Harvey Mudd College

Audited Financial Statements

2010–2011

BUSINESS AFFAIRS OFFICE

Harvey Mudd College
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Claremont, California 91711

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HARVEY MUDD COLLEGE
ANNUAL FINANCIAL REPORT

2011 and 2010

CONTENTS

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

We have audited the accompanying statements of financial position of Harvey Mudd 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. 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 the College as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Moss Adams, LLP

Los Angeles, California
October 10, 2011

HARVEY MUDD COLLEGE
STATEMENT OF FINANCIAL POSITION

June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash	$ 281,711	$ 230,925
Accounts receivable, net (Note 2)	1,649,854	1,941,685
Prepaid expenses, deposits and other	1,385,399	804,772
Notes receivable, net (Note 2)	3,985,169	3,984,898
Contributions receivable, net (Note 3)	12,249,357	24,669,936
Investments (Note 4)	303,618,646	235,235,477
Plant facilities, net (Note 6)	53,937,716	59,812,015
Total assets	$ 377,107,852	$ 326,679,708
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 4,051,651	$ 4,172,808
Deposits and deferred revenues	387,947	480,857
Life income and annuities payable	4,930,591	5,062,147
Liability for staff retirement plan	916,347	1,328,879
Note and bonds payable (Note 7)	18,156,397	3,876,194
Government advances for student loans	2,983,703	3,034,046
Funds held in trust for others (Note 8)	405,365	319,144
Asset retirement obligation (Note 9)	1,176,340	1,124,052
Total liabilities	33,008,341	19,398,127
NET ASSETS (Note 10)		
Unrestricted	111,676,216	101,616,149
Temporarily restricted	127,599,015	105,811,255
Permanently restricted	104,824,280	99,854,177
Total net assets	344,099,511	307,281,581
Total liabilities and net assets	$ 377,107,852	$ 326,679,708

See accompanying notes to the financial statements

HARVEY MUDD COLLEGE
STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011
Revenues and release of net assets				
Tuition, fees, room and board	$ 40,231,417	$ -	$ -	$ 40,231,417
Less financial aid	(12,765,608)	(48,314)	-	(12,813,922)
Net student revenues (Note 11)	27,465,809	(48,314)	-	27,417,495
Federal grants	3,965,012	-	-	3,965,012
Private gifts and grants	4,633,724	1,981,071	4,725,960	11,340,755
Private contracts	928,812	-	-	928,812
Endowment payout	10,760,774	1,052,098	105,910	11,918,782
Other investment returns	185,578	71,151	17,425	274,154
Other revenue	1,064,090	661	-	1,064,751
Release and reclassification of net assets				
Operations	1,644,943	(1,685,647)	40,704	-
Annuity and life income	863,615	(776,115)	(87,500)	-
Plant facilities	176,137	(176,137)	-	-
Total revenues and release of net assets	51,688,494	418,768	4,802,499	56,909,761
Expenses				
Instruction	20,071,802	-	-	20,071,802
Research	3,326,953	-	-	3,326,953
Public service	1,004,307	-	-	1,004,307
Academic support	5,236,778	-	-	5,236,778
Student services	5,286,646	-	-	5,286,646
Institutional support	8,503,530	-	-	8,503,530
Auxiliary enterprises	6,519,511	-	-	6,519,511
Total expenses	49,949,527	-	-	49,949,527
Excess (deficit) of revenues over expenses	1,738,967	418,768	4,802,499	6,960,234
Other changes in net assets				
Pooled investment gains (losses) net of allocations to operations	7,826,693	20,919,670	-	28,746,363
Other comprehensive pension expense	494,407	-	-	494,407
Actuarial adjustment	-	449,322	167,604	616,926
Change in net assets	10,060,067	21,787,760	4,970,103	36,817,930
Net assets, beginning of year	101,616,149	105,811,255	99,854,177	307,281,581
Net assets, end of year	$ 111,676,216	$ 127,599,015	$ 104,824,280	$ 344,099,511

See accompanying notes to the financial statements

HARVEY MUDD COLLEGE
STATEMENT OF ACTIVITIES

For the year ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010
Revenues and release of net assets				
Tuition, fees, room and board	$ 37,508,051	$ -	$ -	$ 37,508,051
Less financial aid	(12,314,982)	(115,980)	-	(12,430,962)
Net student revenues (Note 11)	25,193,069	(115,980)	-	25,077,089
Federal grants	3,400,320	-	-	3,400,320
Private gifts and grants	6,517,136	2,405,792	334,815	9,257,743
Private contracts	792,925	-	-	792,925
Endowment payout	10,950,731	732,712	321,202	12,004,645
Other investment returns	529,849	(257,983)	(241,807)	30,059
Other revenue	871,269	6,199	-	877,468
Release and reclassification of net assets				
Operations	510,366	(496,615)	(13,751)	-
Annuity and life income	69,204	(69,204)	-	-
Plant facilities	550,220	(550,220)	-	-
Total revenues and release of net assets	49,385,089	1,654,701	400,459	51,440,249
Expenses				
Instruction	19,579,424	-	-	19,579,424
Research	2,760,918	-	-	2,760,918
Public service	837,762	-	-	837,762
Academic support	5,323,209	-	-	5,323,209
Student services	4,949,165	-	-	4,949,165
Institutional support	8,003,907	-	-	8,003,907
Auxiliary enterprises	6,498,897	-	-	6,498,897
Total expenses	47,953,282	-	-	47,953,282
Excess (deficit) of revenues over expenses	1,431,807	1,654,701	400,459	3,486,967
Other changes in net assets				
Pooled investment gains (losses) net of allocations to operations	3,222,503	6,671,855	-	9,894,358
Other comprehensive pension expense	(316,165)	-	-	(316,165)
Actuarial adjustment	-	40,960	36,013	76,973
Change in net assets	4,338,145	8,367,516	436,472	13,142,133
Net assets, beginning of year	97,278,004	97,443,739	99,417,705	294,139,448
Net assets, end of year	$ 101,616,149	$ 105,811,255	$ 99,854,177	$ 307,281,581

See accompanying notes to the financial statements

HARVEY MUDD COLLEGE
STATEMENT OF CASH FLOWS

June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Tuition, fees, room, board, sales and services of auxiliary enterprises, net of scholarships and fellowships	$ 27,413,644	$ 24,929,980
Gifts, grants and contracts revenue	9,426,484	9,818,221
Investment income	2,908,521	3,341,328
Other revenue	1,044,852	901,249
Interest paid	82,696	(214,207)
Payments to employees and suppliers	(47,581,342)	(44,553,968)
Net cash (used in) provided by operating activities	(6,705,145)	(5,777,397)
Cash flows from investing activities:		
Proceeds from sale of land	5,351,213	-
Purchase of plant facilities	(1,812,895)	(3,331,386)
Proceeds from sale of investments	99,856,485	97,725,304
Purchase of investments	(129,759,847)	(92,248,573)
Loans made to students and employees	(260,026)	(500,630)
Collection of student and employee loans	269,664	219,547
Net cash provided by (used in) investing activities	(26,355,406)	1,864,262
Cash flows from financing activities:		
Payments to life income beneficiaries	(563,746)	(609,744)
Investment income and losses on life income investments	782,658	538,284
Principal payments on debt	(1,059,134)	(1,164,129)
Proceeds from bond issuance	15,065,000	-
Payments for bond issuance costs	(354,319)	-
Contributions restricted for endowment	4,741,234	2,441,668
Contributions restricted for life income contracts	236,001	(91,843)
Contributions restricted for plant expenditures	19,411	105,450
Contributions restricted for long term investments	14,201,283	2,373,397
Increase (decrease) in funds held in trust for others	93,292	20,519
Increase (decrease) in government advances for student loans	(50,343)	133,190
Net cash provided by (used in) financing activities	33,111,337	3,746,792
Net increase (decrease) in cash	50,786	(166,343)
Cash, beginning of year	230,925	397,268
Cash, end of year	$ 281,711	$ 230,925

See accompanying notes to the financial statements

HARVEY MUDD COLLEGE
STATEMENT OF CASH FLOWS

June 30, 2011 and 2010

	2011	2010
Reconciliation of change in net assets to cash flows from operating activities:		
Change in net assets	$ 36,817,930	$ 13,142,133
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	2,335,981	2,319,159
Amortization of bond discount and cost of issuance	274,337	36,205
Amortization of asset retirement obligation	52,288	49,958
Comprehensive pension expense	(494,407)	316,165
Realized (gains) losses on sale of investments	(3,927,886)	(194,028)
Unrealized (gains) losses on investments	(34,111,161)	(18,379,135)
Adjustment of actuarial liability for life income agreements	(632,748)	(96,674)
(Increase) decrease in prepaid expenses and deposits	(226,308)	(146,460)
(Increase) decrease in accounts and notes receivable	281,922	(461,257)
(Increase) decrease in contributions receivable	46,751	(59,844)
Increase (decrease) in accounts payable and accrued liabilities	(121,157)	940,712
Increase (decrease) in deposits and deferred revenue	(92,910)	(98,529)
Contributions restricted for long-term investments	(6,989,652)	(3,163,137)
Defined benefit plan contributions (over)/under expense	81,875	17,335
Net cash (used in) provided by operating activities	$ (6,705,145)	$ (5,777,397)

See accompanying notes to the financial statements

June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Founded in 1955, Harvey Mudd College (the "College") is a premier independent liberal arts college that seeks to educate engineers, scientists, and mathematicians, well versed in all of these areas and in the humanities and the social sciences so that they may assume leadership in their fields with a clear understanding of the impact of their work on society.

The College is a nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. The primary purpose of the accounting and reporting is for resources received and applied rather than the determination of net income. The following accounting policies of the College are in accordance with those generally accepted for private colleges and universities:

Basis of Presentation:

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Asset Categories:

The accompanying financial statements present information regarding the College's financial position and results of activities according to the following net asset categories:

• Unrestricted net assets include all support that is not subject to donor-imposed restrictions. The Board of Trustees has designated a portion of unrestricted net assets to function as endowment, loan funds and for other specific purposes. Plant facilities includes all long-lived assets and renewal and replacement funds net of related liabilities.

• Temporarily restricted net assets include primarily gifts of cash and other assets subject to donor-imposed restrictions that either lapse through the passage of time or can be satisfied through the actions of the College, and endowment gains available for appropriation under the College's spending policy (Note 1, Management of Pooled Investments). When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets (Note 1, Release of Donor-Imposed Restrictions).

• Permanently restricted net assets include gifts and income subject to donor-imposed restrictions that they be maintained permanently by the College. The donors of endowment funds generally allow the College to use the income and a portion of the gains earned on these assets for general or specific purposes under the College's spending policy. Annuity and life income contracts and agreements are reclassified as endowment funds when the terms of the contracts and agreements expire.

Revenue Recognition:

Tuition and Fees – Student tuition and fees are recorded as revenue in the year 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. Collectability of student accounts and notes receivable is reviewed both individually and in the aggregate. Allowances have been established based on experience through a charge to bad debt expense and a credit to a provision for doubtful accounts. Balances deemed uncollectible are written off through a charge to the provision for doubtful accounts and a credit to accounts receivable. The College follows federal guidelines for determining when student loans are delinquent or past due for both federal and institutional loans.

June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Revenue Recognition, continued:

Gifts - Gifts, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Unconditional promises to give are initially recorded at fair value using the present value of future cash flows, discounted using a risk adjusted rate. Subsequent measurements of unconditional promises to give do not represent fair value. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Gifts of assets other than cash are recorded at their estimated fair value. Gifts to be received in future periods are discounted at an appropriate discount rate.

Grants and Contracts – Revenues from grants and contracts are reported as increases in unrestricted net assets, as allowable expenditures under such agreements are incurred.

Investment Return – Investment income and realized and unrealized gains and losses are recorded and reported as increases or decreases to the appropriate net asset category.

Release of Donor-Imposed Restrictions:

The release of a donor-imposed restriction on a gift or on endowment income is recognized in the period in which the restriction substantially expires. At that time, the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The College follows the policy of reporting donor-imposed restricted gifts and endowment income whose restrictions are met in the same period received as unrestricted support. It is also the College's policy to release the restrictions on gifts of cash or other assets received for the acquisitions of long-lived assets when the long-lived assets are placed into service.

Expense Recognition:

Expenses are generally reported as decreases in unrestricted net assets. The financial statements present expenses by functional classification in accordance with the overall educational and research missions of the College.

Allocation of Certain Expenses:

The Statements of Activities present expenses by functional classification. Depreciation and the cost of operation and maintenance of plant facilities are allocated to functional categories based on building square footage dedicated to that specific function. Interest expense is allocated based on the use of the related borrowings, which is primarily to finance auxiliary enterprise and academic facility construction or renovation.

Cash:

For the purposes of reporting cash flows, cash includes demand deposit bank accounts.

Concentration of Credit Risk:

Financial instruments that potentially subject the College to concentrations of credit risk consists principally of cash deposits at financial institutions and investments in marketable securities. At times, balances in the College's cash and investment accounts exceed the Federal Deposit Insurance Corporation (FDIC) or Securities Investors Protection Corporation (SIPC).

June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Investments:

Investments are reported at fair value, although the College holds certain investments at the original appraisal value and does not revalue the assets on a recurring basis. At June 30, 2011 and 2010, investments held at cost totaled $2,431,436 and $2,562,686, respectively. Realized and unrealized gains and losses are reflected in the accompanying Statement of Activities as pooled investment gains (losses) net of allocations to operations.

Management of Pooled Investments:

The College follows an investment policy which anticipates a greater long-range return through investing for capital appreciation and accepts lower current yields from dividends and interest. In order to offset the effect of lower current yields, the Board of Trustees has adopted a spending policy for pooled investments whereby a rate ranging between 4% and 5% is applied to the average market value of pooled investments. If ordinary income is insufficient to provide the full amount of investment return specified, the balance may be appropriated from realized gains of the pooled investments. Cumulative net realized gains and transfers of ordinary income in excess of the spending policy ("cumulative gains") are recorded in temporarily restricted net assets and are available for appropriation under the College's spending policy. At June 30, 2011 and 2010, these cumulative gains totaled approximately $82,810,000 and $88,138,000, respectively.

Endowment Funds:

The Board of Trustees of the College interprets the California UPMIFA to state that the College, in the absence of explicit donor stipulations to the contrary, may appropriate for expenditure or accumulate endowment so much of an endowment as the College determines prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Therefore, the College classifies as permanently restricted net assets the original value of gifts to the endowment and the accumulations made in accordance with the donor intent. The remaining portion of the donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by California UPMIFA which includes the:

(1) Duration and preservation of the fund
(2) Mission of the College and purpose of 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 organization.

Funds with Deficiencies:

From time to time, as a result of market declines, the fair value of certain donor restricted endowments were less than the historical dollar value. Deficiencies of this nature have been recorded as reductions in unrestricted net assets and were approximately $64,000 and $1,970,000 at June 30, 2011 and 2010, respectively. Future market gains will be used to restore this deficiency in unrestricted net assets before any net appreciation above the historical cost value of such funds increases permanently restricted net assets or temporarily restricted net assets.

June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Fair Value Measurement of Financial Instruments:

A financial instrument is defined as a contractual obligation that ultimately ends with the delivery of cash or an ownership interest in an entity. Disclosures included in these notes regarding the fair value of financial instruments have been derived using external market sources, estimates using present value or other valuation techniques. Determination of the fair value of loan fund receivables, which are primarily federally sponsored student loans with U.S. government 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.

The College carries most investments and its beneficial interest in trusts held by third parties at fair value in accordance with accounting principles generally accepted in the United States of America. The fair value is defined as the price that would be received to sell an asset (i.e. the “exit price”) in an orderly transaction between market participants at the measurement date, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the College has the ability to access at the measurement date;
Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active;
Level 3 – Inputs that are unobservable.

Inputs are used in applying the valuation techniques and broadly refer to the assumptions that the College uses to make valuation decisions, including assumptions about risk. Inputs may include quoted market prices, recent transactions, manager statements, including monthly, quarterly and annual reports, periodicals, newspapers, provisions within agreements with investment managers and other factors. An investment’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the College’s perceived risk of that investment.

The investments in cash and cash equivalents, mutual funds, and certain equity securities are valued based on quoted market prices, and are therefore typically classified within Level 1.

The investments in mutual funds, debt securities, hedge fund investments, certain equity securities, and other assets are valued based on quoted market prices of comparable assets, and are therefore typically classified within Level 2. The fair value of some of these investments have been estimated using net asset value per share.

Level 3 investments are presented in the accompanying financial statements at fair value. The College’s determination of fair value is based upon the best available information provided by the investment manager and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents the College’s proportionate share of the partner’s capital of the investment partnerships as reported by their general partners. For these investments, the College has determined, through its monitoring activities, to rely on the fair market value as determined by the investment managers. The fair value of some of these investments have been estimated using net asset value per share.

June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Fair Value Measurement of Financial Instruments, continued:

The investment managers and general partners of investments categorized as Level 3 generally value their investments at fair value and in accordance with generally accepted accounting principles. Investments with no readily available market are generally recorded at an estimated market value, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations and/or the income approach. Consideration is also given to financial condition and operating results of the investment, the amount that the investment partnerships can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant. An investment may be carried at acquisition price (cost) if little has changed since the initial investment of the company and is most representative of fair value. Investments with a readily available market (listed on a securities exchange or traded in the over-the-counter market) are valued at quoted market prices or at an appropriate discount from such price if marketability of the securities is restricted.

Although the College uses its best judgment in determining the fair value of investments, there are inherent limitations in any methodology. Future confirming events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon liquidation of the investments.

Plant Facilities:

Plant facilities consist of property, plant and equipment which are stated at cost representing the original purchase price or the fair market value at the date of the gift, less accumulated depreciation. Plant purchases with a useful life of five years or more and a cost equal to or greater than $100,000 for land improvements and buildings and $25,000 for equipment are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings, permanent improvements and equipment (generally 7 years for equipment and permanent improvements and 40 years for buildings). Depreciation expense is funded through operations and gifts. The cost and accumulated depreciation of assets sold or retired are removed from the accounts and the related gains or losses are included in the Statements of Activities. Asset retirement obligations are recorded based on estimated settlement dates and methods.

No significant property or equipment has been pledged as collateral or otherwise subject to lien for the years ended June 30, 2011 and 2010. Proceeds from the disposal of equipment acquired with federal funds will be transferred to the federal awarding agency. No federal project equipment was disposed of during the years ended June 30, 2011 and 2010. No property or equipment has been acquired with restricted assets where title may revert to another party.

Annuity and Life Income Contracts and Agreements:

The College has legal title to annuity and life income contracts and agreements subject to life interests of beneficiaries. No significant financial benefit is now being or can be realized until the contractual obligations are released. However, the costs of managing these contracts and agreements are included in unrestricted expenses.

The College uses the actuarial method of recording annuity and life income contracts and agreements. Under this method, the asset is recorded at fair value when a gift is received. The present value of the aggregate annuity payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as a gift in the appropriate net asset category. The liability account is credited with investment income and gains and is charged with investment losses and payments to beneficiaries. Periodic adjustments are made between the liability account and the net asset account for actuarial gains and losses. The actuarial liability is based on the present value of future payments discounted at rates ranging from 4.6% to 7.5% and over estimated lives according to Annuity 2003 Unisex Mortality Table.

June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Annuity and Life Income Contracts and Agreements, continued:

On December 2, 1998, the Insurance Commission Chief Counsel granted the College permission to invest its reserves for California annuities pursuant to Insurance Code Section 11521.2(b). This approval is subject to the following conditions: (1) maintain a nationally recognized statistical rating organization bond rating of "A" or better, and (2) maintain an endowment to gift annuity ratio of at least 10:1.

Use Of Estimates:

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

Income Taxes:

In accordance with generally accepted accounting principles, the College had no unrecognized tax benefits at June 30, 2011 and 2010.

Reclassifications:

Certain 2010 amounts have been reclassified to conform to 2011 presentation.

NOTE 2 - ACCOUNTS AND NOTES RECEIVABLE:

Accounts receivable at June 30, 2011 and 2010 are as follows:

	2011	2010
Other Claremont Colleges	$ 86,743	$ 116,059
Student accounts	14,499	101,566
Federal grants	983,862	1,103,568
Private grants and contracts	80,493	119,093
Clinics	285,000	330,000
Employee	44,327	63,196
Other	158,247	110,734
	1,653,171	1,944,216
Less allowance for doubtful accounts receivable	(3,317)	(2,531)
Net accounts receivable	$ 1,649,854	$ 1,941,685

Notes receivable at June 30, 2011 and 2010 are as follows:

	2011	2010
Student notes receivable	$ 823,712	$ 715,948
Federal loan funds - student notes receivable	2,960,954	3,026,007
Faculty loans	233,299	284,420
	4,017,965	4,026,375
Less allowance for doubtful notes receivable	(32,796)	(41,477)
Net notes receivable	$ 3,985,169	$ 3,984,898

June 30, 2011 and 2010

NOTE 3 - CONTRIBUTIONS RECEIVABLE:

Contributions receivable are recorded after discounting to the present value of future cash flows at rates ranging from 1.7% to 4.5%. At June 30, 2011 and 2010, 49.7% and 66.6% of contributions receivable, respectively, were due from two donors. Contributions receivable at June 30, 2011 and 2010 are expected to be realized in the following periods:

	2011	2010
Within one year	$ 7,970,117	$ 7,810,274
Between one year and five years	1,921,693	15,043,656
More than five years	3,749,664	3,553,421
	13,641,474	26,407,351
Less discount	(1,046,959)	(1,385,907)
Less allowance for doubtful contributions receivable	(345,158)	(351,508)
Net contributions receivable	$ 12,249,357	$ 24,669,936

Contributions receivable at June 30, 2011 and 2010 are intended for the following uses:

	2011	2010
Endowment for scholarships and professorships	$ 710,600	$ 716,273
Facilities and equipment	164,299	12,241,293
Beneficial interest in trusts held by third parties	2,150,116	1,923,542
Other	9,224,342	9,788,828
Total	$ 12,249,357	$ 24,669,936

NOTE 4 - INVESTMENTS:

The following is a summary of data that pertains to the unit value method for pooled investments at June 30, 2011 and 2010:

	2011	2010
Unit market value at end of year	$ 341.24	$ 300.42
Units owned:		
Unrestricted:		
Funds functioning as endowment	149,826	148,382
Temporarily restricted:		
Endowment	4,122	3,322
Annuity and life income contracts and agreements	230	240
Permanently restricted:		
Endowment	556,512	539,658
Annuity and life income contracts and agreements	969	1,026
Total units	711,659	692,628
Spending rate per unit	$ 16.96	$ 17.46

The following schedule summarizes the College's investment returns for the years ended June 30, 2011 and 2010:

	2011	2010
Dividends and interest	$ 3,943,561	$ 4,211,510
Rent and other investment income	79,578	79,037
Gains (losses)	38,054,866	18,592,863
	42,078,005	22,883,410
Less: Investment expense	(1,138,706)	(954,348)
Net investment return	$ 40,939,299	$ 21,929,062

June 30, 2011 and 2010

NOTE 4 - INVESTMENTS, CONTINUED:

The following schedule summarizes the College's investment returns as presented on the Statement of Activities for the years ended June 30, 2011 and 2010:

	2011	2010
Endowment payout	$ 11,918,782	$ 12,004,645
Other investment returns	274,154	30,059
Pooled investment gains (losses), net of endowment payout	28,746,363	9,894,358
Net investment return	$ 40,939,299	$ 21,929,062

The following schedule summarizes the College's investments at June 30, 2011 and 2010:

By asset type:	2011	2010
Cash equivalents	$ 56,935,107	$ 19,209,162
Mutual funds	17,704,799	14,666,067
Equity securities	127,913,267	105,156,220
Debt securities	60,563,100	58,885,219
Hedge funds	35,868,144	32,622,055
Real properties	2,177,500	2,177,500
Other assets	2,456,729	2,519,254
Total by asset type	$ 303,618,646	$ 235,235,477

The following schedule summarizes the College's investments at June 30, 2011 and 2010:

By category:	2011	2010
Endowment and funds functioning as endowment:		
Pooled investments	$ 242,440,555	$ 207,695,585
Separately invested	684,339	758,759
Total endowment and funds functioning as endowment	243,124,894	208,454,344
Annuity and life income contracts and agreements:		
Pooled investments	408,284	385,387
Separately invested	9,525,482	10,008,883
Total annuity and life income contracts and agreements	9,933,766	10,394,270
Other:		
Separately invested	50,559,986	16,386,863
Total by category	$ 303,618,646	$ 235,235,477

June 30, 2011 and 2010

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS:

The following table presents the investments and beneficial interest in trusts held by third parties carried on the Statement of Financial Position by level within the valuation hierarchy as of June 30, 2011 and 2010:

	Level 1	Level 2	Level 3	2011
Investments:				
Cash equivalents	$ 56,935,107	$ -	$ -	$ 56,935,107
Mutual funds - international	9,725,921	7,978,878	-	17,704,799
Equity securities				
U.S. equity	37,833,497	23,762,842	-	61,596,339
International equity	19,018,300	19,068,581	-	38,086,881
Global inflation protection equity	-	26,364,975	-	26,364,975
Private equity	-	-	1,865,072	1,865,072
Debt securities				
U.S. treasuries	1,980	20,913,019	-	20,914,999
Corporate bonds	17,089,154	-	-	17,089,154
International bonds	4,973,070	-	-	4,973,070
Global high yield securities	-	16,273,944	-	16,273,944
Other	-	1,311,933	-	1,311,933
Hedge funds - multi strategy	-	35,868,144	-	35,868,144
Other assets	148,964	385,576	1,668,253	2,202,793
Beneficial interest in trusts held by third parties	-	-	2,150,116	2,150,116
Total	$ 145,725,993	$ 151,927,892	$ 5,683,441	$ 303,337,326

	Level 1	Level 2	Level 3	2010
Investments:				
Cash equivalents	$ 19,209,158	$ -	$ -	$ 19,209,158
Mutual funds - international	7,980,432	6,685,635	-	14,666,067
Equity securities				
U.S. equity	32,473,665	17,538,141	-	50,011,806
International equity	10,630,680	22,631,816	-	33,262,496
Global inflation protection equity	-	20,083,743	-	20,083,743
Private equity	-	-	1,783,610	1,783,610
Debt securities				
U.S. treasuries	1,928	22,681,555	-	22,683,483
Corporate bonds	20,796,397	-	-	20,796,397
Global high yield securities	-	13,699,149	-	13,699,149
Other	-	1,356,191	-	1,356,191
Hedge funds - multi strategy	-	32,622,055	-	32,622,055
Other assets	215,309	414,717	1,868,610	2,498,636
Beneficial interest in trusts held by third parties	-	-	1,923,542	1,923,542
Total	$ 91,307,569	$ 137,713,002	$ 5,575,762	$ 234,596,333

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS, CONTINUED:

The following table is a rollforward of the amounts for the year ended June 30, 2011 and 2010 for assets classified within Level 3:

	Hedge Funds Multi-Strategy	Equity Securities-Private Equity	Debt Securities & Other Assets	Beneficial Interest in Trusts	Total
Balance at July 1, 2009	$ 26,223,645	$ 1,866,236	$ 5,962,509	$ 1,657,616	$ 35,710,006
Transfers in/(out) (1)	(26,223,645)	-	(3,980,138)	-	(30,203,783)
Purchases	-	54,550	-	-	54,550
Sales	-	(163,563)	-	-	(163,563)
Realized gain/(loss), net	-	99,330	-	4,243	103,573
Unrealized gain/(loss), net	-	(72,943)	(113,761)	-	(186,704)
Actuarial adjustment	-	-	-	261,683	261,683
Balance at June 30, 2010	-	1,783,610	1,868,610	1,923,542	5,575,762
Purchases	-	354,214	-	-	354,214
Sales	-	(537,900)	-	-	(537,900)
Realized gain/(loss), net	-	345,227	-	28,691	373,918
Unrealized gain/(loss), net	-	(80,079)	(200,357)	-	(280,436)
Actuarial adjustment	-	-	-	197,883	197,883
Balance at June 30, 2011	$ -	$ 1,865,072	$ 1,668,253	$ 2,150,116	$ 5,683,441

(1) The College's policy is to recognize transfers in and transfers out of Level 1, Level 2 and Level 3 at the beginning of the reporting period. Transfers out of Level 3 at the beginning of the period July 1, 2009 were due to the implementation of further guidance on accounting standards related to the ability to redeem the investments in the near term.

Net realized and unrealized gains (losses) on investments in the table above are reflected in the lines "Pooled investment gains (losses) net of allocations to operations" and "Other investment returns" on the Statement of Activities. Actuarial adjustment on beneficial interest in trusts in the table above is reflected in the line "Actuarial adjustment" on the Statement of Activities. Net unrealized gains (losses) on investments and actuarial adjustment on beneficial interest in trusts included in the Statement of Activities for Level 3 assets still held at June 30, 2011 are approximately $(280,000) and $(187,000), respectively.

The following table presents fair value measurements of investments that calculate net asset value per share (or its equivalent) as of June 30, 2011:

	Fair Value	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Investments:				
Mutual funds - international	$ 7,978,878	Monthly	15 days	(a)
Equity securities				
U.S. equity	23,762,842	Daily	None	(b)
International equity	19,068,581	Monthly	10 days	(c)
Global inflation protection equity	26,364,975	Monthly	6-9 days	(d)
Private equity	1,865,072	None	None	(e)
Debt securities				
Global high yield securities	16,273,944	Monthly	30 days	(f)
Hedge funds - multi strategy	35,868,144	Quarterly	65-90 days	(g)
Total	$ 131,182,436			

As of June 30, 2011 there were unfunded commitments of $9,817,225 to private equity investments and are due upon demand.

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS, CONTINUED:

(a) This category includes investments in equity securities that seek long term growth in developing countries. Up to 15% can be invested in emerging market fixed income securities.
(b) This category includes investments in U.S. equity securities with a large cap growth bias.
(c) This category includes investments in international equity securities with a value bias.
(d) This category includes investments in portfolios designed to act as an inflation hedge. Portfolio holdings include investments in energy, real estate, commodities, fixed income, and climate change sectors.
(e) This category includes investments in limited partnership funds of private equity venture capital funds. The investments in these funds cannot be redeemed. Distributions from the funds will be received as the underlying investments are liquidated.
(f) This category includes investments in global high yield debt securities.
(g) This category includes investments in a hedge fund portfolio invested across multiple strategies.

NOTE 6 - PLANT FACILITIES:

Plant facilities are recorded at cost or estimated fair value at the date of donation, and at June 30, 2011 and 2010 consists of the following:

	2011	2010
Land and land improvements	$ 9,164,764	$ 14,314,463
Buildings	74,512,668	74,192,971
Equipment	5,723,588	5,549,555
Equipment - federal grant projects	2,220,859	2,220,859
Construction in progress	3,759,184	2,663,247
	95,381,063	98,941,095
Less accumulated depreciation	(41,443,347)	(39,129,080)
Net plant facilities	$ 53,937,716	$ 59,812,015

NOTE 7 - NOTE AND BONDS PAYABLE:

At June 30, 2011 and 2010, note and bonds payable were comprised of:

	2011	2010
California Educational Facilities Authority - Series 1997C	$ -	$ 485,000
California Educational Facilities Authority - Series 2003	2,960,000	3,530,000
California Educational Facilities Authority - Series 2011	15,065,000	-
Other note	8,930	13,064
	18,033,930	4,028,064
Less unamortized discount and issuance costs	122,467	(151,870)
Total note and bonds payable	$ 18,156,397	$ 3,876,194

In July 2003, the College issued California Educational Facilities Authority ("CEFA") Revenue Bonds Series 2003 in the aggregate principal amount of $7,110,000. The bonds are due in annual installments ranging from $35,000 to $625,000 through 2033, with interest rates ranging from 3.0% to 4.8% .

In May 2011, the College issued CEFA Revenue Bonds Series 2011 in the aggregate principal amount of $15,065,000. The bonds are due in annual installments ranging from $130,000 to $940,000 through 2041, with interest rates ranging from 3.0% to 5.3% .

Interest expense was $244,297 and $233,492 for the years ended June 30, 2011 and June 30, 2010, respectively and includes amortized discount (premium) and costs of issuance of $30,524 and $36,205, respectively.

NOTE 7 – NOTE AND BONDS PAYABLE, CONTINUED:

During the fiscal year ended June 30, 2008, the College entered into a 9.25% financing agreement to purchase a vehicle. The note is secured by the vehicle and is due in monthly installments of approximately $460 over a 60 month period.

As of June 30, 2011, note and bond maturities were as follows:

Fiscal Years Ending June 30,	Principal Amount
2012	$ 724,964
2013	853,966
2014	880,000
2015	295,000
2016	305,000
Thereafter	14,975,000
	$ 18,033,930

The CEFA Series 2011 and 2003 bond agreements contain various restrictive covenants as defined in the agreements. At June 30, 2011 and 2010, the College was in compliance with all bond covenants.

The estimated fair value of the College's bonds payable was approximately $18,289,000 and $4,058,000 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.

NOTE 8 - FUNDS HELD IN TRUST FOR OTHERS:

Funds held in trust for others totaled approximately $405,000 and $319,000 at June 30, 2011 and 2010, respectively. These amounts represent other Claremont College funds and third-party remainder interests held in trust by the College.

NOTE 9 - ASSET RETIREMENT OBLIGATION:

The College has recorded asset retirement obligations related to certain property and equipment, primarily for disposal of regulated materials upon eventual retirement of the assets.

The following schedule summarizes asset retirement obligation activity for the years ended June 30, 2011 and 2010:

	2011	2010
Obligations settled	$ -	$ -
Accretion expense	52,288	49,958
	52,288	49,958
Beginning balance	1,124,052	1,074,094
Ending balance	$ 1,176,340	$ 1,124,052

June 30, 2011 and 2010

NOTE 10 - NET ASSETS:

At June 30, 2011 and 2010, net assets consists of the following:

	2011	2010
Unrestricted:		
For operations	$ 599,362	$ 87,943
For designated purposes	8,756,576	2,873,455
Loans	522,306	522,197
Funds functioning as endowment	51,360,987	42,944,394
Plant facilities	50,436,985	55,188,160
Total unrestricted	$ 111,676,216	$ 101,616,149
Temporarily restricted:		
Restricted for specific purposes	$ 31,539,367	$ 16,898,210
Endowment	91,126,209	70,226,829
Plant facilities	189,710	14,243,817
Annuity and life income contracts and agreements	4,743,729	4,442,399
Total temporarily restricted	$ 127,599,015	$ 105,811,255
Permanently restricted:		
Student loans	$ 1,082,838	$ 1,065,005
Endowment	101,348,298	95,999,394
Annuity and life income contracts and agreements	2,393,144	2,789,778
Total permanently restricted	$ 104,824,280	$ 99,854,177

At June 30, 2011 and 2010, endowment net assets consists of the following:

	2011	2010
Unrestricted endowment		
Funds functioning as endowment	$ 51,424,814	$ 44,914,521
Funds with deficiencies	(63,827)	(1,970,127)
Total unrestricted endowment funds	51,360,987	42,944,394
Temporarily restricted endowment		
Term endowment	529,275	549,566
Portion of endowment funds subject to a time restriction under California UPMIFA		
Without purpose restriction	79,144,935	7,862,748
With purpose restriction	11,451,999	61,814,515
Total temporarily restricted endowment funds	91,126,209	70,226,829
Permanently restricted endowment	101,348,298	95,999,394
Total endowment net assets	$ 243,835,494	$ 209,170,617

NOTE 11 - NET STUDENT REVENUES:

Student revenues for the years ended June 30, 2011 and 2010 consist of the following:

	2011	2010
Tuition and fees	$ 31,247,854	$ 29,098,837
Room and board	8,983,563	8,409,214
Gross student revenues	40,231,417	37,508,051
Less:		
Sponsored student aid	(4,455,605)	(4,702,383)
Unsponsored student aid	(8,358,317)	(7,728,579)
Financial aid	(12,813,922)	(12,430,962)
Net student revenues	$ 27,417,495	$ 25,077,089

Sponsored student aid consists of funds provided by gifts, grants and endowment payout, whereas unsponsored aid consists of funds provided by the College.

NOTE 12 - OPERATING LEASES:

Revenues

The College owns a 12.5% interest in property located in Escondido, California and the land and facilities are leased to a Delaware corporation. The College renewed the lease in April 2007 for an additional 10 years. In addition, the College leases the rooftop of a campus building to a communications company. The lease term is 5 years, with automatic renewal options for 5 additional 5-year terms. Annual rental income ranges from approximately $14,000 to $20,000. Rental income from operating leases totaled approximately $34,800 and $33,500 for the years ended June 30, 2011 and 2010, respectively. The following is a summary of future minimum rental revenues as of June 30, 2011:

Fiscal Years Ending June 30,	Rental Revenue
2012	$ 32,393
2013	14,520
2014	14,520
2015	14,520
2016	15,246
Thereafter	399,670
	$ 490,869

Expenses

The College leases various office equipment with lease terms that expire through 2016. Annual lease payments range from approximately $2,200 to $16,400.

The lease payments for the years ended June 30, 2011 and 2010 were approximately $48,400 and $65,800, respectively. The following is a summary of future minimum rental payments for operating leases that have initial or remaining non cancelable terms in excess of one year as of June 30, 2011:

Fiscal Years Ending June 30,	Lease Payments
2012	$ 55,538
2013	45,969
2014	9,360
2015	9,360
2016	8,103
	$ 128,330

June 30, 2011 and 2010

NOTE 13 - INSTITUTIONAL SUPPORT FUND RAISING EXPENSE:

Included in institutional support expenses are approximately $2,225,000 and $2,037,000 of expenditures related to fundraising for the years ended June 30, 2011 and 2010, respectively.

NOTE 14 - ENDOWMENT:

The net assets of the College include permanent endowment and funds functioning as endowment. Permanent endowments are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized as provided for under the California UPMIFA. While funds functioning as endowment have been established by the Board of Trustees to function as endowment, any portion of such funds may be expended.

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011
Investment returns:				
Earned income	$ 2,760,293	$ -	$ -	$ 2,760,293
Change in net appreciation (depreciation) of investments	17,051,751	20,976,934	(29,097)	$ 37,999,588
Net investment returns	19,812,044	20,976,934	(29,097)	40,759,881
Endowment returns distributed for operations	(11,891,157)	-	-	(11,891,157)
Spending reinvested	1,084	5,027	105,910	112,021
Net investment returns	7,921,971	20,981,961	76,813	28,980,745
Other changes in endowed equity:				
Gifts	9,599	-	4,725,959	4,735,558
Other additions, net	485,023	(82,581)	546,132	948,574
Total other changes in endowed equity	494,622	(82,581)	5,272,091	5,684,132
Net change in endowed equity	8,416,593	20,899,380	5,348,904	34,664,877
Endowed equity, beginning of year	42,944,394	70,226,829	95,999,394	209,170,617
Endowed equity, end of year	$ 51,360,987	$ 91,126,209	$ 101,348,298	$ 243,835,494

At June 30, 2011, endowed equity consists of the following assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011
Contributions receivable, net	$ -	$ -	710,600	710,600
Investments	51,360,987	91,126,209	100,637,698	243,124,894
Total endowed equity	$ 51,360,987	$ 91,126,209	$ 101,348,298	$ 243,835,494

June 30, 2011 and 2010

NOTE 14 - ENDOWMENT, CONTINUED:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010
Investment returns:				
Earned income	$ 3,230,859	$ -	$ -	$ 3,230,859
Change in net appreciation (depreciation) of investments	12,423,992	6,894,709	(248,032)	$ 19,070,669
Net investment returns	15,654,851	6,894,709	(248,032)	22,301,528
Endowment returns distributed for operations	(12,019,521)	-	-	(12,019,521)
Spending reinvested	7,102	4,901	321,202	333,205
Net investment returns	3,642,432	6,899,610	73,170	10,615,212
Other changes in endowed equity:				
Gifts	3,050	-	334,815	337,865
Other additions, net	846,702	(330,920)	176,272	692,054
Total other changes in endowed equity	849,752	(330,920)	511,087	1,029,919
Net change in endowed equity	4,492,184	6,568,690	584,257	11,645,131
Endowed equity, beginning of year	38,452,210	63,658,139	95,415,137	197,525,486
Endowed equity, end of year	$ 42,944,394	$ 70,226,829	$ 95,999,394	$ 209,170,617

At June 30, 2010, endowed equity consists of the following assets:

Contributions receivable, net	$ -	$ -	$ 716,273	$ 716,273
Investments	42,944,394	70,226,829	95,283,121	208,454,344
Total endowed equity	$ 42,944,394	$ 70,226,829	$ 95,999,394	$ 209,170,617

NOTE 15 - RELATED PARTY TRANSACTIONS:

A College Trustee is an executive of an investment company that manages a mutual fund in which the College has invested approximately $9,000,000 and $8,000,000 of its endowment for the years ended June 30, 2011 and 2010, respectively.

The College has interest free faculty loans with 9 faculty members that mature through August 2017. As of June 30, 2011 and 2010, the faculty loan receivable balance was $233,299 and $284,420, respectively.

Trustee support of the College consists of contributions to the College. Total contributions from Trustees during fiscal years ended June 30, 2011 and 2010 totaled approximately $6,164,000 and $2,092,000 respectively. At June 30, 2011 and 2010, trustee contributions receivable totaled approximately $1,126,000 and $13,627,000, respectively.

June 30, 2011 and 2010

NOTE 16 - EMPLOYEE BENEFIT PLANS:

The College maintains, with other members of The Claremont Colleges (Note 17), a defined contribution retirement plan which provides retirement benefits to eligible personnel through Teachers Insurance and Annuity Association and The College Retirement Equity Fund ("TIAA-CREF"). Under this defined contribution plan, College and participant contributions are used to purchase individual annuity contracts and investments equivalent to retirement benefits earned. Vesting provisions are full and immediate. Benefits commence upon retirement, and pre-retirement survivor death benefits are provided. College contributions to the plan for the years ended June 30, 2011 and 2010 totaled approximately $2,386,000 and $2,257,000, respectively.

The Claremont University Consortium administers a defined benefit plan (the "Plan") covering substantially all nonacademic employees of the College, along with those of the other Claremont Colleges. The Plan is funded in accordance with the Employer Retirement Income Security Act of 1974 (ERISA). The benefits are based on career average compensation, and amount of employee contributions. Plan assets are invested in a diversified group of equity and fixed-income securities and in an insurance company's separate and general accounts. The College's allocation of the net pension cost for the years ended June 30, 2011 and 2010 was approximately $174,000 and $155,000, respectively. The Plan was curtailed in the year ended June 30, 2004 subsequent to the Plan’s measurement date. Participants in this plan participated in the College's defined contribution plan effective July 1, 2005, subject to eligibility requirements. The impact of the curtailment is a reduction to the benefit obligation. Additional information on the Plan can be obtained from the 2005-2006 annual report which includes the audited financial statements of the Claremont University Consortium.

NOTE 17 - AFFILIATED INSTITUTIONS:

The College is a member of an affiliated group of colleges known as The Claremont Colleges. Each college is a separate corporate entity governed by its own Board of Trustees. Claremont University Consortium, a member of this group, is the central coordinating institution which provides common student and administrative services, including certain central facilities utilized by all The Claremont Colleges. The costs of these services and facilities are shared by the members of the group. Amounts paid by Harvey Mudd College for such services and use of facilities for the years ended June 30, 2011 and 2010 totaled approximately $2,983,000 and $3,010,000, respectively.

NOTE 18 - COMMITMENTS AND CONTINGENCIES:

Federal Funding

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

The College has remaining contract commitments to complete the renovation of a residence hall and design of a building totaling approximately $2,039,000.

Litigation

Occasionally, the College is involved in lawsuits arising in the ordinary course of its operations. In the opinion of management, the ultimate resolution of these lawsuits is not expected to have a material effect on the College’s financial position or change in net assets.

June 30, 2011 and 2010

NOTE 19 - SUBSEQUENT EVENTS:

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The College recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The College's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

On August 30, 2011, the College entered into a line of credit agreement with an initial limit of $1,000,000 from Northern Trust Company. Any borrowings under the line would bear interest payable monthly at the lesser of the lending bank's prime rate or 0.5% above LIBOR in effect on the first day of the applicable fixed rate. The line is secured by assets custodied at Northern Trust Company. There were no outstanding borrowings on the line as of October 10, 2011.

The College has evaluated subsequent events through October 10, 2011, which is the date the financial statements are available for issuance, and concluded that there were no additional events or transactions that need to be disclosed.

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