Harvey Mudd College

Audited Financial Statements

2011–2012

BUSINESS AFFAIRS OFFICE

Harvey Mudd College
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HARVEY MUDD COLLEGE
ANNUAL FINANCIAL REPORT

2012 and 2011

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, 2012 and 2011, 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 audit 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 June 30, 2012 and 2011, 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, CA
October 8, 2012

HARVEY MUDD COLLEGE
STATEMENT OF FINANCIAL POSITION

June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash	$ 354,502	$ 281,711
Accounts receivable, net (Note 2)	1,529,195	1,649,854
Prepaid expenses, deposits and other	1,599,029	1,385,399
Notes receivable, net (Note 2)	3,949,967	3,985,169
Contributions receivable, net (Note 3)	23,562,756	12,249,357
Investments (Note 4)	279,530,686	303,618,646
Plant facilities, net (Note 6)	62,784,971	53,937,716
Total assets	$ 373,311,106	$ 377,107,852
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 4,842,883	$ 4,051,651
Deposits and deferred revenues	498,398	387,947
Life income and annuities payable	4,177,918	4,930,591
Liability for staff retirement plan	1,373,035	916,347
Note and bonds payable (Note 7)	17,428,872	18,156,397
Government advances for student loans	2,998,297	2,983,703
Funds held in trust for others (Note 8)	461,057	405,365
Asset retirement obligation (Note 9)	1,273,678	1,176,340
Total liabilities	33,054,138	33,008,341
NET ASSETS (Note 10)		
Unrestricted	105,817,762	111,676,216
Temporarily restricted	123,432,330	127,599,015
Permanently restricted	111,006,876	104,824,280
Total net assets	340,256,968	344,099,511
Total liabilities and net assets	$ 373,311,106	$ 377,107,852

See accompanying notes to the financial statements

HARVEY MUDD COLLEGE
STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012
Revenues and release of net assets				
Tuition, fees, room and board	$ 42,345,261	$ -	$ -	$ 42,345,261
Less financial aid	(12,939,790)	(65,177)	-	(13,004,967)
Net student revenues (Note 11)	29,405,471	(65,177)	-	29,340,294
Federal grants	3,284,268	-	-	3,284,268
Private gifts and grants	3,975,618	13,329,915	5,419,845	22,725,378
Private contracts	1,347,211	-	-	1,347,211
Endowment payout	10,404,254	857,528	111,500	11,373,282
Other investment returns/(losses)	23,833	(160,214)	(50,121)	(186,502)
Other revenue	1,222,646	6,000	-	1,228,646
Release and reclassification of net assets				
Operations	2,539,823	(3,181,109)	641,286	-
Annuity and life income	(1,361)	(57,884)	59,245	-
Plant facilities	(1,000)	1,000	-	-
Total revenues and release of net assets	52,200,763	10,730,059	6,181,755	69,112,577
Expenses				
Instruction	21,504,263	-	-	21,504,263
Research	3,064,956	-	-	3,064,956
Public service	915,488	-	-	915,488
Academic support	5,773,032	-	-	5,773,032
Student services	5,534,701	-	-	5,534,701
Institutional support	8,381,231	-	-	8,381,231
Auxiliary enterprises	6,921,054	-	-	6,921,054
Total expenses	52,094,725	-	-	52,094,725
Excess (deficit) of revenues over expenses	106,038	10,730,059	6,181,755	17,017,852
Other changes in net assets				
Pooled investment gains (losses) net of allocations to operations	(5,339,095)	(14,801,969)	-	(20,141,064)
Other comprehensive pension (expense)/benefit	(625,397)	-	-	(625,397)
Actuarial adjustment	-	(94,775)	841	(93,934)
Change in net assets	(5,858,454)	(4,166,685)	6,182,596	(3,842,543)
Net assets, beginning of year	111,676,216	127,599,015	104,824,280	344,099,511
Net assets, end of year	$ 105,817,762	$ 123,432,330	$ 111,006,876	$ 340,256,968

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/(losses)	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)/benefit	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 CASH FLOWS

June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Tuition, fees, room, board, sales and services of auxiliary enterprises, net of scholarships and fellowships	$ 29,511,934	$ 27,413,644
Gifts, grants and contracts revenue	11,344,127	9,426,484
Investment income	3,169,644	2,908,521
Other revenue	987,523	1,044,852
Interest paid	(828,129)	82,696
Payments to employees and suppliers	(48,643,679)	(47,581,342)
Net cash (used in) provided by operating activities	(4,458,580)	(6,705,145)
Cash flows from investing activities:		
Proceeds from sale of land	870,382	5,351,213
Purchase of plant facilities	(11,644,970)	(1,812,895)
Proceeds from sale of investments	136,817,138	99,856,485
Purchase of investments	(124,977,517)	(129,759,847)
Loans made to students and employees	(322,314)	(260,026)
Collection of student and employee loans	403,392	269,664
Net cash provided by (used in) investing activities	1,146,111	(26,355,406)
Cash flows from financing activities:		
Payments to life income beneficiaries	(508,043)	(563,746)
Investment income and losses on life income investments	(772,384)	782,658
Principal payments on debt	(724,927)	(1,059,134)
Proceeds from bond issuance	-	15,065,000
Payments from bond issuance	-	(354,319)
Contributions restricted for endowment	421,024	4,741,234
Contributions restricted for life income contracts	598,478	236,001
Contributions restricted for plant expenditures	1,786,717	19,411
Contributions restricted for long term investments	2,513,494	14,201,283
Increase (decrease) in funds held in trust for others	56,307	93,292
Increase (decrease) in government advances for student loans	14,594	(50,343)
Net cash provided by (used in) financing activities	3,385,260	33,111,337
Net increase (decrease) in cash	72,791	50,786
Cash, beginning of year	281,711	230,925
Cash, end of year	$ 354,502	$ 281,711

See accompanying notes to the financial statements

HARVEY MUDD COLLEGE
STATEMENT OF CASH FLOWS

June 30, 2012 and 2011

	2012	2011
Reconciliation of change in net assets to cash flows from operating activities:		
Change in net assets	$ (3,842,543)	$ 36,817,930
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	2,383,203	2,335,981
Amortization of bond discount and cost of issuance	(2,598)	274,337
Amortization of asset retirement obligation	97,338	52,288
Comprehensive pension expense	625,397	(494,407)
Realized (gains) losses on sale of investments	(5,819,596)	(3,927,886)
Unrealized (gains) losses on investments	17,980,835	(34,111,161)
Adjustment of actuarial liability for life income agreements	80,418	(632,748)
Contributions restricted for long-term investments	(16,131,138)	(6,989,652)
Defined benefit plan contributions (over)/under expense	(168,709)	81,875
Gain on disposition of assets	(97,568)	-
Capitalized interest	(358,298)	-
Changes in operating assets and liabilities		
Prepaid expenses and deposits	(213,630)	(226,308)
Accounts and notes receivable	118,533	281,922
Contributions receivable	(11,903)	46,751
Accounts payable and accrued liabilities	791,228	(121,157)
Deposits and deferred revenue	110,451	(92,910)
Net cash (used in) provided by operating activities	$ (4,458,580)	$ (6,705,145)

See accompanying notes to the financial statements

June 30, 2012 and 2011

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.

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) limits.

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, 2012 and 2011, investments held at cost totaled $2,212,659 and $2,431,436, 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, 2012 and 2011, these cumulative gains totaled approximately $80,555,000 and $82,810,000, respectively.

Endowment Funds:

The Board of Trustees of the College interprets 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 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 $1,189,000 and $64,000 at June 30, 2012 and 2011, 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.

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 generally accepted accounting principles in the United States of America. Under this standard, 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 debt and equity securities are valued based on quoted market prices, and are therefore typically classified within Level 1.

The investments in mutual funds, fixed income, hedge funds, and certain debt and equity securities and limited partnerships, 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.

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 in the United States of America. 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, 2012 and 2011. 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, 2012 and 2011. 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, 2012 and 2011

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, 2012 and 2011. The College is no longer subject to income tax examinations by taxing authorities for years before 2008 for its federal filings and for years before 2007 for its state filings.

Reclassifications:

Certain 2011 amounts have been reclassified to conform to 2012 presentation.

NOTE 2 - ACCOUNTS AND NOTES RECEIVABLE:

Accounts receivable at June 30, 2012 and 2011 are as follows:

	2012	2011
Other Claremont Colleges	$ 173,276	$ 86,743
Student accounts	9,807	14,499
Federal grants	490,286	983,862
Private grants and contracts	83,643	80,493
Clinics	637,500	285,000
Employee	70,072	44,327
Other	68,645	158,247
	1,533,229	1,653,171
Less allowance for doubtful accounts receivable	(4,034)	(3,317)
Net accounts receivable	$ 1,529,195	$ 1,649,854

Notes receivable at June 30, 2012 and 2011 are as follows:

	2012	2011
Student notes receivable	$ 849,350	$ 823,712
Federal loan funds - student notes receivable	2,917,607	2,960,954
Faculty loans and other	627,409	233,299
	4,394,366	4,017,965
Less allowance for doubtful notes receivable	(444,399)	(32,796)
Net notes receivable	$ 3,949,967	$ 3,985,169

June 30, 2012 and 2011

NOTE 3 - CONTRIBUTIONS RECEIVABLE:

Contributions receivable are recorded after discounting to the present value of future cash flows at rates ranging from 1.4% to 5.8%. At June 30, 2012, 59.2% of contributions receivable were due from three donors. At June 30, 2011, 49.7% of contributions receivable were due from two donors. Contributions receivable at June 30, 2012 and 2011 are expected to be realized in the following periods:

	2012	2011
Within one year	17,655,725	$ 7,970,117
Between one year and five years	3,794,885	1,921,693
Thereafter	3,550,126	3,749,664
	25,000,736	13,641,474
Less discount	(1,045,479)	(1,046,959)
Less allowance for doubtful contributions receivable	(392,501)	(345,158)
Net contributions receivable	$ 23,562,756	$ 12,249,357

Contributions receivable at June 30, 2012 and 2011 are intended for the following uses:

	2012	2011
Endowment for scholarships and professorships	$ 4,518,980	$ 710,600
Facilities and equipment	3,265,040	164,299
Beneficial interest in trusts held by third parties	2,041,709	2,150,116
Other	13,737,027	9,224,342
Total	$ 23,562,756	$ 12,249,357

NOTE 4 - INVESTMENTS:

The following is a summary of data that pertains to the unit value method for pooled investments at June 30, 2012 and 2011:

	2012	2011
Unit market value at end of year	$ 312.77	$ 341.24
Units owned:		
Unrestricted:		
Funds functioning as endowment	148,824	149,826
Temporarily restricted:		
Endowment	4,292	4,122
Annuity and life income contracts and agreements	218	230
Permanently restricted:		
Endowment	565,937	556,512
Annuity and life income contracts and agreements	895	969
Total units	720,166	711,659
Spending rate per unit	$ 15.95	$ 16.96

The following schedule summarizes the College's investment returns for the years ended June 30, 2012 and 2011:

	2012	2011
Dividends and interest	$ 4,184,899	$ 3,943,561
Rent and other investment income/(loss)	(83,750)	79,578
Gains (losses)	(11,976,818)	38,054,866
	(7,875,669)	42,078,005
Less: Investment expense	(1,078,615)	(1,138,706)
Net investment return	$ (8,954,284)	$ 40,939,299

June 30, 2012 and 2011

NOTE 4 - INVESTMENTS, CONTINUED:

The following schedule summarizes the College's investment returns/(losses) as presented on the Statement of Activities for the years ended June 30, 2012 and 2011:

	2012	2011
Endowment payout	$ 11,373,282	$ 11,918,782
Other investment returns/(losses)	(186,502)	274,154
Pooled investment gains/(losses), net of endowment payout	(20,141,064)	28,746,363
Net investment return/(loss)	$ (8,954,284)	$ 40,939,299

The following schedule summarizes the College's investments at June 30, 2012 and 2011:

By asset type:	2012	2011
Cash equivalents	$ 56,442,828	$ 56,935,107
Mutual funds	19,784,482	17,704,799
Equity securities	115,263,244	127,913,267
Debt securities	54,739,897	60,563,100
Hedge funds	29,133,537	35,868,144
Real properties	2,177,500	2,177,500
Other assets	1,989,198	2,456,729
Total by asset type	$ 279,530,686	$ 303,618,646

The following schedule summarizes the College's investments at June 30, 2012 and 2011:

By category:	2012	2011
Endowment and funds functioning as endowment:		
Pooled investments	$ 224,895,821	$ 242,440,555
Separately invested	613,112	684,339
Total endowment and funds functioning as endowment	225,508,933	243,124,894
Annuity and life income contracts and agreements:		
Pooled investments	347,910	408,284
Separately invested	8,202,438	9,525,482
Total annuity and life income contracts and agreements	8,550,348	9,933,766
Other:		
Separately invested	45,471,405	50,559,986
Total by category	$ 279,530,686	$ 303,618,646

June 30, 2012 and 2011

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, 2012 and 2011:

	Level 1	Level 2	Level 3	2012
Investments:				
Cash equivalents	$ 56,442,828	$ -	$ -	$ 56,442,828
Mutual funds - international	9,931,564	9,852,918	-	19,784,482
Equity securities				
U.S. equity	26,174,053	21,151,164	-	47,325,217
International equity	17,159,963	17,516,030	-	34,675,993
Global inflation protection equity	-	31,102,334	-	31,102,334
Private equity	-	-	2,159,700	2,159,700
Debt securities				
U.S. treasuries	1,995	18,473,979	-	18,475,974
Corporate bonds	13,641,689	-	-	13,641,689
International bonds	4,761,018	-	-	4,761,018
Global high yield securities	-	16,984,686	-	16,984,686
Other	-	876,530	-	876,530
Hedge funds - multi strategy	-	29,133,537	-	29,133,537
Other assets	148,894	344,879	1,460,266	1,954,039
Beneficial interest in trusts held by third parties	-	-	2,041,709	2,041,709
Total	$ 128,262,004	$ 145,436,057	$ 5,661,675	$ 279,359,736

	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

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

The following table is a rollforward of the amounts for the year ended June 30, 2012 and 2011 for assets classified within Level 3:

	Equity Securities-Private Equity	Debt Securities & Other Assets	Beneficial Interest in Trusts	Total
Balance at July 1, 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
Purchases	642,195	-	-	642,195
Sales	(242,497)	-	-	(242,497)
Realized gain/(loss), net	150,204	-	-	150,204
Unrealized gain/(loss), net	(255,274)	(207,987)	-	(463,261)
Actuarial adjustment	-	-	(108,407)	(108,407)
Balance at June 30, 2012	$ 2,159,700	$ 1,460,266	$ 2,041,709	$ 5,661,675

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.

Net realized and unrealized gains (losses) on investments in the table above are reflected in the lines "Pooled investment gains (losses) net of allocation to operations" and "Other investment returns/(losses)" 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, 2012 are approximately $(463,000) and $(108,000), respectively.

The following table presents fair value measurements of investments that calculate net asset value per share (or its equivalent) as of June 30, 2012:

	Fair Value	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Investments:				
Mutual funds - international	$ 9,852,918	Monthly	15 days	(a)
Equity securities				
U.S. equity	21,151,164	Daily	None	(b)
International equity	17,516,030	Monthly	10 days	(c)
Global inflation protection equity	31,102,334	Monthly	6-9 days	(d)
Private equity	2,159,700	None	None	(e)
Debt securities				
Global high yield securities	16,984,686	Monthly	30 days	(f)
Hedge funds - multi strategy	29,133,537	Quarterly	65-90 days	(g)
Total	$ 127,900,369			

As of June 30, 2012, there were unfunded private equity commitments of $9,190,825 that are due upon demand.

June 30, 2012 and 2011

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

(a) This category includes investments in equity securities that seek long term growth in developing 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.
(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, 2012 and 2011 consists of the following:

	2012	2011
Land and land improvements	$ 8,690,867	$ 9,164,764
Buildings	75,026,014	74,512,668
Equipment	5,909,967	5,723,588
Equipment - federal grant projects	2,220,859	2,220,859
Construction in progress	14,256,376	3,759,184
	106,104,083	95,381,063
Less accumulated depreciation	(43,319,112)	(41,443,347)
Net plant facilities	$ 62,784,971	$ 53,937,716

NOTE 7 - NOTE AND BONDS PAYABLE:

At June 30, 2012 and 2011, note and bonds payable were comprised of:

	2012	2011
California Educational Facilities Authority - Series 2003	$ 2,370,000	$ 2,960,000
California Educational Facilities Authority - Series 2011	14,935,000	15,065,000
Other note	4,003	8,930
	17,309,003	18,033,930
Less unamortized discount and issuance costs	119,869	122,467
Total note and bonds payable	$ 17,428,872	$ 18,156,397

In July 2003, the College issued California Educational Facilities Authority 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 California Educational Facilities Authority 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 $525,893 and $244,297 for the years ended June 30, 2012 and June 30, 2011, respectively and includes amortized discount (premium) and costs of issuance of $9,052 and $30,524, respectively.

June 30, 2012 and 2011

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, 2012, note and bond maturities were as follows:

Fiscal Years Ending June 30,	Principal Amount
2013	$ 854,003
2014	880,000
2015	295,000
2016	305,000
2017	315,000
Thereafter	14,660,000
	$ 17,309,003

The CEFA Series 2011 and 2003 bond agreements contain various restrictive covenants, as defined in the agreements. At June 30, 2012 and 2011, the College was in compliance with all bond covenants.

The estimated fair value of the College's bonds payable was approximately $18,777,000 and $18,289,000 at June 30, 2012 and 2011, 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.

In August 2011, the College entered into a secured line of credit with a bank. The line is secured by assets custodied at the lending bank. 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. There were no outstanding borrowings on the line at June 30, 2012.

NOTE 8 - FUNDS HELD IN TRUST FOR OTHERS:

Funds held in trust for others totaled approximately $461,000 and $405,000 at June 30, 2012 and 2011, 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, 2012 and 2011:

	2012	2011
Obligations settled	$ 42,565	$ -
Accretion expense	54,773	52,288
	97,338	52,288
Beginning balance	1,176,340	1,124,052
Ending balance	$ 1,273,678	$ 1,176,340

June 30, 2012 and 2011

NOTE 10 - NET ASSETS:

At June 30, 2012 and 2011, net assets consists of the following:

	2012	2011
Unrestricted:		
For operations	$ 229,866	$ 599,362
For designated purposes	9,679,717	8,756,576
Loans	502,305	522,306
Funds functioning as endowment	45,592,654	51,360,987
Plant facilities	49,813,220	50,436,985
Total unrestricted	$ 105,817,762	$ 111,676,216
Temporarily restricted:		
Restricted for specific purposes	$ 37,434,349	$ 31,539,367
Endowment	76,380,277	91,126,209
Plant facilities	5,026,632	189,710
Annuity and life income contracts and agreements	4,591,072	4,743,729
Total temporarily restricted	$ 123,432,330	$ 127,599,015
Permanently restricted:		
Student loans	$ 1,097,142	$ 1,082,838
Endowment	108,098,732	101,348,298
Annuity and life income contracts and agreements	1,811,002	2,393,144
Total permanently restricted	$ 111,006,876	$ 104,824,280

At June 30, 2012 and 2011, endowment net assets consists of the following:

	2012	2011
Unrestricted endowment		
Funds functioning as endowment	$ 46,781,191	$ 51,424,814
Funds with deficiencies	(1,188,537)	(63,827)
Total unrestricted endowment funds	45,592,654	51,360,987
Temporarily restricted endowment		
Term endowment	585,313	529,275
Portion of endowment funds subject to a time restriction under California UPMIFA		
Without purpose restriction	66,741,380	79,144,935
With purpose restriction	9,053,584	11,451,999
Total temporarily restricted endowment funds	76,380,277	91,126,209
Permanently restricted endowment	108,098,732	101,348,298
Total endowment net assets	$ 230,071,663	$ 243,835,494

June 30, 2012 and 2011

NOTE 11 - NET STUDENT REVENUES:

Student revenues for the years ended June 30, 2012 and 2011 consist of the following:

	2012	2011
Tuition and fees	$ 33,093,259	$ 31,247,854
Room and board	9,252,002	8,983,563
Gross student revenues	42,345,261	40,231,417
Less:		
Sponsored student aid	(3,744,438)	(4,455,605)
Unsponsored student aid	(9,260,529)	(8,358,317)
Financial aid	(13,004,967)	(12,813,922)
Net student revenues	$ 29,340,294	$ 27,417,495

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 $13,000 to $18,000. Rental income from operating leases totaled approximately $37,500 and $34,800 for the years ended June 30, 2012 and 2011, respectively. The following is a summary of future minimum rental revenues as of June 30, 2012:

Fiscal Years Ending June 30,	Rental Revenue
2013	$ 14,520
2014	14,520
2015	14,520
2016	15,246
2017	15,972
Thereafter	383,698
	$ 458,476

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, 2012 and 2011 were approximately $55,500 and $48,400, 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, 2012:

Fiscal Years Ending June 30,	Lease Payments
2013	$ 45,969
2014	9,360
2015	9,360
2016	8,103
	$ 72,791

June 30, 2012 and 2011

NOTE 13 - INSTITUTIONAL SUPPORT FUNDRAISING EXPENSE:

Included in institutional support expenses are approximately $3,756,000 and $2,225,000 of expenditures related to fundraising for the years ended June 30, 2012 and 2011, 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	2012
Investment returns:				
Earned income	$ 3,081,959	$ -	$ -	$ 3,081,959
Change in net appreciation (depreciation) of investments	2,885,643	(14,801,969)	(64,425)	$ (11,980,751)
Net investment returns	5,967,602	(14,801,969)	(64,425)	(8,898,792)
Endowment returns distributed for operations	(11,373,274)	-	-	(11,373,274)
Spending reinvested	1,072	4,970	111,500	117,542
Net investment returns	(5,404,600)	(14,796,999)	47,075	(20,154,524)
Other changes in endowed equity:				
Gifts	2,800	-	5,419,845	5,422,645
Other additions, net	(366,533)	51,067	1,283,514	968,048
Total other changes in endowed equity	(363,733)	51,067	6,703,359	6,390,693
Net change in endowed equity	(5,768,333)	(14,745,932)	6,750,434	(13,763,831)
Endowed equity, beginning of year	51,360,987	91,126,209	101,348,298	243,835,494
Endowed equity, end of year	$ 45,592,654	$ 76,380,277	$ 108,098,732	$ 230,071,663

At June 30, 2012, endowed equity consists of the following assets:

Contributions receivable, net	$ -	$ -	$ 4,518,980	$ 4,518,980
Note receivable, net	-	-	43,750	43,750
Investments	45,592,654	76,380,277	103,536,002	225,508,933
Total endowed equity	$ 45,592,654	$ 76,380,277	$ 108,098,732	$ 230,071,663

June 30, 2012 and 2011

NOTE 14 - ENDOWMENT, CONTINUED:

	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:

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

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 $10,000,000 and $9,000,000 of its endowment for the years ended June 30, 2012 and 2011, respectively.

The College has interest free faculty loans with 7 faculty members that mature through August 2017. As of June 30, 2012 and 2011, the faculty loan receivable balance was approximately $190,000 and $233,000, respectively.

Trustee support of the College consists of contributions to the College. Total contributions from Trustees during fiscal years ended June 30, 2012 and 2011 totaled approximately $13,361,000 and $6,164,000 respectively. At June 30, 2012 and 2011 trustee contributions receivable totaled approximately $11,637,000 and $1,126,000, respectively.

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, 2012 and 2011 totaled approximately $2,488,000 and $2,386,000, respectively.

June 30, 2012 and 2011

NOTE 16 - EMPLOYEE BENEFIT PLANS, CONTINUED:

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, 2012 and 2011 was approximately $104,000 and $174,000, 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, 2012 and 2011 totaled approximately $3,085,000 and $2,983,000, 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.

Contracts

The College has remaining contract commitments to complete a building totaling approximately $21,964,000.

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, 2012 and 2011

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.

The College has evaluated subsequent events through October 8, 2012, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that need to be disclosed.

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