Grant Thornton

Financial Statements and Report of Independent Certified Public Accountants

OCCIDENTAL COLLEGE

June 30, 2010 and 2009

Contents

	Page
Report of Independent Certified Public Accountants	1
Balance sheets	2
Statements of activities	3-4
Statements of cash flows	5
Notes to financial statements	6

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Report of Independent Certified Public Accountants

Board of Trustees
Occidental College

We have audited the accompanying balance sheets of Occidental College (the "College") as of June 30, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Occidental College as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Los Angeles, California
November 15, 2010

Occidental College

BALANCE SHEETS

As of June 30, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 2,721,372	$ 2,917,741
Assets whose use is limited	10,744,968	13,738,198
Student accounts receivable, less allowance for doubtful accounts of $250,122 and $242,670 at June 30, 2010 and 2009, respectively	612,567	333,737
Contracts and grants receivable	943,877	1,039,295
Contributions receivable, net	2,758,081	1,382,924
Inventories	515,319	562,441
Other assets	1,350,571	835,269
Deposits with bank trustees	-	136,018
Trust deeds receivable	1,581,249	2,369,553
Student notes receivable, less allowance for doubtful accounts of $3,179,726 and $2,935,677 at June 30, 2010 and 2009, respectively	19,292,675	17,401,044
Investments	348,420,802	322,957,348
Property and equipment, net (See Note 6)	134,846,314	132,106,265
Bond issuance costs	1,687,114	1,754,809
Assets held in trust by others	8,069,203	8,494,706
Total assets	$ 533,544,112	$ 506,029,348
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 12,220,912	$ 10,876,739
Student deposits and deferred revenue	4,718,586	4,962,189
Bonds payable	86,735,000	88,146,000
Bond premium, net	1,752,412	1,825,429
Government loans payable	4,167,567	4,167,567
Annuities payable	12,366,168	12,295,647
Asset retirement obligation	2,403,591	2,345,676
Total liabilities	124,364,236	124,619,247
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted (See Note 8)	118,966,756	112,209,799
Temporarily restricted (See Note 8)	154,147,595	137,508,381
Permanently restricted	136,065,525	131,691,921
Total net assets	409,179,876	381,410,101
Total liabilities and net assets	$ 533,544,112	$ 506,029,348

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

Occidental College

STATEMENT OF ACTIVITIES

For the year ended June 30, 2010

(with comparative totals for the year ended June 30, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
Operating Revenues					
Tuition and fees	$ 75,397,868	$ -	$ -	$ 75,397,868	$ 67,003,519
Room and board	15,492,578	-	-	15,492,578	14,086,884
Less: Financial assistance	(29,081,439)	-	-	(29,081,439)	(24,836,708)
Net student revenues	61,809,007	-	-	61,809,007	56,253,695
Private gifts, grants and contracts	10,093,419	276,806	2,872,659	13,242,884	9,868,589
Federal and state grants and contracts	2,702,287	-	-	2,702,287	2,481,122
Investment income designated for operations	3,217,560	14,294,624	-	17,512,184	15,581,616
Other	4,653,722	3,000	40,834	4,697,556	4,800,046
Net assets released from restrictions	14,421,015	(14,421,015)	-	-	-
Total revenues	96,897,010	153,415	2,913,493	99,963,918	88,985,068
Operating Expenditures					
Academic program	47,118,231	-	-	47,118,231	45,147,773
Co-curricular program	27,312,491	-	-	27,312,491	26,264,564
Public service	3,865,204	-	-	3,865,204	4,111,338
Marketing	9,485,092	-	-	9,485,092	9,442,621
Institutional support	8,187,943	-	-	8,187,943	8,549,489
Total expenditures	95,968,961	-	-	95,968,961	93,515,785
Operating income (loss)	928,049	153,415	2,913,493	3,994,957	(4,530,717)
Other changes in net assets					
Net assets released for capital expenditures	194,251	(194,251)	-	-	-
Annuity funds released	64,823	(64,823)	-	-	-
Present value adjustment for annuities	(134,229)	(190,953)	(882,028)	(1,207,210)	2,163,349
Change in fair market value of assets held in trust by others	-	426,833	149,003	575,836	(3,222,786)
Realized and unrealized gains (losses), net of allocation to operations and net of investment expense of $3,729,938 for the year ended June 30, 2010	4,349,405	17,900,637	2,156,150	24,406,192	(87,667,269)
Change in underwater funds	1,391,644	(1,391,644)	-	-	-
Redesignation of net assets	(36,986)	-	36,986	-	-
Total other changes in net assets	5,828,908	16,485,799	1,460,111	23,774,818	(88,726,706)
Changes in net assets	6,756,957	16,639,214	4,373,604	27,769,775	(93,257,423)
Net assets, beginning of year	112,209,799	137,508,381	131,691,921	381,410,101	474,667,524
Net assets, end of year	$ 118,966,756	$ 154,147,595	$ 136,065,525	$ 409,179,876	$ 381,410,101

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

Occidental College

STATEMENT OF ACTIVITIES

For the year ended June 30, 2009

(with comparative totals for the year ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Operating Revenues					
Tuition and fees	$ 67,003,519	$ -	$ -	$ 67,003,519	$ 64,706,361
Room and board	14,086,884	-	-	14,086,884	11,710,089
Less: Financial assistance	(24,836,708)	-	-	(24,836,708)	(23,350,334)
Net student revenues	56,253,695	-	-	56,253,695	53,066,116
Private gifts, grants and contracts	8,949,412	44,291	874,886	9,868,589	9,977,202
Federal and state grants and contracts	2,481,122	-	-	2,481,122	2,874,125
Investment income designated for operations	15,581,616	-	-	15,581,616	14,494,351
Other	4,799,846	50	150	4,800,046	4,536,880
Net assets released from restrictions	85,416	(85,416)	-	-	-
Total revenues	88,151,107	(41,075)	875,036	88,985,068	84,948,674
Operating Expenditures					
Academic program	45,147,773	-	-	45,147,773	43,664,188
Co-curricular program	26,264,564	-	-	26,264,564	24,286,220
Public service	4,111,338	-	-	4,111,338	3,353,260
Marketing	9,442,621	-	-	9,442,621	8,374,514
Institutional support	8,549,489	-	-	8,549,489	6,794,630
Total expenditures	93,515,785	-	-	93,515,785	86,472,812
Operating (loss) income	(5,364,678)	(41,075)	875,036	(4,530,717)	(1,524,138)
Other changes in net assets					
Net assets released for capital expenditures	38,571	(38,571)	-	-	-
Present value adjustment for annuities	(205,327)	239,121	2,129,555	2,163,349	(1,347,479)
Change in fair market value of assets held in trust by others	-	(2,117,174)	(1,105,612)	(3,222,786)	(1,145,454)
Realized and unrealized (losses) gains, net of allocation to operations and net of investment expense of $3,531,803 for the year ended June 30, 2009	(83,426,680)	(1,298,013)	(2,942,576)	(87,667,269)	(15,669,917)
Redesignation of net assets	199,962	(290,564)	90,602	-	-
Total other changes in net assets	(83,393,474)	(3,505,201)	(1,828,031)	(88,726,706)	(18,162,850)
Net asset reclassification based on change in accounting standard (See Note 12)	(120,975,090)	120,975,090	-	-	-
Changes in net assets	(209,733,242)	117,428,814	(952,995)	(93,257,423)	(19,686,988)
Net assets, beginning of year	321,943,041	20,079,567	132,644,916	474,667,524	494,354,512
Net assets, end of year	$ 112,209,799	$ 137,508,381	$ 131,691,921	$ 381,410,101	474,667,524

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

Occidental College

STATEMENTS OF CASH FLOWS

As of June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Changes in net assets	$ 27,769,775	$ (93,257,423)
Adjustments to reconcile changes in net assets to		
net cash (used in) provided by operating activities:		
Depreciation and amortization	6,474,445	6,218,757
Gifts of stock and securities	(1,692,884)	(158,335)
Net unrealized and realized (gains) losses on investments	(37,600,128)	76,987,993
Contributions restricted for long-term investments	(2,872,659)	(874,886)
Student notes receivable, net	349,379	1,115,961
Changes in assets and liabilities:		
Student accounts receivable, net	(278,830)	(29,648)
Contracts and grants receivables	95,418	638,979
Contributions receivable, net	(2,457,539)	4,865
Inventories	47,122	28
Other assets	(515,302)	(127,796)
Accounts payable and accrued expenses	282,773	(2,154,876)
Student deposits and deferred revenue	(243,603)	(731,974)
Other liabilities	57,915	(128,678)
Net cash used in operating activities	(10,584,118)	(12,497,033)
Cash flows from investing activities:		
Decrease in trust deeds receivable	788,304	165,367
Change in assets whose use is limited	2,993,230	13,544,237
Disbursement of student loan receivables	(4,286,390)	(3,784,070)
Collection of student loan receivables	2,045,380	1,945,157
Purchases of investments	(145,066,124)	(75,936,613)
Sales of investments	158,895,682	86,283,646
Purchases of property and equipment	(8,158,416)	(10,362,686)
Net cash provided by investing activities	7,211,666	11,855,038
Cash flows from financing activities:		
Contributions restricted for long-term investment	3,955,041	1,207,936
Deposits with bank trustees	136,018	13,753
Change in assets held in trust by others	425,503	5,280,367
Bond issuance costs	-	-
Repayment of long-term debt	(1,411,000)	(1,208,000)
Issuance of new debt	-	-
Change in annuities payable	70,521	(3,385,891)
Net cash provided by financing activities	3,176,083	1,908,165
Net (decrease) increase in cash and cash equivalents	(196,369)	1,266,170
Cash and cash equivalents at beginning of year	2,917,741	1,651,571
Cash and cash equivalents at end of year	$ 2,721,372	$ 2,917,741
Supplemental cash flow information:		
Cash paid for interest	$ 4,197,805	$ 4,301,751
Gifts of stock and securities	$ 1,692,884	$ 158,335
Unpaid fixed asset purchases	$ 1,061,400	$ 290,425

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

NOTE 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 on the accrual basis of accounting in accordance with standards generally accepted in the United States of America.

Revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and 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.
>
> Designated – Student notes funds – includes lending activity to students utilizing College resources designated for that purpose as well as funds intended for a general College loan program.

NOTE 1 – OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Unrestricted Net Assets (continued)

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 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.

Invested in property and equipment – includes property and equipment stated at cost or fair market value at the date of gift, less accumulated depreciation and any related debt. Depreciation is computed on a straight-line basis over the estimated useful lives for land improvements (up to 20 years), buildings and improvements (up to 40 years), and equipment and library books (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 (see Note 12), 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.

NOTE 1 – OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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 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. Gains and losses on investments are reported as increases or decreases to the appropriate net asset category.

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, 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 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 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.

NOTE 1 – OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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. On October 3, 2008, the Emergency Economic Stabilization Act of 2008 raised the Federal Deposit Insurance Corporation ("FDIC") insured limit to $250,000 on interest bearing accounts temporarily through June 30, 2013. In addition, under this program all non-interest bearing transaction accounts are fully guaranteed by the FDIC through December 31, 2010.

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 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.

Assets whose use is limited 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. Real estate is stated at the lower of cost or fair value. Fair value for real estate is based on market appraisals. Market appraisals are obtained every four years unless a trend in the market warrants more frequent appraisals. 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 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.

NOTE 1 – OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments (continued)

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-range return through investing for capital appreciation and long-term growth. According to the College's policy, the amount of investment return available for current operations is determined by applying a specified percentage, 5.4%, of a twenty-one-quarter average unit market value to the units held as of June 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 CEFA Series 2005A and 2005B Bonds and the CEFA Series 2008 Bonds (see Note 7). These amounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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. 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. 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.

NOTE 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 3.6% to 11.2% and the 2000 Annuity Mortality Table.

Asset Retirement Obligation

Generally Accepted Accounting Principles in the United States of America 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 entity. 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 $57,915 and $128,678 asset retirement costs for the years ending June 30, 2010 and 2009, respectively and $2,403,591 and $2,345,676 of conditional retirement asset obligations included in the Balance Sheets for the years ending June 30, 2010 and 2009, respectively.

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.

NOTE 1 – OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Use of Estimates

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

Income Taxes

The College is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and the corresponding sections of the California Revenue and Taxation Code, except for taxes on net unrelated business income.

In July 2006, the FASB issued ASC 740, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement 109, Accounting for Income Taxes* ("ASC 740") (formerly FIN 48). ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely than-not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return. ASC 740 also provides related guidance on measurement, derecognition, classification, interest and penalties, and disclosure. The College has applied ASC 740 to all tax positions for which the statute of limitations remained open and determined there were no material unrecognized tax benefits. In addition, there have been no material changes in unrecognized benefits since July 1, 2008, nor are any anticipated in the next 12 months. There have been no related tax penalties or interest, which would be classified as tax expense in the statement of activities. As a result, the adoption of ASC 740 did not have a material effect on the College's financial statements.

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:

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. Determination of the fair value of student notes receivable, which are primarily federally sponsored student loans 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 1 – OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value of Financial Instruments (continued)

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.

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 prior year amounts have been reclassified to agree with current year presentation

NOTE 2 – FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements* ("ASC 820") (formerly FAS 157), is effective for financial statements issued for fiscal years beginning after November 15, 2007. The College adopted ASC 820 on July 1, 2008. ASC 820 established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

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.

NOTE 2 – FAIR VALUE MEASUREMENTS - Continued

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

The asset 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.

The following table summarizes the valuation of the College's investments by the ASC 820 fair value hierarchy levels as of June 30, 2010:

	June 30, 2010			
	Level 1	Level 2	Level 3	Total Investments
Cash and cash equivalents	$ 37,407,003	$ -	$ -	$ 37,407,003
US equity	36,740,699	-	23,512,835	60,253,534
Global ex US Equity (Developed)	9,010,823	23,363,091	-	32,373,914
Emerging markets	-	22,849,758	-	22,849,758
Domestic fixed income	53,114,908	-	-	53,114,908
Global fixed income	-	13,740,776	-	13,740,776
Marketable alternative investments	-	-	56,256,928	56,256,928
Marketable inflation hedging assets	-	-	32,682,012	32,682,012
Private equity and venture capital	-	-	37,517,524	37,517,524
Total	$ 136,273,433	$ 59,953,625	$ 149,969,299	$ 346,196,357

	June 30, 2009			
	Level 1	Level 2	Level 3	Total Investments
Cash and cash equivalents	$ 26,529,074	$ -	$ -	$ 26,529,074
US equity	43,669,303	-	25,286,761	68,956,064
Global ex US Equity (Developed)	7,957,214	29,706,619	-	37,663,833
Emerging markets	-	20,447,877	-	20,447,877
Domestic fixed income	43,893,943	-	1,752,500	45,646,443
Global fixed income	-	7,631,987	-	7,631,987
Marketable alternative investments	-	-	55,138,129	55,138,129
Marketable inflation hedging assets	-	-	28,505,691	28,505,691
Private equity and venture capital	-	-	30,213,805	30,213,805
Total	$ 122,049,534	$ 57,786,483	$ 140,896,886	$ 320,732,903

NOTE 2 – FAIR VALUE MEASUREMENTS - Continued

The following table summarizes the valuation of the College's Level 3 reconciliation by the ASC 820 standards for the year ended June 30, 2010:

	Level 3 Assets Year Ended June 30, 2010	Level 3 Assets Year Ended June 30, 2009
Beginning balance	$ 140,896,886	$ 180,808,709
Total gains or losses		
Included in changes in net assets	16,633,719	(39,133,525)
Purchases	9,431,678	26,409,472
Sales	(16,992,984)	(27,187,770)
Transfers in and/out of Level 3	-	-
Ending balance	$ 149,969,299	$ 140,896,886

NOTE 3 – INVESTMENTS

The carrying value of investments is based on the quoted market prices, analytical pricing methods for investments for which there is no market, and the carrying value of limited partnership net assets in proportion to the College's interest. The carrying values are considered fair values, except for real estate. The following schedule summarizes the assets in pooled investments and the assets held as separate investments at June 30, 2010 and 2009:

	2010	2009
Cash and cash equivalents	$ 37,407,003	$ 26,529,074
US equity	60,253,534	68,956,064
Global ex US equity (developed)	32,373,914	37,663,833
Emerging markets	22,849,758	20,447,877
Domestic fixed income	53,114,908	45,646,443
Global fixed income	13,740,776	7,631,987
Marketable alternative assets	56,256,928	55,138,129
Marketable inflation hedging assets	32,682,012	28,505,691
Private equity and venture capital	37,517,524	30,213,805
Real estate	2,224,445	2,224,445
	$348,420,802	$322,957,348

NOTE 3 – INVESTMENTS - Continued

The following schedule summarizes the College's investment return for the years ended June 30, 2010 and 2009:

	2010	2009
Dividends, interest and rents	$ 5,504,420	$ 8,706,407
Unrealized gains (losses), net	37,400,249	(61,638,753)
Realized gains (losses), net	2,743,645	(15,621,504)
	45,648,314	(68,553,850)
Less: Investment expense	(3,729,938)	(3,531,803)
Investment income designated for operations	(17,512,184)	(15,581,616)
Realized and unrealized gains (losses), net of allocation to operations and investment expense	$24,406,192	$(87,667,269)

Investment income was classified as follows for the year ended June 30, 2010:

	June 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends, interest and rents	$ 1,071,277	$ 4,001,350	$ 431,793	$ 5,504,420
Realized gains (losses), net	408,576	2,401,216	(66,147)	2,743,645
Unrealized gains, net	9,679,155	25,850,249	1,870,845	37,400,249
Total	$ 11,159,008	$ 32,252,815	$ 2,236,491	$ 45,648,314

	June 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends, interest and rents	$ 7,646,775	$ 358,691	$ 700,941	$ 8,706,407
Realized gains (losses), net	(15,590,436)	(46,967)	15,899	(15,621,504)
Unrealized losses, net	(56,373,259)	(1,685,879)	(3,579,615)	(61,638,753)
Total	$ (64,316,920)	$ (1,374,155)	$ (2,862,775)	$ (68,553,850)

NOTE 3 – 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-making value method. The following schedule summarized the College's pooled investments for the years ended June 30, 2010 and 2009:

	2010	2009
Unit-market value at end of year	$ 355.30	$ 330.52
Units owned:		
Unrestricted:		
Education and general	-	16,914
Funds functioning as endowment	141,673	138,384
Total unrestricted	141,673	155,298
Permanently restricted:		
Endowment funds	696,839	689,944
Total permanently restricted	696,839	689,944
Total units	838,512	845,242

At June 30, 2010 and 2009, investments include approximately $26,880,000 and $22,964,000 respectively, in securities related to life income and annuity contracts.

NOTE 3 – INVESTMENTS - Continued

The following represents a description of the changes in net endowment assets for the year ended June 30, 2010:

	June 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net endowment assets, beginning of year	$ 44,281,487	$ 120,975,090	$ 111,204,227	$ 276,460,804
Investment return:				
Investment income, net	855,405	3,800,532	-	4,655,937
Net appreciation	6,211,857	27,499,093	-	33,710,950
Total Investment return	7,067,262	31,299,625	-	38,366,887
New gifts	1,364,401	-	2,543,114	3,907,515
Appropriation for expenditures	(3,217,560)	(14,294,624)	-	(17,512,184)
Other changes, including redesignations	(2,332,416)	-	-	(2,332,416)
Change in underwater endowments	1,391,644	(1,391,644)	-	-
Net endowment assets, end of year	$ 48,554,818	$ 136,588,447	$ 113,747,341	$ 298,890,606

	June 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net endowment assets, beginning of year	$ 249,021,639	$ -	$ 107,913,493	$ 356,935,132
Investment return:				
Investment income, net	6,987,054	-	-	6,987,054
Net depreciation	(74,474,914)	-	-	(74,474,914)
Total Investment return	(67,487,860)	-	-	(67,487,860)
New gifts	709,785	-	1,118,026	1,827,811
Appropriation for expenditures	(15,581,616)	-	-	(15,581,616)
Other changes, including redesignations	(1,405,371)	-	2,172,708	767,337
Net asset reclassification based on change in accounting standard (See Note 12)	(120,975,090)	120,975,090	-	-
Net endowment assets, end of year	$ 44,281,487	$ 120,975,090	$ 111,204,227	$ 276,460,804

NOTE 3 – INVESTMENTS - Continued

The College uses the Net Asset Value (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 category:

	Fair Value June 30, 2010	Strategy	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled trusts	$ 83,466,460	These funds invest mostly in domestic and international debt and equity securities. The investments are mostly public securities, and the funds are held in partnership or trust format.	$ -	Range from daily to quarterly	5 - 30 days notice
Marketable alternative investments	56,256,928	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	45 - 90 days notice
Marketable inflation hedging assets	32,682,012	Investments in natural resource equities, commodities, Treasury Inflation-Protected Securities 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.	-	Range from monthly to semi-annually	10 - 45 days notice
Private equity	31,869,448	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.	23,163,045	N/A*	N/A*
Venture capital	5,648,076	Investments in privately held start up and or fast growing companies expected to generate returns above traditional equity markets.	2,172,500	N/A*	N/A*

* These funds are in a private equity structure

NOTE 4 – TRUST DEEDS RECEIVABLE

The College held notes receivable from faculty members and administrators totaling approximately $1,483,000 and $2,257,000 at June 30, 2010 and 2009, 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 20 years. The College had $300,000 of non-interest-bearing loans included in this amount at June 30, 2009 which was paid during the year ending June 30, 2010. No new non-interest-bearing loans were made during the year ending June 30, 2010.

NOTE 5 – 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 short-term and mid-term AFR to the present value of future cash flows. The AFR ranged from .57% and 4.48% for the years ended June 30, 2010 and 2009. Amortization of the discount is included in gift revenue.

Contributions receivable are expected to be realized as follows:

	2010	2009
In one year or less	$ 1,419,671	$ 633,670
Between one year and five years	1,579,891	908,928
	2,999,562	1,542,598
Less: Discount	(96,319)	(86,888)
Allowance for uncollectible amounts	(145,162)	(72,786)
Contributions receivable, net	$ 2,758,081	$1,382,924

Contributions receivable at June 30, 2010 have the following restrictions:

Endowment for programs, activities and scholarships	$ 2,369,152
Building construction	156,000
Education and general	474,410
Total	$ 2,999,562

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2010 and 2009:

	2010	2009
Land and improvements	$ 6,188,260	$ 6,035,514
Buildings	175,183,582	169,400,289
Furniture and equipment	21,401,581	20,812,472
Construction-in-progress	3,042,704	1,503,334
	205,816,127	197,751,609
Less: Accumulated depreciation	(70,969,813)	(65,645,344)
Property and equipment, net	$134,846,314	$132,106,265

Depreciation expense for the years ended June 30, 2010 and 2009 was $6,479,766 and $6,224,081, respectively.

NOTE 7 – DEBT

Bonds payable at June 30, 2010 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	3.00 to 5.25%	$66,735,000
Series 2008	20,000,000	4.00 to 5.30%	20,000,000
Total	$90,335,000		$86,735,000

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

Year Ending June 30,	Series 2005A & 2005B CEFA Bonds	Series 2008 CEFA Bonds	Total
2011	$ 1,275,000	$ 335,000	$ 1,610,000
2012	1,325,000	350,000	1,675,000
2013	1,375,000	365,000	1,740,000
2014	1,430,000	375,000	1,805,000
2015	1,485,000	395,000	1,880,000
2016 and thereafter	59,845,000	18,180,000	78,025,000
	$ 66,735,000	$ 20,000,000	$ 86,735,000

The estimated fair value of the College's bonds payable was approximately $89,240,000 and $86,412,000 at June 30, 2010 and 2009, 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.

NOTE 7 – DEBT - Continued

Dormitory Bonds

The College paid the dormitory bond principal in full on April 30, 2010.

California Educational Facilities Authority Bonds

In March 2008, the College issued $20,000,000 in bonds through the California Educational Facilities Authority ("CEFA"). 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, and board fees, and other fees or charges arising out of general College operations.

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. The College was in compliance with all loan covenants at June 30, 2010.

In March 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 legally decease 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. The College was in compliance with all loan covenants at June 30, 2010.

Lines of Credit

The College entered into one $5,000,000 line of credit agreement on May 1, 2010 and a second $5,000,000 line of credit agreement on November 16, 2009. No amounts have been drawn on either line of credit as of June 30, 2010.

NOTE 8 – NET ASSETS

Net assets consist of the following at June 30, 2010 and 2009:

	2010	2009
Unrestricted		
Designated – educational and general	$ 9,011,066	$ 9,347,051
Designated – functioning as endowment	48,554,818	44,281,487
Designated – student loan funds	2,343,813	2,258,782
Designated – life income and annuity contracts	2,654,678	2,446,887
Designated – renewal and replacement	124,075	728,397
Invested in property and equipment	56,278,306	53,147,195
Total unrestricted net assets	118,966,756	112,209,799
Temporarily restricted		
Current restricted	995,074	903,892
Accumulated endowment investment gains	136,588,447	120,975,090
Life income and annuity contracts	5,194,793	4,722,866
Property and equipment funds	4,415,971	4,335,879
Contributions receivable, net	559,793	603,970
Assets held in trust by others	6,393,517	5,966,684
Total temporarily restricted net assets	154,147,595	137,508,381
Permanently restricted		
Endowment corpus	113,747,341	111,204,227
Life income and annuity contracts	6,520,674	5,276,984
Loan funds	11,923,537	11,903,735
Contribution receivable, net	2,198,288	778,954
Assets held in trust by others	1,675,685	2,528,021
Total permanently restricted net assets	136,065,525	131,691,921
Total net assets	$409,179,876	$381,410,101

NOTE 9 – 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, 2010 and 2009 were approximately $3,460,000 and $3,321,000, respectively, which are included as expenditures in the Statements of Activities.

NOTE 10 - FUNDRAISING EXPENSES

During the years ended June 30, 2010 and 2009, the College incurred fundraising expenses of approximately $3,851,000 and $3,338,000, respectively, exclusive of expenses for Alumni Relations and Public Relations.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

In connection with certain other equity investments, the College has committed to make additional investments totaling approximately $25,336,000 over the next several years.

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 t he 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.

NOTE 12 - ENDOWMENT FUNDS

The FASB issued ASC 958, *Endowment of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowments Funds* ("ASC 958") (formerly FSP 117-1). ASC 958 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006. This ASC also requires additional disclosures about an organization's endowment funds for donor restricted and board designated endowments and became effective beginning July 1, 2008. The College adopted ASC 958 for the year ended June 30, 2009. See Note 3 for impact and required disclosures.

NOTE 12 - ENDOWMENT FUNDS - Continued

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 13 – SUBSEQUENT EVENTS

The College evaluated its June 30, 2010 financial statements for subsequent events through November 15, 2010, the date the financial statements were available to be issued. The College is not aware of any subsequent events which would require recording or disclosure in the financial statements.