

SCRIPPS

THE WOMEN'S COLLEGE • CLAREMONT

FINANCIAL REPORT 2011-2012



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, Wood Steps.

Back, Flowers bloom near the entrance of the Eleanor Joy Toll Residence Hall.

SCRIPPS COLLEGE ANNUAL FINANCIAL REPORT

2012 and 2011

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Scripps College
Claremont, California

We have audited the accompanying statements of financial position of Scripps College (the "College") as of June 30, 2012 and 2011, 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Los Angeles, California
October 30, 2012

SCRIPPS COLLEGE

STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets		
Cash	\$ 122,640	\$ 154,474
Accounts receivable, net	713,025	515,296
Notes receivable, net	434,755	454,521
Contributions receivable	2,800,672	2,044,578
Prepaid expenses, deposits, and other	1,473,584	1,641,574
Investments	10,248,056	7,051,694
Total current assets	15,792,732	11,862,137
Non current assets		
Notes receivable, net	4,395,855	4,433,354
Contributions receivable, net	10,431,580	10,994,760
Investments	270,924,063	280,987,651
Investments held as a reserve for depreciation	4,145,641	4,131,774
Collections	17,785,311	17,780,306
Plant facilities, net	85,757,574	87,442,320
Total assets	\$ 409,232,756	\$ 417,632,302

The accompanying notes are an integral part of these statements.

SCRIPPS COLLEGE

STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	2012	2011
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,809,070	\$ 4,365,370
Current portion of bonds payable	715,000	675,000
Deposits and deferred revenue	2,418,827	1,874,368
Total current liabilities	<u>7,942,897</u>	<u>6,914,738</u>
Non current liabilities		
Life income and annuities payable	3,448,479	3,705,406
Liability for staff retirement plan	1,230,951	832,726
Bonds payable	34,887,816	35,600,889
Government advances for student loans	1,602,115	1,620,754
Funds held in trust for others	58,696	58,696
Asset retirement obligation	795,257	759,237
Total liabilities	<u>49,966,211</u>	<u>49,492,446</u>
Net assets		
Unrestricted	95,191,302	96,274,111
Temporarily restricted	143,165,069	158,227,700
Permanently restricted	120,910,174	113,638,045
Total net assets	<u>359,266,545</u>	<u>368,139,856</u>
Total liabilities and net assets	<u>\$ 409,232,756</u>	<u>\$ 417,632,302</u>

The accompanying notes are an integral part of these statements.

SCRIPPS COLLEGE

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2012 and 2011

	2012	2011
Unrestricted Net Assets		
Revenues and releases of net assets:		
Tuition, room and board	\$ 51,670,058	\$ 48,903,780
Less financial aid	14,148,810	13,941,772
Net student revenues	37,521,248	34,962,008
Contributions to operations	3,344,231	4,108,952
Federal grants and contracts	395,567	782,268
Spending policy income	13,067,970	12,110,414
Other investment income, net	311,951	124,838
Other revenue	714,888	724,893
Release of restricted net assets:		
Operations	2,432,859	2,960,110
Annuity and life income	51,612	161,520
Total revenues and release of net assets	57,840,326	55,935,003
Expenses:		
Academic program	28,209,066	28,511,996
Co-curricular program	15,571,523	15,135,692
Marketing	7,415,442	6,791,394
Administrative and general	6,185,150	5,339,865
Total expenses	57,381,181	55,778,947
Operating surplus	459,145	156,056
Other changes in unrestricted net assets:		
Non-operating bequests and gifts in kind	1,038,628	712,015
Net non-operating other income	265,184	102,833
Release of temporarily restricted net assets - plant	37,500	1,703,383
Redesignation of net assets	(102,374)	(83,108)
Net realized and unrealized gains (losses) on investments		
net of allocation to operations	(2,196,338)	5,310,668
Other comprehensive pension (expense) income	(547,068)	428,493
Transfer to Claremont University Consortium	(37,486)	-
Total other changes in unrestricted net assets	(1,541,954)	8,174,284
Change in unrestricted net assets	(1,082,809)	8,330,340
Unrestricted net assets, beginning of year	96,274,111	87,943,771
Unrestricted net assets, end of year	\$ 95,191,302	\$ 96,274,111

The accompanying notes are an integral part of these statements.

SCRIPPS COLLEGE

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2012 and 2011

	2012	2011
Temporarily Restricted Net Assets		
Revenues:		
Contributions	\$ 3,313,863	\$ 1,553,197
Spending policy income	1,007,231	825,763
Other investment income, net	(5,986)	2,896
Total revenues	<u>4,315,108</u>	<u>2,381,856</u>
Other changes in temporarily restricted net assets:		
Actuarial adjustment of annuity and life income liabilities	(86,448)	1,686,343
Release of temporarily restricted net assets:		
Operations	(2,432,859)	(3,064,408)
Annuity and life income	(51,612)	(153,836)
Plant	(37,500)	(1,703,383)
Redesignation of net assets	(6,272,791)	14,254
Net gain (loss) on investments	(10,496,529)	23,085,493
Change in temporarily restricted net assets	<u>(15,062,631)</u>	<u>22,246,319</u>
Temporarily restricted net assets, beginning of year	158,227,700	135,981,381
Temporarily restricted net assets, end of year	<u><u>\$ 143,165,069</u></u>	<u><u>\$ 158,227,700</u></u>
Permanently Restricted Net Assets		
Revenues:		
Contributions	\$ 1,209,585	\$ 3,288,425
Spending policy income	36,255	7,861
Other investment income, net	29,225	14,459
Other revenue	1,484	1,805
Total revenues	<u>1,276,549</u>	<u>3,312,550</u>
Other changes in permanently restricted net assets:		
Actuarial adjustment of annuity and life income liabilities	(377,040)	1,004,691
Release of permanently restricted net assets:		
Operations	-	104,298
Annuity and life income		(7,684)
Redesignation of net assets	6,375,165	68,854
Net gain (loss) on investments	(2,545)	26,015
Change in permanently restricted net assets	<u>7,272,129</u>	<u>4,508,724</u>
Permanently restricted net assets, beginning of year	113,638,045	109,129,321
Permanently restricted net assets, end of year	<u><u>\$ 120,910,174</u></u>	<u><u>\$ 113,638,045</u></u>
Total change in net assets:		
Total net assets, beginning of year	\$ 368,139,856	\$ 333,054,473
Total year to date change in net assets	(8,873,311)	35,085,383
Total net assets, end of year	<u><u>\$ 359,266,545</u></u>	<u><u>\$ 368,139,856</u></u>

The accompanying notes are an integral part of these statements.

SCRIPPS COLLEGE

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Tuition, room and board, net of financial aid	\$ 37,603,651	\$ 35,015,039
Gifts, grants and contracts	7,471,338	4,227,500
Investment income	3,296,896	2,531,998
Other revenue	737,573	623,062
Payments for interest on debt	(1,682,768)	(1,715,302)
Payments to employees and suppliers	(51,286,651)	(49,610,602)
Net cash (used in) operating activities	(3,859,961)	(8,928,305)
Cash flows from investing activities:		
Purchase of plant facilities	(2,398,391)	(4,420,915)
Proceeds from sale of investments	143,313,133	120,930,096
Purchase of investments	(138,317,722)	(117,374,337)
Loans made to students and faculty	(404,311)	(357,047)
Collection of student and faculty loans	433,570	439,605
Net cash provided by (used in) investing activities	2,626,279	(782,598)
Cash flows from financing activities:		
Payments to life income beneficiaries	(464,662)	(460,594)
Investment income on life income contracts	594,006	613,076
Principal payments on debt	(675,000)	(640,000)
Contributions restricted for endowment	1,219,068	6,819,626
Contributions restricted for life income contracts	(170,000)	10,000
Contributions restricted for plant expenditures	37,500	78,704
Contributions for other restricted purposes	679,575	2,959,854
Change in advances for student loans	(18,639)	13,704
Net cash provided by financing activities	1,201,848	9,394,370
Net increase (decrease) in cash	(31,834)	(316,533)
Cash at beginning of year	154,474	471,007
Cash at end of year	\$ 122,640	\$ 154,474

The accompanying notes are an integral part of these statements.

SCRIPPS COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

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 had an enrollment of approximately 950 students. The campus is listed 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 are permanent. Generally, the donors permit the College to use all or part of the earnings 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. 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 to net present value at an appropriate discount rate.

SCRIPPS COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

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 include those annual activities which support the core mission of the College.

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. Gifts in kind, due to their non cash nature, are not available to pay for operating expenses.

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 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 include costs of departments such as Admission/Financial Aid, Public Relations, Alumnae Relations and the Advancement Office. Administrative and General include cost departments such as 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

June 30, 2012 and 2011

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 (SIPC) limits.

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 value, except for trust deed loans, certain real estate investments, and other miscellaneous assets which are stated at cost. 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 at or 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.

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, 2012 and 2011 are approximately \$154,428,000 and \$155,164,000, respectively.

Bond Reserve Fund - Indenture requirements of bond financing (see Note 8, "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 believes the valuation methods and assumptions used in determining the fair value of the alternative investments are appropriate. Net realized and unrealized gains (losses) from alternative investments, on the Statements of Activities, for the years ended June 30, 2012 and 2011 are approximately (\$540,000) and \$24,228,000, respectively.

SCRIPPS COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

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 5.40% and 5.09% to the twenty-quarter average market value of pooled investments for the years ended June 30, 2012 and 2011, 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 changes in unrestricted and temporarily restricted net assets and are available for appropriation under the College's spending policy. At June 30, 2012 and 2011, these cumulative gains totaled approximately \$125,146,000 and \$121,509,000, 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 \$1,099,000 and \$227,000 at June 30, 2012 and 2011, respectively.

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:

SCRIPPS COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

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 and fixed income funds are valued based on quoted market prices, and are therefore typically classified within Level 1.

The investments in certain domestic and international equities, fixed income, real properties and those long/short hedge funds and absolute return hedge funds with certain liquidity terms 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.

The investments in long/short hedge funds and absolute return hedge funds with restricted liquidity terms, private equity funds, limited partnerships, and beneficial interest in trusts held by 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 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.

SCRIPPS COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

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 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 \$25,000 for land improvements, \$50,000 for large buildings (10,000 square feet), \$25,000 for other buildings and \$15,000 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, 60 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, 2012 and 2011, no equipment or property was acquired with 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 3.4% to 7.5% and over estimated lives according to the 2000 Group Annuity Mortality Tables in June 30, 2012 and 2011.

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, 2012 and 2011. The College is no longer subject to income tax examinations by taxing authorities for years before 2008 for its federal filings and for years before 2007 for its state filings.

Reclassifications:

Certain 2011 amounts have been reclassified to conform to 2012 presentation.

SCRIPPS COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 2 - ACCOUNTS AND NOTES RECEIVABLE:

Accounts receivable at June 30, 2012 and 2011 are as follows:

	2012	2011
Student accounts	\$ 125,185	\$ 72,881
Federal and private grants and contracts	8,904	67,733
Other Claremont Colleges	546,580	157,528
Due from broker	377	2,539
Travel advances	20,007	12,695
Other	20,957	217,947
	<u>722,010</u>	<u>531,323</u>
Less allowance for doubtful accounts	(8,985)	(16,027)
Total accounts receivable, net	<u>\$ 713,025</u>	<u>\$ 515,296</u>

Notes receivable at June 30, 2012 and 2011 are as follows:

	2012	2011
Student notes	\$ 5,095,869	\$ 5,100,909
Faculty loans	89,474	105,886
	<u>5,185,343</u>	<u>5,206,795</u>
Less allowance for doubtful student notes	(354,733)	(318,920)
Total notes receivable, net	<u>4,830,610</u>	<u>4,887,875</u>
Less current portion	(434,755)	(454,521)
Non current notes receivable	<u>\$ 4,395,855</u>	<u>\$ 4,433,354</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 initially recorded at fair value, by discounting to the present value of future cash flows at rates ranging from 2.4 to 5.1%.

Unconditional promises to give at June 30, 2012 and 2011 are expected to be realized in the following periods:

	2012	2011
Within one year	\$ 2,800,672	\$ 2,044,578
Between one year and five years	1,897,004	2,238,027
More than five years	9,343,744	9,697,993
	<u>14,041,420</u>	<u>13,980,598</u>
Less discount	(214,299)	(296,697)
Less allowance for doubtful contributions receivable	(594,869)	(644,563)
	<u>13,232,252</u>	<u>13,039,338</u>
Less current portion, net of discount	(2,800,672)	(2,044,578)
Contributions receivable, net	<u>\$ 10,431,580</u>	<u>\$ 10,994,760</u>

Contributions receivable at June 30, 2012 and 2011 are intended for the following:

	2012	2011
Endowment	\$ 1,713,876	\$ 2,662,206
Beneficial interest in trusts held by a third party	8,154,006	8,408,867
Other	3,364,370	1,968,265
Total	<u>\$ 13,232,252</u>	<u>\$ 13,039,338</u>

44.9% and 47.6% of contributions receivable was due from one donor at June 30, 2012 and 2011, respectively.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

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, 2012 and 2011:

	2012	2011
Unit market value at end of year	<u>\$ 481.16</u>	<u>\$ 504.87</u>
Units owned:		
Unrestricted	60,654	59,022
Temporarily restricted	21,136	21,065
Permanently restricted	<u>469,612</u>	<u>464,571</u>
Total	<u>551,402</u>	<u>544,658</u>

Investment income related to College investments, net of management and custody fees of \$1,500,124 and \$1,448,113 for the years ended June 30, 2012 and 2011, respectively, is as follows:

	2012	2011
Pooled investments income	<u>\$ 3,337,064</u>	<u>\$ 2,707,950</u>
Pooled investments gains (losses) appropriated	<u>11,376,179</u>	<u>10,801,196</u>
Total spending policy income and gains (losses)	<u>14,713,243</u>	<u>13,509,146</u>
Less amounts allocated to annuity and life income contracts/agreements	<u>(601,787)</u>	<u>(565,108)</u>
Total spending policy income	<u>14,111,456</u>	<u>12,944,038</u>
Other investment income	425,113	401,452
Other investment gains (losses)	(94)	(182,457)
Less amounts allocated to annuity and life income contracts/agreements	<u>(89,829)</u>	<u>(76,806)</u>
Total other investment income	<u>335,190</u>	<u>142,189</u>
Realized gains on investments	15,025,588	15,959,403
Unrealized gains (losses) on investments	(16,344,821)	23,263,973
Pooled investment gains appropriated	<u>(11,376,179)</u>	<u>(10,801,196)</u>
Net realized and unrealized losses on investments net of allocation to operations	<u>(12,695,412)</u>	<u>28,422,180</u>
Total investment return	<u>\$ 1,751,234</u>	<u>\$ 41,508,407</u>

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 4 - INVESTMENTS, CONTINUED:

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

	2012	2011
Investment by program:		
Investment pool	\$ 265,311,783	\$ 274,979,444
Separate investments	20,005,977	17,191,675
Total by program	<u>\$ 285,317,760</u>	<u>\$ 292,171,119</u>
Investment by asset type:		
Cash	\$ 17,835,052	\$ 13,088,845
Money market	14,332,154	8,734,975
Domestic equities	44,678,251	40,477,316
International equities	39,465,838	48,918,978
Private equity	86,593,528	95,286,014
Domestic fixed income	24,717,078	29,148,036
Global fixed income	5,284,533	-
Real properties	481,498	505,074
Long/short hedge funds	19,159,615	24,516,402
Absolute return hedge funds	31,628,015	30,322,256
Bond reserve fund	392,854	393,871
Other assets	749,344	779,352
Total by asset type	<u>\$ 285,317,760</u>	<u>\$ 292,171,119</u>
Investments by category:		
Endowment and funds functioning as endowment	\$ 256,996,859	\$ 266,869,354
Annuity and life income funds	9,328,615	9,668,123
Reserve for depreciation	4,145,641	4,131,774
Other	14,846,645	11,501,868
Total by category	<u>\$ 285,317,760</u>	<u>\$ 292,171,119</u>

The College holds certain investments at the original appraisal value and does not revalue the assets on a recurring basis. At June 30, 2012 and 2011 investments held at cost was \$25,468 and \$26,047, respectively.

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS:

The following table 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, 2012:

	Level 1	Level 2	Level 3	2012
Cash	\$ 17,835,052	\$ -	\$ -	\$ 17,835,052
Money market	14,332,154	-	-	14,332,154
Domestic equities	39,479,612	5,179,865	-	44,659,477
International equities	32,599,048	6,866,790	-	39,465,838
Private equity	-	-	86,593,528	86,593,528
Domestic fixed income	1,942,286	22,774,792	-	24,717,078
Global Fixed Income	5,284,533	-	-	5,284,533
Real properties	-	475,000	-	475,000
Long/short hedge funds	-	6,755,369	12,404,246	19,159,615
Absolute return hedge funds	-	22,993,495	8,634,520	31,628,015
Assets whose use is limited	5,806	387,048	-	392,854
Other	321,992	427,154	-	749,146
Beneficial interest in trusts held by third parties	-	-	8,154,006	8,154,006
Total	<u>\$ 111,800,483</u>	<u>\$ 65,859,513</u>	<u>\$ 115,786,300</u>	<u>\$ 293,446,296</u>

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

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

The following table 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, 2011:

	Level 1	Level 2	Level 3	2011
Cash	\$ 13,088,845	\$ -	\$ -	\$ 13,088,845
Money market	8,734,975	-	-	8,734,975
Domestic equities	35,278,601	5,179,349	-	40,457,950
International equities	37,446,296	11,472,682	-	48,918,978
Private equity	-	-	95,286,014	95,286,014
Domestic fixed income	1,815,709	27,332,327	-	29,148,036
Real properties	-	498,576	-	498,576
Long/short hedge funds	-	9,430,384	15,086,018	24,516,402
Absolute return hedge funds	-	17,527,494	12,794,762	30,322,256
Assets whose use is limited	5,807	388,064	-	393,871
Other	363,626	415,543	-	779,169
Beneficial interest in trusts held by third parties	-	-	8,408,867	8,408,867
Total	<u>\$ 96,733,859</u>	<u>\$ 72,244,419</u>	<u>\$ 131,575,661</u>	<u>\$ 300,553,939</u>

The following table includes a rollforward of the amounts for the years ended June 30, 2012 and 2011 for assets classified within Level 3:

	Private Equity	Long/Short Hedge Funds	Absolute Return Hedge Funds	Beneficial Interest in Trusts	Total
Balance at July 1, 2010	\$ 84,865,662	\$ 14,731,298	\$ 15,274,060	\$ 7,033,720	\$ 121,904,740
Transfers in/(out) (1)	-	(2,328,502)	(3,362,987)	-	(5,691,489)
Purchases	9,920,818	-	5,026,575	-	14,947,393
Sales	(15,292,962)	-	(5,261,959)	-	(20,554,921)
Realized gain/(loss), net	8,176,243	-	2,845,375	-	11,021,618
Unrealized gain/(loss), net	7,616,253	2,683,222	(1,726,302)	-	8,573,173
Actuarial adjustment	-	-	-	1,375,147	1,375,147
Balance at June 30, 2011	95,286,014	15,086,018	12,794,762	8,408,867	131,575,661
Transfers into level 3 (1)	-	931,837	-	-	931,837
Transfers out of level 3 (1)	-	(3,021,900)	(5,045,978)	-	(8,067,878)
Purchases	11,379,083	5,500,000	2,500,199	-	19,379,282
Sales	(21,909,451)	(5,929,745)	(1,964,726)	-	(29,803,922)
Realized gain/(loss), net	8,683,163	1,929,745	1,281,098	-	11,894,006
Unrealized gain/(loss), net	(6,845,281)	(2,091,709)	(930,835)	-	(9,867,825)
Actuarial adjustment	-	-	-	(254,861)	(254,861)
Balance at June 30, 2012	<u>\$ 86,593,528</u>	<u>\$ 12,404,246</u>	<u>\$ 8,634,520</u>	<u>\$ 8,154,006</u>	<u>\$ 115,786,300</u>

(1) The College's policy is to recognize transfers in and transfers out of Level 1, Level 2 and Level 3 at the beginning of the reporting period. Transfers out of Level 3 are due to the expiration or changes to lock up periods related to the ability to redeem investments in the near term.

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, 2012 was approximately (\$9,868,000) and (\$255,000).

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

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

The following table presents fair value measurements of investments that calculate net asset value per share (or its equivalent) as of June 30, 2012:

		Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments:					
Hedge funds:					
Absolute return	(a)(b)(c)(e)	\$ 31,628,015	\$ -	monthly, quarterly, annually	15-65 days
Long/short	(a)(b)(c)(f)	19,159,615	-	monthly, quarterly, annually	30-90 days
Private equity:					
Real properties	(d)(g)	16,137,610	3,531,000	n/a	n/a
All others	(d)(h)	70,455,918	22,550,000	n/a	n/a
Total		<u>\$ 137,381,158</u>	<u>\$ 26,081,000</u>		

(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% - 25%.

(c) Includes funds that are subject to rolling 2 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 seek opportunistic strategy targets in office redevelopments, residential land developments, hotels and resorts, involving some level of repositioning, refinancing or use change.

(h) Private equity others use 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
2013	\$ 13,187,000
2014	7,815,000
2015	3,652,000
2016	1,193,000
2017	234,000
	<u>\$ 26,081,000</u>

NOTE 6 - PLANT FACILITIES:

Plant facilities are recorded at cost or estimated fair value at the date of donation, and at June 30, 2012 and 2011 consists of the following:

	2012	2011
Land and land improvements	\$ 6,470,918	\$ 6,113,432
Buildings	111,520,575	110,906,869
Equipment and furnishings	8,974,274	8,108,695
Property held for future use	2,507,965	2,507,965
Construction in progress	3,238,136	2,676,516
	<u>132,711,868</u>	<u>130,313,477</u>
Less accumulated depreciation	(46,954,294)	(42,871,157)
Net plant facilities	<u>\$ 85,757,574</u>	<u>\$ 87,442,320</u>

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 7 - LIFE INCOME AND ANNUITIES PAYABLE:

Life income and annuities payable of \$3,448,479 and \$3,705,406 at June 30, 2012 and 2011, respectively, represent actuarially determined liabilities for contractual obligations under gift annuities, unitrusts, and pooled income funds.

NOTE 8 - NOTE AND BONDS PAYABLE:

At June 30, 2012 and 2011, bonds payable were comprised of the following:

	2012	2011
Bonds - California Educational Facilities Authority ("CEFA") Series 1997C	\$ 900,000	\$ 1,160,000
Bonds - CEFA Series 2001	5,585,000	5,620,000
Bonds - CEFA Series 2007	29,130,000	29,510,000
	35,615,000	36,290,000
Less unamortized discount	(12,184)	(14,111)
Less current portion	(715,000)	(675,000)
	<u>\$ 34,887,816</u>	<u>\$ 35,600,889</u>

The CEFA Series 1997C bonds are due in 2015. Annual installments range from \$293,100 in March 2013 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 \$1,212,100 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 \$280,000 in March 2013 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 2012 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.

Interest expense was \$1,716,389 and \$1,741,059 for the years ended June 30, 2012 and 2011, respectively. Interest expense includes amortized discount (premium) and cost of issuance of \$32,240 and \$32,240 in June 30, 2012 and 2011, respectively.

At June 30, 2012, the bond maturities were as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Principal Amount</u>
2013	\$ 715,000
2014	750,000
2015	790,000
2016	840,000
2017	880,000
Thereafter	31,640,000
	<u>\$ 35,615,000</u>

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 8 - NOTE AND BONDS PAYABLE, CONTINUED:

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, 2012 and 2011, the College was in compliance with all bond covenants.

The estimated fair value of the College's bonds payable was approximately \$36,827,000 and \$34,964,000 at June 30, 2012 and 2011, 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.

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 equal to the higher of: the bank's prime rate, 1.5% above LIBOR, and the Federal Funds Rate plus 1.5%, 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, 2012 and 2011.

NOTE 9 - 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, 2012 and 2011, 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 10 - 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, 2012 and 2011:

	2012	2011
Obligations incurred	\$ -	\$ -
Obligations settled	-	-
Accretion expense	36,020	34,382
Revisions in estimated cash flows	-	-
	<u>36,020</u>	<u>34,382</u>
Beginning balance	759,237	724,855
Ending balance	<u>\$ 795,257</u>	<u>\$ 759,237</u>

NOTE 11 - NET ASSETS:

At June 30, 2012 and 2011, net assets consists of the following:

	2012	2011
Unrestricted:		
For operations	\$ 16,445,981	\$ 14,720,689
For designated purposes	10,537	3,223
Funds functioning as endowment	24,406,226	26,223,972
Plant facilities	54,328,558	55,326,227
Total unrestricted	<u>\$ 95,191,302</u>	<u>\$ 96,274,111</u>
Temporarily Restricted:		
Restricted for specific purposes	\$ 9,274,671	\$ 7,851,349
Endowment	130,291,528	140,584,457
Plant facilities	298,647	174,980
Annuity and life income contracts and agreements	3,300,223	9,616,914
Total temporarily restricted	<u>\$ 143,165,069</u>	<u>\$ 158,227,700</u>
Permanently restricted:		
Endowment	\$ 104,012,981	\$ 102,723,131
Loans	6,165,068	6,163,466
Annuity and life income contracts and agreements	10,732,125	4,751,448
Total permanently restricted	<u>\$ 120,910,174</u>	<u>\$ 113,638,045</u>

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 11 - NET ASSETS, CONTINUED:

At June 30, 2012 and 2011, endowment net assets consists of the following:

	2012	2011
Unrestricted endowment		
Funds functioning as endowment	\$ 25,505,426	\$ 26,450,952
Funds with deficiencies	(1,099,200)	(226,980)
Total unrestricted endowment funds	<u>24,406,226</u>	<u>26,223,972</u>
Temporarily restricted endowment		
Term endowment	286,988	283,323
Quasi endowment	2,772,610	2,572,611
Portion of endowment funds subject to a time restriction under California UPMIFA		
Without purpose restriction	117,228,247	126,620,184
With purpose restriction	10,003,683	11,108,339
Total temporarily restricted endowment funds	<u>130,291,528</u>	<u>140,584,457</u>
Permanently restricted endowment	104,012,981	102,723,131
Total endowment net assets	<u>\$ 258,710,735</u>	<u>\$ 269,531,560</u>

NOTE 12 - ENDOWMENT:

The net assets of the College include permanent endowment and funds functioning as endowment. Permanent endowments are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized as provided for under the California Uniform Prudent Management of Institutional Funds Act. While funds functioning as endowment have been established by the Board of Trustees to function as endowment, any portion of such funds may be expended.

For the year ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012
Investment returns:				
Earned income (expense)	\$ 2,860,684	\$ 3,664	\$ 31,906	\$ 2,896,254
Change in net appreciation (depreciation) of investments	9,363,202	(10,496,593)	(2,545)	(1,135,936)
	<u>12,223,886</u>	<u>(10,492,929)</u>	<u>29,361</u>	<u>1,760,318</u>
Endowment returns distributed	(14,111,456)	-	-	(14,111,456)
Net investment returns	<u>(1,887,570)</u>	<u>(10,492,929)</u>	<u>29,361</u>	<u>(12,351,138)</u>
Other changes in endowed equity:				
Contributions	-	-	1,030,399	1,030,399
Redesignation of net assets	69,824	200,000	-	269,824
Matured annuity and life income agreements	-	-	180,104	180,104
Adjustments on contributions receivable	-	-	49,986	49,986
Total other changes in endowed equity	<u>69,824</u>	<u>200,000</u>	<u>1,260,489</u>	<u>1,530,313</u>
Net change in endowed equity	<u>(1,817,746)</u>	<u>(10,292,929)</u>	<u>1,289,850</u>	<u>(10,820,825)</u>
Endowed equity, beginning year	26,223,972	140,584,457	102,723,131	269,531,560
Endowed equity, ending year	<u>\$ 24,406,226</u>	<u>\$ 130,291,528</u>	<u>\$ 104,012,981</u>	<u>\$ 258,710,735</u>
Endowed equity is composed of the following assets at June 30, 2012				
Contributions receivable, net	\$ -	\$ -	\$ 1,713,876	\$ 1,713,876
Investments	24,406,226	130,291,528	102,299,105	256,996,859
Total endowed equity	<u>\$ 24,406,226</u>	<u>\$ 130,291,528</u>	<u>\$ 104,012,981</u>	<u>\$ 258,710,735</u>

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 12 - ENDOWMENT, CONTINUED:

For the year ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011
Investment returns:				
Earned income/(expense)	\$ 2,253,910	\$ 3,245	\$ (21,067)	\$ 2,236,088
Change in net appreciation of investments	15,526,916	23,085,995	26,015	38,638,926
Investment returns	17,780,826	23,089,240	4,948	40,875,014
Endowment returns distributed	(12,944,038)	-	-	(12,944,038)
Net investment returns	4,836,788	23,089,240	4,948	27,930,976
Other changes in endowed equity:				
Contributions	-	-	3,286,379	3,286,379
Redesignation of net assets	79,171	-	61,692	140,863
Matured annuity and life income agreements	-	-	716,148	716,148
Other releases	-	-	104,298	104,298
Adjustments on contributions receivable	-	-	53,093	53,093
Total other changes in endowed equity	79,171	-	4,221,610	4,300,781
Net change in endowed equity	4,915,959	23,089,240	4,226,558	32,231,757
Endowed equity, beginning year	21,308,013	117,495,217	98,496,573	237,299,803
Endowed equity, ending year	<u>\$ 26,223,972</u>	<u>\$ 140,584,457</u>	<u>\$ 102,723,131</u>	<u>\$ 269,531,560</u>

Endowed equity is composed of the following assets at June 30, 2011

Contributions receivable, net	\$ -	\$ -	\$ 2,662,206	\$ 2,662,206
Investments	26,223,972	140,584,457	100,060,925	266,869,354
Total endowed equity	<u>\$ 26,223,972</u>	<u>\$ 140,584,457</u>	<u>\$ 102,723,131</u>	<u>\$ 269,531,560</u>

NOTE 13 - NET STUDENT REVENUES:

Student revenues for the years ended June 30, 2012 and 2011 consist of the following:

	2012	2011
Tuition and fees	\$ 41,203,367	\$ 39,113,313
Room and board	10,466,691	9,790,467
	51,670,058	48,903,780
Less:		
Sponsored student aid	(5,983,900)	(5,726,165)
Un-sponsored student aid	(8,164,910)	(8,215,607)
Net student revenues	<u>\$ 37,521,248</u>	<u>\$ 34,962,008</u>

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

NOTE 14 - FUND RAISING EXPENSE:

Included in marketing expense in the Statements of Activities are approximately \$3,021,000 and \$3,187,000 of fund raising expenses for the years ended June 30, 2012 and 2011, respectively.

SCRIPPS COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 15 - OPERATING LEASES:

The College leases various office equipment with lease terms that expire through 2016. Annual lease payments range from approximately \$400 to \$20,800. The College also has one vehicle lease that expires in 2013. Monthly lease payments are approximately \$500. The lease payments for the years ended June 30, 2012 and 2011 were approximately \$81,500 and \$70,900, 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, 2012:

<u>Fiscal Years Ending June 30,</u>	<u>Lease Payments</u>
2013	\$ 54,531
2014	21,573
2015	15,863
2016	15,545
	<u>\$ 107,512</u>

NOTE 16 - 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, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Change in net assets	\$ (8,873,311)	\$ 35,085,383
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	4,083,137	3,835,315
Gifts in kind	(5,004)	(703,600)
Realized (gains) losses on sale of investments	(15,025,479)	(15,776,946)
Unrealized (gains) losses on investments	16,344,821	(23,263,973)
Amortization of bond discount and cost of issuance	32,240	32,240
Amortization of asset retirement obligation	36,020	34,382
Comprehensive pension (income) expense	(547,068)	428,493
Adjustment of actuarial liability for life income agreements	463,488	(2,691,034)
Adjustment on contributions receivable	(38,844)	(55,818)
Changes in operating assets and liabilities		
Accounts and notes receivable	(170,896)	(115,670)
Prepaid expenses and deposits	137,679	(350,931)
Accounts payable and other accrued liabilities	443,700	823,500
Deposits and deferred revenue	659,337	(585,596)
Defined benefit plan contributions (over)/under expense	945,293	(782,428)
Contributions for long-term investments	(2,345,074)	(4,841,622)
Net cash (used in) operating activities	<u>\$ (3,859,961)</u>	<u>\$ (8,928,305)</u>

NOTE 17 - RELATED PARTIES:

Trustees support the College with contributions to the College. Total contributions from trustees during fiscal years ended June 30, 2012 and 2011 totaled approximately \$1,018,000 and \$1,112,000, respectively. At June 30, 2012 and 2011, trustee contributions receivable, net of discount, totaled approximately \$1,880,000 and \$8,761,000, respectively.

A College Trustee is the CEO of an investment counsel firm which performs accounting, tax reporting, and investment management of the College's Charitable Remainder Trust program. At June 30, 2012 and 2011, the market value of the program totaled approximately \$4,479,000 and \$4,684,000, respectively. Payments to the firm during fiscal year ended, June 30, 2012 and 2011 totaled approximately \$58,000 and \$61,000, respectively.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 18 - 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, 2012 and 2011 totaled approximately \$2,142,000 and \$2,163,000, 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 19). 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, 2012 and 2011 was approximately \$94,000 and \$156,000, 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 19 - 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, 2012 and 2011 totaled approximately \$3,571,000 and \$3,512,000, respectively.

NOTE 20 - COMMITMENTS AND CONTINGENCIES:

Contracts

The College has remaining commitments on a contract for the design of an addition to an existing building to accommodate faculty offices totaling approximately \$372,000 at June 30, 2012.

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.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 21 - SUBSEQUENT EVENTS:

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 30, 2012, 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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