

Occidental College
Report on Audited Financial Statements
For the Years Ended June 30, 2005 and 2004

Report of Independent Auditors

To the Board of Trustees
Occidental College

In our opinion, the accompanying balance sheets and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of Occidental College (the "College") at June 30, 2005 and 2004, 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. 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 of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

September 16, 2005

Occidental College
Balance Sheets
As of June 30, 2005 and 2004

	2005	2004
Assets		
Cash and cash equivalents	\$ 8,913,115	\$ 4,498,569
Assets whose use is limited	42,724,008	3,254,764
Student accounts receivable, less allowance for doubtful accounts of \$187,618 and \$192,152 at June 30, 2005 and 2004, respectively	443,954	302,196
Contracts and grants receivable	862,393	1,197,413
Student notes receivable, less allowance for doubtful accounts of \$2,208,117 and \$2,816,274 at June 30, 2005 and 2004, respectively	16,113,999	14,603,267
Contributions receivable, net	2,291,675	1,244,509
Inventories	501,685	505,228
Trust deeds receivable	3,154,609	3,534,698
Investments	322,245,836	290,144,306
Property and equipment, net	77,530,350	72,040,243
Other assets	600,594	1,182,124
Deposits with bank trustees	194,130	3,043,770
Bond issuance costs	1,359,423	1,014,944
Assets held in trust by others	<u>12,656,070</u>	<u>11,834,530</u>
Total assets	<u>\$ 489,591,841</u>	<u>\$ 408,400,561</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 9,977,132	\$ 8,971,704
Student deposits and deferred revenue	3,919,142	4,646,215
Notes payable	282,432	619,313
Bonds payable	70,600,000	32,367,000
Bond premium, net	2,117,498	-
Government loans payable	4,167,567	4,052,099
Annuities payable	<u>11,133,803</u>	<u>8,418,924</u>
Total liabilities	<u>102,197,574</u>	<u>59,075,255</u>
Commitments and Contingencies (Note 11)		
Net Assets		
Unrestricted	257,964,506	230,041,657
Temporarily restricted	16,349,732	11,764,547
Permanently restricted	<u>113,080,029</u>	<u>107,519,102</u>
Total net assets	<u>387,394,267</u>	<u>349,325,306</u>
Total liabilities and net assets	<u>\$ 489,591,841</u>	<u>\$ 408,400,561</u>

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

Occidental College
Statements of Activities
For the Years Ended June 30, 2005 and 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	2005 Total	2004 Total
Operating Revenues					
Tuition and fees	\$ 54,808,970	\$	\$	\$ 54,808,970	\$ 51,186,403
Less: Financial assistance	<u>(20,075,215)</u>	<u> </u>	<u> </u>	<u>(20,075,215)</u>	<u>(19,580,626)</u>
Net tuition revenue	34,733,755	-	-	34,733,755	31,605,777
Private gifts, grants, and contracts	10,662,986	5,787,504	4,611,253	21,061,743	13,500,851
Federal and state grants and contracts	2,646,503			2,646,503	3,607,228
Auxiliary sales and services	13,452,171			13,452,171	12,904,765
Investment income designated for operations	12,652,194			12,652,194	12,683,119
Other	1,127,265			1,127,265	1,305,545
Net assets released for operations	<u>38,959</u>	<u>(38,959)</u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>75,313,833</u>	<u>5,748,545</u>	<u>4,611,253</u>	<u>85,673,631</u>	<u>75,607,285</u>
Operating Expenditures					
Educational and general expenditures					
Instruction	25,619,043			25,619,043	24,258,522
Research	2,023,685			2,023,685	2,058,548
Public service	2,919,778			2,919,778	3,114,409
Academic support	5,648,869			5,648,869	5,259,513
Student services	7,425,052			7,425,052	6,826,422
Institutional support	12,264,815			12,264,815	12,544,573
Auxiliary enterprises expenditures	<u>15,252,189</u>	<u> </u>	<u> </u>	<u>15,252,189</u>	<u>14,119,273</u>
Total expenditures	<u>71,153,431</u>	<u> </u>	<u> </u>	<u>71,153,431</u>	<u>68,181,260</u>
Operating income	4,160,402	5,748,545	4,611,253	14,520,200	7,426,025
Other Changes in Net Assets					
Net assets released for capital expenditures	1,101,979	(1,101,979)			-
Annuity funds released	207,649	(207,649)			(13,933)
Present value adjustment for annuities	(206,177)	(241,375)	(696,338)	(1,143,890)	(1,052,256)
Change in fair market value of assets held in trust by others	-	(79,519)	142,011	62,492	886,239
Realized and unrealized gains, net of allocation to operations and net of investment expense of \$956,448 for the year ended June 30 2005	21,864,541	653,460	1,504,001	24,022,002	29,851,078
Decrease in student loan reserve	608,157			608,157	-
Redesignation	<u>186,298</u>	<u>(186,298)</u>	<u> </u>	<u> </u>	<u> </u>
Total other changes in net assets	<u>23,762,447</u>	<u>(1,163,360)</u>	<u>949,674</u>	<u>23,548,761</u>	<u>29,671,128</u>
Changes in net assets	27,922,849	4,585,185	5,560,927	38,068,961	37,097,153
Net assets, beginning of year	<u>230,041,657</u>	<u>11,764,547</u>	<u>107,519,102</u>	<u>349,325,306</u>	<u>312,228,153</u>
Net assets, end of year	<u>\$ 257,964,506</u>	<u>\$ 16,349,732</u>	<u>\$ 113,080,029</u>	<u>\$ 387,394,267</u>	<u>\$ 349,325,306</u>

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

Occidental College
Statement of Activities
For the Year Ended June 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Tuition and fees	\$ 51,186,403	\$	\$	\$ 51,186,403
Less: Financial assistance	<u>(19,580,626)</u>	<u> </u>	<u> </u>	<u>(19,580,626)</u>
Net tuition revenue	31,605,777	-	-	31,605,777
Private gifts, grants, and contracts	3,944,798	8,627,381	928,672	13,500,851
Federal and state grants and contracts	3,607,228			3,607,228
Auxiliary sales and services	12,904,765			12,904,765
Investment income designated for operations	12,683,119			12,683,119
Other	1,303,624	1,921		1,305,545
Net assets released for operations	<u>3,195,524</u>	<u>(3,195,524)</u>	<u> </u>	<u> </u>
Total revenues	<u>69,244,835</u>	<u>5,433,778</u>	<u>928,672</u>	<u>75,607,285</u>
Operating Expenditures				
Educational and general expenditures				
Instruction	24,258,522			24,258,522
Research	2,058,548			2,058,548
Public service	3,114,409			3,114,409
Academic support	5,259,513			5,259,513
Student services	6,826,422			6,826,422
Institutional support	12,544,573			12,544,573
Auxiliary enterprises expenditures	<u>14,119,273</u>	<u> </u>	<u> </u>	<u>14,119,273</u>
Total expenditures	<u>68,181,260</u>	<u> </u>	<u> </u>	<u>68,181,260</u>
Operating income	1,063,575	5,433,778	928,672	7,426,025
Other Changes in Net Assets				
Net assets released for capital expenditures	4,118,637	(4,118,637)		-
Annuity funds released	(13,933)			(13,933)
Present value adjustment for annuities	(136,367)	(212,991)	(702,898)	(1,052,256)
Change in fair market value of assets held in trust by others		345,675	540,564	886,239
Realized and unrealized gains, net of allocation to operations and net of investment expense of \$974,768 for the year ended June 30 2004	27,915,122	528,390	1,407,566	29,851,078
Decrease in student loan reserve				-
Redesignation	<u>875,510</u>	<u> </u>	<u>(875,510)</u>	<u> </u>
Total other changes in net assets	<u>32,758,969</u>	<u>(3,457,563)</u>	<u>369,722</u>	<u>29,671,128</u>
Changes in net assets	33,822,544	1,976,215	1,298,394	37,097,153
Net assets, beginning of year	<u>196,219,113</u>	<u>9,788,332</u>	<u>106,220,708</u>	<u>312,228,153</u>
Net assets, end of year	<u>\$ 230,041,657</u>	<u>\$ 11,764,547</u>	<u>\$ 107,519,102</u>	<u>\$ 349,325,306</u>

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

Occidental College
Statements of Cash Flows
For the Years Ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Changes in net assets	\$ 38,068,961	\$ 37,097,153
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	5,141,362	4,146,481
Gifts of stock	(4,651,171)	(884,000)
Net unrealized and realized gains on investments	(30,860,629)	(37,889,883)
Contributions restricted for long-term investment	(4,611,253)	(928,672)
Changes in assets and liabilities		
Student accounts receivable, net	(141,758)	119,454
Contracts and grants receivable	335,020	(163,130)
Student notes receivable, net	(1,510,732)	(461,835)
Contributions receivable, net	(1,047,166)	(1,159,974)
Inventories	3,543	37,204
Other assets	581,530	(76,712)
Deposits with bank trustees	2,849,640	(146,399)
Accounts payable and accrued expenses	1,005,428	(395,908)
Student deposits and deferred revenue	<u>(727,073)</u>	<u>(410,056)</u>
Net cash provided by (used in) operating activities	<u>4,435,702</u>	<u>(1,116,277)</u>
Cash flows from investing activities		
Decrease in trust deeds receivable	380,089	551,347
Increase in assets whose use is limited	(39,469,244)	(420,313)
Purchases of investments	(50,453,188)	(55,632,509)
Sales of investments	53,863,458	61,768,785
Purchases of property and equipment	<u>(9,642,665)</u>	<u>(5,706,514)</u>
Net cash (used in) provided by investing activities	<u>(45,321,550)</u>	<u>560,796</u>
Cash flows from financing activities		
Contributions restricted for long-term investment	4,611,253	928,672
Increase in assets held in trust by others	(821,540)	(886,239)
Increase in notes payable	-	1,800,000
Repayment of notes payable	(336,881)	(1,180,687)
Bond issuance costs	(1,406,300)	-
Bond premium	2,190,515	-
Repayment of long-term debt	(32,102,000)	(696,000)
Issuance of new debt	70,335,000	-
Increase in government loans payable	115,468	86,601
Increase in annuities payable	<u>2,714,879</u>	<u>772,776</u>
Net cash provided by financing activities	<u>45,300,394</u>	<u>825,123</u>
Net increase in cash and cash equivalents	4,414,546	269,642
Cash and cash equivalents, beginning of year	<u>4,498,569</u>	<u>4,228,927</u>
Cash and cash equivalents, end of year	<u>\$ 8,913,115</u>	<u>\$ 4,498,569</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 1,806,486</u>	<u>\$ 1,829,380</u>
Gifts of stock	<u>\$ 4,651,171</u>	<u>\$ 884,000</u>

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

Occidental College
Notes to Financial Statements
June 30, 2005 and 2004

1. Operations and Summary of Significant Accounting Policies

Nature of Operations

Occidental College (the "College") is an independent, coeducational college of liberal arts and sciences, founded in 1887. Occidental College seeks to provide an education of high quality in the best tradition of the liberal arts, emphasizing thorough competence in a chosen field of study together with a broad understanding of our historical and cultural heritage and the relationships among fields of knowledge. The College is accredited by the Western Association of Schools and Colleges.

Basis of Accounting and Reporting

The accompanying financial statements of the College, a not-for-profit educational institution, have been prepared in accordance with the principles of the accrual basis of accounting and the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Not-for-Profit Organizations*.

Net assets of the College and changes therein have been classified and are reported as follows:

Unrestricted Net Assets

Unrestricted net assets are comprised of assets which are for operating purposes or assets which are not subject to donor-imposed restrictions and are general in nature. Unrestricted net assets have been segregated into the following categories:

Designated – Educational and general – includes funds that are internally designated for operational or special use.

Designated – Functioning as endowment – includes certain gifts not otherwise restricted and Board designations of assets to function as endowment, realized and unrealized gains, and reinvested income on endowment funds unless restricted by the terms of the donor agreement.

Designated – Student loan funds – includes lending activity to students utilizing College resources designated for that purpose as well as funds intended for a general College loan program.

Designated – Life income and annuity contracts – the College has legal title to life income and annuity contracts and agreements, subject to life interests of the beneficiaries. No significant financial benefit is now being or can be realized until the contractual obligations are released.

Designated – Renewal and replacement – includes amounts internally designated for renewal and replacement of property and equipment.

Occidental College
Notes to Financial Statements
June 30, 2005 and 2004

1. Operations and Summary of Significant Accounting Policies (Continued)

Unrestricted Net Assets (Continued)

Invested in property and equipment – includes property and equipment stated at cost or fair market value at the date of gift, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives for land improvements (20 years), buildings and improvements (40 years), and equipment and library books (5-10 years). The College follows the policy of generally recording contributions of long-lived assets directly to unrestricted net assets. However, if the donor stipulates how long the assets must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of land, buildings and equipment are recorded as unrestricted net assets. Upon disposition of assets, the cost and related accumulated depreciation is removed with the resulting gain or loss recognized in unrestricted net assets.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. Such assets include certain charitable remainder unitrusts, pooled income funds, gift annuities, and certain pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently Restricted Net Assets

Permanently restricted net assets are those assets subject to donor-imposed stipulations that they be maintained in perpetuity by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets for unrestricted purposes. Such assets primarily include the College's permanent endowment, certain charitable remainder unitrusts, and loan funds established by outside donors.

Revenues and Expenses

Student tuition and fees are recorded as revenues in the period 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.

Contributions are reported as increases in the appropriate category of net assets, except contributions that the donor restricts where the restrictions are met within the same fiscal year, as these contributions are included in unrestricted net assets. Contributions other than cash are recorded at their fair market value or net realizable value at the date of gift.

Revenues from grants and contracts are exchange transactions so are recognized as allowable expenditures under such agreements as incurred.

Revenues from sources other than contributions are reported as increases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases to the appropriate net asset category.

Occidental College
Notes to Financial Statements
June 30, 2005 and 2004

1. Operations and Summary of Significant Accounting Policies (Continued)

Revenues and Expenses (Continued)

Expenses are generally reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are met in the period in which the assets are acquired or placed into service.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not contributions until the conditions on which they depend are substantially met. Unconditional promises to give are donor commitments where there is sufficient evidence they exist, verifiable documentation, no ambiguous conditions, and legally enforceable. If these contributions are to be received after a year and/or over a number of years, they are discounted at a rate equivalent with the long-term applicable federal rate ("AFR"). The discount is amortized and recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any. In addition, an allowance for uncollectible promises to give, based on past collection experience, is recorded.

The financial statements present expenses by functional classification in accordance with the overall educational mission of the College.

Depreciation expense is allocated directly based upon the nature of the underlying assets. Interest expense on external debt is allocated to the functional categories which have benefited from the proceeds. Plant operations and maintenance represents space-related costs that are allocated to the functional categories directly and/or based on the square footage occupancy.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash and cash equivalents representing assets held as endowment and similar funds and assets held for annuity and life income payments are included in long-term investments. Cash and cash equivalents are reported at cost which approximates fair value.

The College has cash balances that periodically exceed the Federal Deposit Insurance Corporation limit of \$100,000 per depository bank.

Assets Whose Use Is Limited

Certain proceeds of the serial bonds (see Note 7) held by trustees are limited as to use in accordance with the requirements of the trust agreements. The worker's compensation bank account is also limited as to use in accordance with State of California and insurance requirements. The assets whose use is limited are comprised of cash and cash equivalents.

Assets whose use is limited are recorded at fair value.

Occidental College
Notes to Financial Statements
June 30, 2005 and 2004

1. Operations and Summary of Significant Accounting Policies (Continued)

Investments

Investments are stated at fair market value, except mortgages, venture capital and real estate, which are stated at the lower of cost or the fair value as of the most recent valuation date prior to year-end. Realized and unrealized gains and losses are reported in the Statements of Activities.

For purposes of determining estimated lower of cost or fair value, vacant land and developed real estate is valued based on the net realizable value. Realized and unrealized gains and losses on investments are the difference between the fair market value and the cost basis of the investments.

All investments of permanently restricted net assets and unrestricted net assets designated as endowment funds are carried in an investment pool unless special considerations or donor stipulations require that they be held separately.

Income on investments of permanently restricted net assets is recorded as revenue in the unrestricted net assets or as additions to temporarily or permanently restricted net assets if specified by the donor.

Total Return Policy

Unrestricted revenue is supplemented by the transfer of additional amounts from unrestricted net assets designated as endowment income to result in a total return from such investments equivalent to between 5% and 6% of the average market value (as defined) of the investments over a three-year period. Additional amounts may be transferred from unrestricted net assets designated – functioning as endowment to undesignated educational and general net assets at the discretion of the Board of Trustees.

Inventories

Inventories in the bookstore, campus dining, and stockroom are stated at the lower of cost or market. Cost has been determined using the average-cost method.

Bond Issuance Costs

Bond issuance costs represent insurance, issuance and underwriters' costs related to the CEFA Series 2005A and 2005B Bonds (see Note 7). These amounts are amortized over the life of the bonds.

Collections

Collections, such as rare books and works of art, which were acquired through purchases and contributions since the College's inception, are not recognized as assets on the balance sheets. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items have been restricted by donors. Contributed collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset category.

Occidental College
Notes to Financial Statements
June 30, 2005 and 2004

1. Operations and Summary of Significant Accounting Policies (Continued)

Estates and Trusts

The College is named beneficiary of various estates in probate. Unless the ultimate amount available for distribution can be determined before the close of the probate proceedings, the College does not record these amounts until the point of asset distribution. Trusts in which the College is named as irrevocable beneficiary, but is not trustee, are recorded as assets held in trust by others when the College is notified by the trustee.

Actuarial Liability

The College uses the actuarial method of recording life income and annuity contract net assets. Under this method, when a gift is received, cash or investments received are recorded at market value, while the present value of the aggregate annuity obligation is recorded as a liability, based upon life expectancy tables. The remainder is recorded as revenue in the appropriate net asset category. Investment income and some 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 actuarial liability is based on the present value of future payments discounted at rates ranging from 3.8% to 11.2% and 90CM Mortality Table.

Student Loans

The College administers a federal student loan program, the Perkins Student Loan program. Loans made under this program have a ten-year repayment period, with interest rates between 3% and 6%. In the event of termination of the program, the loan repayments would be distributed to the federal government and the College on the basis of their relative contributions to the program. It is anticipated that any uncollectible loan balances would be treated in a similar manner.

Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans with U.S. Government mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, could not be made without incurring excessive costs.

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 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.

Tax-Exempt Status

The College is a tax-exempt educational institution under current IRS and corresponding state provisions.

Occidental College
Notes to Financial Statements
June 30, 2005 and 2004

1. Operations and Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

For those financial instruments for which it is practical, the following methods and assumptions are used to estimate fair value:

- Cash and cash equivalents – Cost approximates fair value.
- Receivables – Amounts receivable under student accounts receivable, contracts and grants receivable, contributions receivable, and trust deeds receivable are carried at cost, less allowing for doubtful accounts, which approximates fair value.
- Long-term debt – This 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.

Reclassifications

Certain items from the prior year have been reclassified to conform to current year presentation.

Redesignation

Certain amounts previously received from donors have been transferred among net asset categories due to changes in donor designations.

2. Investments

The following is a summary of securities and other investments held at June 30, 2005 and 2004:

	June 30, 2005		
	Cost Basis	Market Value	Carrying Value
Cash and cash equivalents	\$ 21,234,171	\$ 21,234,171	\$ 21,234,171
Debt securities	59,381,911	61,482,321	61,482,321
Equities	147,771,069	177,879,088	177,879,088
Other equity investments	39,580,000	56,710,019	56,710,019
Venture capital	305,790	306,552	305,790
Real estate	<u>4,634,447</u>	<u>4,634,447</u>	<u>4,634,447</u>
	<u>\$ 272,907,388</u>	<u>\$ 322,246,598</u>	<u>\$ 322,245,836</u>

Occidental College
Notes to Financial Statements
June 30, 2005 and 2004

2. Investments (Continued)

	June 30, 2004		
	Cost Basis	Market Value	Carrying Value
Cash and cash equivalents	\$ 4,230,002	\$ 4,230,002	\$ 4,230,002
Debt securities	59,180,440	60,253,980	60,253,980
Equities	151,737,864	175,593,179	175,593,179
Other equity investments	38,530,000	48,095,078	48,095,078
Venture capital	397,620	397,620	397,620
Real estate	<u>1,574,447</u>	<u>1,574,447</u>	<u>1,574,447</u>
	<u>\$ 255,650,373</u>	<u>\$ 290,144,306</u>	<u>\$ 290,144,306</u>

The following schedule summarizes the College's investment return for the years ended June 30, 2005 and 2004:

	2005	2004
Dividends, interest and rents	\$ 6,770,015	\$ 5,619,082
Unrealized gains, net	14,857,610	32,276,553
Realized gains, net	<u>16,003,019</u>	<u>5,613,330</u>
	37,630,644	43,508,965
Less: Investment expense	(956,448)	(974,768)
Investment income designated for operations	<u>(12,652,194)</u>	<u>(12,683,119)</u>
Realized and unrealized gains, net of allocation to operations and investment expense	<u>\$ 24,022,002</u>	<u>\$ 29,851,078</u>

Occidental College
Notes to Financial Statements
June 30, 2005 and 2004

2. Investments (Continued)

Where permitted by gift agreement and/or applicable government regulations, investments are pooled. Pooled investments and allocations of pooled investment income are accounted for on a unit-market value method. The following schedule summarizes the College's pooled investments for the year ended June 30, 2005:

	2005	2004
Unit-market value at end of year	\$ <u>350.54</u>	\$ <u>330.55</u>
Units owned		
Unrestricted		
Education and general	-	38,472
Funds functioning as endowment	<u>171,043</u>	<u>163,223</u>
Total unrestricted	<u>171,043</u>	<u>201,695</u>
Permanently restricted		
Endowment funds	<u>627,240</u>	<u>616,963</u>
Total permanently restricted	<u>627,240</u>	<u>616,963</u>
Total units	<u><u>798,283</u></u>	<u><u>818,658</u></u>

At June 30, 2005 and 2004, investments include \$27,974,045 and \$20,420,822, respectively, in securities related to life income and annuity contracts.

3. Trust Deeds Receivable

The College held notes receivable from faculty members and administrators totalling approximately \$2,961,000 and \$3,316,000 at June 30, 2005 and 2004, respectively. These notes are included in the trust deeds receivable balance on the Balance Sheet. Such loans were issued under the College's housing assistance program, and are collateralized by first or second deeds of trust. Interest rates range from 5.0% to 6.7% with maturities up to 20 years. The College has \$755,278 of non-interest-bearing loans included in this amount at June 30, 2005 and 2004.

Occidental College
Notes to Financial Statements
June 30, 2005 and 2004

4. Contributions Receivable

Unconditional promises to give are included in the financial statements as contributions receivable and gift revenue in the appropriate net asset category. Contributions are recorded after discounting at the long-term AFR to the present value of future cash flows. The AFR ranged from 2.48% and 3.56% for the years ended June 30, 2005 and 2004. Amortization of the discount is included in gift revenue.

Contributions receivable are expected to be realized as follows:

	2005	2004
In one year or less	\$ 1,779,077	\$ 1,092,881
Between one year and five years	<u>726,600</u>	<u>269,100</u>
	2,505,677	1,361,981
Less: Discount	(49,915)	(10,999)
Allowance for uncollectible amounts	<u>(164,087)</u>	<u>(106,473)</u>
Contributions receivable, net	<u>\$ 2,291,675</u>	<u>\$ 1,244,509</u>

Contributions receivable at June 30, 2005 have the following restrictions:

Endowment for programs, activities and scholarships	\$ 603,873
Building construction	1,088,508
Education and general	<u>813,296</u>
Total	<u>\$ 2,505,677</u>

5. Property and Equipment

Property and equipment consists of the following at June 30, 2005 and 2004:

	2005	2004
Land and improvements	\$ 7,400,988	\$ 6,094,527
Buildings	102,034,591	100,593,267
Furniture and equipment	26,881,148	25,513,328
Construction-in-progress	<u>7,496,311</u>	<u>1,969,251</u>
	143,813,038	134,170,373
Less: Accumulated depreciation	<u>(66,282,688)</u>	<u>(62,130,130)</u>
Property and equipment, net	<u>\$ 77,530,350</u>	<u>\$ 72,040,243</u>

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Notes to Financial Statements
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6. Notes Payable

On December 11, 2003, the College signed a Promissory Note (the "Note") with a bank in the amount of \$1,800,000. The balance of \$282,432 at June 30, 2005 is due by December 31, 2005.

7. Bonds Payable

Bonds payable at June 30, 2005 are summarized as follows:

	Authorized and Issued	Remaining Interest Rates	Remaining Bonds Outstanding	Debt Service Assets
1979 Dormitory Bonds				
Series C	\$ 740,000	3.00%	\$ 45,000	\$ —
Series D	<u>419,000</u>	3.00%	<u>220,000</u>	<u>194,130</u>
Total	1,159,000		265,000	194,130
California Educational Facilities Authority ("CEFA") Revenue Bonds				
Series 2005A & 2005B	<u>70,335,000</u>	3.00% to 5.25%	<u>70,335,000</u>	<u>—</u>
Total	<u>\$ 71,494,000</u>		<u>\$ 70,600,000</u>	<u>\$ 194,130</u>

Future principal payment requirements on the bonds payable are summarized as follows:

Year Ending June 30,	1979 HUD Dormitory Bonds	Series 2005A & 2005B CEFA Bonds	Total
2006	\$ 57,000	\$ —	\$ 57,000
2007	12,000	—	12,000
2008	12,000	1,165,000	1,177,000
2009	13,000	1,195,000	1,208,000
2010	13,000	1,240,000	1,253,000
2011 and thereafter	<u>158,000</u>	<u>66,735,000</u>	<u>66,893,000</u>
	<u>\$ 265,000</u>	<u>\$ 70,335,000</u>	<u>\$ 70,600,000</u>

The estimated fair value of the College's bonds payable was approximately \$74,739,137 and \$33,360,000 at June 30, 2005 and 2004, respectively. This 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.

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Notes to Financial Statements
June 30, 2005 and 2004

7. Bonds Payable (Continued)

Dormitory Bonds

Dormitory bonds are collateralized by mortgages on certain dormitories, net revenues from operations of certain dormitories, and student tuition fees not to exceed \$24,000 in any one year. The bonds are currently redeemable at prices stipulated in the bond indenture agreements.

Under terms of the bond indentures, semiannual payments are required to be paid to a trustee for bond service in amounts sufficient to fund current year principal and interest payments and to maintain deposits with bank trustees at stipulated amounts.

California Educational Facilities Authority Bonds

In April 2005, the College issued \$70,335,000 in bonds through the California Educational Facilities Authority ("CEFA"). The College issued serial bonds with fixed-interest rates ranging from 3.00% to 5.25%, payable on April 1 and October 1 through 2036.

The CEFA Series 2005A and 2005B Bonds were used to extinguish the outstanding debt from the College's CEFA Series 1997 Bonds, as well as to provide funds for certain capital projects.

As a result, the CEFA Series 1997 Bonds have been legally defeased and the liability for them has been removed from the Balance Sheet. The College incurred a loss of defeasance of approximately \$1,798,000 as a result of the refunding, which is reflected in the operating expenses of the Statement of Activities. The loss on the advance refunding will be offset by lower interest expense over the life of the CEFA Series 2005A and 2005B Bonds.

The Series 2005A and 2005B Bonds are collateralized by the pledge of certain revenues of the College including all tuition, room, and board fees, and other fees or charges arising out of general College operations.

The loan agreements for the 2005A and 2005B CEFA issue contains restrictive covenants which include the maintenance of certain minimum enrollment levels as well as maintaining assets available for debt coverage at a specified level.

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Notes to Financial Statements
June 30, 2005 and 2004

8. Net Assets

Net assets consist of the following at June 30, 2005 and 2004:

	2005	2004
Net assets		
Unrestricted		
Designated – education and general	\$ 10,891,531	\$ 9,683,930
Designated – functioning as endowment	193,843,616	168,569,729
Designated – student loan funds	2,664,958	2,653,905
Designated – life income and annuity contracts	2,326,879	1,804,153
Designated – renewal and replacement	1,304,925	777,495
Invested in property and equipment	<u>46,932,597</u>	<u>46,552,445</u>
Total unrestricted net assets	<u>257,964,506</u>	<u>230,041,657</u>
Temporarily restricted		
Contracts	697,001	706,706
Life income and annuity contracts	4,773,769	2,690,456
Property and equipment funds	2,561,536	1,229,206
Contributions receivable, net	1,744,227	1,244,509
Assets held in trust by others	<u>6,573,199</u>	<u>5,893,670</u>
Total temporarily restricted net assets	<u>16,349,732</u>	<u>11,764,547</u>
Permanently restricted		
Endowment corpus	86,109,112	83,002,557
Life income and annuity contracts	8,947,412	7,269,909
Loan funds	11,393,186	11,305,776
Contributions receivable, net	547,448	–
Assets held in trust by others	<u>6,082,871</u>	<u>5,940,860</u>
Total permanently restricted net assets	<u>113,080,029</u>	<u>107,519,102</u>
Total net assets	<u>\$ 387,394,267</u>	<u>\$ 349,325,306</u>

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Notes to Financial Statements
June 30, 2005 and 2004

9. Pension Plan

All academic and nonacademic employees are eligible to participate in the Teachers Insurance and Annuity Association (“TIAA”) and/or the College Retirement Equity Fund (“CREF”) defined contribution programs. TIAA is a nonprofit, legal reserve life insurance and annuity company and CREF is a nonprofit corporation companion to TIAA.

Benefits are funded by contributions from both the College and participating employees. All contributions are credited to participant accounts, and all College contributions are fully vested. The College’s contributions for the years ended June 30, 2005 and 2004 were approximately \$2,597,000 and \$2,523,000, respectively, which are included as expenditures in the statements of activities.

10. Fundraising Expenses

During the years ended June 30, 2005 and 2004, the College incurred fundraising expenses of approximately \$2,999,000 and \$2,615,000, respectively, exclusive of expenses for Alumni Relations and Public Relations.

11. Commitments and Contingencies

In connection with certain other equity investments, the College has committed to make additional investments totaling approximately \$2,950,000 over the next several years.

The College is an equity owner of the College Liability Insurance Company (“CLIC”). At June 30, 2005, the College had a contingent liability of approximately \$299,800 for its portion of the CLIC \$2,000,000 letter of credit. The liability would arise if CLIC were to fail to meet this obligation.

In the normal course of operations, the College is named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the College’s financial position.

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

The College has commitments on construction contracts totaling approximately \$1,518,000.