



**Financial Statements and Report of Independent
Certified Public Accountants**

OCCIDENTAL COLLEGE

June 30, 2011 and 2010

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Report of Independent Certified Public Accountants

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We have audited the accompanying balance sheets of Occidental College (the "College") as of June 30, 2011 and 2010 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, 2011 and 2010, 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, 2011

Occidental College
BALANCE SHEETS
As of June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 4,654,236	\$ 2,721,372
Assets whose use is limited	5,021,555	10,744,968
Student accounts receivable, less allowance for doubtful accounts of \$258,247 and \$250,122 at June 30, 2011 and 2010, respectively	529,606	612,567
Contracts and grants receivable	1,111,053	943,877
Contributions receivable, net	10,169,449	2,758,081
Inventories	534,233	515,319
Other assets	3,700,542	1,350,571
Trust deeds receivable	1,304,050	1,581,249
Investments	394,157,412	348,420,802
Student notes receivable, net	20,919,846	19,292,675
Bond issuance costs	1,619,420	1,687,114
Assets held in trust by others	9,511,195	8,069,203
Property and equipment, net	139,657,896	134,846,314
Total assets	\$ 592,890,493	\$ 533,544,112
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 12,930,263	\$ 12,220,912
Student deposits and deferred revenue	4,698,378	4,718,586
Bonds payable	85,125,000	86,735,000
Bonds premium, net	1,679,395	1,752,412
Government loans payable	4,167,567	4,167,567
Annuities payable	13,580,392	12,366,168
Asset retirement obligations	2,622,354	2,403,591
Total liabilities	124,803,349	124,364,236
NET ASSETS		
Unrestricted	134,557,615	118,966,756
Temporarily restricted	190,732,089	154,147,595
Permanently restricted	142,797,440	136,065,525
Total net assets	468,087,144	409,179,876
Total liabilities and net assets	\$ 592,890,493	\$ 533,544,112

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

Occidental College
STATEMENT OF ACTIVITIES

Year ended June 30, 2011

(with comparative totals for the year ended June 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Operating Revenues:					
Student revenues:					
Tuition and fees	\$ 83,321,084	\$ -	\$ -	\$ 83,321,084	\$ 75,397,868
Room and board	17,028,846	-	-	17,028,846	15,492,578
Less: Financial assistance	(33,363,213)	-	-	(33,363,213)	(29,081,439)
Net student revenues	66,986,717	-	-	66,986,717	61,809,007
Private gifts, grants and contracts	8,742,667	5,969,462	4,471,952	19,184,081	13,242,884
Federal and state grants and contracts	3,022,889	-	-	3,022,889	2,702,287
Investment income designated for operations	2,978,460	14,445,884	-	17,424,344	17,512,184
Other	5,106,755	1,092	50,910	5,158,757	4,697,556
Net assets released from restrictions	14,481,058	(14,481,058)	-	-	-
Total operating revenues	101,318,546	5,935,380	4,522,862	111,776,788	99,963,918
Operating Expenditures:					
Academic program	47,725,533	-	-	47,725,533	47,118,231
Co-curricular program	28,036,450	-	-	28,036,450	27,312,491
Public service	4,516,598	-	-	4,516,598	3,865,204
Marketing	10,136,024	-	-	10,136,024	9,485,092
Institutional support	7,554,770	-	-	7,554,770	8,187,943
Total operating expenditures	97,969,375	-	-	97,969,375	95,968,961
Operating income	3,349,171	5,935,380	4,522,862	13,807,413	3,994,957
Other changes in net assets:					
Net assets released for capital expenditures	1,072,306	(1,072,306)	-	-	-
Private gifts, grants and contracts for capital expenditures	2,035,000	-	-	2,035,000	-
Present value adjustment for annuities	(117,589)	(463,872)	(1,557,923)	(2,139,384)	(1,207,210)
Change in fair value of assets held in trust by others	-	1,158,851	283,141	1,441,992	575,836
Realized and unrealized gains, net	7,342,329	33,227,934	3,191,984	43,762,247	24,406,192
Change in underwater funds	2,201,493	(2,201,493)	-	-	-
Redesignation of net assets	(291,851)	-	291,851	-	-
Total other changes in net assets	12,241,688	30,649,114	2,209,053	45,099,855	23,774,818
Changes in net assets	15,590,859	36,584,494	6,731,915	58,907,268	27,769,775
Net assets, beginning of year	118,966,756	154,147,595	136,065,525	409,179,876	381,410,101
Net assets, end of year	\$ 134,557,615	\$ 190,732,089	\$ 142,797,440	\$ 468,087,144	\$ 409,179,876

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

Occidental College
STATEMENT OF ACTIVITIES

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	<u>(29,081,439)</u>	<u>-</u>	<u>-</u>	<u>(29,081,439)</u>	<u>(24,836,708)</u>
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	<u>14,421,015</u>	<u>(14,421,015)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>96,897,010</u>	<u>153,415</u>	<u>2,913,493</u>	<u>99,963,918</u>	<u>88,985,068</u>
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	<u>8,187,943</u>	<u>-</u>	<u>-</u>	<u>8,187,943</u>	<u>8,549,489</u>
Total operating expenditures	<u>95,968,961</u>	<u>-</u>	<u>-</u>	<u>95,968,961</u>	<u>93,515,785</u>
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 value of assets held in trust by others	-	426,833	149,003	575,836	(3,222,786)
Realized and unrealized gains (losses), net	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	<u>(36,986)</u>	<u>-</u>	<u>36,986</u>	<u>-</u>	<u>-</u>
Total other changes in net assets	<u>5,828,908</u>	<u>16,485,799</u>	<u>1,460,111</u>	<u>23,774,818</u>	<u>(88,726,706)</u>
Changes in net assets	6,756,957	16,639,214	4,373,604	27,769,775	(93,257,423)
Net assets, beginning of year	<u>112,209,799</u>	<u>137,508,381</u>	<u>131,691,921</u>	<u>381,410,101</u>	<u>474,667,524</u>
Net assets, end of year	<u>\$ 118,966,756</u>	<u>\$ 154,147,595</u>	<u>\$ 136,065,525</u>	<u>\$ 409,179,876</u>	<u>\$ 381,410,101</u>

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

Occidental College
STATEMENTS OF CASH FLOWS
As of June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Changes in net assets	\$ 58,907,268	\$ 27,769,775
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	6,431,207	6,474,445
Gifts of stock and securities	(1,109,073)	(1,692,884)
Net unrealized and realized gains on investments	(55,011,476)	(37,600,128)
Contributions restricted for long-term investments	(4,471,952)	(2,872,659)
Contributions for capital expenditures	(2,035,000)	-
Student notes receivable, net	(75,952)	349,379
Changes in assets and liabilities:		
Student accounts receivable, net	82,961	(278,830)
Contracts and grants receivables	(167,176)	95,418
Contributions receivable, net	(7,860,755)	(2,457,539)
Inventories	(18,914)	47,122
Other assets	(2,349,971)	(515,302)
Accounts payable and accrued expenses	(906,934)	282,773
Student deposits and deferred revenue	(20,208)	(243,603)
Asset retirement obligations	218,763	57,915
	(8,387,212)	(10,584,118)
Net cash used in operating activities		
Cash flows from investing activities:		
Decrease in trust deeds receivable	277,199	788,304
Change in assets whose use is limited	5,723,413	2,993,230
Disbursement of student loan receivables	(3,622,916)	(4,286,390)
Collection of student loan receivables	2,071,697	2,045,380
Purchases of investments	(58,738,823)	(145,066,124)
Proceeds from sales and maturities of investments	69,122,762	158,895,682
Purchases of property and equipment	(9,631,827)	(8,158,416)
	5,201,505	7,211,666
Net cash provided by investing activities		
Cash flows from financing activities:		
Contributions restricted for long-term investment	4,921,339	3,955,041
Contributions for capital expenditures	2,035,000	-
Deposits with bank trustees	-	136,018
Change in assets held in trust by others	(1,441,992)	425,503
Repayment of long-term debt	(1,610,000)	(1,411,000)
Change in annuities payable	1,214,224	70,521
	5,118,571	3,176,083
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	1,932,864	(196,369)
Cash and cash equivalents at beginning of year	2,721,372	2,917,741
Cash and cash equivalents at end of year	\$ 4,654,236	\$ 2,721,372
Supplemental cash flow information:		
Cash paid for interest	\$ 4,142,127	\$ 4,197,805
Gifts of stock and securities	\$ 1,109,073	\$ 1,692,884
Unpaid fixed asset purchases	\$ 1,616,285	\$ 1,061,400

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

Occidental College
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2011 and 2010

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 Generally Accepted Accounting Principles 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.

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

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 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, 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.

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

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 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 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.

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

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 limit. The Dodd-Frank Wall Street Reform and Consumer Protection Act ensures that all funds in a noninterest-bearing transaction account are insured in full by the Federal Deposit Insurance Corporation (“FDIC”) through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules.

Assets Whose Use Is Limited

Certain proceeds of the serial bonds (see Note 9) 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. 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.

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

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-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 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 and the CEFA Series 2008 Bonds (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.

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

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.

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 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 \$218,763 and \$57,915 asset retirement costs for the years ending June 30, 2011 and 2010, respectively and \$2,622,354 and \$2,403,591 of conditional retirement asset obligations included in the balance sheets for the years ending June 30, 2011 and 2010, 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.

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

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, 2011, 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, 2008 through June 30, 2011 for federal tax purposes and the years ended June 30, 2007 through June 30, 2011 for California tax purposes. There have been no material changes in unrecognized benefits as of June 30, 2011, nor are any material changes anticipated in the twelve months following June 30, 2011. 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

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 loans 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.

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

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 January 2010, the Financial Accounting Standards Board (“FASB”) issued guidance to improve the disclosures related to fair value measurements. The new guidance requires expanded fair value disclosures, including the reasons for significant transfers between Level 1 and Level 2 and the amount of significant transfers into each level disclosed separately from transfers out of each level. For Level 3 fair value measurements, information in the reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements shall be presented separately on a gross basis, rather than as one net number. In addition, clarification is provided about existing disclosure requirements, such as presenting fair value measurement disclosures for each class of assets and liabilities that are determined based on their nature and risk characteristics and their placement in the fair value hierarchy (that is, Level 1, 2, or 3), as opposed to each major category of assets and liabilities, as required in the previous guidance. Disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements will be required for fair value measurement that fall in either Level 2 or Level 3. The new guidance is effective for annual reporting periods beginning after December 15, 2010, except for the disclosures related to the gross presentation of purchases, sales, issuances and settlements for Level 3 fair value measurements, which are effective for reporting periods beginning after December 15, 2011. The expanded disclosures are included in the College’s financial statements effective June 30, 2011, except for the disclosures related to the gross Level 3 presentation, which will be included in the College’s financial statements effective June 30, 2012.

Functional Expense Reporting

The costs of providing program and supporting services have been summarized by function, based on estimates developed by management.

Redesignation of Net Assets

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

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

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, which is reported at cost. The following schedule summarizes the assets in pooled investments and the assets held as separate investments at June 30:

	2011	2010
Cash and cash equivalents	\$ 35,312,441	\$ 37,407,003
U.S. equity	75,906,654	60,253,534
Global equity (developed)	41,341,166	32,373,914
Emerging markets	33,107,139	22,849,758
Domestic fixed income	49,740,786	53,114,908
Global fixed income	6,367,918	13,740,776
Marketable alternative investments	61,794,476	56,256,928
Marketable inflation hedging assets	39,640,513	32,682,012
Private equity and venture capital	48,070,174	37,517,524
Real estate	2,876,145	2,224,445
	<u>\$ 394,157,412</u>	<u>\$ 348,420,802</u>

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

NOTE 3 – INVESTMENTS – Continued

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

	2011	2010
Dividends, interest and rents	\$ 7,477,716	\$ 5,504,420
Realized gains, net	8,885,766	2,743,645
Unrealized gains, net	48,724,697	37,400,249
	65,088,179	45,648,314
Less: Investment expense	(3,901,588)	(3,729,938)
Investment income designated for operations	(17,424,344)	(17,512,184)
Realized and unrealized gains, net of allocation to operations and investment expense	\$ 43,762,247	\$ 24,406,192

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

	June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends, interest and rents	\$ 1,394,990	\$ 5,661,756	\$ 420,970	\$ 7,477,716
Realized gains, net	1,548,572	7,220,987	116,208	8,885,767
Unrealized gains, net	8,073,209	37,911,227	2,740,260	48,724,696
Total	\$ 11,016,771	\$ 50,793,970	\$ 3,277,438	\$ 65,088,179

	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

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

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:

	2011	2010
Unit-market value at end of year	\$ 400.94	\$ 355.30
Units owned:		
Unrestricted:		
Funds functioning as endowment	147,982	141,673
Total unrestricted	147,982	141,673
Permanently restricted:		
Endowment funds	703,463	696,839
Total permanently restricted	703,463	696,839
Total units	851,445	838,512

At June 30, 2011 and 2010, investments include approximately \$31,098,000 and \$26,880,000 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*, defines fair value, established a framework used to measure fair value, and expands disclosures about fair value measurements. The standard prioritized, within the measurement of fair value, the use of market-based information over entity-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.

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

NOTE 4 – FAIR VALUE MEASUREMENTS – Continued

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 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 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, 2011. 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.

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

NOTE 4 – FAIR VALUE MEASUREMENTS – Continued

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

	June 30, 2011			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 35,312,441	\$ -	\$ -	\$ 35,312,441
US equity	48,275,869	-	27,630,785	75,906,654
Global Equity (developed)	11,837,135	29,504,031	-	41,341,166
Emerging markets	-	33,107,139	-	33,107,139
Domestic fixed income	39,421,191	-	10,319,595	49,740,786
Global fixed income	-	6,367,918	-	6,367,918
Marketable alternative investments	-	-	61,794,476	61,794,476
Marketable inflation hedging assets	8,932,319	-	30,708,194	39,640,513
Private equity and venture capital	-	-	48,070,174	48,070,174
Assets held by others	9,074,310	-	436,885	9,511,195
Total	\$ 152,853,265	\$68,979,088	\$ 178,960,109	\$400,792,462

	June 30, 2010			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 37,407,003	\$ -	\$ -	\$ 37,407,003
US equity	36,740,699	-	23,512,835	60,253,534
Global 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
Assets held by others	7,689,143	-	380,060	8,069,203
Total	\$ 143,962,576	\$ 59,953,625	\$ 150,349,359	\$354,265,560

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

NOTE 4 – FAIR VALUE MEASUREMENTS – Continued

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

	<u>Level 3 Assets Year Ended June 30, 2011</u>	<u>Level 3 Assets Year Ended June 30, 2010</u>
Beginning balance	\$ 150,349,359	\$ 141,276,946
Total gains or losses (included in changes in net assets)	27,947,972	16,633,719
Purchases	18,514,375	9,431,678
Sales	(17,851,597)	(16,992,984)
Transfers in and/out of Level 3	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 178,960,109</u>	<u>\$ 150,349,359</u>

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

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:

	<u>Fair Value June 30, 2011</u>	<u>Strategy</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled funds	\$ 106,929,468	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	61,794,476	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	30,708,194	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	40,248,930	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.	21,831,000	N/A*	N/A*
Venture capital	7,821,244	Investments in privately held start up and or fast growing companies expected to generate returns above traditional equity markets.	910,000	N/A*	N/A*
Totals	<u>\$ 247,502,312</u>		<u>\$ 22,741,000</u>		

* 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 \$1,219,000 and \$1,483,000 at June 30, 2011 and 2010, 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. As of June 30, 2011 and 2010, 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, 2011 and 2010, based on prior collection experience and current economic factors.

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

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 ranged from .43% and 4.38% for the years ended June 30, 2011 and 2010. 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:

	<u>2011</u>	<u>2010</u>
Less than one year	\$ 3,056,032	\$ 1,419,671
Between one year and five years	<u>7,646,142</u>	<u>1,579,891</u>
	10,702,174	2,999,562
Less: discount	(218,206)	(96,319)
Allowance for uncollectible amounts	<u>(314,519)</u>	<u>(145,162)</u>
Contributions receivable, net	<u>\$ 10,169,449</u>	<u>\$ 2,758,081</u>

Contributions receivable at June 30, 2011 have the following restrictions:

Endowment for programs, activities and scholarships	\$ 4,669,765
Building construction	5,395,000
Education and general	<u>637,409</u>
Total	<u>\$ 10,702,174</u>

Unconditional promises to give include amounts from members of the College's Board of Trustees of \$8,735,000 and \$369,000 as of June 30, 2011 and 2010, respectively.

NOTE 7 – STUDENT LOANS 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, 2011 and 2010, student loans represented 3.5% and 3.6% of total assets, respectively.

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

NOTE 7 – STUDENT LOANS RECEIVABLE - Continued

At June 30, student loans consisted of the following:

	<u>2011</u>	<u>2010</u>
Federal government programs	\$ 5,177,415	\$ 5,028,137
Institutional programs	18,738,266	17,444,264
	<u>23,915,681</u>	<u>22,472,401</u>
Less allowance for doubtful accounts:		
Beginning of year	(3,179,726)	(2,935,677)
Decreases/(Increases)	169,123	(257,733)
Write-offs	14,768	13,684
End of year	<u>(2,995,835)</u>	<u>(3,179,726)</u>
Student loans receivable, net	<u>\$ 20,919,846</u>	<u>\$19,292,675</u>

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, 2011 and 2010, 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, 2011 and 2010, 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
2011	\$ 997,560	\$ 335,018	\$ 1,031,283	\$ 2,363,861
2010	\$ 937,272	\$ 348,687	\$ 1,010,393	\$ 2,296,352

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.

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2011	2010
Land and improvements	\$ 6,338,280	\$ 6,188,260
Buildings	177,937,698	175,183,582
Furniture and equipment	21,238,763	21,401,581
Construction-in-progress	10,339,048	3,042,704
	215,853,789	205,816,127
Less: Accumulated depreciation	(76,195,893)	(70,969,813)
Property and equipment, net	\$139,657,896	\$ 134,846,314

Depreciation expense for the years ended June 30, 2011 and 2010 was \$6,436,530 and \$6,479,766, respectively.

NOTE 9 – DEBT

California Educational Facilities Authority Bonds

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, 2011 and 2010.

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.

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

NOTE 9 – DEBT – Continued

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, 2011 and 2010.

Bonds payable at June 30, 2011 are summarized as follows:

	<u>Authorized and Issued</u>	<u>Remaining Interest Rates</u>	<u>Remaining Bonds Outstanding</u>
California Educational Facilities Authority ("CEFA") Revenue Bonds			
Series 2005A & 2005B	\$ 70,335,000	3.30 to 5.25%	\$ 65,460,000
Series 2008	<u>20,000,000</u>	4.00 to 5.30%	<u>19,665,000</u>
Total	<u>\$ 90,335,000</u>		<u>\$ 85,125,000</u>

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

<u>Year Ending June 30,</u>	<u>Series 2005A & 2005B CEFA Bonds</u>	<u>Series 2008 CEFA Bonds</u>	<u>Total</u>
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	1,555,000	410,000	1,965,000
2017 and thereafter	<u>58,290,000</u>	<u>17,770,000</u>	<u>76,060,000</u>
	<u>\$ 65,460,000</u>	<u>\$ 19,665,000</u>	<u>\$ 85,125,000</u>

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

NOTE 9 – DEBT – Continued

The estimated fair value of the College's bonds payable was approximately \$87,625,000 and \$89,240,000 at June 30, 2011 and 2010, 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 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 that expire on February 1, 2013 and November 9, 2011, respectively. 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, 2011.

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

NOTE 10 – NET ASSETS

Net assets consist of the following at June 30, 2011 and 2010:

	2011	2010
Unrestricted		
Designated – educational and general	\$ 7,162,434	\$ 9,011,066
Designated – functioning as endowment	59,677,226	48,554,818
Designated – student loan funds	2,718,938	2,343,813
Designated – life income and annuity contracts	3,383,547	2,654,678
Designated – renewal and replacement	1,639,717	124,075
Invested in property and equipment	59,975,753	56,278,306
Total unrestricted net assets	134,557,615	118,966,756
Temporarily restricted		
Current restricted	1,213,386	995,074
Accumulated endowment investment gains	166,212,045	136,588,447
Life income and annuity contracts	6,071,186	5,194,793
Property and equipment funds	3,900,145	4,415,971
Contributions receivable, net	5,782,958	559,793
Assets held in trust by others	7,552,369	6,393,517
Total temporarily restricted net assets	190,732,089	154,147,595
Permanently restricted		
Endowment corpus	116,504,074	113,747,341
Life income and annuity contracts	7,915,292	6,520,674
Loan funds	12,032,757	11,923,537
Contributions receivable, net	4,386,491	2,198,288
Assets held in trust by others	1,958,826	1,675,685
Total permanently restricted net assets	142,797,440	136,065,525
Total net assets	\$468,087,144	\$409,179,876

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

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,	
	2011	2010
Expenditures for program activities,	\$ 14,481,058	\$ 14,421,015
Expenditures for fixed assets	1,072,306	194,251
	\$ 15,553,364	\$ 14,615,266

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, 2011 and 2010 were approximately \$3,618,000 and \$3,460,000, respectively, which are included as expenditures in the Statements of Activities.

NOTE 12 – FUNDRAISING EXPENSES

During the years ended June 30, 2011 and 2010, the College incurred fundraising expenses of approximately \$4,396,000 and \$3,851,000, respectively, exclusive of expenses for Alumni Relations and Public Relations.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

In connection with certain other equity investments, the College has committed to make additional investments totaling approximately \$22,741,000 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 the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the College’s financial position.

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

NOTE 13 – COMMITMENTS AND CONTINGENCIES - Continued

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 14 – 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

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

NOTE 14 – ENDOWMENT FUNDS – Continued

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

	June 30, 2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net endowment assets, beginning of year	\$ 48,554,818	\$ 136,588,447	\$ 113,747,341	\$ 298,890,606
Investment return:				
Investment income, net	1,105,474	5,363,638	-	6,469,112
Net appreciation	8,299,697	40,907,337	-	49,207,034
Total investment return	9,405,171	46,270,975	-	55,676,146
New gifts	1,151,709	-	2,214,317	3,366,026
Appropriation for expenditures	(2,978,460)	(14,445,884)	-	(17,424,344)
Other changes, including redesignations	1,342,495	-	542,416	1,884,911
Change in underwater endowments	2,201,493	(2,201,493)	-	-
Net endowment assets, end of year	<u>\$ 59,677,226</u>	<u>\$ 166,212,045</u>	<u>\$ 116,504,074</u>	<u>\$ 342,393,345</u>
	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	<u>\$ 48,554,818</u>	<u>\$ 136,588,447</u>	<u>\$ 113,747,341</u>	<u>\$ 298,890,606</u>

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 \$(390,000) and \$(2,591,000) as of June 30, 2011 and 2010, respectively.

Occidental College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
As of June 30, 2011 and 2010

NOTE 15 – SUBSEQUENT EVENTS

The College evaluated its June 30, 2011 financial statements for subsequent events through November 15, 2011, 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.