Grant Thornton

Financial Statements and Report of Independent Certified Public Accountants

OCCIDENTAL COLLEGE

June 30, 2013 and 2012

Contents

Audit – Tax – Advisory

Grant Thornton LLP
515 South Flower Street, 7th Floor
Los Angeles, CA 90071-2201

T 213.627.1717
F 213.624.6793
www.GrantThornton.com

Report of Independent Certified Public Accountants

Board of Trustees
Occidental College

We have audited the accompanying financial statements of Occidental College (the "College"), which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 College'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 College'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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Los Angeles, California
November 8, 2013

Occidental College

BALANCE SHEETS

As of June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 8,036,573	$ 5,099,712
Assets whose use is limited	12,063,991	2,053,400
Student accounts receivable, less allowance for doubtful accounts of $271,335 and $265,882 at June 30, 2013 and 2012, respectively	339,051	479,619
Contracts and grants receivable	1,230,463	1,278,975
Contributions receivable, net	8,502,028	8,843,874
Inventories	592,967	617,026
Other assets	2,066,839	2,125,345
Trust deeds receivable	540,524	1,204,975
Investments	408,318,102	375,618,824
Student notes receivable, net	22,696,985	21,914,020
Bond issuance costs	1,435,458	1,551,726
Assets held in trust by others	10,557,808	9,738,693
Property and equipment, net	162,757,298	156,115,909
Total assets	$ 639,138,087	$ 586,642,098
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 15,511,432	$ 13,740,070
Student deposits and deferred revenue	5,185,425	5,095,869
Bonds payable	92,270,000	83,450,000
Bonds premium, net	7,663,669	1,606,378
Government loans payable	4,167,567	4,167,567
Annuities payable	13,121,755	13,277,802
Asset retirement obligations	2,629,349	2,829,185
Total liabilities	140,549,197	124,166,871
NET ASSETS		
Unrestricted	157,213,541	136,384,918
Temporarily restricted	188,847,256	178,066,163
Permanently restricted	152,528,093	148,024,146
Total net assets	498,588,890	462,475,227
Total liabilities and net assets	$ 639,138,087	$ 586,642,098

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

Occidental College

STATEMENT OF ACTIVITIES

Year ended June 30, 2013

(with comparative totals for the 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	37,475,447	-	-	37,475,447	36,634,776
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	12,367,441	-	-	12,367,441	12,110,606
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	(69,806)	338,237	(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	(281,676)	(131,308)	412,984	-	-
Total other changes in net assets	13,459,254	10,602,341	4,503,947	28,565,542	(10,766,826)
Changes in net assets	20,828,623	10,781,093	4,503,947	36,113,663	(5,611,917)
Net assets, beginning of year	136,384,918	178,066,163	148,024,146	462,475,227	468,087,144
Net assets, end of year	$ 157,213,541	$ 188,847,256	$ 152,528,093	$ 498,588,890	$ 462,475,227

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

Occidental College

STATEMENT OF ACTIVITIES

Year ended June 30, 2012

(with comparative totals for the year ended June 30, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
Operating Revenues:					
Student revenues:					
Tuition and fees	$ 89,149,193	$ -	$ -	$ 89,149,193	$ 83,321,084
Room and board	18,693,265	-	-	18,693,265	17,028,846
Less: Financial assistance	(37,005,895)	-	-	(37,005,895)	(33,363,213)
Net student revenues	70,836,563	-	-	70,836,563	66,986,717
Private gifts, grants and contracts	8,286,621	-	-	8,286,621	8,742,667
Federal and state grants and contracts	3,268,968	-	-	3,268,968	3,022,889
Auxiliary services, other	3,080,003	-	-	3,080,003	3,106,564
Investment income designated for operations	3,108,017	14,774,578	-	17,882,595	17,424,344
Other	2,609,584	-	-	2,609,584	2,001,283
Net assets released from restrictions	14,294,034	(14,294,034)	-	-	-
Total operating revenues	105,483,790	480,544	-	105,964,334	101,284,464
Operating Expenditures:					
Instruction	36,634,776	-	-	36,634,776	35,573,723
Research	2,449,250	-	-	2,449,250	2,476,398
Public service	4,273,356	-	-	4,273,356	4,511,892
Academic support	9,780,586	-	-	9,780,586	9,680,119
Student services	12,110,606	-	-	12,110,606	12,356,734
Institutional support:					
General	8,437,675	-	-	8,437,675	7,831,411
Advancement	6,854,611	-	-	6,854,611	5,991,924
Auxiliary services, student and other	20,268,565	-	-	20,268,565	19,547,174
Total operating expenditures	100,809,425	-	-	100,809,425	97,969,375
Change in net assets from operating activities	4,674,365	480,544	-	5,154,909	3,315,089
Other changes in net assets:					
Net assets released for capital expenditures	1,364,820	(1,364,820)	-	-	-
Private gifts, grants and contracts non-operating	1,116,769	4,054,390	3,949,413	9,120,572	12,476,414
Other	-	-	45,900	45,900	50,910
Present value adjustment for annuities	(112,347)	(133,051)	322	(245,076)	(2,139,384)
Change in fair value of assets held in trust by others	-	36,683	(47,136)	(10,453)	1,441,992
Investment (loss) income, net	(3,336,734)	(17,483,063)	1,142,028	(19,677,769)	43,762,247
Change in underwater funds	(1,128,822)	1,128,822	-	-	-
Redesignation of net assets	(750,748)	614,569	136,179	-	-
Total other changes in net assets	(2,847,062)	(13,146,470)	5,226,706	(10,766,826)	55,592,179
Changes in net assets	1,827,303	(12,665,926)	5,226,706	(5,611,917)	58,907,268
Net assets, beginning of year	134,557,615	190,732,089	142,797,440	468,087,144	409,179,876
Net assets, end of year	$ 136,384,918	$ 178,066,163	$ 148,024,146	$ 462,475,227	$ 468,087,144

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

Occidental College

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Changes in net assets	$ 36,113,663	$ (5,611,917)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	7,157,310	6,409,246
Gifts of stock and securities	(3,063,409)	(4,738,697)
Net unrealized and realized (gains) losses on investments	(36,107,164)	4,298,618
Contributions restricted for long-term investments	(2,899,126)	(3,949,413)
Contributions for capital expenditures	(7,402,649)	(5,171,195)
Student notes receivable - change in allowance	(73,179)	172,963
Changes in assets and liabilities:		
Student accounts receivable, net	140,568	49,987
Contracts and grants receivables	48,512	(167,922)
Contributions receivable, net	(357,691)	1,887,837
Inventories	24,059	(82,793)
Other assets	58,506	1,575,197
Accounts payable and accrued expenses	(1,486,627)	(3,288,034)
Student deposits and deferred revenue	89,556	397,491
Asset retirement obligations	(199,836)	206,831
Net cash used in operating activities	(7,957,507)	(8,011,801)
Cash flows from investing activities:		
Collection of trust deeds receivable	664,451	99,075
Change in assets whose use is limited	(10,010,591)	2,968,155
Disbursement of student notes receivables	(3,154,853)	(3,441,634)
Collection of student notes receivables	2,445,067	2,274,497
Purchases of investments	(292,767,238)	(174,065,019)
Proceeds from sales and maturities of investments	299,238,533	193,043,686
Purchases of property and equipment	(10,564,763)	(18,774,741)
Net cash (used in) provided by investing activities	(14,149,394)	2,104,019
Cash flows from financing activities:		
Contributions restricted for long-term investment	3,598,663	3,387,151
Contributions for capital expenditures	7,402,649	5,171,195
Change in assets held in trust by others	(819,115)	(227,498)
Bond issuance costs	46,828	-
Bond premium	6,150,784	-
Repayment of long-term debt	(46,175,000)	(1,675,000)
Issuance of new debt	54,995,000	-
Change in annuities payable	(156,047)	(302,590)
Net cash provided by financing activities	25,043,762	6,353,258
Net increase in cash and cash equivalents	2,936,861	445,476
Cash and cash equivalents at beginning of year	5,099,712	4,654,236
Cash and cash equivalents at end of year	$ 8,036,573	$ 5,099,712
Supplemental cash flow information:		
Cash paid for interest	$ 4,016,103	$ 4,080,886
Gifts of stock and securities	$ 3,063,409	$ 4,738,697
Unpaid fixed asset purchases	$ 3,257,989	$ 4,097,841

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

NOTE 1 – ORGANIZATION

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.

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 loans 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 2 – 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 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 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.

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 2 – 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 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 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.

NOTE 2 – 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 (FDIC) limit. FDIC insurance covers all deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit. The standard insurance amount is $250,000 per depositor, per insured bank, for each account ownership category.

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 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 the lower of cost or fair value. Fair value for real estate is based on market appraisals. In order to ensure real estate is carried at the lower of cost or market, market appraisals are obtained every four years unless a trend in the market warrants more frequent appraisals.

NOTE 2 – 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-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, 5.4%, 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 (see Note 9). 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 2 – 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. 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.

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

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 $58,473 and $206,831 asset retirement costs for the years ending June 30, 2013 and 2012, respectively and $2,629,349 and $2,829,185 of conditional retirement asset obligations included in the balance sheets as of June 30, 2013 and 2012, 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 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2013, 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, 2010 through June 30, 2013 for federal tax purposes and the years ended June 30, 2009 through June 30, 2013 for California tax purposes. There have been no material changes in unrecognized benefits as of June 30, 2013, nor are any material changes anticipated in the twelve months following June 30, 2013. There have been no related tax penalties or interest, which would be classified as a tax expense in the statement 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

Fair Value of Financial Instruments (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 May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2011-04, or ASU 2011-04, *Fair Value Measurements – amendments to achieve common fair value measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* ASU 2011-04 modified the wording used to describe many requirements for measuring fair value and for disclosing information about fair value measurements. Additionally, the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. Amendments under ASU 2011-04 became effective for the annual periods beginning after December 15, 2011. The guidance was adopted by the College during the year ended June 30, 2013, and did not have a material impact on its financial statements.

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 purposed, in which case those cash receipts should be classified as cash flows from financing activities. The ASU became effective for annual period beginning after June 15, 2013. The guidance was adopted by the College during the year ended June 30, 2013 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. Expenditures previously reported in Academic program have been reclassified to Instruction, Research and Academic support. Expenditures previously reported in Co-curricular program have been reclassified to Student services and Auxiliary services, student and other. Expenditures previously reported in Marketing have been reclassified to Student services, Advancement and Auxiliary services, student and other.

NOTE 3 – INVESTMENTS

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

	2013	2012
Cash and cash equivalents	$ 42,302,249	$ 38,825,788
U.S. equities	82,193,952	78,016,227
Global equities (developed)	43,674,843	29,133,365
Emerging markets equities	32,957,168	28,793,405
Domestic fixed income	58,331,052	48,317,205
Global fixed income	6,126,931	5,857,097
Marketable alternative investments	55,659,023	57,972,207
Marketable inflation hedging assets	35,936,541	36,579,568
Private equity and venture capital	49,978,272	51,159,465
Real estate	1,158,071	964,497
	$ 408,318,102	$ 375,618,824

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

	2013	2012
Dividends, interest and rents	$ 9,249,281	$ 6,331,373
Realized gains, net	12,823,250	16,898,518
Unrealized gains (losses), net	23,283,914	(21,197,136)
	45,356,445	2,032,755
Less: Investment expense	(3,982,474)	(3,827,929)
Investment income designated for operations	(18,463,272)	(17,882,595)
Investment income (loss), net of allocation to operations and investment expense	$ 22,910,699	$ (19,677,769)

NOTE 3 – INVESTMENTS – Continued

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

	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

	June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends, interest and rents	$ 1,599,316	$ 4,355,087	$ 376,970	$ 6,331,373
Realized gains, net	3,633,586	11,931,784	1,333,148	16,898,518
Unrealized losses, net	(4,721,946)	(16,006,331)	(468,859)	(21,197,136)
Total	$ 510,956	$ 280,540	$ 1,241,259	$ 2,032,755

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:

	2013	2012
Unit-market value at end of year	$ 398.72	$ 376.27
Units owned:		
Unrestricted:		
Funds functioning as endowment	159,118	153,417
Total unrestricted	159,118	153,417
Permanently restricted:		
Endowment funds	732,566	723,114
Total permanently restricted	732,566	723,114
Total units	891,684	876,531

NOTE 3 – INVESTMENTS – Continued

At June 30, 2013 and 2012, investments include approximately $28,029,000 and $28,331,000 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.

Investments 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. There have been no changes in the methodologies used at June 30, 2013. 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 summarizes the valuation of the College's investments and assets held in trust by others by the ASC 820 fair value hierarchy levels as of June 30:

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 42,302,249	$ -	$ -	$ 42,302,249
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
Marketable alternative investments	-	-	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 by others	10,141,032	-	416,776	10,557,808
Total	$ 178,765,854	$ 52,078,317	$ 186,873,668	$ 417,717,839

NOTE 4 – FAIR VALUE MEASUREMENTS – Continued

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 38,825,788	$ -	$ -	$ 38,825,788
US equities	47,542,221	-	30,474,006	78,016,227
Global equities (developed)	9,977,752	19,155,613	-	29,133,365
Emerging markets equities	8,405,541	20,387,864	-	28,793,405
Domestic fixed income	38,621,580	-	9,695,625	48,317,205
Global fixed income	-	5,857,097	-	5,857,097
Marketable alternative investments	-	-	57,972,207	57,972,207
Marketable inflation hedging assets	9,821,559	-	26,758,009	36,579,568
Private equity and venture capital	-	-	51,159,465	51,159,465
Assets held by others	9,317,718	-	420,975	9,738,693
Total	$ 162,512,159	$ 45,400,574	$ 176,480,287	$ 384,393,020

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

	Level 3 Assets Year Ended June 30, 2013	Level 3 Assets Year Ended June 30, 2012
Beginning balance	$ 176,480,287	$ 178,960,109
Total gains or losses (included in changes in net assets)	17,224,379	1,717,106
Purchases	16,970,817	15,298,869
Sales	(23,801,815)	(19,495,797)
Ending balance	$ 186,873,668	$ 176,480,287

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 category:

	Fair Value June 30, 2013	Strategy	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds	$111,125,466	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	55,659,023	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	21,772,448	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	41,470,986	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.	28,370,905	N/A*	N/A*
Venture capital	8,507,286	Investments in privately held start up and or fast growing companies expected to generate returns above traditional equity markets.	315,000	N/A*	N/A*
Totals	$ 238,535,209		$ 28,685,905		

* These funds are in a private equity structure

NOTE 5 - TRUST DEEDS RECEIVABLE

The College held notes receivable from faculty members and administrators totaling approximately $490,778 and $1,138,000 at June 30, 2013 and 2012, 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, 2013 and 2012, 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 deed receivable balance is necessary as of June 30, 2013 and 2012, 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 3.48% and 0.19% for the years ended June 30, 2013 and 2012. Amortization of the discount is included in gift revenue.

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

	2013	2012
Less than one year	$ 3,215,117	$ 2,638,832
Between one year and five years	5,076,835	6,592,507
Later than five years	1,000,000	-
	9,291,952	9,231,339
Less: Discount	(526,975)	(113,942)
Allowance for uncollectible amounts	(262,949)	(273,523)
Contributions receivable, net	$ 8,502,028	$ 8,843,874

Contributions receivable at June 30, 2013 have the following restrictions:

Endowment for programs, activities and scholarships	$ 3,210,693
Education and general	1,014,971
Building construction	5,066,288
Total contributions receivable, gross	$ 9,291,952

Unconditional promises to give include amounts from members of the College's Board of Trustees of $4,260,000 and $5,489,000 as of June 30, 2013 and 2012, 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, 2013 and 2012, student loans represented 3.6% and 3.7% of total assets, respectively.

At June 30, student loans consisted of the following:

	2013	2012
Federal government programs	$ 5,446,244	$ 5,466,037
Institutional programs	20,345,345	19,615,767
	$ 25,791,589	25,081,804
Less allowance for doubtful accounts:		
Beginning of year	(3,167,784)	(2,995,835)
(Increases)/decreases	73,179	(172,963)
Write-offs	1	1,014
End of year	(3,094,604)	(3,167,784)
Student loans receivable, net	$ 22,696,985	$ 21,914,020

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, 2013 and 2012, 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, 2013 and 2012, 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
2013	$ 1,187,051	$ 362,732	$ 1,234,960	$ 2,784,743
2012	$ 1,305,072	$ 356,589	$ 1,130,520	$ 2,792,181

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:

	2013	2012
Land and improvements	$ 7,147,428	$ 6,338,280
Buildings	208,819,379	180,424,637
Furniture and equipment	19,338,618	19,663,374
Construction-in-progress	13,055,247	30,194,803
	248,360,672	236,621,094
Less: Accumulated depreciation	(85,603,374)	(80,505,185)
Property and equipment, net	$ 162,757,298	$ 156,115,909

Depreciation expense for the years ended June 30, 2013 and 2012 was $7,181,363 and $6,414,568, respectively.

NOTE 9 – DEBT

California Educational Facilities 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.

NOTE 9 – DEBT – Continued

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.

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 bond covenants at June 30, 2013 and 2012.

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. The College was in compliance with all bond covenants at June 30, 2013 and 2012.

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

Bonds payable at June 30, 2012 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	3.50 to 5.25%	$ 64,135,000
Series 2008	20,000,000	4.00 to 5.30%	19,315,000
Total	$ 90,335,000		$ 83,450,000

NOTE 9 – DEBT – Continued

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	Series 2013A & 2013B CEFA Bonds	Total
2014	$ 1,430,000	$ 375,000	$ 455,000	$ 2,260,000
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 and thereafter	10,545,000	16,900,000	53,460,000	80,905,000
Total	$ 18,325,000	$ 18,950,000	$ 54,995,000	$ 92,270,000

The estimated fair value of the College's bonds payable was approximately $97,108,777 and $88,772,000 at June 30, 2013 and 2012, 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).

Lines of Credit

The College has two $5,000,000 lines of credit outstanding. Both lines of credit were issued to the College on February 1, 2013. One line of credit will expire on February 2, 2014, and the other will expire on February 1, 2015. The lines of credit are collateralized by all blanket UCC filings. No amounts were drawn on either line of credit as of or during the year ended June 30, 2013.

NOTE 10 – NET ASSETS

Net assets consist of the following at June 30, 2013 and 2012:

	2013	2012
Unrestricted		
Designated – educational and general	$ 12,755,256	$ 9,909,622
Designated – functioning as endowment	63,142,013	56,242,008
Designated – student loan funds	3,250,753	2,857,932
Designated – life income and annuity contracts	3,423,985	3,419,023
Designated – renewal and replacement	5,824,339	3,409,786
Invested in property and equipment	68,817,195	60,546,547
Total unrestricted net assets	157,213,541	136,384,918
Temporarily restricted		
Current restricted	1,032,225	1,180,938
Accumulated endowment investment gains	165,228,128	149,987,980
Life income and annuity contracts	4,607,536	5,796,521
Property and equipment funds	3,997,988	8,139,206
Contributions receivable, net	5,407,312	5,134,515
Assets held in trust by others	8,574,067	7,827,003
Total temporarily restricted net assets	188,847,256	178,066,163
Permanently restricted		
Endowment corpus	128,396,925	124,489,898
Life income and annuity contracts	6,987,878	5,859,857
Student loan funds	12,064,833	12,053,342
Contributions receivable, net	3,094,716	3,709,359
Assets held in trust by others	1,983,741	1,911,690
Total permanently restricted net assets	152,528,093	148,024,146
Total net assets	$498,588,890	$462,475,227

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,	
	2013	2012
Operating activities	$ 15,053,098	$ 14,294,034
Capital expenditures	4,501,761	1,364,820
Annuity funds	2,949,279	-
Change in underwater funds	1,049,159	1,128,822
	$ 23,553,297	$ 16,787,676

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, 2013 and 2012 were approximately $3,820,000 and $3,723,000, respectively, which are included as expenditures in the statements of activities.

NOTE 12 – FUNDRAISING EXPENSES

During the years ended June 30, 2013 and 2012, the College incurred fundraising expenses of approximately $4,707,000 and $5,137,000, 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, 2013 and 2012. 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 serves as a Director of one of the College's health care providers. Amounts paid to this vendor totaled to approximately $3,135,000 and $2,600,000 for the year ended June 30, 2013 and 2012, respectively.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

In connection with certain other equity investments, the College has committed to make additional investments totaling approximately $28,685,905 over the next several years (see note 4).

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.

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, 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

	June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net endowment assets, beginning of year	$ 59,677,226	$ 166,212,045	$ 116,504,074	$ 342,393,345
Investment return:				
Investment income, net	3,886,577	13,257,203	-	17,143,780
Net appreciation	(4,642,452)	(15,835,512)	-	(20,477,964)
Total investment return	(755,875)	(2,578,309)	-	(3,334,184)
New gifts	1,170,747	-	3,816,119	4,986,866
Matured life income and annuity contracts			3,499,757	3,499,757
Pledge payments			634,545	634,545
Other changes, including redesignations	386,749	-	35,403	422,152
Appropriation for expenditures	(3,108,017)	(14,774,578)	-	(17,882,595)
Change in underwater endowments	(1,128,822)	1,128,822	-	-
Net endowment assets, end of year	$ 56,242,008	$ 149,987,980	$ 124,489,898	$ 330,719,886

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 $(469,000) and $(1,519,000) as of June 30, 2013 and 2012, respectively.

NOTE 16 – SUBSEQUENT EVENTS

The College evaluated its June 30, 2013 financial statements for subsequent events through November 8, 2013, 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.