption would be granted. In December 2012, the Organization received the real estate tax exemptions that it had applied for, resulting in abatement of all previous real estate tax assessments.

19. SUBSEQUENT EVENTS:
The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through November 21, 2013, the date on which the financial statements were available to be issued.

Notable events occurring after June 30, 2013 until November 21, 2013 include:

Pursuant to a master agreement dated May 20, 2013, the Organization purchased assets and made payments totaling $8,000,000 to Antioch University on July 3, 2013 as follows:

- $3,700,000 to purchase the assets of WYSO, a not-for-profit public radio station, including the broadcast license;
- $1,800,000 to purchase the land and building currently housing WYSO; and
- $2,500,000 to release the endowment and deed restrictions, including reversion clause, from the September 4, 2009 asset purchase agreement described in Note 1

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION

The Board of Trustees
Antioch College Corporation
Yellow Springs, Ohio

We have audited the consolidated financial statements of Antioch College Corporation and subsidiaries as of and for the years ended June 30, 2013 and 2012, and our report dated thereon dated November 21, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 1 to 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of as a whole. The consolidating information included in this report on pages 18 to 19 is presented primarily for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 21, 2013

Antioch College Corporation
Consolidating Statements of Financial Position
June 30, 2013 and 2012

		Antioch College Corporation	Continuation Fund, Inc.	Eliminations	2013	Antioch College Corporation	Continuation Fund, Inc.	2012
Assets:								
Cash and cash equivalents	$	2,458,591	-	-	2,458,591	1,543,419	-	1,543,419
Restricted cash		3,890,458	-	-	3,890,458	3,382,403	-	3,382,403
Accounts and grants receivable		47,641	-	-	47,641	11,484	-	11,484
Pledges receivable, net		8,308,997	-	-	8,308,997	2,748,167	-	2,748,167
Loans receivable		-	4,184,863	(4,184,863)	-	-	-	-
Prepaid expenses and other assets		36,868	-	-	36,868	139,354	-	139,354
Investments, at fair value		1,685,224	40,136,608	-	41,821,832	1,128,474	44,500,583	45,629,057
Investments held in trust, at fair value		410,038	-	-	410,038	601,076	-	601,076
Interest rate swap, at fair value		63,388	-	-	63,388	-	-	-
Beneficial interest in perpetual and remainder trusts		495,022	-	-	495,022	476,837	-	476,837
Loan costs, net		197,625	-	-	197,625	12,271	-	12,271
Property, plant and equipment, net		19,561,598	-	-	19,561,598	12,277,433	-	12,277,433
Total assets	$	37,155,450	44,321,471	(4,184,863)	77,292,058	22,320,918	44,500,583	66,821,501
Liabilities:								
Accounts payable and accrued liabilities		1,506,745	-	-	1,506,745	622,395	-	622,395
Gift annuity obligations		518,705	-	-	518,705	677,263	-	677,263
Amounts held on behalf of others in trust		277,131	-	-	277,131	463,107	-	463,107
Loan costs payable		177,361	-	-	177,361	27,920	-	27,920
Deferred grants revenue		230,845	-	-	230,845	14,295	-	14,295
Long-term debt		10,384,863	-	(4,184,863)	6,200,000	6,200,000	-	6,200,000
Total liabilities		13,095,650	-	(4,184,863)	8,910,787	8,004,980	-	8,004,980
Net assets:								
Unrestricted net assets		9,551,210	-	-	9,551,210	9,091,889	-	9,091,889
Temporarily restricted net assets		14,013,568	26,069,692	-	40,083,260	4,745,686	27,002,832	31,748,518
Permanently restricted net assets		495,022	18,251,779	-	18,746,801	478,363	17,497,751	17,976,114
Total net assets		24,059,800	44,321,471	-	68,381,271	14,315,938	44,500,583	58,816,521
Total liabilities and net assets	$	37,155,450	44,321,471	(4,184,863)	77,292,058	22,320,918	44,500,583	66,821,501

	2013				2012			
	Antioch College Corporation	Continuation Fund, Inc.	Eliminations	Total	Antioch College Corporation	Continuation Fund, Inc.	Eliminations	Total
Operating revenue:								
Gifts, pledges and bequests	$ 18,750,234	754,028	-	19,504,262	6,422,411	-	-	6,422,411
Support from consolidated affiliate	3,062,211	-	(3,062,211)	-	6,352,424	-	(6,352,424)	-
Grants	98,374	-	-	98,374	375,419	-	-	375,419
Interest and dividend income	20,260	416,751	(93,386)	343,625	28,074	93,180	-	121,254
Net realized gain (loss) on investments	2,944	309,307	-	312,251	(59,441)	28,147,003	-	28,087,562
Change in net unrealized gain on investments	(12,868)	1,409,695	-	1,396,827	5,131	(4,798,824)	-	(4,793,693)
Program income	825,690	-	-	825,690	653,592	-	-	653,592
In-kind revenue	27,349	-	-	27,349				
Other income	210,780	-	-	210,780	242,739	-	-	242,739
Trust income	-	-	-	-	-	-	-	-
Total operating revenue	22,984,974	2,889,781	(3,155,597)	22,719,158	14,020,349	23,441,359	(6,352,424)	31,109,284
Operating expenses:								
Instruction	1,261,001	-	-	1,261,001	895,953	-	-	895,953
Academic support	1,288,061	-	-	1,288,061	524,753	-	-	524,753
Student services	1,631,379	-	-	1,631,379	973,366	-	-	973,366
Institutional support	3,681,159	6,682	(93,386)	3,594,455	3,006,211	-	-	3,006,211
Facilities	2,090,276	-	-	2,090,276	1,703,678	-	-	1,703,678
Auxiliary enterprises	1,393,326	-	-	1,393,326	1,218,083	-	-	1,218,083
Fundraising activities	2,222,369			2,222,369	1,507,925			1,507,925
Support to consolidated affiliate	-	3,062,211	(3,062,211)	-	-	6,352,424	(6,352,424)	-
Total operating expense	13,567,571	3,068,893	(3,155,597)	13,480,867	9,829,969	6,352,424	(6,352,424)	9,829,969
Nonoperating income (expense)								
Change in value of gift annuity	119,655	-	-	119,655	(58,299)	-	-	(58,299)
Change in value of remainder and perpetual trusts	143,416	-	-	143,416	(80,348)	-	-	(80,348)
Change in value of interest rate swap	63,388	-	-	63,388	-	-	-	-
Total nonoperating income	326,459	-	-	326,459	(138,647)	-	-	(138,647)
Change in net assets	9,743,862	(179,112)	-	9,564,750	4,051,733	17,088,935	-	21,140,668
Net assets, beginning of year	14,315,938	44,500,583	-	58,816,521	10,264,205	27,411,648	-	37,675,853
Net assets, end of year	$ 24,059,800	44,321,471	-	68,381,271	14,315,938	44,500,583	-	58,816,521

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At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success