Report of Independent Auditors
and Financial Statements for

Occidental College

June 30, 2014 and 2013

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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CONTENTS

REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Occidental College

Report on the Financial Statements

We have audited the accompanying financial statements of Occidental College (the "College"), which comprise the balance sheet as of June 30, 2014 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

MOSS ADAMS LLP

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheet of Occidental College as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

The financial statements of Occidental College as of June 30, 2013 were audited by other auditors whose report dated November 8, 2013, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss Adams LLP

Los Angeles, California
November 7, 2014

OCCIDENTAL COLLEGE
BALANCE SHEETS
JUNE 30, 2014 AND 2013

ASSETS

	2014	2013
Cash and cash equivalents	$ 5,457,295	$ 8,036,573
Assets whose use is limited	11,488,770	12,063,991
Student accounts receivable, less allowance for doubtful accounts of $302,377 and $271,335 at June 30, 2014 and 2013, respectively	320,508	339,051
Contracts and grants receivable	1,492,856	1,230,463
Contributions receivable, net	10,342,588	8,502,028
Inventories	599,899	592,967
Other assets	1,838,898	2,066,839
Trust deeds receivable	496,672	540,524
Investments	467,400,303	408,318,102
Student notes receivable, net	22,814,508	22,696,985
Bond issuance costs	1,370,046	1,435,458
Assets held in trust by others	11,420,924	10,557,808
Property and equipment, net	162,192,938	162,757,298
Total assets	$ 697,236,205	$ 639,138,087

LIABILITIES AND NET ASSETS

	2014	2013
LIABILITIES		
Accounts payable and accrued expenses	$ 12,972,973	$ 15,511,432
Student deposits and deferred revenue	4,401,049	5,185,425
Bonds payable	90,010,000	92,270,000
Bonds premium, net	7,395,881	7,663,669
Government loans payable	4,167,567	4,167,567
Annuities payable	14,053,961	13,121,755
Asset retirement obligations	2,463,345	2,629,349
Total liabilities	135,464,776	140,549,197
NET ASSETS		
Unrestricted	174,477,255	153,789,556
Temporarily restricted	227,338,334	192,271,241
Permanently restricted	159,955,840	152,528,093
Total net assets	561,771,429	498,588,890
Total liabilities and net assets	$ 697,236,205	$ 639,138,087

OCCIDENTAL COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
Operating Revenues:					
Student revenues:					
Tuition and fees	$ 95,428,066	$ -	$ -	$ 95,428,066	$ 94,680,642
Room and board	20,606,141	-	-	20,606,141	19,725,424
Less: Financial assistance	(39,085,687)	-	-	(39,085,687)	(39,159,550)
Net student revenues	76,948,520	-	-	76,948,520	75,246,516
Private gifts, grants and contracts	11,268,427	-	-	11,268,427	6,831,162
Federal and state grants and contracts	3,720,980	-	-	3,720,980	3,451,929
Auxiliary services, other	2,978,935	-	-	2,978,935	3,066,082
Investment income designated for operations	3,247,741	14,952,283	-	18,200,024	18,463,272
Other	2,730,613	-	-	2,730,613	2,643,038
Net assets released from restrictions	14,944,494	(14,944,494)	-	-	-
Total operating revenues	115,839,710	7,789	-	115,847,499	109,701,999
Operating Expenditures:					
Instruction	38,882,874	-	-	38,882,874	37,045,051
Research	3,142,424	-	-	3,142,424	2,719,528
Public service	3,994,251	-	-	3,994,251	4,046,869
Academic support	10,108,221	-	-	10,108,221	9,572,838
Student services	13,327,041	-	-	13,327,041	12,797,837
Institutional support:					
General	10,533,984	-	-	10,533,984	9,103,394
Advancement	6,532,688	-	-	6,532,688	6,507,501
Auxiliary services, student and other	20,853,250	-	-	20,853,250	20,360,860
Total operating expenditures	107,374,733	-	-	107,374,733	102,153,878
Change in net assets from operating activities	8,464,977	7,789	-	8,472,766	7,548,121
Other changes in net assets:					
Net assets released for capital expenditures	2,445,572	(2,445,572)	-	-	-
Loss on bond defeasance	-	-	-	-	(4,757,280)
Private gifts, grants and contracts non-operating	1,227,682	1,106,187	5,892,267	8,226,136	10,301,775
Present value adjustment for annuities	-	(289,869)	(1,645,284)	(1,935,153)	(576,768)
Change in fair value of assets held in trust by others	-	739,363	123,753	863,116	687,116
Investment income, net	8,254,610	36,474,434	2,826,630	47,555,674	22,910,699
Change in underwater funds	469,332	(469,332)	-	-	-
Redesignation of net assets	(174,474)	(55,907)	230,381	-	-
Total other changes in net assets	12,222,722	35,059,304	7,427,747	54,709,773	28,565,542
Changes in net assets	20,687,699	35,067,093	7,427,747	63,182,539	36,113,663
Net assets, beginning of year	153,789,556	192,271,241	152,528,093	498,588,890	462,475,227
Net assets, end of year	$ 174,477,255	$ 227,338,334	$ 159,955,840	$ 561,771,429	$ 498,588,890

OCCIDENTAL COLLEGE
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Operating Revenues:					
Student revenues:					
Tuition and fees	$ 94,680,642	$ -	$ -	$ 94,680,642	$ 89,149,193
Room and board	19,725,424	-	-	19,725,424	18,693,265
Less: Financial assistance	(39,159,550)	-	-	(39,159,550)	(37,005,895)
Net student revenues	75,246,516	-	-	75,246,516	70,836,563
Private gifts, grants and contracts	6,831,162	-	-	6,831,162	8,286,621
Federal and state grants and contracts	3,451,929	-	-	3,451,929	3,268,968
Auxiliary services, other	3,066,082	-	-	3,066,082	3,080,003
Investment income designated for operations	3,231,422	15,231,850	-	18,463,272	17,882,595
Other	2,643,038		-	2,643,038	2,609,584
Net assets released from restrictions	15,053,098	(15,053,098)	-	-	-
Total operating revenues	109,523,247	178,752	-	109,701,999	105,964,334
Operating Expenditures:					
Instruction	37,045,051	-	-	37,045,051	36,213,757
Research	2,719,528	-	-	2,719,528	2,449,250
Public service	4,046,869	-	-	4,046,869	4,273,356
Academic support	9,572,838	-	-	9,572,838	9,780,586
Student services	12,797,837	-	-	12,797,837	12,531,625
Institutional support:					
General	9,103,394	-	-	9,103,394	8,437,675
Advancement	6,507,501	-	-	6,507,501	6,854,611
Auxiliary services, student and other	20,360,860	-	-	20,360,860	20,268,565
Total operating expenditures	102,153,878	-	-	102,153,878	100,809,425
Change in net assets from operating activities	7,369,369	178,752		7,548,121	5,154,909
Other changes in net assets:					
Net assets released for capital expenditures	4,501,761	(4,501,761)	-	-	-
Annuity funds released	2,949,279	(2,949,279)	-	-	-
Loss on bond defeasance	(4,757,280)	-	-	(4,757,280)	-
Private gifts, grants and contracts non-operating	5,804,629	1,598,020	2,899,126	10,301,775	9,120,572
Other				-	45,900
Present value adjustment for annuities	-	268,431	(845,199)	(576,768)	(245,076)
Change in fair value of assets held in trust by others	-	615,063	72,053	687,116	(10,453)
Investment income (loss), net	4,263,188	16,682,528	1,964,983	22,910,699	(19,677,769)
Change in underwater funds	1,049,159	(1,049,159)	-	-	-
Redesignation of net assets	(356,444)	(56,540)	412,984	-	-
Total other changes in net assets	13,454,292	10,607,303	4,503,947	28,565,542	(10,766,826)
Changes in net assets	20,823,661	10,786,055	4,503,947	36,113,663	(5,611,917)
Net assets, beginning of year	132,965,895	181,485,186	148,024,146	462,475,227	468,087,144
Net assets, end of year	$ 153,789,556	$ 192,271,241	$ 152,528,093	$ 498,588,890	$ 462,475,227

See accompanying notes.

OCCIDENTAL COLLEGE
STATEMENTS OF CASH FLOWS
JUNE 30, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Changes in net assets	$ 63,182,539	$ 36,113,663
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	7,711,443	7,157,310
Net unrealized and realized gains on investments	(63,077,183)	(39,170,573)
Contributions restricted for long-term investments	(5,892,267)	(2,899,126)
Contributions for capital expenditures	(2,333,869)	(7,402,649)
Student notes receivable	67,672	(73,179)
Asset retirement obligations	(166,004)	(199,836)
Change in assets and liabilities:		
Student accounts receivable, net	18,543	140,568
Contracts and grants receivable	(262,393)	48,512
Contributions receivable, net	1,633,253	(357,691)
Inventories	(6,932)	24,059
Other assets	227,941	58,506
Accounts payable and accrued expenses	(3,658,892)	(1,486,627)
Student deposits and deferred revenue	(784,376)	89,556
Net cash used in operating activities	(3,340,525)	(7,957,507)
Cash flows from investing activities:		
Collection of trust deeds receivable	43,852	664,451
Change in assets whose use is limited	575,221	(10,010,591)
Disbursement of student notes receivables	(2,774,574)	(3,154,853)
Collection of student notes receivables	2,589,379	2,445,067
Purchases of investments	(339,003,742)	(292,767,238)
Proceeds from sales and maturities of investments	342,998,724	299,238,533
Purchases of property and equipment	(6,229,027)	(10,564,763)
Net cash used in investing activities	(1,800,167)	(14,149,394)
Cash flows from financing activities:		
Contributions restricted for long-term investment	2,418,455	3,598,663
Contributions for capital expenditures	2,333,869	7,402,649
Change in assets held in trust by others	(863,116)	(819,115)
Bond issuance costs	-	46,828
Bond premium	-	6,150,784
Repayment of long-term debt	(2,260,000)	(46,175,000)
Issuance of new debt	-	54,995,000
Change in annuities payable	932,206	(156,047)
Net cash provided by financing activities	2,561,414	25,043,762
Net (decrease)/ increase in cash and cash equivalents	(2,579,278)	2,936,861
Cash and cash equivalents at beginning of year	8,036,573	5,099,712
Cash and cash equivalents at end of year	$ 5,457,295	$ 8,036,573

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest	$ 3,734,104	$ 4,016,103
Gifts of stock and securities	$ -	$ 3,063,409
Unpaid fixed asset purchases	$ 1,120,433	$ 3,257,989

See accompanying notes.

Note 1 – Organization

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.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting and reporting – The accompanying financial statements of the College, a not-for-profit educational institution, have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The College reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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

Note 2 – Summary of Significant Accounting Policies (continued)

Invested in property and equipment – includes property and equipment stated at cost or fair value at the date of gift, less accumulated depreciation and any related debt. 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 buildings and $5,000 for furniture and equipment are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives for land and improvements (up to 20 years), buildings (up to 40 years), and furniture and equipment (up to 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. 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 accumulated endowment investment gains, 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. 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 or can be realized until the contractual obligations are released.

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 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 revenue.

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

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

Note 2 – Summary of Significant Accounting Policies (continued)

Expenses are generally reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as "net assets released from restrictions" 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 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 value or net realizable value at the date of gift. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recorded as 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 they are 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 short-term and mid-term applicable risk adjusted rate. 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 to the functional categories 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. Information technology service expense is allocated to functional categories based on employee and student headcount.

Cash and cash equivalents – cash and cash equivalents include short-term, highly liquid investments with a maturity date 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.

Concentration of credit risk – Financial instruments that potentially subject the College to concentrations of credit risk consist 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) insured limits. Concentration of credit risk with respect to receivables are limited due to the large number of students from which amounts are due, with no one account being significant.

Note 2 – Summary of Significant Accounting Policies (continued)

Assets whose use is limited – Certain proceeds of the serial bonds held by trustees are limited as to use in accordance with the requirements of the trust agreements. The workers' 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 and are recorded at fair value.

Investments – Investments are stated at fair value. The fair value of investments is based on quoted prices from national security exchanges, except for limited partnerships, mortgages, and venture capital which are based on information provided by external investment managers at the most recent valuation period date for the fiscal year-end. Management monitors the activity of external investment managers and performs reconciliations and other procedures to assure that the valuations used in the financial statements are fairly stated. The College believes the carrying amounts of these investments are a reasonable estimate of fair value. Because the limited partnership, mortgages, and venture capital investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material. Realized and unrealized gains and losses on investments are the difference between the fair market value and the cost basis of the investments. The net realized and unrealized gains and losses are reported in the statements of activities. Real estate is stated at cost.

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.

Management of pooled investments – The College follows an investment policy for its pooled endowment investments which anticipates a greater long-term return through investing for capital appreciation and long-term growth. According to the College's endowment spending policy, the amount of investment return available for current operations is determined by applying a specified percentage, 5.35%, of a twenty-one-quarter average unit market value to the units held as of September 30 of the prior fiscal year.

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 California Educational Facilities Authority ("CEFA") Series 2005A and 2005B Bonds, the CEFA Series 2008 Bonds and the CEFA Series 2013A and 2013B Bonds (Note 9). These amounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Note 2 – Summary of Significant Accounting Policies (continued)

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. These collections are held solely for their potential educational value or historical significance. Management has determined that the cost to establish the current market value is deemed to exceed the benefit and therefore the collections were not assigned a value for the purpose of capitalization. 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.

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. The assets are recorded at fair value based on the statements from the trustees, which are derived from the fair value of the underlying investments of the trusts, and the College's ownership interest in the trust.

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 fair 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 3.99% and the 2000 Annuity Mortality Table.

Asset retirement obligations – GAAP defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the College. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability. The obligation to perform the asset retirement activity is unconditional, and accordingly, a liability should be recognized.

There were $166,004 and $58,473 asset retirement costs for the years ending June 30, 2014 and 2013, respectively and $2,463,345 and $2,629,349 of conditional retirement asset obligations included in the balance sheets as of June 30, 2014 and 2013, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Use of estimates – The preparation of financial statements in conformity with GAAP 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, expenses and other changes in net assets during the reporting period. While management believes that these estimates are adequate as of June 30, 2014, it is possible that actual results could differ from those estimates.

Income taxes – The College operates as a not-for-profit organization and has been recognized by the Internal Revenue Service as an organization exempt from income taxation pursuant to Internal Revenue Code Section 501(c)(3) on its income other than unrelated business income and has also been recognized by the Franchise Tax Board as exempt from state franchise or income tax pursuant to California Revenue and Taxation Code Section 23701(d) on its income other than unrelated business income.

As required by GAAP, the College has identified and evaluated its significant tax positions for which the statute of limitations remain open and has determined that there is no material unrecognized benefit or liability to be recorded. The open tax years are the years ended June 30, 2011 through June 30, 2014 for federal tax purposes and the years ended June 30, 2010 through June 30, 2014 for California tax purposes. There are no uncertain tax positions for the years ended June 30, 2014 or June 30, 2013. There have been no related tax penalties or interest, which would be classified as a tax expense in the statements of activities.

Fair value of financial instruments – Except for investments and estates and trusts, which are discussed above, for the other financial instruments for which it is practical, the following methods and assumptions are used to estimate fair value:

> *Receivables* – Amounts receivable under student accounts receivable, contracts and grants receivable, contributions receivable, and trust deeds receivable are carried at cost, less allowance for doubtful accounts, which approximates fair value. Determination of the fair value of student notes receivable, which are primarily federally sponsored student notes with U.S. governmental 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.

Note 2 – Summary of Significant Accounting Policies (continued)

Long-term debt – 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.

Recent accounting pronouncements – In October 2012, the FASB issued Accounting Standards Update No. 2012-05 or ASU 2012-05, *Not for Profit Entities ("NFP"): Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, which requires an NFP to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. The ASU became effective for annual periods beginning after June 15, 2013. The guidance was adopted by the College during the year ended June 30, 2014 and does not have a material impact on its financial statements.

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

Reclassifications – Certain reclassifications have been made to the prior year amounts to conform to the current year presentation.

Note 3 – Investments

The following schedule summarizes the assets in pooled investments and the assets held as separate investments at June 30:

	2014	2013
Cash and cash equivalents	$ 46,293,568	$ 42,302,249
U.S. equities	94,273,682	82,193,952
Global equities (developed)	55,031,495	43,674,843
Emerging markets equities	42,074,440	32,957,168
Domestic fixed income	40,074,959	58,331,052
Global fixed income	9,635,040	6,126,931
Absolute return	75,281,401	55,659,023
Marketable inflation hedging assets	42,937,014	35,936,541
Private equity and venture capital	60,640,633	49,978,272
Real estate	1,158,071	1,158,071
	$ 467,400,303	$ 408,318,102

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

	2014	2013
Dividends, interest and rents	$ 7,178,691	$ 9,249,281
Realized gains, net	36,543,027	12,823,250
Unrealized gains, net	26,534,156	23,283,914
	70,255,874	45,356,445
Less: Investment expense	(4,500,176)	(3,982,474)
Investment income designated for operations	(18,200,024)	(18,463,272)
Investment income, net of allocation to operations and investment expense	$ 47,555,674	$ 22,910,699

Note 3 – Investments (continued)

Investment income was classified as follows for the year ended June 30:

	June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends, interest and rents	$ 1,469,985	$ 5,152,510	$ 556,196	$ 7,178,691
Realized gains, net	5,933,555	30,272,159	337,313	36,543,027
Unrealized gains, net	5,008,799	19,486,454	2,038,903	26,534,156
Total	$ 12,412,339	$ 54,911,123	$ 2,932,412	$ 70,255,874

	June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends, interest and rents	$ 1,620,860	$ 6,786,986	$ 841,435	$ 9,249,281
Realized gains (losses), net	2,351,018	10,482,545	(10,313)	12,823,250
Unrealized gains, net	4,017,603	18,033,148	1,233,163	23,283,914
Total	$ 7,989,481	$ 35,302,679	$ 2,064,285	$ 45,356,445

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-making value method. The following schedule summarizes the College's pooled investments for the years ended June 30:

	2014	2013
Unit-market value at end of year	$ 446.26	$ 398.72
Units owned:		
Unrestricted:		
Funds functioning as endowment	167,501	159,118
Total unrestricted	167,501	159,118
Permanently restricted:		
Endowment funds	739,587	732,566
Total permanently restricted	739,587	732,566
Total units	$ 907,088	$ 891,684

At June 30, 2014 and 2013, investments include approximately $31,739,000 and $28,029,000 respectively, in securities related to life income and annuity contracts.

Note 4 – Fair Value Measurements

The College accounts for its investments at fair value. Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*, defined fair value, established a framework used to measure fair value, and expanded disclosures about fair value measurements. The standard prioritized, within the measurement of fair value, the use of market-based information over College-specific information and established a three-level hierarchy for fair value measurement based on the transparency of information, such as the pricing source used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable of the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or to other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The College evaluates its hierarchy disclosures each reporting period and, based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the College expects that changes in classifications between different levels will be rare.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 4 – Fair Value Measurements (continued)

The College's valuation methodologies used for alternative investments measured at fair value is based on net asset value ("NAV") of shares held by the College at fiscal year end. The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the investments and assets held by others carried on the balance sheets by level within the valuation hierarchy at June 30:

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents (including assets whose use is limited)	$ 57,782,338	$ -	$ -	$ 57,782,338
US equities	51,398,502	42,875,180	-	94,273,682
Global equities (developed)	11,516,054	30,529,391	12,986,050	55,031,495
Emerging markets equities	16,596,332	25,478,108	-	42,074,440
Domestic fixed income	29,426,220	10,648,739	-	40,074,959
Global fixed income	-	9,635,040	-	9,635,040
Absolute return	-	9,664,223	65,617,178	75,281,401
Marketable inflation hedging assets	41,907,697	-	1,029,317	42,937,014
Private equity and venture capital	-	-	60,640,633	60,640,633
Assets held in trust by others	-	-	11,420,924	11,420,924
Total	$ 208,627,143	$ 128,830,681	$ 151,694,102	$ 489,151,926

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents (including assets whose use is limited)	$ 54,366,240	$ -	$ -	$ 54,366,240
US equities	43,743,331	38,450,621	-	82,193,952
Global equities (developed)	8,905,675	24,420,168	10,349,000	43,674,843
Emerging markets equities	11,425,950	21,531,218	-	32,957,168
Domestic fixed income	48,083,524	10,247,528	-	58,331,052
Global fixed income	-	6,126,931	-	6,126,931
Absolute return	-	-	55,659,023	55,659,023
Marketable inflation hedging assets	14,164,093	-	21,772,448	35,936,541
Private equity and venture capital	-	-	49,978,272	49,978,272
Assets held in trust by others	-	-	10,557,808	10,557,808
Total	$ 180,688,813	$ 100,776,466	$ 148,316,551	$ 429,781,830

Note 4 – Fair Value Measurements (continued)

The following table summarizes the valuation of the College's Level 3 reconciliation by the ASC 820 standards for the years ended June 30:

	June 30, 2014					
	Global equities (developed)	Absolute return	Marketable inflation hedging assets	Private equity and venture capital	Assets held in trust by others	Total
Beginning balance	$ 10,349,000	$ 55,659,023	$ 21,772,448	$ 49,978,272	$ 10,557,808	$ 148,316,551
Purchases	-	39,000,000	-	11,829,173	-	50,829,173
Sales	(180,396)	(35,406,862)	(21,997,128)	(10,235,653)	-	(67,820,039)
Realized gain (loss)	180,396	17,941,369	4,943,455	3,993,402	-	27,058,622
Unrealized gain (loss)	2,637,050	(11,576,352)	(3,698,449)	5,061,644	863,116	(6,712,991)
Interest and dividends	-	-	8,991	13,795	-	22,786
Ending balance	$ 12,986,050	$ 65,617,178	$ 1,029,317	$ 60,640,633	$ 11,420,924	$ 151,694,102

	June 30, 2013					
	Global equities (developed)	Absolute return	Marketable inflation hedging assets	Private equity and venture capital	Assets held in trust by others	Total
Beginning balance	$ -	$ 57,972,207	$ 26,758,009	$ 51,159,465	$ 9,738,693	$ 145,628,374
Purchases	10,000,000	-	-	6,970,817	-	16,970,817
Sales	-	(9,853,303)	(4,649,697)	(9,298,815)	-	(23,801,815)
Realized gain (loss)	-	339,095	3,041,260	2,071,338	-	5,451,693
Unrealized gain (loss)	349,000	7,201,024	(3,618,312)	(929,598)	819,115	3,821,229
Interest and dividends	-	-	241,188	5,065	-	246,253
Ending balance	$ 10,349,000	$ 55,659,023	$ 21,772,448	$ 49,978,272	$ 10,557,808	$ 148,316,551

Note 4 – Fair Value Measurements (continued)

The College uses the NAV to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles or have the attributes of an investment company. The following table lists those investments by major class:

	Fair Value June 30, 2014	Strategy	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds	$ 141,816,731	These funds invest mostly in public domestic and international debt and equity securities. The commingled funds are held in partnership or trust format.	$ -	Range from daily to quarterly	7 - 90 days notice
Absolute return	65,617,178	Hedge funds looking to generate steady returns in the range of 7 to 12 percent with relatively low volatility and relatively low correlations to the equity markets.	-	Range from quarterly to annually	15 - 95 days notice
Marketable inflation hedging assets	1,029,317	Investments in natural resource equities, commodities, and TIPS that are meant to generate long term returns similar to the US stock market but would also be expected to perform better in a market in which inflation is rapidly rising.	-	N/A *	N/A *
Private equity	47,034,456	Investments in privately held energy and or mining companies that are meant to generate long term returns similar to the US stock market but would also be expected to perform better in a market in which inflation is rapidly rising.	30,661,548	N/A *	N/A *
Venture capital	13,606,177	Investments in privately held start up and or fast growing companies expected to generate returns above traditional equity markets.	2,670,000	N/A *	N/A*
Totals	$ 269,103,859		$ 33,331,548		

Note 5 – Trust Deeds Receivable

The College held notes receivable from faculty members and administrators totaling approximately $455,000 and $491,000 at June 30, 2014 and 2013, respectively. These notes are included in the trust deeds receivable balance on the balance sheets and are recorded at cost. Such loans were issued under the College's housing assistance program, and are collateralized by first or second deeds of trust. The interest rate is 5.0% with maturities up to 25 years. As of June 30, 2014 and 2013, no amounts were past due and no amounts have been written off. All semi-monthly payments are made through payroll deductions. Management has determined no allowance on the trust deeds receivable balance is necessary as of June 30, 2014 and 2013, based on prior collection experience and current economic factors.

Note 6 – 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 risk adjusted rate. The risk adjusted rates range from 0.19% and 3.48% for the years ended June 30, 2014 and 2013. Amortization of the discount is included in gift revenue.

As of June 30, unconditional promises to give are expected to be collected in the following periods:

	2014	2013
Less than one year	$ 2,413,545	$ 3,215,117
Between one year and five years	7,771,340	5,076,835
Later than five years	1,020,000	1,000,000
	11,204,885	9,291,952
Less: Discount	(542,423)	(526,975)
Allowance for uncollectible amounts	(319,874)	(262,949)
Contributions receivable, net	$ 10,342,588	$ 8,502,028

Contributions receivable at June 30, 2014 have the following restrictions:

Endowment for programs, activities and scholarships	$ 6,860,488
Education and general	840,440
Building construction	3,503,957
Total contributions receivable, gross	$ 11,204,885

Unconditional promises to give include amounts from members of the College's Board of Trustees of $2,555,000 and $4,260,000 as of June 30, 2014 and 2013, respectively.

Note 7 – Student Notes Receivable

The College makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. At June 30, 2014 and 2013, student loans represented 3.3% and 3.6% of total assets, respectively.

At June 30, student loans consisted of the following:

	2014	2013
Federal government programs	$ 5,285,166	$ 5,446,244
Institutional programs	20,566,520	20,345,345
	25,851,686	25,791,589
Less allowance for doubtful accounts:		
Beginning of year	(3,094,604)	(3,167,784)
(Increases)/decreases	31,481	73,179
Write-offs	25,945	1
End of year	(3,037,178)	(3,094,604)
Student loans receivable, net	$ 22,814,508	$ 22,696,985

The College participates in the Federal Perkins revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of $4,167,567 at June 30, 2014 and 2013, respectively, are ultimately refundable to the government and are classified as liabilities in the balance sheets.

Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At June 30, 2014 and 2013, the following amounts were past due under student loan programs:

June 30,	In default less than 240 days	In default between 240 days and 2 years	In default more than 2 years	Total past due
2014	$ 1,037,179	$ 402,806	$ 1,331,579	$ 2,771,564
2013	$ 1,187,051	$ 362,732	$ 1,234,960	$ 2,784,743

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

Note 8 – Property and Equipment

Property and equipment consists of the following at June 30:

	2014	2013
Land and improvements	$ 7,729,597	$ 7,147,428
Buildings	223,690,533	208,819,379
Furniture and equipment	19,611,024	19,338,618
Construction-in-progress	3,169,263	13,055,247
	254,200,417	248,360,672
Less: Accumulated depreciation	(92,007,479)	(85,603,374)
Property and equipment, net	$ 162,192,938	$ 162,757,298

Depreciation expense for the years ended June 30, 2014 and 2013 was $7,913,819 and $7,181,363, respectively.

Note 9 – Debt

California Educational Facility Authority ("CEFA") Bonds – In June 2013, the College issued $54,995,000 in bonds through the CEFA (Series 2013A and 2013B Bonds), with a premium of $7,391,497. The College issued serial bonds with fixed-interest rates ranging from .40% to 5.00%, payable on April 1 and October 1 through 2043.

The CEFA Series 2013A and 2013B Bonds were used to legally defease $44,435,000 of the College's CEFA Series 2005A Bonds, as well as to provide funds for certain capital projects. The amount recorded as loss due to the defeasance was $4,757,280.

The Series 2013A and 2013B 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.

In March 2008, the College issued $20,000,000 in bonds through the CEFA (Series 2008 Bonds). The College issued serial bonds with fixed-interest rates ranging from 4.00% to 5.30%, payable on April 1 and October 1 through 2038.

The CEFA Series 2008 Bonds were used for certain capital projects.

The Series 2008 Bonds are collateralized by the pledge of certain revenues of the College including all tuition, room, board fees, and other fees or charges arising out of general College operations.

Note 9 – Debt (continued)

The loan agreements for the 2008 CEFA issue contain restrictive covenants which include the maintenance of certain minimum enrollment levels as well as maintaining assets available for debt coverage at a specified level.

In March 2005, the College issued $70,335,000 in bonds through the CEFA (Series 2005A and 2005B Bonds). 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 legally defease the outstanding debt from the College's CEFA Series 1997 Bonds, as well as to provide funds for certain capital projects.

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 contain restrictive covenants which include the maintenance of certain minimum enrollment levels as well as maintaining assets available for debt coverage at a specified level.

Bonds payable at June 30, 2014 are summarized as follows:

	Authorized and Issued	Remaining Interest Rates	Remaining Bonds Outstanding
California Educational Facilities Authority ("CEFA") Revenue Bonds			
Series 2005A & 2005B	$ 70,335,000	4.0% to 5.0%	$ 16,895,000
Series 2008	20,000,000	4.0% to 5.3%	18,575,000
Series 2013A & 2013B	54,995,000	1.5% to 5.0%	54,540,000
Total	$ 145,330,000		$ 90,010,000

Note 9 – Debt (continued)

Bonds payable at June 30, 2013 are summarized as follows:

	Authorized and Issued	Remaining Interest Rates	Remaining Bonds Outstanding
California Educational Facilities Authority ("CEFA") Revenue Bonds			
Series 2005A & 2005B	$ 70,335,000	4.0% to 5.0%	$ 18,325,000
Series 2008	20,000,000	4.0% to 5.3%	18,950,000
Series 2013A & 2013B	54,995,000	.4% to 5.0%	54,995,000
Total	$ 145,330,000		$ 92,270,000

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

Years Ending June 30,	Series 2005A &2005B CEFA Bonds	Series 2008 CEFA Bonds	Series 2013A & 2013B CEFA Bonds	Total
2015	$ 1,485,000	$ 395,000	$ 125,000	$ 2,005,000
2016	1,555,000	410,000	310,000	2,275,000
2017	1,625,000	425,000	315,000	2,365,000
2018	1,685,000	445,000	330,000	2,460,000
2019	1,610,000	465,000	485,000	2,560,000
2020 and thereafter	8,935,000	16,435,000	52,975,000	78,345,000
Total	$ 16,895,000	$ 18,575,000	$ 54,540,000	$ 90,010,000

The estimated fair value of the College's bonds payable was approximately $96,969,306 and $97,108,777 at June 30, 2014 and 2013, 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 (Level 2).

Line of credit – The College has a $5,000,000 line of credit outstanding issued to the College on February 1, 2013. The line of credit will expire on February 1, 2016. The line of credit is collateralized by an all blanket UCC filing. No amounts were drawn on the line of credit as of or during the year ended June 30, 2014.

Note 10 – Net Assets

Net assets consist of the following at June 30, 2014 and 2013:

	2014	2013
Unrestricted		
Designated - educational and general	$ 14,752,041	$ 12,755,256
Designated - functioning as endowment	75,219,999	63,142,013
Designated - student loan funds	3,559,338	3,250,753
Designated - renewal and replacement	10,791,757	5,824,339
Invested in property and equipment	70,154,120	68,817,195
Total unrestricted net assets	174,477,255	153,789,556
Temporarily restricted		
Restricted for specific purposes	1,111,409	1,032,225
Accumulated endowment investment gains	199,760,429	165,228,128
Life income and annuity contracts	9,188,738	8,031,521
Property and equipment funds	4,240,265	3,997,988
Contributions receivable, net	3,724,064	5,407,312
Assets held in trust by others	9,313,429	8,574,067
Total temporarily restricted net assets	227,338,334	192,271,241
Permanently restricted		
Endowment corpus	131,115,926	128,396,925
Life income and annuity contracts	8,030,718	6,987,878
Student loan funds	12,083,177	12,064,833
Contributions receivable, net	6,618,524	3,094,716
Assets held in trust by others	2,107,495	1,983,741
Total permanently restricted net assets	159,955,840	152,528,093
Total net assets	$ 561,771,429	$ 498,588,890

Note 10 – Net Assets (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors, as follows:

	June 30, 2014	June 30, 2013
Operating activities	$ 14,944,494	$ 15,053,098
Capital expenditures	2,445,572	4,501,761
Annuity funds	-	2,949,279
Change in underwater funds	469,332	1,049,159
	$ 17,859,398	$ 23,553,297

Note 11 – Retirement 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, 2014 and 2013 were approximately $3,952,000 and $3,820,000, respectively, which are included as expenditures in the statements of activities.

Note 12 – Fundraising Expenses

During the years ended June 30, 2014 and 2013, the College incurred fundraising expenses of approximately $4,467,000 and $4,707,000, respectively, exclusive of expenses for Alumni Relations and Public Relations.

Note 13 – Related Parties

As discussed in Note 6, some members of the Board of Trustees contributed to the College in the form of gifts and pledges, during the year ended June 30, 2014 and 2013. In addition, members of the Board of Trustees are often also affiliated with separate private foundations that provide financial support in the form of gifts and pledges to the College.

Note 13 – Related Parties (continued)

One of our Trustees also served as a Director of one of the College's health care providers during the year ended June 30, 2013. Amounts paid to this vendor totaled to approximately $3,135,000 for the year ended June 30, 2013.

Note 14 – Commitments and Contingencies

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.

In September 2013, the College entered into confidential settlement agreements with some individuals related to their complaints against the College for the alleged mishandling of their Title IX Complaints. The settlement amount, net of insurance proceeds, is accrued for and charged in institutional support in the statement of activities for the year ended June 30, 2013 and paid during the year ended June 30, 2014. There is no remaining outstanding amount at June 30, 2014.

In May 2013, the Department of Education, Office for Civil Rights notified the College that it was investigating the College's Title IX practices. In September 2013, the Department of Education, Office of Federal Student Aid notified the College that it was conducting a program review to evaluate the College's compliance with the Jeanne Clery Disclosure of Campus Security Police and Campus Crime Statistics Act. As of the date of the financial statements, the outcome of these investigations cannot be determined. Management does not believe the resolution of these investigations, however, will result in a material adjustment to the financial statements.

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.

Note 15 – Endowment Funds

The Board of Trustees of the College interpreted 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 fund as the College determines prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. As a result of this interpretation, the College classifies as permanently restricted net assets, the original value of gifts donated to the endowment, original value of subsequent gifts to the endowment, and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the College in a manner consistent with the standard of prudence prescribed by UPMIFA which includes the:

1) Duration and preservation of the fund
2) Mission of the College and the donor-restricted 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 College

Note 15 – Endowment Funds (continued)

The following represents a description of the changes in net endowment assets for the years ended June 30:

	June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net endowment assets, beginning of year	$ 63,142,013	$ 165,228,128	$ 128,396,925	$ 356,767,066
Investment return:				
Investment income, net	1,100,747	4,939,953	34,568	6,075,268
Net appreciation	10,030,280	45,013,963	-	55,044,243
Total investment return	11,131,027	49,953,916	34,568	61,119,511
New gifts	3,647,742	-	875,823	4,523,565
Matured life income and annuity contracts	-	-	113,024	113,024
Pledge payments	-	-	1,465,204	1,465,204
Other changes, including redesignations	77,626	-	230,382	308,008
Appropriation for expenditures	(3,247,741)	(14,952,283)	-	(18,200,024)
Change in underwater endowments	469,332	(469,332)	-	-
Net endowment assets, end of year	$ 75,219,999	$ 199,760,429	$ 131,115,926	$ 406,096,354

	June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net endowment assets, beginning of year	$ 56,242,008	$ 149,987,980	$ 124,489,898	$ 330,719,886
Investment return:				
Investment income, net	2,950,581	13,802,594	-	16,753,175
Net appreciation	3,787,698	17,718,563	-	21,506,261
Total investment return	6,738,279	31,521,157	-	38,259,436
New gifts	82,502	-	2,013,410	2,095,912
Matured life income and annuity contracts			790,371	790,371
Pledge payments			1,032,529	1,032,529
Other changes, including redesignations	2,261,487	-	70,717	2,332,204
Appropriation for expenditures	(3,231,422)	(15,231,850)	-	(18,463,272)
Change in underwater endowments	1,049,159	(1,049,159)	-	-
Net endowment assets, end of year	$ 63,142,013	$ 165,228,128	$ 128,396,925	$ 356,767,066

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts. Deficits of this nature were reported as an adjustment to unrestricted net assets of $0 and $(469,000) as of June 30, 2014 and 2013, respectively.

Note 16 – Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are 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 balance sheet, 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 balance sheet but arose after the balance sheet date and before financial statements are issued.

The College evaluated its June 30, 2014 financial statements for subsequent events through November 7, 2014, the date the financial statements were available to be issued. Other than the matters discussed in Note 14, the College is not aware of any subsequent events which would require recording or disclosure in the financial statements.