SCRIPPS

THE WOMEN'S COLLEGE • CLAREMONT

Financial Report 2009-2010

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

Covers:
Front, facing Balch Auditorium, during inauguration of Scripps College President Lori Bettison-Varga. Back, Jaqua Quadrangle.
Photography by Cam Sanders.

SCRIPPS COLLEGE
ANNUAL FINANCIAL REPORT

2010 and 2009

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JAMES H. MANIFOLD
Vice President of Business Affairs
Treasurer
TEL: 909.621-8211

October 26, 2010

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

The financial statements for fiscal 2009-10 are presented in the following pages and have been audited by our independent auditors, Moss Adams LLP. Taken together they present a college much strengthened financially over the prior year. It has been a year of recognition, recovery and renewal.

RECOGNITION

The national liberal arts college rankings by *U.S. News & World Report* placed Scripps College at 23, outranked by only two other women's colleges: Wellesley and Smith. Another journalistic accolade was awarded by *Forbes Magazine*, citing the Scripps campus as one of the most beautiful collegiate campuses in the world among a group that includes Oxford, Princeton, Stanford, and the University of Bologna.

The College is also the recipient of the 2010 National Arts and Humanities Youth Program Award from the President of the United States for the Scripps College Academy, a program established in 2002 that prepares high achieving first generation students for success in college. Dean Amy Marcus-Newhall and program participant Raemi Thomas of New Millennium Secondary School in Carson City accepted the award from First Lady Michelle Obama on October 20 at a White House ceremony.

We also received information that alumna, Elizabeth Turk '83, is the recipient of a MacArthur Foundation "genius award" for her work in sculpture.

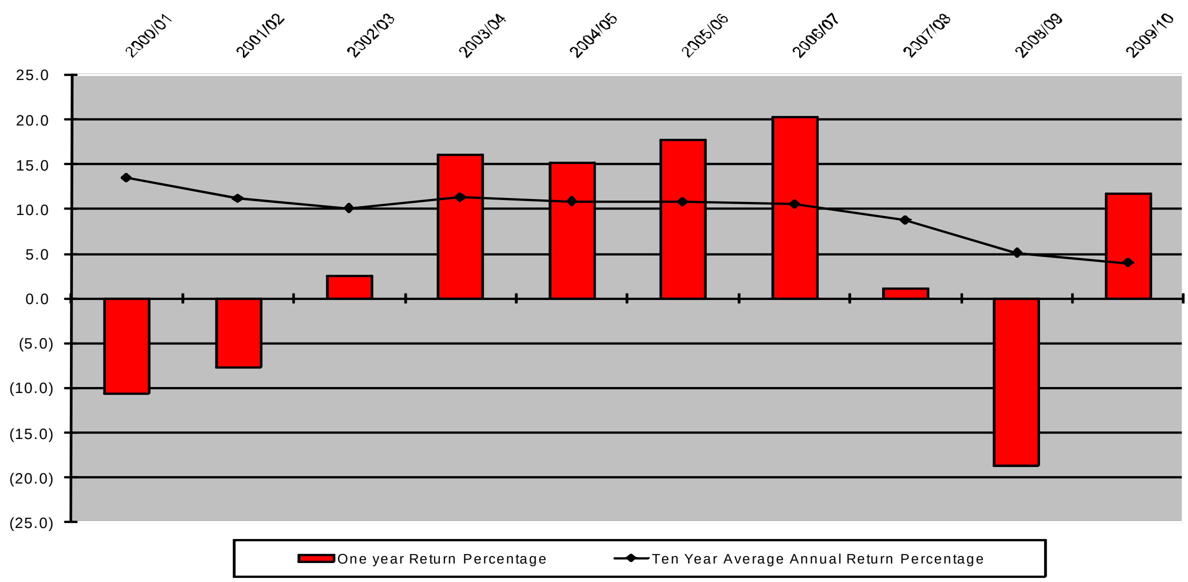
RECOVERY

The Statement of Financial Position on pages 8 and 9 shows a strengthened balance sheet. Total assets increased by over $23 million or 6.5%, principally due to an increase in investments. Net assets increased 7.7% thanks to gifts to endowment and an 11.7% return on the College's investment pool.

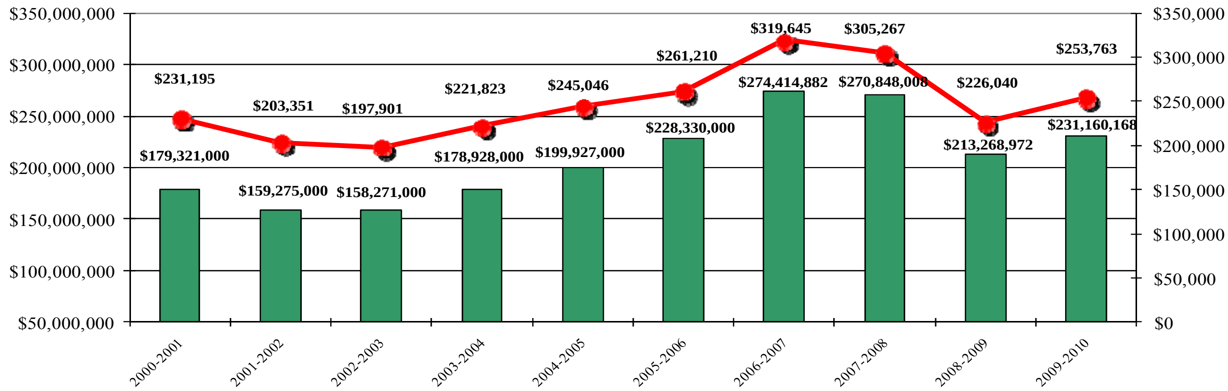
The Statements of Changes in Endowed Equity on page 13 presents investment returns, endowment returns distributed as spending policy income and gifts and other changes to the endowment. The bequests of three alumnae, Ellen Clark Revelle ’31, Littie M. Hicks ’40 and Margaret McKenzie ’40, added approximately $5 million to the endowment.

The tables below show the 10-year endowment returns and the endowment market value and endowment per student as of June 30, 2010.

ENDOWMENT RETURNS
FY 2001-2010



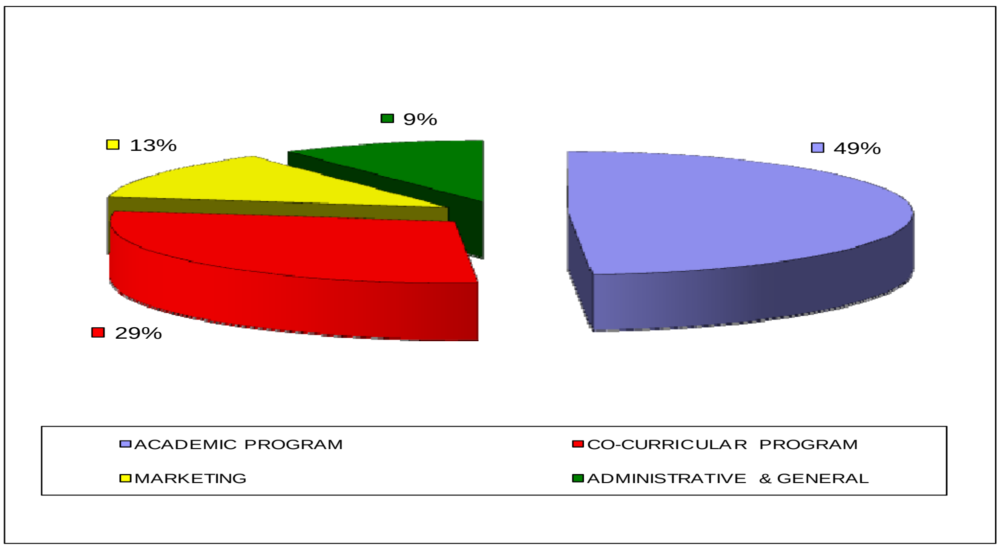
ENDOWMENT MARKET VALUE
AND ENDOWMENT PER STUDENT
FY 2001-2010



The Statement of Activities on page 10 shows operating revenues and expenses for the year. Revenues of $52.4 million include the release of a temporarily restricted gift of $1.9 million in support of the James E. Scripps scholars program, which provides half tuition scholarships for extraordinary academically talented students. Started in 1987, the program now has 113 scholars in the student body.

A modest operating surplus of less than $200,000 was achieved after giving effect to expenses of $52.2 million. The pie chart below shows the operating expenses by cost center.

ADJUSTED OPERATING EXPENSES
BY COST CENTER
FY 2010



RENEWAL

This year saw the end of the management of Denison Library by the Claremont University Consortium's (CUC) Honnold Library System after 34 years. A decision was made to consolidate the collections of the three branch libraries of The Claremont Colleges in the central Honnold Library. The other two libraries were Seeley Mudd Library at Pomona College and Sprague Library at Harvey Mudd College, both closed in June of 2009. Pomona and Harvey Mudd are studying repurposing their facilities. Scripps has made a decision to keep the original 1930 building as a special collections and archives library while studying how the 1966 Drake Wing could be adapted for academic use. To that end, Judy Harvey Sahak '64 was hired to maintain the library with limited hours to provide access to the collections by faculty and students during the 2010-11 academic year.

This is President Lori Bettison-Varga's first year as chief executive officer. During her heavy travel schedule for the year, she made 30 trips to meet and hear from Scripps College alumnae and families around the country, meet with heads of foundations, and attend conferences of higher education associations. For the coming year, there are other changes in the administration.

We have a new vice president and dean of faculty, Amy Marcus-Newhall, Scripps College professor of psychology replacing Michael Deane Lamkin, retiring for a second time from this post. In the dean of students area, Debra Carlson Wood resigned last summer after 12 years and is replaced by Rebecca 'Bekki' Lee as interim dean of students. Patricia Goldsmith has assumed the position of vice president of institutional advancement after serving for 15 years as vice president and dean of admission, financial aid and marketing. William "Bill" Tingley, retired Occidental College vice president for admission and financial aid, has been hired as senior enrollment advisor to oversee the College's admission and financial aid offices while a search for a vice president for enrollment is underway.

Since I have announced my retirement at the end of fiscal 2010-11 after 29 years, for this, my last treasurer's letter, I thought it might be interesting to compare some financial and statistical data to measure the changes Scripps has experienced over the past quarter century.

SCRIPPS COLLEGE
Key Statistics
1984-85 and 2009-10

(In $000's except for unit market value, tuition, FTE students, acreage and square footage)

Item	1984-85	2009-2010	Annualized Compound Growth Rate
Total Assets	$42,740	$382,881	9.17%
Total Net Assets	39,727	333,054	8.88
Private Gifts and Grants	3,266	14,901	6.26
Operating Expenses	10,474	52,223	6.64
Endowment at Market	25,638	237,300	9.31
Unit Market Value of Pool	116.19	451.49	5.58
Tuition	8,450	38,700	6.28
FTE Students	587	884	1.65
Campus Acreage	30.6	37.1	N/A
Facilities Square Footage	401,000	624,000	N/A

Clearly there has been a remarkable growth in both the size and quality of the institution. What the next quarter century will bring to the College is not knowable. But if what is past is prologue, it will be interesting to see. The class of 2035 has not yet been born. We do have some time to get ready for them.

Respectfully submitted,

James H. Manifold

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

To the Board of Trustees
Scripps College

We have audited the accompanying statements of financial position of Scripps College (the "College") as of June 30, 2010 and 2009, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 the College as June 30, 2010 and 2009, 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 26, 2010

SCRIPPS COLLEGE
STATEMENTS OF FINANCIAL POSITION

June 30, 2010 and 2009

	2010	2009
ASSETS		
Current assets		
Cash	$ 471,007	$ 274,629
Accounts receivable, net (Note 2)	375,604	389,020
Notes receivable, net (Note 2)	464,448	468,403
Contributions receivable (Note 3)	4,064,117	2,676,786
Prepaid expenses, deposits, and other	1,320,967	1,255,796
Investments (Note 4)	6,515,350	4,096,880
Total current assets	13,211,493	9,161,514
Non current assets		
Notes receivable, net (Note 2)	4,530,185	4,544,808
Contributions receivable, net (Note 3)	12,562,864	10,338,889
Investments (Note 4)	244,882,302	226,716,715
Investments held as a reserve for depreciation (Note 4)	3,760,391	3,627,208
Collections (Note 1)	17,076,692	17,026,688
Plant facilities		
Land and land improvements	6,113,432	5,924,295
Buildings	107,785,673	106,517,831
Equipment and furnishings	7,127,689	6,626,994
Property held for future use	2,507,965	2,428,282
Construction in progress	2,356,666	2,006,251
Accumulated depreciation	(39,034,705)	(35,317,090)
Net plant facilities	86,856,720	88,186,563
Total assets	$ 382,880,647	$ 359,602,385

The accompanying notes are an integral part of these statements.

SCRIPPS COLLEGE
STATEMENTS OF FINANCIAL POSITION

June 30, 2010 and 2009

	Endowment	Invested in plant and other	2010	2009
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued liabilities			$ 3,541,870	$ 3,804,104
Current portion of bonds payable (Note 7)			640,000	610,000
Deposits and deferred revenue			1,892,851	1,886,577
Total current liabilities			6,074,721	6,300,681
Non current liabilities				
Life income and annuities payable (Note 6)			3,900,228	3,925,992
Payable to Claremont University Consortium			-	6,188
Liability for staff retirement plan			1,186,661	876,415
Bonds payable (Note 7)			36,273,963	36,912,038
Government advances for student loans			1,607,050	1,605,695
Funds held in trust for others (Note 8)			58,696	58,696
Asset retirement obligation (Note 9)			724,855	692,036
Total liabilities			49,826,174	50,377,741
Net assets (Note 10)				
Unrestricted	$ 21,308,013	$ 66,635,758	87,943,771	84,834,505
Temporarily restricted	117,495,217	18,486,164	135,981,381	124,871,943
Permanently restricted	98,496,573	10,632,748	109,129,321	99,518,196
Total net assets	$ 237,299,803	$ 95,754,670	333,054,473	309,224,644
Total liabilities and net assets			$ 382,880,647	$ 359,602,385

The accompanying notes are an integral part of these statements.

SCRIPPS COLLEGE
STATEMENTS OF ACTIVITIES

For the years ended June 30, 2010 and 2009

	2010	2009
Unrestricted Net Assets		
Revenues and releases of net assets:		
Tuition, room and board	$ 44,565,555	$ 45,705,857
Less financial aid	11,467,252	11,149,495
Net student revenues (Note 11)	33,098,303	34,556,362
Contributions to operations	2,411,150	2,732,007
Federal gifts and contracts	428,227	429,149
Spending policy income	11,277,187	10,940,217
Other investment income, net	245,578	362,718
Other revenue	720,205	744,563
Gifts and endowment payout for non-budgetary items	812,059	666,173
Release of temporarily restricted net assets:		
Operations	3,193,462	991,785
Annuity and life income	194,707	51,324
Total revenues and release of net assets	52,380,878	51,474,298
Expenses:		
Academic program	25,931,665	25,209,783
Co-curricular program	14,707,756	14,273,884
Marketing	6,471,618	6,401,225
Administrative and general	5,112,049	4,609,742
Total expenses	52,223,088	50,494,634
Operating surplus (Note 14)	157,790	979,664
Other changes in unrestricted net assets:		
Non-operating bequests and gifts in kind	1,068,794	78,137
Non-operating other income	277,922	273,189
Non-operating payments	(425,662)	(735,140)
Release of temporarily restricted net assets - plant	366,209	8,385,447
Redesignation of net assets (includes UPMIFA)	(8,534)	(112,530,276)
Net realized and unrealized gains (losses) on investments net of allocation to operations	1,997,792	(55,544,952)
Other comprehensive pension (expense) income	(294,953)	(645,125)
Gain (loss) on bond defeasance	3,858	-
Transfer to Claremont University Consortium	(33,950)	-
Total other changes in unrestricted net assets	2,951,476	(160,718,720)
Change in unrestricted net assets	3,109,266	(159,739,056)
Unrestricted net assets, beginning of year	84,834,505	244,573,561
Unrestricted net assets, end of year	$ 87,943,771	$ 84,834,505

The accompanying notes are an integral part of these statements.

SCRIPPS COLLEGE
STATEMENTS OF ACTIVITIES

For the years ended June 30, 2010 and 2009

	2010	2009
Temporarily Restricted Net Assets		
Revenues:		
Contributions	$ 3,343,305	$ 6,403,137
Spending policy income	894,416	935,544
Other investment income, net	5,872	3,839
Adjustments on contributions receivable	1,547	(51)
Total revenues	4,245,140	7,342,469
Other changes in temporarily restricted net assets:		
Actuarial adjustment of annuity and life income liabilities	795,364	(1,777,415)
Other	119,041	112,660
Release of temporarily restricted net assets:		
Operations	(3,193,462)	(991,785)
Annuity and life income	(429,644)	(609,357)
Plant	(366,209)	(8,385,447)
Redesignation of net assets	(2,075)	112,534,321
Net gain (loss) on investments	9,941,283	(7,834,521)
Transfer (to) Claremont University Consortium	-	-
Change in temporarily restricted net assets	11,109,438	100,390,925
Temporarily restricted net assets, beginning of year	124,871,943	24,481,018
Temporarily restricted net assets, end of year	$ 135,981,381	$ 124,871,943
Permanently Restricted Net Assets		
Revenues:		
Contributions	$ 8,077,055	$ 657,927
Other investment income, net	(33,463)	(7,804)
Adjustments on contributions receivable	893,244	94,043
Other revenue	898	5,821
Total revenues	8,937,734	749,987
Other changes in permanently restricted net assets:		
Actuarial adjustment of annuity and life income liabilities	463,211	(1,111,811)
Release of permanently restricted net assets:		
Operations	116,627	
Annuity and life income	118,311	558,033
Redesignation of net assets	10,609	(4,045)
Net gain (loss) on investments	(35,367)	17,177
Change in permanently restricted net assets	9,611,125	209,341
Permanently restricted net assets, beginning of year	99,518,196	99,308,855
Permanently restricted net assets, end of year	$ 109,129,321	$ 99,518,196
Total change in net assets:		
Total net assets, beginning of year	$ 309,224,644	$ 368,363,434
Total year to date change in net assets	23,829,829	(59,138,790)
Total net assets, end of year	$ 333,054,473	$ 309,224,644

The accompanying notes are an integral part of these statements.

SCRIPPS COLLEGE
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Tuition, room and board, net of financial aid	$ 33,038,358	$ 33,975,828
Gifts, grants and contracts	4,428,637	3,289,239
Investment income	2,896,611	3,148,885
Other revenue	699,768	842,640
Payments for interest on debt	(1,748,176)	(1,678,082)
Payments to employees and suppliers	(47,469,217)	(47,947,608)
Net cash (used in) operating activities (Notes 14 and 15)	(8,154,019)	(8,369,098)
Cash flows from investing activities:		
Purchase of plant facilities	(2,385,488)	(7,916,436)
Proceeds from sale of investments	128,078,481	248,385,745
Purchase of investments	(127,291,013)	(238,227,250)
Loans made to students and faculty	(476,997)	(537,268)
Collection of student and faculty loans	470,914	425,277
Net cash (used in) provided by investing activities	(1,604,103)	2,130,068
Cash flows from financing activities:		
Payments to life income beneficiaries	(492,462)	(508,645)
Investment income on life income contracts	586,014	559,174
Proceeds from borrowings	3,858	-
Principal payments on debt	(610,000)	(575,000)
Contributions restricted for endowment	4,625,383	3,838,068
Contributions restricted for life income contracts	140,012	164,996
Contributions restricted for plant expenditures	1,802,513	676,938
Contributions for other restricted purposes	3,897,827	2,251,339
Change in advances for student loans	1,355	(25,587)
Net cash provided by financing activities	9,954,500	6,381,283
Net increase (decrease) in cash	196,378	142,253
Cash at beginning of year	274,629	132,376
Cash at end of year	$ 471,007	$ 274,629

The accompanying notes are an integral part of these statements.

SCRIPPS COLLEGE
SUPPLEMENTAL SCHEDULE
STATEMENTS OF CHANGES IN ENDOWED EQUITY

For the year ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010
Investment returns:				
Earned income/(expense)	$ 2,488,713	$ 3,112	$ (9,170)	$ 2,482,655
Change in net appreciation of investments	12,072,206	9,945,328	(35,364)	21,982,170
Investment returns	14,560,919	9,948,440	(44,534)	24,464,825
Endowment returns distributed	(12,601,023)	-	-	(12,601,023)
Net investment returns	1,959,896	9,948,440	(44,534)	11,863,802
Other changes in endowed equity:				
Contributions	-	-	8,005,418	8,005,418
Redesignation of net assets	1,000,000	-	6,575	1,006,575
Matured annuity and life income agreements	-	-	280,355	280,355
Other releases	-	-	116,627	116,627
Adjustments on contributions receivable	-	-	893,244	893,244
Total other changes in endowed equity	1,000,000	-	9,302,219	10,302,219
Net change in endowed equity	2,959,896	9,948,440	9,257,685	22,166,021
Endowed equity, beginning year	18,348,117	107,546,777	89,238,888	215,133,782
Endowed equity, ending year	$ 21,308,013	$ 117,495,217	$ 98,496,573	$ 237,299,803
Endowed equity is composed of the following assets at June 30,				
Contributions receivable, net	$ -	$ -	$ 6,139,635	$ 6,139,635
Investments	21,308,013	117,495,217	92,356,938	231,160,168
Total endowed equity	$ 21,308,013	$ 117,495,217	$ 98,496,573	$ 237,299,803

For the year ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009
Investment returns:				
Earned income/(expense)	$ 2,764,889	$ 2,921	$ (8,375)	$ 2,759,435
Change in net appreciation of investments	(44,927,887)	(7,834,477)	20,233	(52,742,131)
Investment returns	(42,162,998)	(7,831,556)	11,858	(49,982,696)
Endowment returns distributed	(12,348,186)	-	-	(12,348,186)
Net investment returns	(54,511,184)	(7,831,556)	11,858	(62,330,882)
Other changes in endowed equity:				
Contributions	-	-	540,531	540,531
Transfers due to UPMIFA	(112,531,678)	112,531,678	-	-
Redesignation of net assets	-	-	-	-
Matured annuity and life income agreements	-	-	819,824	819,824
Adjustments on contributions receivable	-	-	94,043	94,043
Total other changes in endowed equity	(112,531,678)	112,531,678	1,454,398	1,454,398
Net change in endowed equity	(167,042,862)	104,700,122	1,466,256	(60,876,484)
Endowed equity, beginning year	185,390,979	2,846,655	87,772,632	276,010,266
Endowed equity, ending year	$ 18,348,117	$ 107,546,777	$ 89,238,888	$ 215,133,782
Endowed equity is composed of the following assets at June 30,				
Contributions receivable, net	$ -	$ -	$ 1,864,809	$ 1,864,809
Investments	18,348,117	107,546,777	87,374,079	213,268,973
Total endowed equity	$ 18,348,117	$ 107,546,777	$ 89,238,888	$ 215,133,782

See report of independent auditors.

June 30, 2010 and 2009

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 890 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. Collectability 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.

June 30, 2010 and 2009

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.

The costs associated with the presidential transition are considered non-operational. They include executive search firm fees, travel and entertainment of the search committee, personnel costs and other associated expenses.

Operating Expense Categories and Allocation of Certain Expenses:
The Statements of Activities present 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 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.

June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

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.

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 and other investments - 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.

Bond reserve fund - Indenture requirements of bond financing (see Note 7, "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.

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 (losses) from alternative investments, on the Statements of Activities, for the years ended June 30, 2010 and 2009 are approximately $15,117,000 and $(38,309,000), respectively.

June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Investments, Continued:

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. The values of the alternative investments, on the Statements of Financial Position, for the years ended June 30, 2010 and 2009 are approximately $136,851,000 and $130,356,000, respectively.

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 sixteen-quarter and twelve-quarter average market value of pooled investments for the years ended June 30, 2010 and 2009, 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, 2010 and 2009, these cumulative gains totaled approximately $116,380,000 and $123,145,000, respectively.

Endowment Funds:

The Board of Trustees of the College interprets the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) to state that the College, in the absence of explicit donor stipulations to the contrary, may appropriate for expenditure or accumulate so much of an endowment as the College determines prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Therefore, the College classifies as permanently restricted net assets the original value of gifts to the endowment and the accumulations made in accordance with the donor intent. The remaining portion of the donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the college in a manner consistent with the standard of prudence prescribed by California UPMIFA which includes the:

(1) Duration and preservation of the fund
(2) Mission of the College and purpose endowment fund
(3) General economic conditions
(4) Possible effects of inflation and deflation
(5) Expected total return from income and appreciation of investments
(6) Other resources of the College
(7) Investment policy of the organization.

Funds with Deficiencies:

From time to time declines in the market value of the investment pool have created a situation where the fair value of certain endowments is less than the historical cost basis of the original gift(s). Deficiencies of this nature have been recorded as decreases in unrestricted net assets and were approximately $2,155,000 and $3,122,000 at June 30, 2010 and 2009.

June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Fair Value Measurement 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.

The College carries most investments and its beneficial interest in trusts held by a third party at fair value in accordance with applicable standards. Fair value is defined as the price that would be received to sell an asset (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. The standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the College has the ability to access at the measurement date;
Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active;
Level 3 – Inputs that are unobservable.

Inputs are used in applying the valuation techniques and broadly refer to the assumptions that the College uses to make valuation decisions, including assumptions about risk. Inputs may include quoted market prices, recent transactions, manager statements, periodicals, newspapers, provisions within agreements with investment managers and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the College's perceived risk of that investment.

The investments in cash and cash equivalents, mutual funds, and certain domestic and international equities are valued based on quoted market prices, and are therefore typically classified within Level 1.

The investments in certain domestic and international fixed income and real properties are valued based on quoted market prices of comparable assets, and are therefore typically classified within Level 2. In addition, investment funds valued using net asset value per share (NAV) or its equivalent as reported by investment managers, which are audited under AICPA guidelines and that have trading activity and the ability to redeem at NAV on or near the reporting date, are included within Level 2.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Fair Value Measurement of Financial Instruments, continued:

The investments in private equity, long/short hedge funds, absolute return hedge funds, private equity funds, limited partnerships, and beneficial interest in trusts held by a third parties are valued utilizing unobservable inputs, and are therefore classified within Level 3. These assets are presented in the accompanying financial statements at fair value. The College's determination of fair value is based upon the best available information provided by the investment manager and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents the College's proportionate share of the partner's capital of the investment partnerships as reported by their general partners. For these investments, the College has determined, through its monitoring activities, to rely on the fair market value as determined by the investment managers. The balance of unfunded commitments to limited partnerships, remaining life of finite investments and the terms for redeeming from investment funds including any restrictions are disclosed below.

The general partners of the underlying investment partnerships generally value their investments at fair value in accordance with appropriate standards. Investments with non readily available market are generally valued according to the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations and/or the income approach. Consideration is also given to financial condition and operating results of the investment, the amount that the investment partnerships can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant. An investment can be carried at acquisition price (cost) if little has changed since the initial investment of the company and is most representative of fair value. Investments with a readily available market (listed on a securities exchange or traded in the over-the-counter market) are valued at quoted market prices or at an appropriate discount from such price if marketability of the securities is restricted.

Although the College uses its best judgment in determining the fair value, there are inherent limitations in any methodology. Therefore, the values presented herein are not necessarily indicative of the amount that the College could realize in a current transaction. Future confirming events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon liquidation of the investments.

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 are 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 ended June 30, 2010 and 2009, 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.

June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

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 Group Annuity Mortality Tables in June 30, 2010 and 2009.

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.

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.

Income Taxes:

The College has no unrecognized tax benefits as of June 30, 2010 and 2009.

Reclassifications:

Certain 2009 amounts have been reclassified to conform to 2010 presentation.

NOTE 2 - ACCOUNTS AND NOTES RECEIVABLE:

Accounts receivable at June 30, 2010 and 2009 are as follows:

	2010	2009
Student accounts	$ 70,978	$ 60,922
Federal and private grants and contracts	94,976	102,524
Other Claremont Colleges	117,175	109,627
Due from broker	282	4,485
Travel advances	27,487	28,736
Other	74,396	96,596
	385,294	402,890
Less allowance for doubtful accounts	(9,690)	(13,870)
Total accounts receivable, net	$ 375,604	$ 389,020

June 30, 2010 and 2009

NOTE 2 - ACCOUNTS AND NOTES RECEIVABLE, CONTINUED:

Notes receivable at June 30, 2010 and 2009 are as follows:

	2010	2009
Student notes	$ 5,116,870	$ 5,098,556
Faculty loans	169,268	178,767
	5,286,138	5,277,323
Less allowance for doubtful student notes	(291,505)	(264,112)
Total notes receivable, net	4,994,633	5,013,211
Less current portion	(464,448)	(468,403)
Non current notes receivable	$ 4,530,185	$ 4,544,808

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 initially recorded at fair value, by discounting to the present value of future cash flows at rates ranging from 2.8 to 5.3%.

Unconditional promises to give at June 30, 2010 and 2009 are expected to be realized in the following periods:

	2010	2009
Within one year	$ 4,064,117	$ 2,676,786
Between one year and five years	2,846,777	2,605,718
More than five years	10,841,660	10,747,802
	17,752,554	16,030,306
Less discount	(417,010)	(802,093)
Less allowance for doubtful contributions receivable	(708,563)	(2,212,538)
	16,626,981	13,015,675
Less current portion, net of discount	(4,064,117)	(2,676,786)
Contributions receivable, net	$ 12,562,864	$ 10,338,889

Contributions receivable at June 30, 2010 and 2009 are intended for the following uses:

	2010	2009
Endowment	$ 6,139,635	$ 1,864,809
Beneficial interest in trusts held by a third party	7,033,720	6,330,677
Other	3,453,626	4,820,189
Total	$ 16,626,981	$ 13,015,675

30.4% and 55.9% of contributions receivable was due from one and two donors at June 30, 2010 and 2009, respectively.

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, 2010 and 2009:

	2010	2009
Unit market value at end of year	$ 451.49	$ 427.45
Units owned:		
Unrestricted	58,264	55,465
Temporarily restricted	21,118	21,897
Permanently restricted	449,061	438,361
Total	528,443	515,723

June 30, 2010 and 2009

NOTE 4 - INVESTMENTS, CONTINUED:

Investment income related to College investments, net of management and custody fees of $1,317,660 and $1,216,030 for the years ended June 30, 2010 and 2009, respectively, is as follows:

	2010	2009
Pooled investments income	$ 2,952,136	$ 3,150,191
Pooled investments gains (losses) appropriated	10,218,820	9,683,254
Total spending policy income and gains (losses)	13,170,956	12,833,445
Less amounts allocated to annuity and life income contracts/agreements and for non-budgetary items	(999,353)	(957,684)
Total spending policy income	12,171,603	11,875,761
Other investment income	236,490	433,736
Other investment gains (losses)	(18,503)	(74,983)
Less amounts allocated to annuity and life income contracts/agreements and for non-budgetary items	-	-
Total other investment income	217,987	358,753
Realized gains on investments	3,338,334	11,821,654
Unrealized gains (losses) on investments	18,784,205	(65,500,697)
Pooled investment gains appropriated	(10,218,820)	(9,683,254)
Net realized and unrealized losses on investments net of allocation to operations	11,903,719	(63,362,297)
Total investment return	$ 24,293,309	$ (51,127,783)

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:	2010	2009
Investment pool	$ 238,584,075	$ 220,444,762
Separate investments	16,573,968	13,996,041
Total by program	$ 255,158,043	$ 234,440,803

Investment by asset type:	2010	2009
Cash equivalents	$ 14,088,526	$ 20,009,532
Money market	12,164,411	8,349,145
Domestic equities	30,942,981	27,398,538
International equities	40,356,635	35,532,899
Private equity	84,865,662	71,910,576
Domestic fixed income	28,631,096	28,585,784
Real properties	522,998	539,498
Long/short hedge funds	18,786,935	21,847,617
Absolute return hedge funds	23,562,869	19,066,084
Bond reserve fund	392,565	394,210
Other assets	843,365	806,920
Total by asset type	$ 255,158,043	$ 234,440,803

Investments by category:	2010	2009
Endowment and funds functioning as endowment	$ 231,160,168	$ 213,268,972
Annuity and life income funds	9,439,563	9,420,285
Reserve for depreciation	3,760,391	3,627,208
Other	10,797,921	8,124,338
Total by category	$ 255,158,043	$ 234,440,803

June 30, 2010 and 2009

NOTE 4 - INVESTMENTS, CONTINUED:

The College holds certain investments at the original appraisal value and does not revalue the assets on a recurring basis. At June 30, 2010 and 2009 investments held at cost was $21,258.

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS:

The following tables present the investments and beneficial interest in trusts held by third parties carried on the Statement of Financial Position by level within the valuation hierarchy as of June 30, 2010 and 2009:

	Level 1	Level 2	Level 3	2010
Cash	$ 14,088,526	$ -	$ -	$ 14,088,526
Money market	12,164,411	-	-	12,164,411
Domestic equities	30,928,415	-	-	30,928,415
International equities	40,356,634	-	-	40,356,634
Private equity	-	-	84,865,662	84,865,662
Domestic fixed income	-	28,631,096	-	28,631,096
Real properties	-	516,500	-	516,500
Long/short hedge funds	-	4,055,637	14,731,298	18,786,935
Absolute return hedge funds	-	8,288,809	15,274,060	23,562,869
Assets whose use is limited	5,807	386,758	-	392,565
Other	442,353	400,818	-	843,171
Beneficial interest in trusts held by third parties	-	-	7,033,720	7,033,720
Total	$ 97,986,146	$ 42,279,618	$ 121,904,740	$ 262,170,504

	Level 1	Level 2	Level 3	2009
Investments	$ 68,541,792	$ 30,810,185	$ 135,067,568	$ 234,419,545
Beneficial interest in trusts held by third parties	-	-	6,330,677	6,330,677
Total	$ 68,541,792	$ 30,810,185	$ 141,398,245	$ 240,750,222

The following table includes a rollforward of the amounts for the years ended June 30, 2010 and 2009 for assets classified within Level 3:

	Private Equity	Hedge Funds	Beneficial Interest in Trusts	Total
Balance at July 1, 2008	$ 152,006,516	$ 50,829,197	$ 8,183,768	211,019,481
Purchases	27,573,714	18,500,000	-	46,073,714
Sales	(17,991,707)	(17,372,281)	-	(35,363,988)
Realized gain/(loss), net	1,434,471	12,337,037	-	13,771,508
Unrealized gain/(loss), net	(68,869,127)	(23,380,252)	-	(92,249,379)
Actuarial adjustment	-	-	(1,853,091)	(1,853,091)
Balance at June 30, 2009	94,153,867	40,913,701	6,330,677	141,398,245
Transfers in/(out) (1)	(22,243,292)	(11,107,284)	-	(33,350,576)
Purchases	9,818,473	-	-	9,818,473
Sales	(7,253,307)	(2,181,861)	-	(9,435,168)
Realized gain/(loss), net	2,315,016	484,140	-	2,799,156
Unrealized gain/(loss), net	8,074,905	1,896,662	-	9,971,567
Actuarial adjustment	-	-	703,043	703,043
Balance at June 30, 2010	$ 84,865,662	$ 30,005,358	$ 7,033,720	$ 121,904,740

(1) Transfers out of Level 3 are due to the implementation of further guidance on accounting standards related to the ability to redeem the investments in the near term.

June 30, 2010 and 2009

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS, CONTINUED:

Net realized and unrealized gains (losses) on investments and actuarial adjustment on beneficial interest in trusts in the table above are reflected in the lines "Net realized and unrealized gains (losses) on investments net of allocation to operations" and "Actuarial adjustment of annuity and life income liabilities", respectively, on the Statement of Activities. Net unrealized gains (losses) on investments and actuarial adjustment on beneficial interest in trusts included in the Statement of Activities for Level 3 assets still held at June 30, 2010 was approximately $9,972,000 and $703,000.

The following table presents fair value measurements of investments that calculate net asset value per share (or its equivalent) as of June 30, 2010:

		Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments:					
Hedge funds:					
Absolute return	(a)(b)(e)	$ 23,562,869	$ -	Quarterly,Annually	45-65 days
Long/short	(a)(b)(c)(f)	18,786,935	-	Quarterly,Annually	45-124 days
Private equity:					
Real properties	(d)(g)	14,926,157	8,407,000	n/a	n/a
All others	(d)(h)	69,939,505	17,945,000	n/a	n/a
Total		$ 127,215,466	$ 26,352,000		

(a) Includes side pockets which are illiquid and redeemed when the underlying investments are liquidated.
(b) Includes funds which are subject to gates of 10% - 50%.
(c) Includes funds that are subject to rolling 2 and 3 year redemption frequency.
(d) Redemption terms do not apply to private equities as distributions are received when the underlying investments are liquidated.
(e) Absolute return strategy seeks to achieve capital appreciation employing event driven investment strategies that generate attractive risk adjusted returns.
(f) A long/short equity strategy seeks to outperform the broader market averages while minimizing volatility and risk by investing in businesses trading at attractive valuations and short selling stocks in poorly performing, overvalued businesses.
(g) Private equity real properties - opportunistic strategy targets office redevelopments, residential land developments, hotels and resorts, involving some level of repositioning, refinancing or use change.
(h) Private equity others - Diversified investments in various portfolio companies at different stages, industries or regions, providing venture capital and/or restructuring expertise and subsequently selling the company to generate returns.

Private equity funds' unfunded commitments are estimated to be callable as follows:

Fiscal Years Ending June 30,	Amount
2011	$ 9,318,000
2012	10,672,000
2013	3,658,000
2014	1,380,000
2015	749,000
Thereafter	575,000
	$ 26,352,000

June 30, 2010 and 2009

NOTE 6 - LIFE INCOME AND ANNUITIES PAYABLE:

Life income and annuities payable of $3,900,228 and $3,925,992 at June 30, 2010 and 2009, respectively, represent actuarially determined liabilities for contractual obligations under gift annuities, unitrusts, and pooled income funds.

NOTE 7 - NOTE AND BONDS PAYABLE:

At June 30, 2010 and 2009, bonds payable were comprised of the following:

	2010	2009
Bonds - California Educational Facilities Authority ("CEFA") Series 1997C	$ 1,405,000	$ 1,630,000
Bonds - CEFA Series 2001	5,655,000	5,690,000
Bonds - CEFA Series 2007	29,870,000	30,220,000
	36,930,000	37,540,000
Less unamortized discount	(16,037)	(17,962)
Less current portion	(640,000)	(610,000)
	$ 36,273,963	$ 36,912,038

The CEFA Series 1997C bonds are due in 2015. Annual installments range from $268,400 in March 2011 to $327,400 in March 2015. Interest is payable semi-annually at rates ranging from 5.1% to 5.5%. Bonds maturing after March 1, 2007 with principal balances totaling $1,480,500 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 $245,000 in March 2011 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 2001 bonds are due in 2031. Annual installments range from $35,000 in August 2010 to $1,675,000 in August 2031, and bear an interest rate of 5.00%. Bonds maturing between August 1, 2012 and August 1, 2026 were refunded with the issuance of the CEFA series 2007 bonds. Bonds maturing after August 1, 2012 are subject to optional redemption at a price equal to the principal amount redeemed.

In October 2007, the College issued CEFA Revenue Bonds Series 2007 in the aggregate principal amount of $30,555,000 due in November 2037. The bonds are due in annual installments ranging from $70,000 to $2,305,000, and bear interest rates ranging from 4.0% to 5.0%. Bonds maturing on or after November 1, 2018 are subject to optional redemption at par plus accrued interest. The bonds were issued for the purpose of financing and refinancing the acquisition, construction, improvement, rehabilitation, renovation, and equipping of certain educational facilities. Refunding proceeds of approximately $16,695,000 were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the CEFA Series 1999 and a portion of the CEFA Series 2001 bonds; as a result, the bonds have been legally defeased and the liability for these bonds have been removed from the Statement of Financial Position.

June 30, 2010 and 2009

NOTE 7 - NOTE AND BONDS PAYABLE, CONTINUED:

Interest expense (net of capitalized interest of $0 and $108,648) was $1,774,083 and $1,321,076 for the years ended June 30, 2010 and 2009, respectively. Interest expense includes amortized discount (premium) and cost of issuance of $32,388 and $26,842 in June 30, 2010 and 2009, respectively.

At June 30, 2010, the bond maturities were as follows:

Fiscal Years Ending June 30,	Principal Amount
2011	$ 640,000
2012	675,000
2013	715,000
2014	750,000
2015	790,000
Thereafter	33,360,000
	$ 36,930,000

The CEFA Series 2007, 2001 and 1997C bond agreements contain various restrictive covenants which include the maintenance of certain financial ratios, as defined in the agreement. At June 30, 2010 and 2009, the College was in compliance with all bond covenants.

The College has an unsecured $5,000,000 line of credit with a bank. Any borrowings on the line would bear interest at either a fluctuating rate per annum of 0.25% above the bank's prime rate or a fixed rate per annum determined by the bank to be 1.75% above LIBOR in effect on the first day of the applicable fixed rate. There were no borrowings outstanding on the line at June 30, 2010 and 2009.

The estimated fair value of the College's bonds payable was approximately $36,704,000 and $35,882,000 at June 30, 2010 and 2009, 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 8 - 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, 2010 and 2009, 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.

NOTE 9 - ASSET RETIREMENT OBLIGATION:

The College has recorded asset retirement obligations related to plant facilities, 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, 2010 and 2009:

	2010	2009
Obligations incurred	$ -	$ -
Obligations settled	-	-
Accretion expense	32,819	31,326
Revisions in estimated cash flows	-	-
	32,819	31,326
Beginning balance	692,036	660,710
Ending balance	$ 724,855	$ 692,036

June 30, 2010 and 2009

NOTE 10 - NET ASSETS:

At June 30, 2010 and 2009, net assets consists of the following:

	2010	2009
Unrestricted:		
For operations	$ 12,836,846	$ 12,181,664
For designated purposes	77,929	2,298
Funds functioning as endowment	21,308,013	18,348,117
Plant facilities	53,720,983	54,302,426
Total unrestricted	$ 87,943,771	$ 84,834,505
Temporarily Restricted:		
Restricted for specific purposes	$ 8,487,604	$ 8,888,065
Endowment	117,495,217	107,546,777
Plant facilities	1,914,154	727,941
Annuity and life income contracts and agreements	8,084,406	7,709,160
Total temporarily restricted	$ 135,981,381	$ 124,871,943
Permanently restricted:		
Endowment	$ 98,496,573	$ 89,238,887
Loans	6,144,125	6,163,489
Annuity and life income contracts and agreements	4,488,623	4,115,820
Total permanently restricted	$ 109,129,321	$ 99,518,196

At June 30, 2010 and 2009, endowment net assets consists of the following:

	2010	2009
Unrestricted endowment		
Funds functioning as endowment	$ 23,462,557	$ 21,470,550
Funds with deficiencies	(2,154,544)	(3,122,433)
Total unrestricted endowment funds	21,308,013	18,348,117
Temporarily restricted endowment		
Term endowment	280,078	276,965
Quasi endowment	2,572,610	2,572,610
Portion of endowment funds subject to a time restriction under California UPMIFA		
Without purpose restriction	105,945,637	96,993,604
With purpose restriction	8,696,892	7,703,598
Total temporarily restricted endowment funds	117,495,217	107,546,777
Permanently restricted endowment	98,496,573	89,238,887
Total endowment net assets	$ 237,299,803	$ 215,133,781

June 30, 2010 and 2009

NOTE 11 - NET STUDENT REVENUES:

Student revenues for the years ended June 30, 2010 and 2009 consist of the following:

	2010	2009
Tuition and fees	$ 35,747,747	$ 36,736,532
Room and board	8,817,808	8,969,325
	44,565,555	45,705,857
Less:		
Sponsored student aid	(5,638,095)	(3,822,106)
Unsponsored student aid	(5,829,157)	(7,327,389)
Net student revenues	$ 33,098,303	$ 34,556,362

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

NOTE 12 - FUND RAISING EXPENSE:

Included in marketing expense in the Statements of Activities are approximately $2,930,000 and $2,919,000 of fund raising expenses for the years ended June 30, 2010 and 2009, respectively.

NOTE 13 - OPERATING LEASES:

The College leases various office equipment with lease terms that expire through 2014. Annual lease payments range from approximately $2,400 to $20,800. The College also hasonevehicle lease with that expires in 2013. Monthly lease payments are approximately $500. The lease payments for the years ended June 30, 2010 and 2009 were approximately $68,700 and $85,400, respectively. The following is a summary of future minimum rental payments for operating leases that have initial or remaining no cancelable terms in excess of one year as of June 30, 2010:

Fiscal Years Ending June 30,	Lease Payments
2011	$ 70,559
2012	69,693
2013	39,927
2014	5,710
	$ 185,889

June 30, 2010 and 2009

NOTE 14 - 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 $10,219,000 and $9,683,000 for the years ended June 30, 2010 and 2009, 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, 2010 and 2009 are as follows:

	2010	2009
Net cash used in operations	$ (8,154,019)	$ (8,369,098)
Depreciation expense	(3,715,331)	(3,445,849)
Pooled investment gains appropriated	10,218,820	9,683,254
Gains (losses) on separate investments	(18,503)	69,640
Temporarily and permanently restricted net student revenues	2,156	1,684
Temporarily and permanently restricted spending policy income	(894,416)	(935,544)
Temporarily and permanently restricted other investment income, net	27,591	3,965
Temporarily and permanently restricted other income	(122,097)	(120,165)
Release of temporarily restricted net assets to operations	3,388,169	1,043,109
Non-operating income	(277,922)	(273,189)
Non-operating payments	425,662	735,141
Transfer to Claremont University Consortium	33,950	-
Expensed gifts in kind	(18,780)	(23,623)
(Increase) decrease in unrestricted receivables, prepaid expenses, deposits and other	284,013	(197,859)
Increase (decrease) in accounts payable and other accrued liabilities	218,385	2,129,689
Increase (decrease) in deposits and deferred revenue	(1,239,888)	678,509
Operating surplus	$ 157,790	$ 979,664

NOTE 15 - 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, 2010 and 2009 as follows:

	2010	2009
Change in net assets	$ 23,829,829	$ (59,138,790)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	3,715,331	3,445,849
Gifts in kind	(1,050,000)	(54,509)
Realized (gains) losses on sale of investments	(3,319,831)	(11,891,294)
Unrealized (gains) losses on investments	(18,784,205)	65,500,697
Amortization of bond discount and cost of issuance	32,238	32,389
Amortization of asset retirement obligation	32,819	31,326
(Gain) loss on bond defeasance	(3,858)	-
Comprehensive pension (income) expense	(294,953)	(645,125)
Adjustment of actuarial liability for life income agreements	(1,258,574)	2,889,226
Adjustment on contributions receivable	(894,791)	(93,992)
Decrease (increase) in accounts and notes receivable	(218,843)	47,804
Increase in prepaid expenses and deposits	(95,486)	119,737
(Decrease) increase in accounts payable and other accrued liabilities	(268,422)	(2,068,002)
Increase in deposits and deferred revenue	1,239,888	(678,509)
Defined benefit plan contributions (over)/under expense	605,199	1,195,162
Contributions for long-term investments	(11,420,360)	(7,061,067)
Net cash (used in) operating activities	$ (8,154,019)	$ (8,369,098)

June 30, 2010 and 2009

NOTE 16 - RELATED PARTIES:

Trustee support of the College consists of contributions to the College. Total contributions from trustees during fiscal years ended June 30, 2010 and 2009 totaled approximately $6,862,000 and $6,942,000 respectively. At June 30, 2010 and 2009 trustee contributions receivable, net of discount, totaled approximately $10,113,000 and $9,218,000, respectively.

A College Trustee is a board representative of an investment counsel firm which performs accounting, tax reporting, and investment management of the College's Charitable Remainder Trust program. At June 30, 2010 and 2009, the market value of the program totaled approximately $4,578,000 and $4,454,000, respectively. Payments to the firm during fiscal year ended, June 30, 2010 totaled approximately $64,000.

NOTE 17 - 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, 2010 and 2009 totaled approximately $2,041,000 and $1,864,000, 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 18). 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, 2010 and 2009 was approximately $136,000 and $(26,000), respectively. A decision was made to curtail the Plan in June 2004. Under the curtailment the accrued benefits earned as of June 30, 2005 were frozen and no future benefits will be earned under the plan. The impact of the curtailment was a reduction to the benefit obligation. Eligible plan participants began receiving benefits under the defined contribution retirement plan in July 2005. Additional information on the Plan can be obtained from the audited financial statements of Claremont University Consortium.

NOTE 18 - 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, 2010 and 2009 totaled approximately $3,422,000 and $3,515,000, respectively.

June 30, 2010 and 2009

NOTE 19 - COMMITMENTS AND CONTINGENCIES:

Contracts
The College has remaining commitments on contracts to make improvements to a residence hall totaling approximately $126,000 at June 30, 2010.

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
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 20 - SUBSEQUENT EVENT:

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The College recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The College's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

The College has evaluated subsequent events through October 26, 2010, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that need to be disclosed.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