

# SCRIPPS

THE WOMEN'S COLLEGE • CLAREMONT



FINANCIAL REPORT 2006–2007

THE PARAMOUNT  
OBLIGATION OF A COLLEGE  
IS TO DEVELOP IN ITS STUDENTS  
THE ABILITY TO THINK CLEARLY  
AND INDEPENDENTLY,  
AND THE ABILITY  
TO LIVE CONFIDENTLY,  
COURAGEOUSLY, AND  
HOPEFULLY.

ELLEN BROWNING SCRIPPS

*Cover:*

*Scripps students Marguerite Manela '10, Stephanie Kang '11,  
and Natalie Sacks '11, walk through Eucalyptus Court in Balch Hall.  
"The Flower Vendors," in tile, by Alfredo Ramos Martinez is in the  
background at left. Photograph by Bill Youngblood.*

# SCRIPPS COLLEGE ANNUAL FINANCIAL REPORT

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2007 and 2006

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**SCRIPPS**  
THE WOMEN'S COLLEGE  
• CLAREMONT •

1030 COLUMBIA AVENUE  
CLAREMONT, CALIFORNIA  
91711-3948

JAMES H. MANIFOLD  
*Vice President of Business Affairs*  
*Treasurer*

October 16, 2007

Dear Members of the Board of Trustees and Friends of Scripps College:

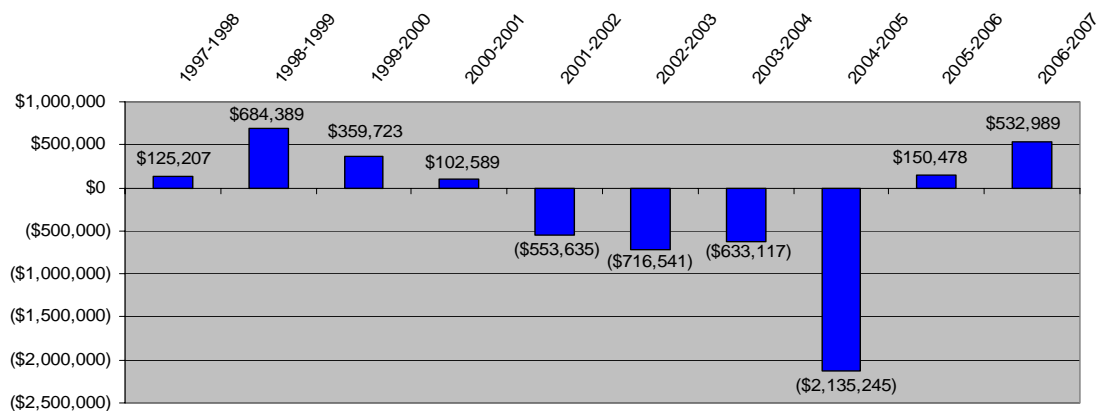
The following report presents the results of operations and other financial information for fiscal 2006-2007.

**FINANCES:**

Total assets increased by \$59 million to \$411 million, while net assets increased \$57 million to \$374 million. Endowment growth from gifts and investments provided much of the increase.

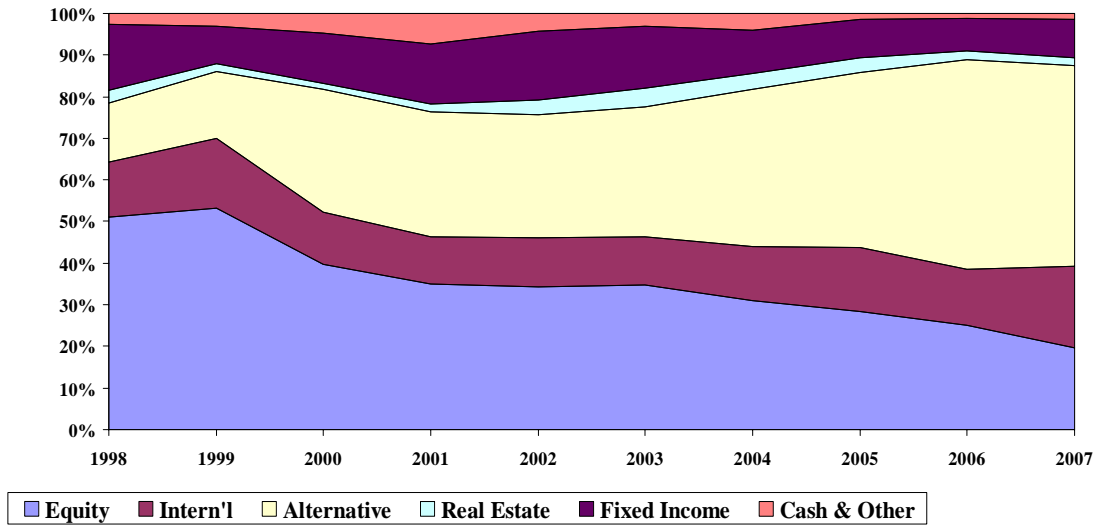
The Statement of Activities on page 7 shows over \$43 million in operating revenue and an operating surplus of \$533,000. This marks an improvement over fiscal 2005-2006 operating surplus of \$150,000 and the deficit of over \$2 million in fiscal 2004-2005. In the 1999 strategic plan, the College defined financial equilibrium as an operating surplus of \$500,000 after giving effect to depreciation expense and interest on debt. For this year, the goal has been achieved. The chart below shows the 10 year results of operations history.

**STATEMENT OF ACTIVITIES  
OPERATING SURPLUS/ (DEFICIT)  
1998-2007**



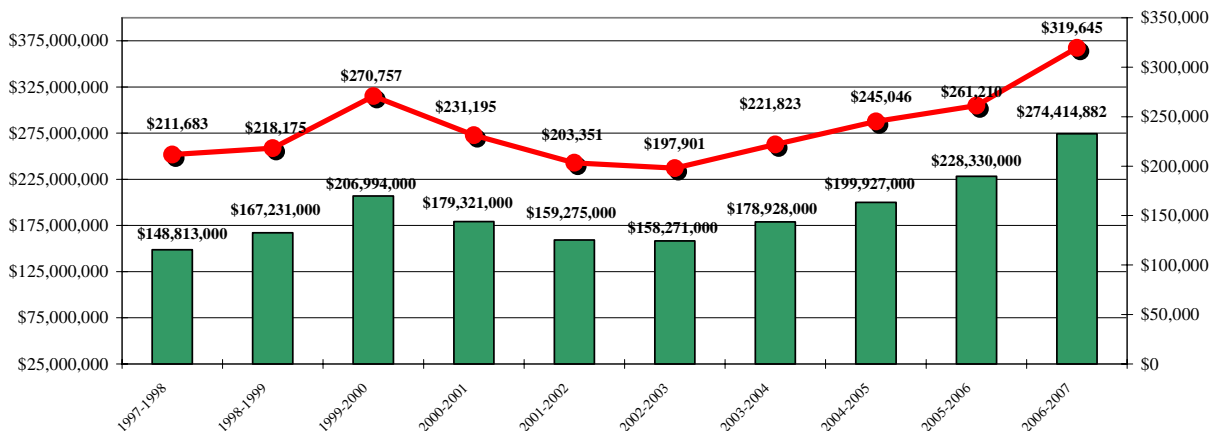
The Statement of Changes in Endowed Equity (page 10) shows an increase in the endowment of over \$53 million after giving effect to almost \$10 million of endowment income distributed to operations and other purposes. Contributions of \$15 million plus \$2 million of planned giving maturities and other transfers were recorded. Investment return provided the balance of the \$53 million increase. The total return on the investment pool was over 20%. Asset allocation is believed to be the single most important factor in achieving superior returns. The chart below shows the asset allocation of the College's investment pool for fiscal years 1997-98 to 2006-07. The investment pool is an internally managed mutual fund that allows the commingling of endowments and other assets of the College so that the funds may be efficiently managed and invested as a portfolio.

**INVESTMENT POOL  
END OF YEAR ASSET ALLOCATION  
1998-2007**



Fiscal 2006-07 was the historic high water mark in terms of total endowment and endowment per student, eclipsing fiscal 1999-2000 for this honor. This is all the more remarkable since the number for Fall FTE students has grown from 703 to 859 over the last decade. The table below shows the 10 year history of these two key measures.

**ENDOWMENT MARKET VALUE  
AND ENDOWMENT PER STUDENT  
1998-2007**



## FACILITIES:

During this fiscal year, a number of improvements on campus were completed and commenced.

The remodel of the first floor of Steele Hall enhanced the academic program. The south porch was enclosed to provide four faculty offices and a faculty secretary work station. The remodel included a new “smart” classroom and the enlargement of two existing classrooms.

The ground breaking for the \$14 million Sallie Tiernan Field House took place on October 6<sup>th</sup> 2006. This 23,000 square foot facility will include an aerobics room, yoga room, weight room and two cardio machine rooms as well as changing rooms for women and men. These changing rooms will also support the swimming pool that was completed in 2001.

Immediately to the east of the Tiernan Field House and the swimming pool will be a NCAA soccer/lacrosse field over a parking structure for 230 vehicles and a campus storage area with 8,000 square feet. A completion date of July 2008 has been set for this project. The parking structure cost of \$10 million will be funded with the California Educational Facilities Authority bonds referenced in the subsequent events footnote # 19 on page 23.

## FUTURE:

On December 2, 2006 the Board of Trustees approved a new strategic plan “Scripps College in the Next Decade: Leading with Excellence”. There are six strategies: Academic Excellence, Globalization, National Leadership, Diversity, The Claremont Consortium and Stewardship. The plan is intended to position the College to “provide a liberal arts education that is academically distinctive, intellectually challenging and morally engaging”.

This ambitious plan will require an increase in financial resources to achieve the goals. Currently, net tuition, room and board revenues only covers 66% of total operating expenses. The balance is principally covered by gifts and endowment spending income. As our student charges approach \$50,000 per year, these additional sources of revenue will become critical in achieving the goals in the strategic plan.

## FAREWELLS:

On June 30, 2007 three senior administrators left the College after many years of service. President Nancy Y. Bekavac retired (17 years), Vice President and Dean of the Faculty Michael D. Lamkin (10 years) returned to the Music Department, and Vice President of Development and Community Relations Martha H. Keates (13 years) returned to the consulting profession. We are all grateful for their combined service of some 40 years in the administration of the College. Their impact has left its mark on the finances of the institution in countless ways. The Board named Fritz Weis Interim President, Cecilia Conrad Vice President and Dean of the Faculty and Patricia La Croix '78 Interim Vice President for Institutional Advancement. The College is in good hands during the search for the 7<sup>th</sup> President of Scripps College.

Respectfully submitted,



James H. Manifold

**INDEPENDENT AUDITOR'S REPORT  
ON THE FINANCIAL STATEMENTS AND  
ADDITIONAL INFORMATION**

To the Board of Trustees  
Scripps College  
Claremont, California

We have audited the accompanying statements of financial position of Scripps College as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Scripps College's management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scripps College as of June 30, 2007 and 2006, 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 of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule included on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Moss Adams, LLP*

Los Angeles, California  
October 16, 2007

SCRIPPS COLLEGE  
STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

	2007	2006
<b>ASSETS</b>		
Current assets		
Cash	\$ 282,053	\$ 177,336
Accounts Receivable (Note 2)	397,113	482,396
Notes receivable, net (Note 2)	448,367	561,216
Contributions receivable (Note 3)	3,546,557	1,017,484
Prepaid expenses, deposits, and other	742,557	473,653
Investments (Note 4)	10,405,190	8,403,401
Assets whose use is limited (Note 4)	-	3,410,817
Total current assets	15,821,837	14,526,303
Non current assets		
Notes receivable, net (Note 2)	4,259,994	4,115,580
Contributions receivable, net (Note 3)	14,054,976	7,867,518
Investments (Note 4)	292,057,246	244,316,901
Investments held as a reserve for depreciation (Note 4)	1,943,753	1,613,257
Collections (Note 1)	16,586,170	16,501,166
Plant facilities		
Land and land improvements	4,573,872	5,172,382
Buildings	78,091,886	77,527,263
Equipment and furnishings	5,559,069	9,286,203
Property held for future use	1,274,368	1,274,368
Construction in progress	6,457,716	1,724,879
Accumulated depreciation	(29,554,878)	(31,903,338)
Net plant facilities	66,402,033	63,081,757
Total assets	\$ 411,126,009	\$ 352,022,482

*The accompanying notes are an integral part of these statements.*



SCRIPPS COLLEGE  
STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

		<u>2007</u>	<u>2006</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 3,843,515	\$ 2,438,935
Current portion of bonds payable (Note 6)		460,000	435,000
Deposits and deferred revenue		1,721,109	1,051,605
Total current liabilities		<u>6,024,624</u>	<u>3,925,540</u>
Non current liabilities			
Life income and annuities payable (Note 5)		5,381,030	4,989,261
Payable to Claremont University Consortium		28,096	37,529
Liability for staff retirement plan		291,411	243,471
Bonds payable (Note 6)		22,819,634	23,245,363
Government advances for student loans		1,653,050	1,685,221
Funds held in trust for others (Note 7)		58,696	58,696
Asset retirement obligation		630,807	602,263
Total liabilities		<u>36,887,348</u>	<u>34,787,344</u>
Net assets (Note 9)			
	<u>Endowment</u>	<u>Invested in plant and other</u>	
Unrestricted	\$ 193,466,536	\$ 58,932,923	252,399,459
Temporarily restricted	3,004,494	20,902,101	23,906,595
Permanently restricted	86,223,643	11,708,964	97,932,607
Total net assets	<u>\$ 282,694,673</u>	<u>\$ 91,543,988</u>	<u>374,238,661</u>
Total liabilities and net assets		<u>\$ 411,126,009</u>	<u>\$ 352,022,482</u>

The accompanying notes are an integral part of these statements.

# SCRIPPS COLLEGE

## STATEMENTS OF ACTIVITIES

For the years ended June 30, 2007 and 2006

	2007	2006
<b>Unrestricted Net Assets</b>		
Revenues and releases of net assets:		
Tuition, room and board	\$ 37,538,611	\$ 35,521,964
Less financial aid	9,156,545	9,169,822
Net student revenues (Note 10)	28,382,066	26,352,142
Contributions to operations	2,454,109	2,503,990
Federal gifts and contracts	337,279	349,159
Spending policy income	8,427,774	7,768,695
Other investment income, net	949,841	919,043
Other revenue	667,674	717,247
Gifts and endowment payout for non-budgetary items	702,397	657,224
Release of temporarily restricted net assets:		
Operations	1,303,426	1,178,808
Annuity and life income	-	811,436
Total revenues and release of net assets	43,224,566	41,257,744
Expenses:		
Academic program	21,680,209	20,367,926
Co-curricular program	11,343,310	11,383,270
Marketing	5,716,452	5,484,170
Administrative and general	3,951,606	3,871,900
Total expenses	42,691,577	41,107,266
Operating surplus (Note 14)	532,989	150,478
Other changes in unrestricted net assets:		
Non-operating bequests and gifts in kind	86,292	661,531
Non-operating payments	(167,687)	-
Release of temporarily restricted net assets - plant	410,942	332,385
Redesignation of net assets	27,309	(208,600)
Net realized and unrealized gains on investments net of allocation to operations	37,131,146	26,560,315
Other comprehensive pension (expense) income	(165,678)	334,050
Transfer to Claremont University Consortium	(4,888)	(72,737)
Total other changes in unrestricted net assets	37,317,436	27,606,944
Cumulative effect of change in accounting principle	-	(482,872)
Change in unrestricted net assets	37,850,425	27,274,550
Unrestricted net assets, beginning of year	214,549,034	187,274,484
Unrestricted net assets, end of year	\$ 252,399,459	\$ 214,549,034

*The accompanying notes are an integral part of these statements.*

# SCRIPPS COLLEGE

## STATEMENTS OF ACTIVITIES

For the years ended June 30, 2007 and 2006

	2007	2006
<b>Temporarily Restricted Net Assets</b>		
Revenues:		
Contributions	\$ 2,119,929	\$ 1,283,177
Spending policy income	584,636	528,692
Other investment income, net	(3,066)	67,684
Adjustments on contributions receivable	(7,253)	(8,841)
Total revenues	<u>2,694,246</u>	<u>1,870,712</u>
Other changes in temporarily restricted net assets:		
Actuarial adjustment of annuity and life income liabilities	598,293	408,369
Other	295,151	216,395
Release of temporarily restricted net assets:		
Operations	(1,303,426)	(1,178,808)
Annuity and life income	-	(811,436)
Plant	(410,942)	(332,385)
Redesignation of net assets	(38,101)	82,880
Change in temporarily restricted net assets	<u>1,835,221</u>	<u>255,727</u>
Temporarily restricted net assets, beginning of year	22,071,374	21,815,647
Temporarily restricted net assets, end of year	<u>\$ 23,906,595</u>	<u>\$ 22,071,374</u>
<b>Permanently Restricted Net Assets</b>		
Revenues:		
Contributions	\$ 16,725,012	\$ 1,467,588
Spending policy income	-	19,217
Other investment income, net	114,817	74,631
Adjustments on contributions receivable	(593,955)	-
Other revenue	13,748	5,533
Total revenues	<u>16,259,622</u>	<u>1,566,969</u>
Other changes in permanently restricted net assets:		
Actuarial adjustment of annuity and life income liabilities	1,047,463	606,590
Redesignation of net assets	10,792	125,720
Net (loss) on investments	-	-
Change in permanently restricted net assets	<u>17,317,877</u>	<u>2,299,279</u>
Permanently restricted net assets, beginning of year	80,614,730	78,315,451
Permanently restricted net assets, end of year	<u>\$ 97,932,607</u>	<u>\$ 80,614,730</u>
Total change in net assets:		
Total net assets, beginning of year	\$ 317,235,138	\$ 287,405,582
Total year to date change in net assets	57,003,523	29,829,556
Total net assets, end of year	<u>\$ 374,238,661</u>	<u>\$ 317,235,138</u>

The accompanying notes are an integral part of these statements.

# SCRIPPS COLLEGE

## STATEMENTS OF CASH FLOWS

For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Tuition, room and board, net of financial aid	\$ 29,031,792	\$ 26,758,013
Gifts, grants and contracts	3,421,436	3,472,899
Investment income	4,433,529	3,651,814
Other revenue	953,286	1,189,839
Payments for interest on debt	(1,284,014)	(1,308,982)
Payments to employees and suppliers	<u>(37,699,035)</u>	<u>(37,311,974)</u>
Net cash (used in) operating activities (Notes 13 and 14)	<u>(1,143,006)</u>	<u>(3,548,391)</u>
Cash flows from investing activities:		
Purchase of plant facilities	(6,120,447)	(1,048,240)
Proceeds from sale of investments	267,358,169	77,008,132
Purchase of investments	(269,502,122)	(75,249,182)
Loans made to students and faculty	(513,194)	(385,328)
Collection of student and faculty loans	<u>470,075</u>	<u>352,203</u>
Net cash (used in) provided by investing activities	<u>(8,307,519)</u>	<u>677,585</u>
Cash flows from financing activities:		
Payments to life income beneficiaries	(616,773)	(624,453)
Investment income on life income investments	937,082	400,855
Principal payments on debt	(435,000)	(418,000)
Contributions restricted for loans	9,881	50
Contributions restricted for endowment	7,273,353	1,080,663
Contributions restricted for life income contracts	361,310	1,045,687
Contributions restricted for plant expenditures	1,683,593	615,446
Contributions for other restricted purposes	373,967	738,587
Change in advances for student loans	<u>(32,171)</u>	<u>(26,003)</u>
Net cash provided by financing activities	<u>9,555,242</u>	<u>2,812,832</u>
Net increase (decrease) in cash	104,717	(57,974)
Cash at beginning of year	<u>177,336</u>	<u>235,310</u>
Cash at end of year	<u>\$ 282,053</u>	<u>\$ 177,336</u>

*The accompanying notes are an integral part of these statements.*

SCRIPPS COLLEGE  
SUPPLEMENTAL SCHEDULE  
STATEMENTS OF CHANGES IN ENDOWED EQUITY

For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Pooled investment return:		
Earned income	\$ 3,484,916	\$ 2,760,208
Change in realized and unrealized net appreciation of investments	<u>42,904,043</u>	<u>32,440,136</u>
Net investment return	46,388,959	35,200,344
Endowment returns distributed for operations	(8,427,774)	(7,768,695)
Endowment returns distributed for non-budgetary items	(555,784)	(488,999)
Endowment returns distributed for temporarily restricted net assets	(584,636)	(528,692)
Endowment returns reinvested for permanently restricted net assets	-	(19,217)
Net investment returns reinvested	<u>36,820,765</u>	<u>26,394,741</u>
Other changes in endowed equity:		
Contributions	14,931,842	1,080,663
Other, net		
Transfers to quasi endowment	782,000	215,414
Redesignation of net assets	32,486	171,902
Matured annuity and life income agreements	1,176,457	199,265
Adjustments on contributions receivable	<u>(593,955)</u>	-
Total other changes in endowed equity	<u>16,328,830</u>	<u>1,667,244</u>
Net change in endowed equity	53,149,595	28,061,985
Endowed equity, beginning of year	<u>229,545,078</u>	<u>201,483,093</u>
Endowed equity, end of year	<u>\$ 282,694,673</u>	<u>\$ 229,545,078</u>
Endowed equity is composed of the following assets at June 30,		
Contributions receivable, net of discount (Note 3)	\$ 8,279,791	\$ 1,215,257
Investments (Note 4)	<u>274,414,882</u>	<u>228,329,821</u>
	<u>\$ 282,694,673</u>	<u>\$ 229,545,078</u>

*The accompanying notes are an integral part of these statements.*

# SCRIPPS COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

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June 30, 2007 and 2006

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Founded in 1926, Scripps College (the "College") is an independent, liberal arts college for women with a distinctive interdisciplinary core curriculum offering instruction in the humanities, fine arts, and the natural and social sciences. The College has an enrollment of approximately 873 students. The campus is on the National Register of Historic Places.

Its mission is to educate women to develop their intellect and talents through active participation in a community of scholars, so that as graduates they may contribute to society through public and private lives of leadership, service, integrity and creativity.

Scripps College is a nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. The following accounting policies of the College are in accordance with those generally accepted for colleges and universities:

#### **Basis of Presentation:**

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Net Asset Categories:**

The accompanying financial statements present information regarding the College's financial position and activities according to three categories of net assets: unrestricted, temporarily restricted, and permanently restricted. The three categories are differentiated by donor restrictions.

#### **Unrestricted Net Assets:**

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

#### **Temporarily Restricted Net Assets:**

Net assets that are subject to donor-imposed restrictions that either lapse or can be satisfied.

#### **Permanently Restricted Net Assets:**

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

#### **Revenue and Expense Recognition:**

**Tuition and Fees** – Student tuition and fees are recorded as revenues in the year during which the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenues. Collectibility of student accounts and notes receivable is reviewed both individually and in the aggregate. Allowances have been established based on experience, and balances deemed uncollectible are written off through a charge to bad debt expense or the provision for doubtful accounts and a credit to accounts receivable. The College follows federal guidelines for determining when student loans are delinquent or past due for both federal and institutional loans.

**Contributions** - Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Contributions where donor restrictions are met within the same fiscal year as the contribution are included in unrestricted net assets. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received in future periods are discounted at an appropriate discount rate.

# SCRIPPS COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

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June 30, 2007 and 2006

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

#### **Revenue and Expense Recognition, Continued:**

Investment Return – Investment income and gains and losses on investments and changes in other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

Expenses - Expenses are generally reported as decreases in unrestricted net assets. The financial statements present expenses by functional classification in accordance with the overall educational and research mission of the College.

#### **Operating Revenues and Expenses:**

The College reports operating revenues and expenses in the unrestricted net asset section of the Statements of Activities. Operations are those annual activities which support the core mission of the College; “to educate women to develop their intellect and talents through active participation in a community of scholars, so that as graduates they may contribute to society through public and private lives of leadership, service, integrity and creativity.”

Operating revenues include charges for tuition, room and board, net of financial aid, gifts and grants, spending policy income, other investment income, releases of temporarily restricted net assets for operations and unrestricted annuity and life income, and miscellaneous income.

Unrestricted gifts and bequests in excess of \$1 million each are considered non-operating, as are gifts in kind. The Board of Trustees designates unrestricted gifts in excess of \$1 million for the benefit of the College. Gifts in kind, due to their non cash nature, are not available to pay for operating expenditures.

Operating expenses (for which the operating revenues are used) include salaries and benefits, departmental expenses, depreciation, amortization and interest. These expenses are classified into four cost centers called; Academic Program, Co-curricular Program, Marketing and Administrative and General.

#### **Operating Expense Categories and Allocation of Certain Expenses:**

The Statements of Activities presents expenses by four functional categories. Academic Program includes expenses for instruction and related academic support departments such as libraries, the Dean of Faculty and Registrar’s Offices. Co-curricular Program includes expenses associated with the residential life operation of the College and related support departments such as Dean of Students Office and Career Planning and Research. Marketing expenses for revenue development for the College include departments such as Admission/Financial Aid, Public Relations, Alumnae Relations and the Development Office. Administrative and General includes expenses such as administrative computing, planning, institutional research, liability insurance, legal and audit fees, and the President and Treasurer’s Offices.

Depreciation, interest expense and the cost for the operation and maintenance of the physical plant are allocated to the four functional categories based on building square footage dedicated to that specific function. Computing costs are allocated based upon estimated use.

#### **Expiration of Donor-Imposed Restrictions:**

The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction substantially expires. At that time, the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The College follows the policy of reporting donor-imposed restricted contribution and endowment income whose restrictions are met in the same period as received as unrestricted support. It is also the College’s policy to recognize the fulfillment of the restrictions on contributions of cash or other assets received for the acquisitions of long-lived assets when the long-lived assets are placed into service.

# SCRIPPS COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

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June 30, 2007 and 2006

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

#### **Cash:**

For the purposes of reporting cash flows, cash includes demand deposit bank accounts.

#### **Concentration of Credit Risk:**

Financial instruments that potentially subject the College to concentrations of credit risk consists principally of cash deposits at financial institutions and investments in marketable securities. At times, balances in the College's cash and investment accounts exceed the Federal Deposit Insurance Corporation (FDIC) or Securities Investors Protection Corporation (SPIC).

#### **Investments:**

Cash Equivalents – Resources invested in money market funds are classified as cash equivalents, including any such investments held by external investment managers. Resources invested in money market funds for loan programs are classified as short term investments.

Marketable Securities - Marketable securities are reported at fair market value, except for trust deed loans, certain real estate investments, and other miscellaneous assets which are stated at cost. The cost of securities sold is determined by the average cost method and is used to compute realized gains and losses. Unrealized gains and losses reflect the changes in the market values of investments from the prior year. The date of record for investments is the trade date.

Alternative Investments - Venture capital investments are stated at fair value as of the most recent valuation date prior to year-end. Diversified limited partnership interests are invested in both publicly and privately owned securities. The fair values of private investments are based on estimates and assumptions of the general partners or partnership valuation committees in the absence of readily determinable market values. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of similar investments and other pertinent information. The private investments have a high concentration of pre-initial public offering securities, subjecting these investments to market value volatility. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Net realized and unrealized gains from alternative investments, on the statements of activities, for the years ended June 30, 2007 and 2006 is \$28,751,455 and \$31,110,372, respectively.

Due to the risks associated with certain investments and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in risks in the near term could materially effect account balances and the amounts reported in the statements of financial position.

#### **Management of Pooled Investments:**

The College follows an investment policy, which anticipates a greater long-term return through investing for capital appreciation, and accepts lower current yields from dividends and interest. In order to offset the effect of lower current yields for current operations, the Board of Trustees has adopted a spending policy for pooled investments whereby the amount of investment return available for current operations is determined by applying 5.00% to the average market value of pooled investments for the years ended June 30, 2007 and 2006, respectively. If the ordinary income of pooled investments is insufficient to provide the full amount of investment return specified, the balance may be appropriated from the available cumulative realized gains of the pooled investments. Cumulative net realized gains and transfers of ordinary income in excess of the spending policy ("cumulative gains") are recorded as non-operating changes in unrestricted net assets and are available for appropriation under the College's spending policy. At June 30, 2007 and 2006, these cumulative gains totaled approximately \$110,444,000 and \$83,647,000, respectively.



# SCRIPPS COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

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June 30, 2007 and 2006

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

#### **Assets Whose Use is Limited:**

Indenture requirements of bond financing (see Note 6, "Note and Bonds Payable") provide for the establishment and maintenance of various accounts with trustees. The indenture terms limit the use of these funds to the construction of plant facilities and payment of principal and interest to bond holders. Assets whose use is limited are comprised of cash equivalents, government and corporate securities and are recorded at cost, which approximates fair value.

#### **Collections:**

The College capitalizes its collections of works of art and rare books at their appraised or estimated current market value upon date of gift. In some cases, collection items held solely for their potential educational value or historic significance, or where the cost to establish the current market value was deemed to exceed the benefit, were not assigned value for the purpose of capitalization.

#### **Plant Facilities:**

Plant facilities consists of property, plant and equipment and is stated at cost, representing the original purchase price or fair market value at the date of the gift, less accumulated depreciation. Plant purchases with a useful life of five years or more and a cost equal to or greater than \$50,000 for land improvements, \$100,000 for large buildings (10,000 square feet), \$50,000 for other buildings and \$25,000 for equipment are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives the assets, generally, 25 years for land improvements, 40 years for buildings, 4 years for computing equipment and 7 years for other equipment. Depreciation expense is funded through operations and contributions. The cost and accumulated depreciation of assets sold or retired are removed from the accounts and the related gains or losses are included in the Statements of Activities. Asset retirement obligations are recorded based on estimated settlement dates and methods.

During fiscal years ending June 30, 2007 and 2006, no equipment or property was acquired with federal funds or restricted assets where title may revert to another party, and there were no disposals of equipment or property purchased with federal funds.

#### **Annuity and Life Income Contracts and Agreements:**

The College has legal title to annuity and life income contracts and agreements subject to life interests of beneficiaries. No significant financial benefit is now being or can be realized until the contractual obligations are met. However, the costs of managing these contracts and agreements are included in operating expenditures. The College uses the actuarial method of recording annuity and life income contracts and agreements. Under this method, the asset is recorded at fair value when a gift is received. The present value of the aggregate annuity payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as a contribution in the appropriate net assets category. Investment income and gains are credited, and annuity payments and investment losses are charged, to the liability accounts, with periodic adjustments made between the liability and the net assets to record actuarial gains or losses. The actual liability is based on the present value of future payments discounted at rates ranging from 4.6% to 7.5% and over estimated lives according to the 2000 and 1994 Group Annuity Mortality Tables in 2007 and 2006, respectively.

On December 2, 1998, the Insurance Commission Chief Counsel granted the College permission to invest its reserves for California annuities pursuant to Insurance Code Section 11521.2(b). This approval is subject to the following conditions: (1) maintain a Nationally Recognized Statistical Rating Organization ("NRSRO") bond rating of "A" or better and (2) maintain an endowment to gift annuity reserve ratio of at least 10:1.

# SCRIPPS COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

---

June 30, 2007 and 2006

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

#### **Use of Estimates:**

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

#### **Fair Value of Financial Instruments:**

A financial instrument is defined as a contractual obligation that ultimately ends with the delivery of cash or an ownership interest in an entity. Disclosures, included in these notes, regarding the fair value of financial instruments have been derived using external market sources, estimates using present value or other valuation techniques. Determination of the fair value of loan fund receivables, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs.

#### **Reclassifications:**

Certain 2006 amounts have been reclassified to conform to 2007 presentation.

#### **Change in Accounting Principle:**

The College implemented Financial Accounting Standards Board Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations", an interpretation of FASB Statement No. 143 "Accounting for Asset Retirement Obligations" (FIN 47) as of June 30, 2006. FIN 47 clarified that conditional asset obligations meet the definition of liabilities and should be recognized when incurred if their fair values can be reasonable estimated. Upon implementation of FIN 47, the College recorded a cumulative effect of change in accounting principle of \$482,872.

SCRIPPS COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007 and 2006

**NOTE 2 - ACCOUNTS AND NOTES RECEIVABLE:**

Accounts receivable at June 30, 2007 and 2006 are as follows:

	2007	2006
Student accounts	\$ 51,606	\$ 119,401
Federal and private grants and contracts	10,620	142,521
Other Claremont Colleges	128,305	149,415
Due from broker	56,523	53,418
Travel advances	69,252	41,308
Other	93,292	11,017
	<u>409,598</u>	<u>517,080</u>
Less allowance for doubtful accounts	(12,485)	(34,684)
Total accounts receivable, net	<u>\$ 397,113</u>	<u>\$ 482,396</u>

Notes receivable at June 30, 2007 and 2006 are as follows:

	2007	2006
Student notes	\$ 4,740,133	\$ 4,734,698
Faculty loans	200,870	157,436
	<u>4,941,003</u>	<u>4,892,134</u>
Less allowance for doubtful student notes	(232,642)	(215,338)
Total notes receivable, net	4,708,361	4,676,796
Less current portion	(448,367)	(561,216)
Non current notes receivable	<u>\$ 4,259,994</u>	<u>\$ 4,115,580</u>

**NOTE 3 - CONTRIBUTIONS RECEIVABLE:**

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Promises to give are recorded after discounting to the present value of future cash flows at rates ranging from 3.1 to 5.7%.

Unconditional promises to give at June 30, 2007 and 2006 are expected to be realized in the following periods:

	2007	2006
Within one year	\$ 3,571,012	\$ 1,051,003
Between one year and five years	4,026,712	842,899
More than five years	13,246,403	7,209,216
	<u>20,844,127</u>	<u>9,103,118</u>
Less discount	(1,038,483)	(218,116)
Less allowance for doubtful contributions receivable	(2,204,111)	-
	<u>17,601,533</u>	<u>8,885,002</u>
Less current portion, net of discount	(3,546,557)	(1,017,484)
Contributions receivable, net	<u>\$ 14,054,976</u>	<u>\$ 7,867,518</u>

Contributions receivable at June 30, 2007 and 2006 are intended for the following uses:

	2007	2006
Endowment	\$ 8,279,791	\$ 1,215,257
Non-trustee charitable remainder unitrusts	8,739,278	6,804,217
Other	582,464	865,528
Total	<u>\$ 17,601,533</u>	<u>\$ 8,885,002</u>

# SCRIPPS COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007 and 2006

### NOTE 3 - CONTRIBUTIONS RECEIVABLE, CONTINUED:

The College has also received two conditional promises to give totaling \$200,000. These promises to give are contingent upon raising funds from other sources. Since these amounts are conditional, they are not recognized until the condition is met.

### NOTE 4 - INVESTMENTS:

Where permitted by gift agreement and/or applicable government regulations, investments are pooled. Pooled investments and allocation of pooled investment income are accounted for on a unit value method. The following is a summary of data pertaining to this method for the years ended June 30, 2007 and 2006:

	2007	2006
Unit market value at end of year	<u>\$ 572.14</u>	<u>\$ 493.96</u>
Units owned:		
Unrestricted	54,017	50,396
Temporarily restricted	23,338	24,172
Permanently restricted	418,000	402,632
Total	<u>495,355</u>	<u>477,200</u>

Investment income related to College investments, net of management and custody fees of \$1,153,769 and \$982,924 for the years ended June 30, 2007 and 2006, respectively, is as follows:

Pooled investments income	\$ 3,690,103	\$ 2,959,449
Pooled investments gains appropriated	6,162,336	6,135,975
Total spending policy income and gains	<u>9,852,439</u>	<u>9,095,424</u>
Less amounts allocated to annuity and life income contracts/agreements and for non-budgetary items	<u>(840,056)</u>	<u>(778,820)</u>
Total spending policy income	<u>9,012,410</u>	<u>8,316,604</u>
Other investment income	1,183,848	1,145,757
Other investment gains	31,108	48,148
Less amounts allocated to annuity and life income contracts/agreements and for non-budgetary items	<u>(153,364)</u>	<u>(132,547)</u>
Total other investment income	<u>1,061,592</u>	<u>1,061,358</u>
Realized gains on pooled investments	32,959,222	10,438,032
Unrealized gains on pooled investments	10,334,260	22,258,258
Pooled investment gains appropriated	<u>(6,162,336)</u>	<u>(6,135,975)</u>
Net realized and unrealized losses on investments net of allocation to operations	<u>37,131,146</u>	<u>26,560,315</u>
Total investment return	<u>\$ 47,205,148</u>	<u>\$ 35,938,277</u>

It is the College's policy to invest and maintain a diversified investment portfolio. The following schedule summarizes investments at June 30:

Investment by program:

	2007		2006	
	Cost	Fair Value	Cost	Fair Value
Investment pool	\$ 210,510,169	\$ 283,411,285	\$ 175,199,546	\$ 236,871,266
Separate investments	19,831,103	20,994,904	20,053,863	20,873,110
Total by program	<u>\$ 230,341,272</u>	<u>\$ 304,406,189</u>	<u>\$ 195,253,409</u>	<u>\$ 257,744,376</u>

SCRIPPS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007 and 2006

**NOTE 4 - INVESTMENTS, CONTINUED:**

Investment by asset type:

	2007		2006	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 16,497,420	\$ 16,569,814	\$ 13,768,176	\$ 13,877,864
Short term investments	3,335,382	3,335,382 *	2,381,983	2,381,983 *
Domestic equities	46,092,376	55,794,910	49,244,941	57,161,605
International equities	49,490,096	61,915,442	20,374,837	38,678,385
Private equity	58,946,591	65,085,796	42,883,864	43,923,376
Domestic fixed income	29,721,442	32,199,558	24,300,478	25,756,008
International fixed income	88,000	190,119	128,000	200,731
Real properties	16,672	671,498	16,672	656,498
Long/short hedge funds	10,775,950	25,847,226	19,833,715	30,745,787
Absolute return hedge funds	14,083,500	41,502,600	17,552,000	39,593,396
Assets whose use is limited	500,591	500,591 *	3,944,957	3,944,957
Other assets	793,253	793,253 *	823,786	823,786 *
Total by asset type	<u>\$ 230,341,272</u>	<u>\$ 304,406,189</u>	<u>\$ 195,253,409</u>	<u>\$ 257,744,376</u>

Investments by category:

	2007		2006	
	Cost	Fair Value	Cost	Fair Value
Endowment and funds functioning as endowment	\$ 204,895,372	\$ 274,414,882	\$ 168,750,014	\$ 228,329,821
Annuity and life income funds	9,383,711	13,056,621	9,878,547	12,346,319
Reserve for depreciation	1,319,904	1,943,753	1,252,211	1,613,257
Other	14,742,285	14,990,933	15,372,637	15,454,979
Total by category	<u>\$ 230,341,272</u>	<u>\$ 304,406,189</u>	<u>\$ 195,253,409</u>	<u>\$ 257,744,376</u>

\* = Cost

**NOTE 5 - LIFE INCOME AND ANNUITIES PAYABLE:**

Life income and annuities payable of \$5,381,030 and \$4,989,261 at June 30, 2007 and 2006, respectively, represent actuarially determined liabilities for contractual obligations under gift annuities, unitrusts, and pooled income funds.

**NOTE 6 - NOTE AND BONDS PAYABLE:**

At June 30, 2007 and 2006, bonds payable were comprised of the following:

	2007	2006
Bonds - California Educational Facilities Authority ("CEFA") Series 1997C	\$ 2,045,000	\$ 2,230,000
Bonds - CEFA Series 1999	9,610,000	9,835,000
Bonds - CEFA Series 2001	12,225,000	12,250,000
	<u>23,880,000</u>	<u>24,315,000</u>
Less unamortized discount and issuance costs	(600,366)	(634,637)
Less current portion	(460,000)	(435,000)
	<u>\$ 22,819,634</u>	<u>\$ 23,245,363</u>

# SCRIPPS COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

---

June 30, 2007 and 2006

### NOTE 6 - NOTE AND BONDS PAYABLE, CONTINUED:

The CEFA Series 1997C bonds are due in 2015. Annual installments range from \$231,100 in March 2008 to \$327,400 in March 2015. Interest is payable semi-annually at rates ranging from 5.0% to 5.5%. Bonds maturing after March 1, 2007 with principal balances totaling \$2,197,000 are subject to redemption at prices ranging from 102% to 100%. The CEFA Series 1997C bonds are collateralized by a CEFA Series 1990 loan agreement, due in annual installments ranging from \$200,000 in March 2007 to \$320,000 in March 2015 at a rate of 7.0%. The total principal and interest payments made by the College under the CEFA Series 1990 loan agreement fund the CEFA Series 1997C bond payments.

The CEFA Series 1999 bonds are due in 2030. Annual installments range from \$235,000 in February 2008 to \$685,000 in February 2030. Interest is payable semi-annually at rates ranging from 4.4% to 5.1%. Bonds maturing after February 1, 2009 with principal balances totaling \$9,130,000 are subject to optional redemption at prices ranging from 101% to 100%.

The CEFA Series 2001 bonds are due in 2031. Annual installments range from \$25,000 in August 2007 to \$1,675,000 in August 2031, and bear interest at rates ranging from 5.00% to 5.25%. Bonds maturing after August 1, 2011 with principal balances totaling \$12,070,000 are subject to optional redemption at a price equal to the principal amount redeemed.

Interest expense was \$1,305,963 and \$1,330,023 for the years ended June 30, 2007 and 2006, respectively, and includes amortized discount (premium) and cost of issuance of \$34,271.

At June 30, 2007, the bond maturities were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal Amount</u>
2008	\$ 460,000
2009	485,000
2010	515,000
2011	545,000
2012	575,000
Thereafter	21,300,000
	<u>\$ 23,880,000</u>

The CEFA Series 2001, 1999 and 1997C bond agreements contain various restrictive covenants which include the maintenance of certain financial ratios, as defined in the agreement.

The College has an unsecured \$3,000,000 line of credit with Wells Fargo Bank. Any borrowings on the line would bear interest at the bank's prime rate. There were no borrowings outstanding on the line at June 30, 2007 and 2006.

The estimated fair value of the College's bonds payable was approximately \$24,363,000 and \$24,831,000 at June 30, 2007 and 2006, respectively. The fair value was estimated based upon the discounted amount of future cash outflows based on current rates available to the College for debt of the same remaining maturities.

### NOTE 7 - FUNDS HELD IN TRUST FOR OTHERS:

Included in funds held in trust for others is a non-interest bearing loan of \$58,696 for both June 30, 2007 and 2006, which was made to the College by the Weingart Foundation. The College is required to use the funds to make non-interest-bearing loans to qualified students.

SCRIPPS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007 and 2006

**NOTE 8 - ASSET RETIREMENT OBLIGATION:**

The College has recorded asset retirement obligations under Statement of Financial Accounting Standards No. 143 related to property and equipment, primarily for disposal of regulated materials upon eventual retirement of the assets.

The following schedule summarizes asset retirement obligation activity for the years ended June 30, 2007 and 2006:

	2007	2006
Obligations incurred	\$ -	\$ -
Obligations settled	-	-
Accretion expense	28,544	27,247
Revisions in estimated cash flows	-	-
	<u>28,544</u>	<u>27,247</u>
Beginning balance	602,263	575,016
Ending balance	<u>\$ 630,807</u>	<u>\$ 602,263</u>

**NOTE 9 - NET ASSETS:**

At June 30, 2007 and 2006, net assets consists of the following:

	2007	2006
Unrestricted:		
For operations	15,815,483	15,843,980
For designated purposes	6,482	6,482
Funds functioning as endowment	193,466,536	155,873,007
Plant facilities	43,110,958	42,825,565
Total unrestricted	<u>\$ 252,399,459</u>	<u>\$ 214,549,034</u>
Temporarily Restricted:		
Restricted for specific purposes	2,142,466	2,032,671
Endowment	3,004,494	2,995,345
Plant facilities	7,976,576	6,858,591
Annuity and life income contracts and agreements	10,783,059	10,184,767
Total temporarily restricted	<u>\$ 23,906,595</u>	<u>\$ 22,071,374</u>
Permanently restricted:		
Endowment	86,223,643	70,676,726
Loans	6,077,145	5,961,483
Annuity and life income contracts and agreements	5,631,819	3,976,521
Total permanently restricted	<u>\$ 97,932,607</u>	<u>\$ 80,614,730</u>

**NOTE 10 - NET STUDENT REVENUES:**

Student revenues for the years ended June 30, 2007 and 2006 consist of the following:

	2007	2006
Tuition and fees	\$ 30,171,379	\$ 28,561,101
Room and board	7,367,232	6,960,863
	<u>37,538,611</u>	<u>35,521,964</u>
Less:		
Sponsored student aid	(2,691,845)	(2,447,589)
Unsponsored student aid	(6,464,700)	(6,722,233)
Net student revenues	<u>\$ 28,382,066</u>	<u>\$ 26,352,142</u>

"Sponsored" student aid consists of funds provided by endowment and external entities, whereas "unsponsored" aid consists of funds provided by the College.

# SCRIPPS COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007 and 2006

### NOTE 11 - FUND RAISING EXPENSE:

Included in Marketing Expense in the Statements of Activities are approximately \$2,730,000 and \$2,548,000 of fund raising expenses for the years ended June 30, 2007 and 2006, respectively.

### NOTE 12 - OPERATING LEASES:

During the fiscal year ended June 30, 2007, the College entered into three operating lease agreements for office equipment and a vehicle with terms of 3 and 5 years and annual lease payments of approximately \$4,800 to \$13,700. At June 30, 2007, the College was obligated under ten office equipment lease agreements and two vehicle lease agreement with remaining terms ranging from 3 months to 5 years with annual lease payments ranging from \$3,700 to \$18,800.

The lease payments for the years ended June 30, 2007 and 2006 were \$52,741 and \$64,580, respectively. The following is a summary of future minimum rental payments for operating leases that have initial or remaining non-cancelable terms in excess of one year as of June 30, 2007:

<u>Fiscal Years Ending June 30,</u>	<u>Lease Payments</u>
2008	\$ 52,860
2009	45,742
2010	21,166
2011	18,481
2012	18,080
Thereafter	1,139
	<u>\$ 157,468</u>

### NOTE 13 - CASH USED IN OPERATING ACTIVITIES:

Consistent with the College's investment policy, lower current yields from dividends and interest are supplemented by appropriation from realized gains to provide the full amount of investment return specified for operations. Approximately \$6,162,000 and \$6,136,000 for the years ended June 30, 2007 and 2006, respectively, have been appropriated for operations and are reported in the Statements of Cash Flows as proceeds from the sale of investments in cash flows from investing activities. A reconciliation of net cash used in operations on the Statements of Cash Flows to the operating deficits on the Statements of Activities for the years ended June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Net cash used in operations	\$ (1,143,006)	\$ (3,548,391)
Depreciation expense	(2,800,171)	(2,660,742)
Pooled investment gains appropriated	6,162,336	6,135,975
Gains on separate investments	39,656	492
Temporarily and permanently restricted spending policy income	(584,636)	(547,909)
Temporarily and permanently restricted other investment income, net	(120,299)	(94,659)
Temporarily and permanently restricted other income	(308,899)	(221,928)
Release of temporarily restricted net assets to operations	1,303,426	1,990,244
Non-operating payments	167,687	
Transfer to Claremont University Consortium	4,888	72,737
Expensed gifts in kind	(1,288)	(2,823)
Decrease in unrestricted receivables, prepaid expenses, deposits and other	(176,974)	(621,862)
(Increase) decrease in accounts payable and other accrued liabilities	(1,340,224)	41,261
Increase in deposits and deferred revenue	(669,504)	(391,917)
Operating surplus	<u>\$ 532,992</u>	<u>\$ 150,478</u>



# SCRIPPS COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007 and 2006

### NOTE 14 - CASH FLOW RECONCILIATION:

The change in the College's net assets is reconciled to net cash provided by operations for the years ended June 30, 2007 and 2006 as follows:

	<u>2007</u>	<u>2006</u>
Change in net assets	\$ 57,003,523	\$ 29,829,556
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	2,800,171	2,660,742
Gifts in kind	(85,004)	(443,325)
Realized gains on sale of investments	(32,990,333)	(10,477,339)
Unrealized gains on investments	(10,334,260)	(22,258,258)
Amortization of bond discount and cost of issuance	34,271	34,271
Amortization of asset retirement obligation	28,544	27,247
Comprehensive pension (income) expense	(165,678)	(334,050)
Adjustment of actuarial liability for life income agreements	(1,645,756)	(1,014,959)
Adjustment on contributions receivable	601,208	8,841
Decrease (increase) in accounts and notes receivable	97,104	180,372
Decrease in contributions receivable	338,180	490,554
Increase in prepaid expenses and deposits	(257,300)	(19,736)
(Decrease) increase in accounts payable and other accrued liabilities	1,395,147	(113,539)
Increase in deposits and deferred revenue	669,504	391,917
Defined benefit plan contributions (over)/under expense	213,618	10,759
Cumulative effect of change in accounting principle	-	482,872
Contributions for long-term investments	(18,845,945)	(3,004,316)
Net cash (used in) operating activities	<u>\$ (1,143,006)</u>	<u>\$ (3,548,391)</u>

### NOTE 15 - RELATED PARTIES:

Trustee support of the College consists of contributions to the College. Total contributions from trustees during fiscal years ended June 30, 2007 and 2006 totaled \$11,409,000 and \$1,523,000 respectively. At June 30, 2007 and 2006 trustee contributions receivable, net of discount, totaled approximately \$13,598,000 and \$7,113,000, respectively.

### NOTE 16 - EMPLOYEE BENEFIT PLANS:

The College participates in a defined contribution retirement plan which provides retirement benefits for academic employees and certain administrative personnel through Teachers Insurance and Annuity Association, The College Retirement Equity Fund, and Fidelity and Vanguard Mutual Funds. Under this defined contribution plan, College and participant contributions are used to purchase individual annuity contracts and investments equivalent to retirement benefits earned. Vesting provisions are full and immediate. Benefits commence upon retirement, and pre-retirement survivor death benefits are provided. College contributions to the plan for the years ended June 30, 2007 and 2006 totaled approximately \$1,566,000 and \$1,475,000, respectively.

The Claremont University Consortium administers a defined benefit plan ("The Plan") covering substantially all non-academic employees of the College, along with those of the other Claremont Colleges (Note 17). The Plan is in accordance with the Employer Retirement Income Security Act of 1974. The benefits are based on years of service, career average compensation, and amount of employee contributions. Plan assets are invested in a diversified group of equity and fixed-income securities in an insurance company's separate and general accounts. The College's allocation of the net pension (credit) cost for the years ended June 30, 2007 and 2006 was approximately \$(20,000) and \$71,000, respectively. The Plan was curtailed in the current year subsequent to the Plan's measurement date and plan participants were moved to the defined contribution retirement plan. The impact of the curtailment freezes the vested benefit obligation as of June 30, 2005. Additional information on the Plan can be obtained from the 2004-2005 report which includes the audited financial statements of the Claremont University Consortium.

# SCRIPPS COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

---

June 30, 2007 and 2006

### **NOTE 17 - AFFILIATED INSTITUTIONS:**

The College is a member of an affiliated group of colleges known as The Claremont Colleges. Each college is a separate corporate entity governed by its own board of trustees. Claremont University Consortium, a member of this group, is the central coordinating institution that provides common student and administrative services, including certain central facilities utilized by all The Claremont Colleges. The members of the group share the costs of these services and facilities. Amounts paid by the College for such services and use of facilities for the years ended June 30, 2007 and 2006 totaled approximately \$3,291,000 and \$3,081,000, respectively.

### **NOTE 18 - COMMITMENTS AND CONTINGENCIES:**

#### **Contracts**

The College has made investment commitments to thirty-four limited partnerships totaling \$162,400,000. At June 30, 2007, the College has contributed capital of approximately \$91,102,000 and has a remaining outstanding commitment of approximately \$71,298,000.

The College has remaining commitments on contracts to complete the construction of a recreational athletic facility, installation of an elevator, and renovation of a room and bathroom totaling approximately \$9,966,000 at June 30, 2007.

#### **Litigation**

Occasionally, the College is involved in lawsuits arising in the ordinary course of its operations. In the opinion of management, the ultimate resolution of these lawsuits is not expected to have a material effect on the College's financial position or change in net assets.

#### **Federal Funding**

Certain federal grants including financial aid which the College administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. Current and prior year costs of such grants are subject to adjustment upon audit. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time, although the College expects such amounts, if any, would not have a significant impact on the financial position of the College.

### **NOTE 19 - SUBSEQUENT EVENT:**

In October 2007 the College issued CEFA Revenue Bonds Series 2007 in the aggregate principal amount of \$30,555,000. The bonds are due in annual installments ranging from \$70,000 in November 2030 to \$2,305,000 in November 2037, and bear interest rates ranging from 4.0% to 5.0%. The bonds will be used for the purpose of financing and refinancing the acquisition, construction, improvement, rehabilitation, renovation, and equipping of certain educational facilities.





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