Claremont McKenna College

2008–2009 Financial Report

CLAREMONT MCKENNA COLLEGE
ANNUAL FINANCIAL REPORT

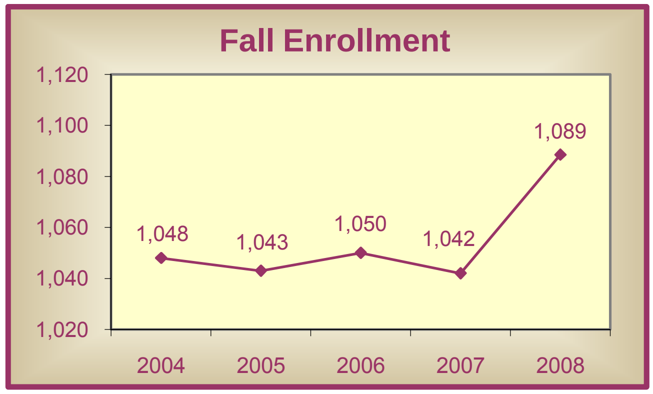
2009 and 2008

CONTENTS

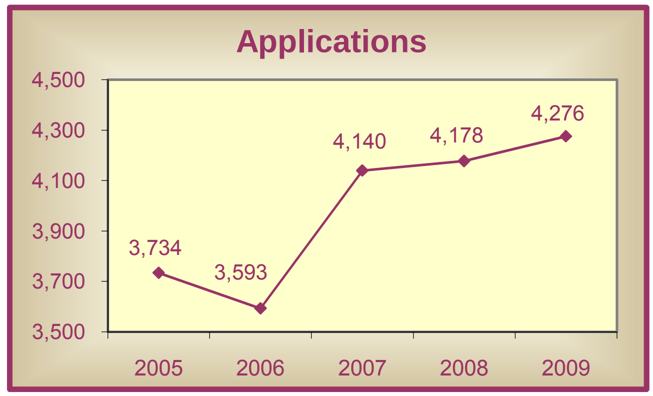
	Page
Financial Highlights	1
Treasurer's Report	5
Report of Independent Auditors	9
Statements of Financial Position	10
Statements of Activities	11
Statements of Cash Flows	13
Notes to Financial Statements	14

Financial Highlights

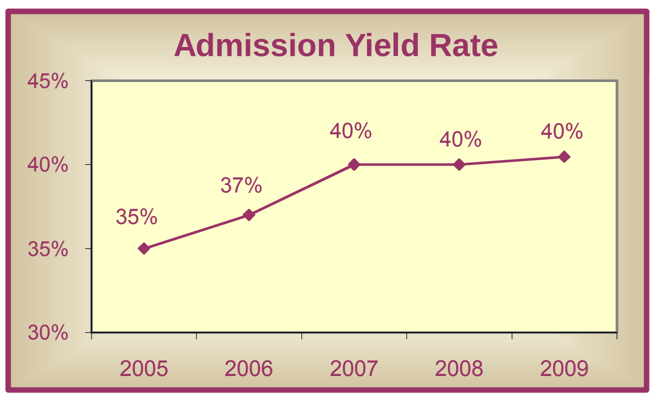
- Fall 2008 FTE enrollment in Claremont reflects a planned increase from prior years. The average FTE enrollment for the year (Fall and Spring) was 1,112. FTE enrollment for the 2008-09 fiscal year, including the Washington program and study abroad programs, was 1,195.



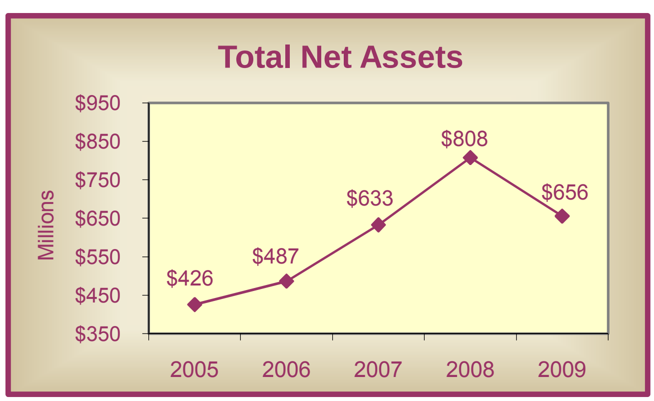
- Freshman applications for admission in the Fall of 2009 rose to 4,276, representing another record for CMC. Applications for the last five years have averaged 3,984—fourteen times more applications than openings in the entering class.



- The yield rate remained constant at 40% for the Fall of 2009. The total number of new freshmen entering the College was 282 students.

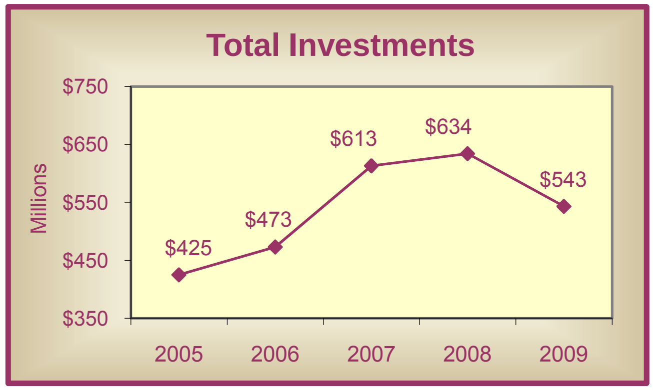


- Total net assets decreased by 19% to $656 million due primarily to realized and unrealized losses on investments.

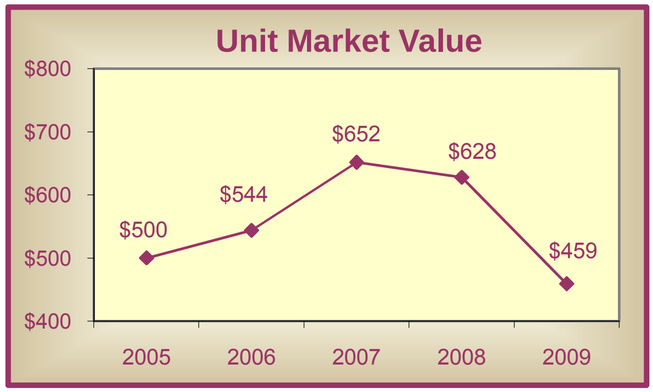


Financial Highlights

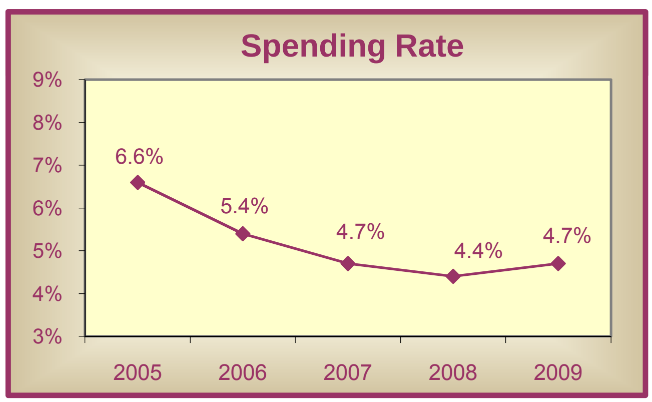
- Total investments, net of securities lending collateral, decreased by 14.4% in 2009, after fees and spending for operations.



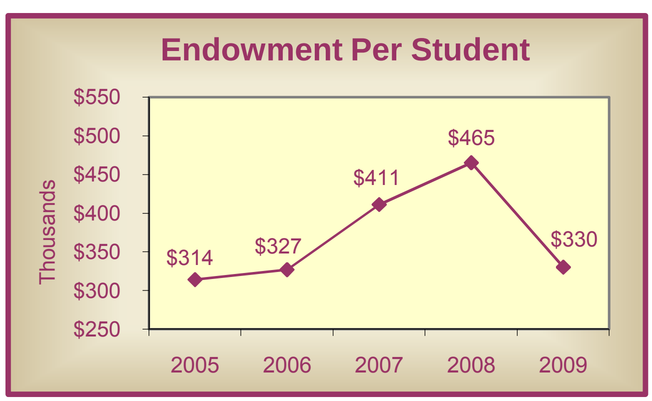
- The unit market value decreased by 26.9%. Unit market value reflects general market performance after spending for operations.



- The spending rate (spending amount per unit divided by unit market value at the beginning of the year) increased slightly as a result of the decline in unit market value in 2007-08, and an increase in the spending per unit calculated under the College's spending policy.

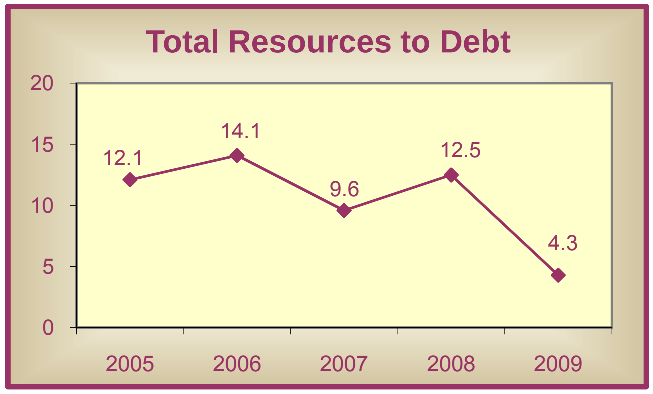


- Endowment per student decreased as a result of the decline in the market value of the endowment and an increase in total enrollment. Total endowment at June 30, 2009, was $400 million.

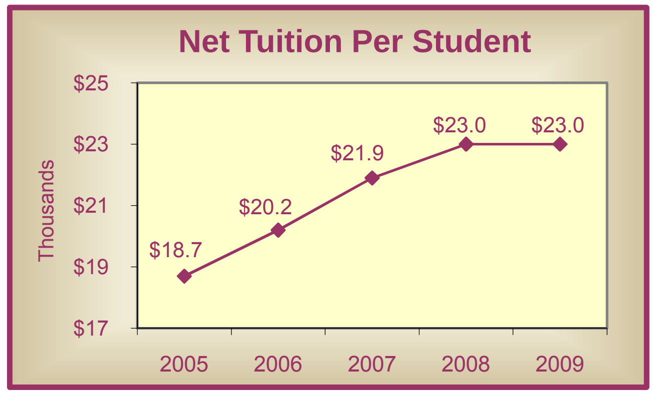


Financial Highlights

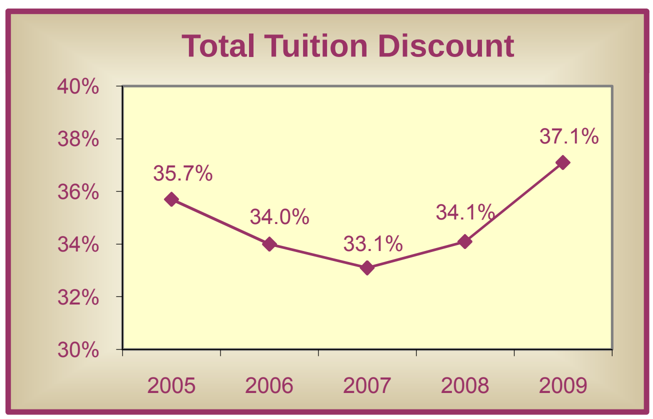
- Total resources to debt decreased in 2009 as a result of new bonds issued by the College and a decrease in net assets. CMC's ratio of 4.3 has dropped below the 2008 median value of 6.6 for Moody's Aa small institutions (enrollments typically under 3,000 FTE).



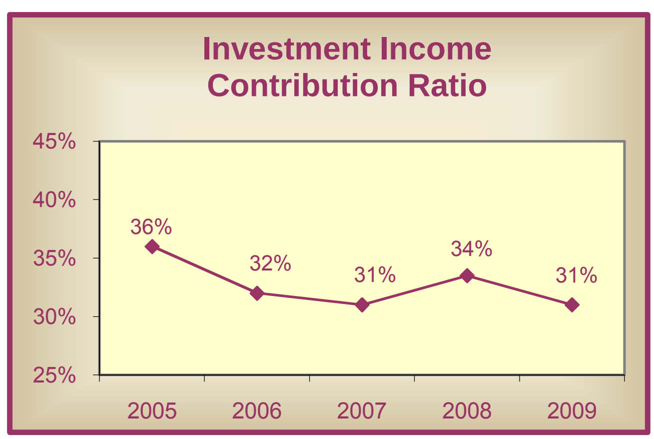
- Net tuition per student remained flat compared to the rate of increase in tuition, resulting from an increase in the tuition discount. This dollar level places CMC above the 2008 median net tuition per student of $21,621 for Moody's Aa small institutions.



- Total tuition discount (financial aid divided by tuition and fees revenues) increased partly due to an increase in need-based financial aid following CMC's new policy to meet all need without packaged loans, and partly due to the addition of several new merit-based scholarship programs. CMC's discount exceeds the median discount of 34.9 % for Moody's Aa small institutions.

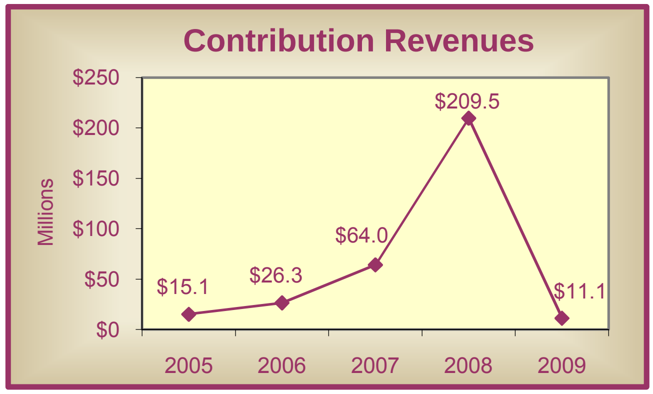


- CMC's endowment and a prudent spending policy produce sufficient investment income to make a significant contribution toward covering the operational costs of a CMC education. The decrease in the investment income contribution ratio in 2009 reflects an increase in total unrestricted expenses covered by non-investment income sources.

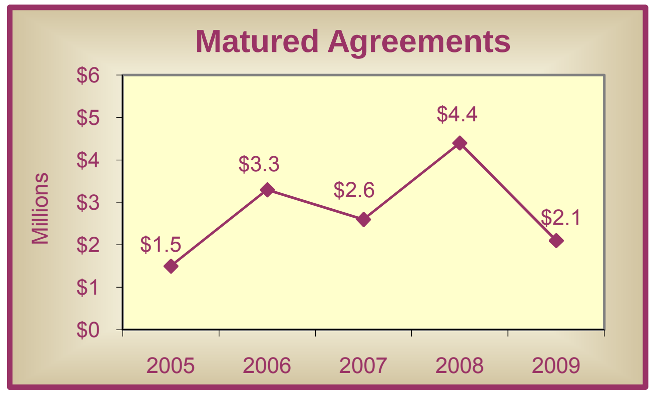


Financial Highlights

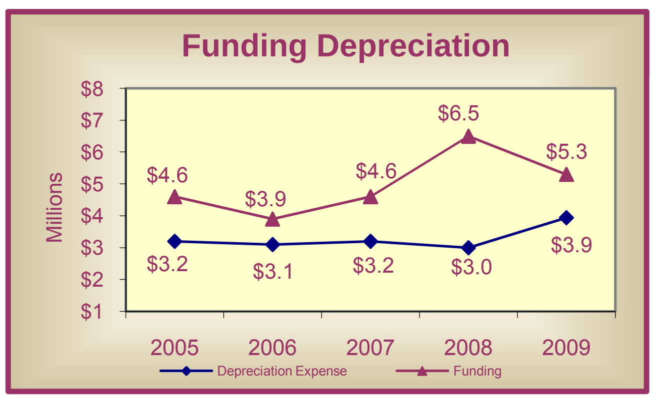
- Private gifts and grants reported by the Development Office were $23.3 million. After actuarially adjusting the deferred gifts and adding in unconditional promises to give, contribution revenues finished the fiscal year at $11.1 million.



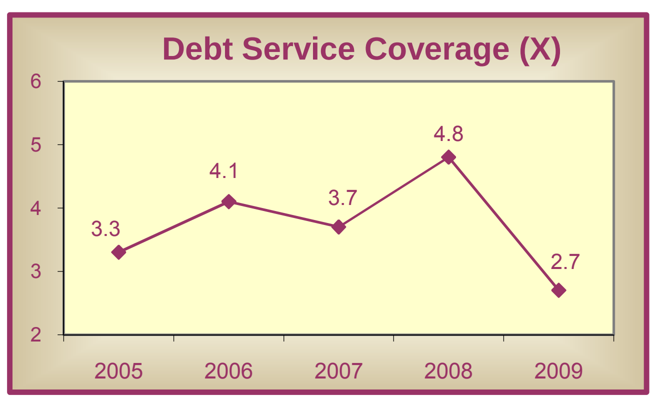
- Although unpredictable from year to year, matured annuity and life income agreements continue to provide significant resources to the College's endowment and operating funds.



- CMC continues its policy of fully funding depreciation expense. Annual set-asides for the renewal and replacement of facilities are budgeted to exceed the amount of depreciation expense recorded in the financial statements.



- Debt service coverage (net operating revenues plus interest and depreciation expense divided by annual debt service) decreased in 2009 as a direct result of new debt issued by the College. CMC's ratio is slightly below the 2008 median value of 2.8 for Moody's Aa small institutions.



Claremont McKenna College

Office of the Treasurer

October 11, 2009

Members of the Board of Trustees
Claremont McKenna College
Claremont, California

Ladies and Gentlemen:

The fiscal year that ended on June 30, 2009, was one of the most challenging years in the recent history of the College. We saw unprecedented drops in the world's financial markets coupled with severe liquidity issues facing the nation and institutions much larger than Claremont McKenna College. The College was not spared its share of the wrath of the financial melt-down, and, in typical CMC fashion, a special ad hoc Financial Planning Committee was formed to analyze the effects of the market on the College in both the current and future years. As a result of the work of the ad hoc Committee, the Finance and Investment Committees of the Board of Trustees and the full Board of Trustees, the College has been able to react and plan for the projected reductions in future resources.

As part of its planning, the College took several actions to reduce budgeted operating expenses. The larger reductions were accomplished by asking each Vice President to recommend reductions within their areas of responsibility, by reducing the size of the staff, by reducing the amount of funding of renewal and replacement reserves, by adjusting parameters of certain financial aid policies, and by analyzing the effect on future years of recent gifts to the College for scholarships and professorships. With these planned reductions in unrestricted operating expenses, the College was able to reduce the funding shortfall it was facing, while protecting the newly adopted policy of providing need-based financial aid packages without loans.

The return on investments for the year, net of fees, was (21.7%), which exceeded the College's benchmark indices for the fiscal year. While a very unsatisfactory performance for a single year, it was much better than initial predictions of close to (30%). The improved investment performance toward the end of the fiscal year was also instrumental in reducing further the projected budget shortfall in future years.

On a more positive note, recruiting and admission of new students continues to be strong. The average FTE enrollment in Claremont for the fiscal year of 1,112 students exceeded the budgeted target of 1,080 students. The growth in FTE from prior years was part of an intentional plan to grow the student body by approximately 80 students with the completion of Claremont Hall, a new state-of-the-art residence hall. The number of applications for the newly admitted class of 2013, which completed the application process in 2008-09, set another new record for the College. Of the 4,276 applications received, 16% were accepted (admission rate), and 40% were

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Member of The Claremont Colleges

enrolled (yield rate), making Claremont McKenna College one of the most selective liberal arts colleges in the country. The median SAT score was 1410, excluding the writing section. The newly-admitted freshmen represent 31 states and 15 foreign countries. Net tuition per student was flat as a result of a conscious increase in the total tuition discount (scholarships provided to students). The College continues to maintain its need-blind admission policy and meet-all-need financial aid policy, and adopted a new policy in 2008-09 to provide need-based financial aid packages with no student loans. In addition, the current Campaign for Claremont McKenna College has provided several new gifts for both need-based and merit scholarships.

Statements of Financial Position

The most significant change in the statements of financial position is the decrease in the value of investments. Although the portfolio was down 21.7%, it was better than initially expected; however, the decrease had a significant effect on all aspects of the financial statements. The reduction in total net assets also reflects the decrease in investment values. In the fiscal year ending June 30, 2008, the College received several new gifts as The Campaign for Claremont McKenna College was launched, many of which were in the form of multi-year pledges. With the downturn in the economy, new gifts were not as abundant in the fiscal year ending June 30, 2009. Payments on significant prior year pledges remained on schedule, and accounted for the decrease in contributions receivable.

Other major changes in the statements of financial position include increases in bonds payable and in plant facilities. The College completed the issuance of over $83 million in new bonds through the California Educational Facilities Authority in January, 2009. The bond proceeds will be used to fund the construction of the new Kravis Center, which is expected to be completed in 2011. The Kravis Center will house four academic departments, five research institutes, the admission and financial aid offices, and several new classrooms and meeting spaces. Designed by Rafael Vinoly Architects, the Kravis Center is expected to provide a significant architectural statement and iconic entrance at the west end of campus.

Claremont Hall was opened in August, 2008, at the same time major renovations were completed on Auen and Fawcett Halls, two of the tower residence halls built in 1967. The Biszantz Family Tennis Center was completed and dedicated in January, 2009. This facility provided 12 new competition tennis courts, indoor team and coaching space, and a new recreation field for use in the intramural and varsity athletics programs. The College also embarked on a master planning process, with an expectation of submitting a plan to the City of Claremont in the spring of 2010. The master plan is part of an update of the College's strategic plan also taking place during the 2009-10 academic year.

Statement of Activities

The statement of activities provides greater detail of the changes in net assets during the fiscal year. Student revenues, net of scholarships and grants, increased almost $3.5 million as a result of tuition, room and board charge increases and an increase in the number of full-time equivalent students from 1,121 in 2007-08 to 1,195 in 2008-09. Awards for student financial aid increased almost $2.9 million over the 2007-08 level, or over 21%, primarily as a result of the adoption of a no-packaged-loan policy for need-based students. New scholarship programs funded through Campaign gifts, the Frank Seaver Leadership Scholarship Fund, the Interdisciplinary Science

Scholarship Fund, and the Robert Day Scholars Program also provided generous scholarships for students beginning in the 2008-09 fiscal year.

Total private gifts and grants decreased significantly from gifts received in 2007-08, which had been a phenomenal year for fundraising for CMC. Although the initial expectation for raising new gifts in 2008-09 was lower compared to actual gifts raised in 2007-08, the downturn in the economy made the current year a tougher environment for fundraising. The Campaign for Claremont McKenna College, which was formally launched in 2008, has raised $427.8 million toward a $600 million goal. Spending policy income was not affected by the decline in investment values in 2008-09, as the spending per unit in the pooled investment fund was set before the year started. The spending policy formula provides for decreases in the spending per unit over the next few years, and is the primary driver for reductions in the operating budget beginning in the latter part of 2008-09.

Total operating expenses increased by 8% from the prior year. The most significant changes were related to increased expenses for the initial year of operating the new Robert Day Scholars Program, interest expense for the new debt, depreciation expense for facilities recently constructed or renovated, and losses on disposal of buildings to make room for the new construction. Expenses directly related to the Robert Day Scholars Program were funded by corresponding increases in operating revenue through releases of temporarily restricted gifts. Through this program, and other resources, the College was able to hire 12 new tenure and tenure-track faculty last year, including a new Dean of Science.

The negative investment performance stands out in other changes in net assets. Although realized and unrealized losses represent the largest reduction in other changes in net assets, the negative investment performance led to two other significant negative adjustments at the end of the year. The actuarial adjustment, representing changes in the expected future commitments on split-interest agreements, and which is based on the age of beneficiaries and the future payment obligations, represented a significant decrease as a result of investment losses. Continuing with this theme, negative investment performance also led to an increase in the comprehensive loss in the staff retirement plan. A significant redesignation of net assets during the year was primarily related to California’s adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which led to accounting regulations that require accumulated gains on restricted endowment funds to be recorded as temporarily restricted. The accumulated gains had previously been recorded as unrestricted as directed by prior accounting pronouncements.

The College continues to designate annually an amount of unrestricted net assets equal to or greater than the calculated amount of depreciation expense to fund a reserve for future campus renovations and replacements. For fiscal year 2009, the College was able to add $1.4 million to the reserves in addition to the amount of depreciation expense of $3.9 million.

Statements of Cash Flows

Net cash flows decreased $462,000 for fiscal year 2009. The net cash used in operating activities of $19.5 million and in investing activities of $67.4 million, primarily for construction projects and investment of bond proceeds, was offset by the net cash provided by financing activities of $86.5 million, primarily from the issuance of new bonds.

Members of the Board of Trustees
October 11, 2009

Summary

The 2009 fiscal year was a year we will not soon forget because it has forced the College to create a new set-point for financial equilibrium. All constituencies have re-examined priorities to focus on achieving our mission while utilizing resources in the most efficient way possible. The Board of Trustees has recently approved moving forward with a new summer school program, a pilot of which will be launched in the summer of 2010. Through the strategic plan and master plan process, the College will examine growth in the student body, and potential effects growth will have on the College’s financial and physical resources. As the economy begins to show signs of recovery, we will approach the future cautiously as we wait to see what will happen over the next few years with fundraising and investment returns, two of the College’s primary revenue sources.

Focusing on a positive outlook, enrollment and applications remain strong, the College remains committed to its recently adopted policy for no-packaged loans to need-based students, the College fared well in terms of maintaining a high level of liquidity compared to its peers through the crisis last fall, and the trustees are optimistic that the Campaign for Claremont McKenna College will continue to provide resources to further strengthen the outstanding academic programs of the College. As I write this letter, the College’s investment portfolio is in positive territory for the new fiscal year – a position I hope to be reporting on this time next year.

Respectfully submitted,

Robin J. Aspinall

Robin J. Aspinall
Vice President for Business and Administration and Treasurer

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Claremont McKenna College
Claremont, California

We have audited the accompanying statements of financial position of Claremont McKenna College (the "College") as of June 30, 2009 and 2008, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Claremont McKenna College as of June 30, 2009 and 2008, 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 19, 2009

CLAREMONT MCKENNA COLLEGE
STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008
(in thousands)

	2009	2008
ASSETS		
Cash	$ 398	$ 860
Accounts and notes receivable, net (Note 2)	17,246	17,642
Prepaid expenses and deposits	3,334	2,262
Contributions receivable, net (Note 3)	176,749	186,331
Beneficial interest from revocable trusts (Note 3)	2,580	2,681
Beneficial interest in trusts (Note 3)	4,743	4,424
Investments (Note 4)	543,119	633,729
Plant facilities, net (Note 6)	111,798	91,333
Total assets	$ 859,967	$ 939,262
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 9,928	$ 13,569
Funds held in trust for others	2,075	2,516
Deposits and deferred revenues	1,385	1,543
Staff retirement liability	1,432	529
Life income and annuities payable (Note 8)	42,504	45,756
Bonds payable (Note 9)	140,392	61,010
Government advances for student loans	3,232	3,182
Refundable advances from revocable trusts (Note 3)	2,580	2,681
Asset retirement obligation (Note 7)	726	722
Total liabilities	204,254	131,508
Net Assets (Note 12):		
Unrestricted	110,206	341,035
Temporarily restricted	302,637	225,499
Permanently restricted	242,870	241,220
Total net assets	655,713	807,754
Total liabilities and net assets	$ 859,967	$ 939,262

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

CLAREMONT MCKENNA COLLEGE
STATEMENT OF ACTIVITIES

For the year ended June 30, 2009
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Student revenues	$ 56,308	$ -	$ -	$ 56,308
Less: Financial aid	(16,209)	-	-	(16,209)
Net student revenues (Note 14)	40,099	-	-	40,099
Private gifts and grants	3,950	402	6,767	11,119
Federal grants	1,056	-	-	1,056
Private contracts	759	-	-	759
Spending policy income	9,060	15,837	486	25,383
Other investment income	1,266	8	(32)	1,242
Other revenues	1,908	-	-	1,908
Release of net assets				
Restricted gifts	11,306	(11,265)	(41)	-
Restricted spending policy income	14,253	(14,253)	-	-
Annuity and life income	209	(209)	-	-
Total revenues	83,866	(9,480)	7,180	81,566
Expenses:				
Instruction	26,307	-	-	26,307
Research	5,874	-	-	5,874
Academic support	7,310	-	-	7,310
Student services	10,932	-	-	10,932
Institutional support	14,159	-	-	14,159
Auxiliary enterprises	13,565	-	-	13,565
Total expenses	78,147	-	-	78,147
Excess of revenues over expenses	5,719	(9,480)	7,180	3,419
Other changes in net assets:				
Realized and unrealized gains (losses), net of spending allocation	(152,883)	10,468	(126)	(142,541)
Release of net assets				
Plant facilities	5,287	(5,287)	-	-
Actuarial adjustment	-	(3,269)	(8,593)	(11,862)
Staff retirement plan comprehensive loss	(1,057)	-	-	(1,057)
Donor redesignations between net asset categories (including UPMIFA)	(87,895)	84,706	3,189	-
Change in net assets	(230,829)	77,138	1,650	(152,041)
Net assets at beginning of year	341,035	225,499	241,220	807,754
Net assets at end of year	$ 110,206	$ 302,637	$ 242,870	$ 655,713

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

CLAREMONT MCKENNA COLLEGE
STATEMENT OF ACTIVITIES

For the year ended June 30, 2008
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Student revenues	$ 49,995	$ -	$ -	$ 49,995
Less: Financial aid	(13,345)	-	-	(13,345)
Net student revenues	36,650	-	-	36,650
Private gifts and grants	12,188	187,558	9,798	209,544
Federal grants	1,270	-	-	1,270
Private contracts	558	-	-	558
Spending policy income	8,583	13,286	1,541	23,410
Other investment income	2,813	5	9	2,827
Other revenues	1,893	-	-	1,893
Release of net assets				
Restricted gifts	4,516	(4,516)	-	-
Restricted spending policy income	12,878	(12,878)	-	-
Annuity and life income	1,822	(1,822)	-	-
Total revenues	83,171	181,633	11,348	276,152
Expenses:				
Instruction	22,535	-	-	22,535
Research	6,272	-	-	6,272
Academic support	6,173	-	-	6,173
Student services	9,684	-	-	9,684
Institutional support	15,574	-	-	15,574
Auxiliary enterprises	12,145	-	-	12,145
Total expenses	72,383	-	-	72,383
Excess of revenues over expenses	10,788	181,633	11,348	203,769
Other changes in net assets:				
Realized and unrealized gains (losses), net of spending allocation	(21,308)	(636)	118	(21,826)
Actuarial adjustment	-	(3,602)	(2,518)	(6,120)
Other	(181)	-	-	(181)
Staff retirement plan comprehensive loss	(394)	-	-	(394)
Donor redesignations between net asset categories	328	(18,736)	18,408	-
Change in net assets	(10,767)	158,659	27,356	175,248
Net assets at beginning of year	351,802	66,840	213,864	632,506
Net assets at end of year	$ 341,035	$ 225,499	$ 241,220	$ 807,754

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

CLAREMONT MCKENNA COLLEGE
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2009 and June 30, 2008
(in thousands)

	2009	2008
Cash flows from operating activities:		
Change in net assets	$ (152,041)	$ 175,248
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	3,939	2,971
Amortization and accretion expense	(51)	(48)
Loss on disposal of plant facilities	784	-
Allowance for doubtful accounts	11	11
Comprehensive loss on staff retirement plan	1,057	394
Discount on life income contract gifts	(2,038)	(5,425)
Realized and unrealized (gain)/loss on investments	132,172	9,177
Non-cash gifts	(2,681)	(16,914)
Adjustment of actuarial liability for annuities payable	3,999	13,404
Decrease/(increase) in accounts and contributions receivable	9,713	(154,478)
Decrease/(increase) in beneficial interest in trusts	(319)	13,715
Decrease/(increase) in prepaid expenses and deposits	(477)	792
(Decrease)/increase in accounts payable and accrued liabilities	(3,661)	8,963
(Decrease)/increase in funds held in trust for others	(441)	(1,856)
(Decrease)/increase in deposits and deferred revenues	(158)	159
Contributions restricted for long-term investments	(9,131)	(31,078)
Defined benefit plan contributions over expense	(154)	(347)
Net cash (used in)/provided by operating activities	(19,477)	14,688
Cash flows from investing activities:		
Purchase of plant facilities	(25,211)	(28,683)
Purchases of investments	(541,883)	(618,999)
Proceeds from sales of investments	499,386	607,793
Loans made to students and employees	(1,535)	(2,682)
Collection of student and employee loans	1,807	2,065
Net cash (used in)/provided by investing activities	(67,436)	(40,506)
Cash flows from financing activities:		
Payments to annuity and life income beneficiaries	(2,183)	(5,903)
Investment income for annuity and life income investments	589	2,205
Proceeds from borrowings	80,385	-
Debt issuance costs	(595)	(595)
Principal payments for borrowings	(925)	(885)
Contributions restricted for life income contracts	1,402	4,174
Contributions restricted for endowment	6,682	26,210
Contributions restricted for plant expenditures and student loans	1,046	694
Increase in government advances for student loans	50	29
Net cash (used in)/provided by financing activities	86,451	25,929
Net (decrease)/increase in cash	(462)	111
Cash at beginning of year	860	749
Cash at end of year	$ 398	$ 860
Supplemental disclosure of cash flows:		
Interest paid	$ 2,190	$ 1,697

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

June 30, 2009 and 2008
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Established in 1946, Claremont McKenna College (the "College") is a highly selective, independent, coeducational, residential undergraduate liberal arts college. The College's mission, within the mutually supportive framework of The Claremont Colleges (Note 16), is to educate students for thoughtful and productive lives and responsible leadership in business, government, and the professions, and to support faculty and student scholarship that contributes to intellectual vitality and the understanding of public policy issues.

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 objective of the College is to maintain and conduct a nonprofit educational institution. The primary purpose of the accounting and reporting is the recording of 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 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 (U.S.) in accordance with the American Institute of Certified Public Accountants' (AICPA) Audit and Accounting Guide, "Not-for-Profit Organizations."

Reclassifications:
Certain prior year amounts have been reclassified for consistency with current year presentation.

Net Asset Categories:
The accompanying financial statements present information regarding the College's financial position and activities according to three categories of net assets: unrestricted, temporarily restricted, and permanently restricted. The three categories are differentiated by donor restrictions. Unrestricted net assets are not subject to donor-imposed restrictions. Temporarily restricted net assets are subject to donor-imposed restrictions that either lapse or can be satisfied. Permanently restricted net assets are subject to permanent donor-imposed restrictions. Generally, the donors permit the College to use all or part of the income earned on permanently restricted net assets for general or specific purposes.

Tuition and Fees:
Student tuition and fees are recorded as revenues in the year during which the related academic services are rendered.

Collectability of student accounts and notes receivable is reviewed both individually and in the aggregate. Allowances have been established based on experience, and balances deemed uncollectible are written off through a charge to bad debt expense or 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.

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

Contributions:
Contributions, including unconditional promises to give, are recognized as revenue in the period pledged or received and are reported as increases in the appropriate category of net assets. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received are discounted at an appropriate discount rate.

June 30, 2009 and 2008
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: ***Continued***

Release of Donor-Imposed Restrictions:
The expiration of a donor-imposed restriction on a contribution 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 when unexpended endowment earnings are appropriated by the Board of Trustees. It is the College's policy to release the restrictions on contributions of cash or other assets received for the acquisitions of long-lived assets when the long-lived assets are placed into service.

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

Allocation of Certain Expenses:
Expenses are generally reported as decreases in unrestricted net assets. 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.

Cash:
For the purposes of reporting cash flows, cash includes demand deposit bank accounts. Resources invested in money market funds are classified as cash equivalents, except that any such investments managed as part of the investment pool are classified as investments.

Cash Held in Separate Accounts:
The California Student Aid Commission requires institutions participating in the Cal Grant program to maintain funds advanced in a separate interest bearing account to properly handle and manage the funds. The funds are the property of the State and unspent funds are to be returned to the State along with interest earned.

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).

Investments:
Where permitted by law, the College pools investments for management purposes. The remainder of investments are managed as separate investments. Marketable securities are reported at fair market value. Real estate investments, trust deed loans, and certain other miscellaneous assets are stated at cost. Non-marketable investments are carried at estimated fair value provided by the management of the non-marketable investment partnerships or funds at June 30, 2009 and 2008. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the investments. Because non-marketable investments are not readily marketable, the estimated value is subject to uncertainty and such differences could be material.

The cost of securities sold is determined by the average cost method and is used to compute realized gains and losses. Unrealized gains and losses reflect the changes in the market values of investments from the prior year. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law. The date of record for investments is the trade date.

Derivatives:
Certain investments held by the College may include derivative instruments as part of their investment strategy, but the College does not invest directly in derivatives.

June 30, 2009 and 2008
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: ***Continued***

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 for current operations, the Board of Trustees has adopted a spending policy for pooled investments. The amount of investment return available for current operations is determined by applying an increase of 4.0% to the prior year unit spending rate, provided that the resulting calculation falls within a collar of 4.5% to 5.5% of a twelve quarter average unit market value. If the ordinary income portion of pooled investments return 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 held in their respective net asset categories and are available for appropriation under the College's spending policy. At June 30, 2009 and 2008, these cumulative gains totaled approximately $86,944 and $122,720, respectively. The Board of Trustees may, at its discretion, approve additional spending for special projects. At June 30, 2009 and 2008 the Board of Trustees approved an additional allocation of $1,716 and $1,743, respectively.

Endowment Funds:
The Board of Trustees of the College interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) to state that the College, in the absence of explicit donor stipulations to the contrary, may appropriate for expenditure or accumulate so much of an endowment fund as the College determines prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. As a result of this interpretation, the College classifies as permanently restricted net assets the original value of gifts donated to the endowment, original value of subsequent gifts to the endowment, and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA which includes the:

(1) Duration and preservation of the fund
(2) Mission of the College and the donor-restricted endowment fund
(3) General economic conditions
(4) Possible effects of inflation and deflation
(5) Expected total return from income and appreciation of investments
(6) Other resources of the College
(7) Investment policy of the College.

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 computed on a straight-line basis over the estimated useful lives of buildings, permanent improvements, and equipment. 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. Estimated useful lives are generally 7 years for equipment, 40 years for buildings and 25 years for permanent improvements. During the year ended June 30, 2009, the Board of Trustees determined buildings placed into service after July 1, 2008 will have an estimated useful life of 50 years and building improvements that extends the remaining useful life of the building will be depreciated over a period not to exceed 20 years. Assets are retired at their cost less accumulated depreciation at the time they are sold, impaired, or no longer in use. Each year the College funds its annual depreciation charge by transferring an amount equal to or greater than its annual depreciation charge from its operating fund into its unrestricted renewal and replacement reserves. Asset retirement obligations are recorded based on estimated settlement dates and methods.

June 30, 2009 and 2008
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

Plant Facilities: *Continued*

No significant property or equipment has been pledged as collateral or otherwise subject to lien for the years ended June 30, 2009 and 2008. 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, 2009 and 2008. 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 contribution 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 4.0% to 7.5% and over estimated lives according to 2000 Mortality Annuity Tables.

The College is subject to additional legally mandated annuity reserve requirements by the State of California on its California gift annuity contracts. 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.

Income Taxes:

In accordance with generally accepted accounting principles, the College had no unrecognized tax benefits and/or obligations at June 30, 2009 and 2008.

Use Of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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.

Fair Value 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. A determination of the fair value of notes receivables, which are primarily federally sponsored student loans with the U.S. government, mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, is not practical because such a determination cannot be made without incurring excessive costs.

The College carries most investments and its beneficial interest in trusts at fair value in accordance with generally accepted accounting principles. Under this accounting 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. Accounting standards have established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

June 30, 2009 and 2008
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: ***Continued***

Fair Value of Financial Instruments: ***Continued***

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, 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.

Investments in cash and cash equivalents, mutual funds, and certain domestic and international equities are valued based on quoted market prices, and are therefore typically classified within Level 1.

Investments in fixed income and other investment funds valued using net asset value per share (NAV) or its equivalent as reported by investment managers, which are audited under AICPA guidelines and that have trading activity and the ability to redeem at NAV on or near the reporting date, are included within Level 2.

Certain investments in hedge funds, private equity funds, or other private investments, and its beneficial interest in trusts are valued utilizing unobservable inputs, and have had no trading activity or cannot be redeemed at NAV or its equivalent on or near the reporting date are therefore classified within Level 3. These assets 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, through its monitoring activities, agrees with the fair market value as determined by the investment managers.

The general partners of the underlying investment partnerships generally value their investments at fair value and in accordance with generally accepted accounting standards. Investments with no readily available market are generally valued according to the mark-to-market method, 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 can 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, the values presented herein are not necessarily indicative of the amount that the College could realize in a current transaction. Future 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 redemption of the investments.

June 30, 2009 and 2008
(in thousands)

NOTE 2 - ACCOUNTS AND NOTES RECEIVABLE:

Accounts and notes receivable at June 30, 2009 and 2008 are as follows:

	2009	2008
Student notes receivable	$ 12,586	$ 12,686
Federal loan funds	2,946	3,190
Other Claremont Colleges	372	449
Student accounts	278	230
Investment receivables	-	95
Grants and contracts receivable	208	441
Other	1,026	718
	17,416	17,809
Less allowance for doubtful accounts receivable	(170)	(167)
	$ 17,246	$ 17,642

NOTE 3 - CONTRIBUTIONS RECEIVABLE AND BENEFICIAL INTEREST IN TRUSTS:

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions receivable are recorded after discounting to the present value of future cash flows at rates ranging from 2.5% to 6.3%.

Contributions receivable at June 30, 2009 and 2008 are expected to be realized as follows:

	2009	2008
Within one year	$ 18,192	$ 10,520
Between one year and five years	50,839	51,304
More than five years	206,974	217,086
	276,005	278,910
Less discount	(99,256)	(92,579)
Net contributions receivable	$ 176,749	$ 186,331

Contributions receivable at June 30, 2009 and 2008 are intended for the following uses:

	2009	2008
Endowment	$ 113,801	$ 118,128
Plant	6,036	3,410
Other	56,912	64,793
Net contributions receivable	$ 176,749	$ 186,331

At June 30, 2009 and 2008, the College had knowledge of approximately $20,927 and $22,978, respectively, of conditional promises to give that will not be recognized as revenue until the respective conditions are met. The purposes of the promises include: professorships, scholarships and other college projects.

In addition, the College is the trustee for certain revocable trusts. Revocable trusts are included in the financial statements as beneficial interest from revocable trusts and refundable advances. At June 30, 2009 and 2008, the College had approximately $2,580 and $2,681, respectively, of revocable trusts that will not be recognized as revenue until the trusts become irrevocable or the assets are distributed to the College for its unconditional use.

The College is beneficiary to certain trusts where a third party acts as trustee. The present value of these interests is recorded in beneficial interest in trusts.

June 30, 2009 and 2008
(in thousands)

NOTE 4 - INVESTMENTS:

Where permitted by gift agreement and/or applicable government regulations, investments are pooled. Pooled investments and allocation of pooled investment income are accounted for on a unit value method. The following is a summary of data that pertains to this method at June 30, 2009 and 2008:

	Pooled Investments Fund	
	2009	2008
Unit market value at end of year	$ 458.69	$ 627.60
Units owned:		
Unrestricted:		
Funds functioning as endowment	199,366	189,160
Temporarily restricted:		
Annuity and life income contracts and agreements	19,363	19,466
Endowment	68,809	65,030
Total temporarily restricted	88,172	84,496
Permanently restricted:		
Endowment	602,958	586,648
College loan investments	3,459	3,459
Annuity and life income contracts and agreements	49,794	49,517
Total permanently restricted	656,211	639,624
Total units	943,749	913,280

Investment income related to College investments for the years ended June 30, 2009 and 2008, net of management and custody fees of approximately $4,305 and $4,238, respectively, is as follows:

	2009	2008
Amounts allocated in accordance with spending policy for pooled investments:		
Net pooled investment income	$ 2,993	$ 5,335
Pooled investment gains appropriated	24,332	19,922
Total spending policy income and gains	27,325	25,257
Other investment income	1,249	3,590
Less amounts allocated to annuity and life income contracts and agreements	(1,949)	(2,610)
Total investment income	$ 26,625	$ 26,237
Realized and unrealized gains/(losses), net of spending allocation	(142,541)	(21,826)
Total investment returns	$ (115,916)	$ 4,411

June 30, 2009 and 2008
(in thousands)

NOTE 4 - INVESTMENTS: *Continued*

It is the College's policy to establish and maintain a diversified investment portfolio. The carrying value of investments are based on the quoted market prices, analytical pricing methods for investments for which there is no market, and the carrying value of limited partnership net assets in proportion to the College's interest. The carrying values are considered fair values, except for real estate and other investments. The following schedule summarizes the assets in pooled investments and the assets held as separate investments at June 30, 2009 and 2008:

	2009	2008
Pooled investments:		
Cash equivalents	$ 25,999	$ 25,341
Marketable global debt securities	55,124	51,361
Marketable domestic equity securities	64,341	99,917
Marketable international equity securities	98,172	129,780
Private investments:		
Hedge funds	70,422	96,095
Private equity and venture capital	55,831	60,651
Real assets *(commodities, real estate, and inflation-indexed bonds)*	62,998	110,032
Total pooled investments	$ 432,887	$ 573,177
Separate investments:		
Cash equivalents	$ 28,160	$ 23,348
Marketable securities	13,820	20,125
Assets whose use is limited	67,338	16,131
Real estate and other *(reported at cost)*	914	948
Total separate investments	$ 110,232	$ 60,552
Total investments	$ 543,119	$ 633,729

By category:	2009	2008
Endowment and funds functioning as endowment:		
Pooled investments	$ 399,578	$ 527,712
Separately invested	133	141
Total endowment and funds functioning as endowment	399,711	527,853
Annuity and life income contracts:		
Pooled investments	$ 31,721	$ 43,294
Separately invested	15,020	21,244
Total annuity and life income contracts and agreements	46,741	64,538
Other:		
Pooled	1,588	2,171
Separately invested	95,079	39,167
Total other	96,667	41,338
Total by category	$ 543,119	$ 633,729

June 30, 2009 and 2008
(in thousands)

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS:

The following table presents the investments and beneficial interest in trusts carried on the Statement of Financial Position by level within the valuation hierarchy as of June 30, 2009:

	Level 1	Level 2	Level 3	2009
Pooled Investments	$ 119,355	$ 194,363	$ 119,169	$ 432,887
Separate Investments	45,969	63,349	-	109,318
Beneficial interest in trusts	-	-	4,743	4,743
Total	$ 165,324	$ 257,712	$ 123,912	$ 546,948

The following table includes a roll forward of the amounts for assets classified within Level 3 as of June 30, 2009:

	Investments	Beneficial Interest in Trusts	Total
Beginning balance	$ 134,100	$ 4,424	$ 138,524
Purchases	21,612	-	21,612
Sales	(14,536)	-	(14,536)
Realized gain/(loss), net	(2,084)	-	(2,084)
Unrealized gain/(loss), net	(21,039)	-	(21,039)
Interest/dividends	1,116		1,116
Actuarial adjustment	-	319	319
Ending balance	$ 119,169	$ 4,743	$ 123,912

Net appreciation (depreciation) on investments and beneficial interest in trusts in the table above are reflected in the line "Realized and unrealized gains (losses), net of spending allocation" and "Other investment income," respectively, on the Statement of Activities. Also included in those accounts, net unrealized gains (losses) on investments and actuarial adjustment on beneficial interest in trusts for Level 3 assets still held at June 30, 2009 is approximately ($21,039) and $319, respectively.

NOTE 6 - PLANT FACILITIES:

Plant facilities are recorded at cost or estimated fair value at the date of donation, and at June 30, 2009 and 2008 consists of the following:

	2009	2008
Land and land improvements	$ 13,857	$ 7,898
Buildings	103,203	76,995
Equipment	12,697	11,517
Property held for future use	12,676	12,707
Construction in progress	18,750	28,131
	161,183	137,248
Less accumulated depreciation	(49,385)	(45,915)
Net plant facilities	$ 111,798	$ 91,333

As of June 30, 2009 and 2008 the amount of capitalized interest included in construction in progress was approximately $424 and $299, respectively.

June 30, 2009 and 2008
(in thousands)

NOTE 7 - ASSET RETIREMENT OBLIGATION:

The College has recorded asset retirement obligations related to certain fixed assets, 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, 2009 and 2008:

	2009	2008
Obligations incurred	$ -	$ 4
Obligations settled	(24)	-
Accretion expense	28	27
Revisions in estimated cash flows	-	-
	4	31
Beginning balance	722	691
Ending balance	$ 726	$ 722

NOTE 8 - LIFE INCOME AND ANNUITIES PAYABLE:

Life income and annuities payable of approximately $42,504 and $45,756 at June 30, 2009 and 2008, respectively, represent actuarially determined liabilities for contractual obligations under gift annuities, unitrusts, and pooled income funds.

Matured annuity and life income agreements for the years ended June 30, 2009 and 2008 also include approximately $1,921 and $2,603, respectively, of releases to endowment within permanently restricted net assets.

NOTE 9 - BONDS PAYABLE:

At June 30, 2009 and 2008, bonds payable were comprised of the following:

	2009	2008
Bonds issued through California Educational Facilities Authority (CEFA):		
Series 1999	$ 8,717	$ 9,252
Series 2003	8,880	9,090
Series 2007	40,080	40,260
Series 2009	83,095	-
	140,772	58,602
Plus unamortized (discount) premium	(380)	2,408
Total bonds payable	$ 140,392	$ 61,010

The CEFA Series 1999 bonds are due in 2029. Annual installments range from $555 in 2010 to $500 in 2029. Interest is payable semi-annually at rates ranging from 3.9% to 5.1%, as of June 30, 2009. Bonds maturing after November 1, 2013 with principal balances totaling $5,687 are subject to mandatory redemption at prices ranging from 101% to 100%.

The CEFA Series 2003 bonds are due in 2033. Annual installments range from $220 in 2010 to $600 in 2033. Interest is payable semi-annually at rates ranging from 3.0% to 4.75%, as of June 30, 2009. Bonds maturing after January 1, 2013 with principal balances totaling $7,965 are subject to mandatory redemption at the outstanding principal balance plus accrued interest.

June 30, 2009 and 2008
(in thousands)

NOTE 9 - BONDS PAYABLE: ***Continued***

The CEFA Series 2007 bonds are due in 2038. Annual installments range from $210 in 2010 to $3,575 in 2038. Interest is payable semi-annually at rates ranging from 3.5% to 5%, as of June 30, 2009. Bonds maturing after January 1, 2017 with principal balances totaling $36,740 are subject to mandatory redemption at the outstanding principal balance plus accrued interest.

The CEFA Series 2009 bonds are due in one installment in 2039. Interest is payable semi-annually at a 5% rate. The bonds are not subject to mandatory redemption.

Interest expense was approximately $4,303 and $2,511 for the years ended June 30, 2009 and 2008, respectively.

The maturity of bonds payable at June 30, 2009, is as follows:

Fiscal Years Ending June 30,	Principal Amount
2010	$ 985
2011	1,020
2012	1,065
2013	1,110
2014	1,155
Thereafter	135,437
	$ 140,772

The CEFA Series 2009, 2007, 2003, and 1999 bond agreements contain various restrictive covenants which include maintenance of certain financial ratios, as defined in the agreements. At June 30, 2009 and 2008, the College was in compliance with all bond covenants.

The estimated fair value of the College's bonds payable was approximately $142,036 and $59,372 at June 30, 2009 and 2008, respectively. This fair value was estimated based on the discounted amount of future cash outflows at current rates available to the College for debt of the same remaining maturities.

NOTE 10 - ASSETS WHOSE USE IS LIMITED:

Indenture requirements of bond financing (see Note 9, "Bonds Payable") provide for the establishment and maintenance of various accounts with trustees. The indenture terms limit the use of these funds to capital expenditures and debt service payments as outlined in the agreements. Assets whose use is limited are comprised of cash equivalents and government and corporate obligations recorded at market value, which approximates fair value. Assets whose use is limited totaled approximately $67,338 and $16,131, respectively, as of June 30, 2009 and 2008.

June 30, 2009 and 2008
(in thousands)

NOTE 11 - EMPLOYEE BENEFIT PLANS:

The College participates, with other members of The Claremont Colleges (Note 16), in a defined contribution retirement plan which provides retirement benefits to eligible personnel through Teachers Insurance and Annuity Association and The College Retirement Equity Fund. 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, 2009 and 2008 totaled approximately $3,069 and $2,759, 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 a percent of each year's base compensation. Plan assets are invested primarily in a diversified group of equity and fixed-income securities, in an insurance company's separate and general accounts. The College's allocation of the net pension cost for the years ended June 30, 2009 and 2008 was approximately $223 and ($14), respectively. A decision was made to curtail the Plan in June, 2004. Under the curtailment, the accrued benefits earned as of June 30, 2005 were frozen and no future benefits will be earned under the plan. The impact of the curtailment was a reduction to the benefit obligation. Eligible plan participants began receiving benefits under the defined contribution retirement plan in July, 2005. Additional information on the Plan can be obtained from the audited financial statements of Claremont University Consortium.

NOTE 12 - NET ASSETS:

At June 30, 2009 and 2008, net assets consists of the following:

	2009	2008
Unrestricted:		
For operations and designated purposes	$ 146	$ 715
Student loans	1,359	1,901
Funds functioning as endowment	58,806	293,245
Plant facilities	49,895	45,174
Total unrestricted	$ 110,206	$ 341,035
Temporarily restricted:		
Restricted for specific purposes	$ 71,617	$ 81,599
Annuity and life income contracts and agreements	(488)	7,517
Term endowments	119,348	136,383
Portion of perpetual endowment fund subject to a time restriction under California UPMIFA:		
Without purpose restriction	103,961	-
With purpose restriction	8,199	-
Total temporarily restricted	$ 302,637	$ 225,499
Permanently restricted:		
Student loans	$ 11,699	$ 11,556
Annuity and life income contracts and agreements	7,973	13,311
Endowment	223,198	216,353
Total permanently restricted	$ 242,870	$ 241,220

June 30, 2009 and 2008
(in thousands)

NOTE 13 - ENDOWMENT:

The net assets of the College include permanent endowments and funds functioning as endowments. 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 under UPMIFA. While funds have been established by the Board of Trustees to function as endowment, any portion of such funds may be expended.

Changes in the College's endowment for the years ended June 30, 2009 and 2008 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009	2008
Investment returns:					
Earned income	$ 3,021	$ -	$ 1	$ 3,022	$ 5,439
Change in realized and unrealized net appreciation (depreciation) of investments	(127,813)	10,604	(85)	(117,294)	(404)
Net investment return	(124,792)	10,604	(84)	(231,566)	5,035
Endowment returns reinvested or (distributed for operations)	(27,056)	1,234	390	(25,432)	(23,488)
Net investment returns	(151,848)	11,838	306	(256,998)	(18,453)
Other changes in endowed equity:					
Gifts	-	-	6,024	6,024	130,435
Other additions, net	(417)	1,113	515	1,211	33,492
Total other changes in endowed equity	(417)	1,113	6,539	7,235	163,927
Net change in endowed equity	(152,265)	12,951	6,845	(132,469)	145,474
Reclassification based on change in law (UPMIFA)	(82,174)	82,174	-	-	-
Endowed equity, beginning of year	293,245	136,383	216,353	645,981	500,507
Endowed equity, end of year	$ 58,806	$ 231,508	$ 223,198	$ 513,512	$ 645,981

At June 30, 2009 and 2008, endowed equity consists of the following assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009	2008
Contributions receivable, net of discount	$ -	$ 107,125	$ 6,676	$ 113,801	$ 118,128
Investments	58,806	124,383	216,522	399,711	527,853
Total endowed equity	$ 58,806	$ 231,508	$ 223,198	$ 513,512	$ 645,981

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. Deficiencies for donor-restricted endowment funds were approximately $32,840 and $4,524 at June 30, 2009 and 2008, respectively.

June 30, 2009 and 2008
(in thousands)

NOTE 14 - NET STUDENT REVENUES:

Student revenues for the years ended June 30, 2009 and 2008 consist of the following:

	2009	2008
Tuition and fees	$ 43,728	$ 39,141
Room and board	12,580	10,854
Gross student revenues	56,308	49,995
Less financial aid:		
Sponsored	(9,916)	(10,418)
Unsponsored	(6,293)	(2,927)
Total financial aid	(16,209)	(13,345)
Net student revenues	$ 40,099	$ 36,650

"Sponsored" student aid consists of funds provided by external entities or income from endowment funds restricted for financial aid, whereas "unsponsored" aid consists of funds provided by the College.

NOTE 15 - INSTITUTIONAL SUPPORT FUND RAISING EXPENSE:

Included in Institutional Support expenses are approximately $5,227 and $5,463 of expenditures related to fundraising for the years ended June 30, 2009 and 2008, respectively, exclusive of expenditures for Alumni Relations and Public Affairs and Communications.

NOTE 16- 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 the College for such services and use of facilities for the years ended June 30, 2009 and 2008 totaled approximately $4,573 and $4,321, respectively.

NOTE 17 - RELATED PARTY TRANSACTIONS:

The College held investments in certain limited partnerships in which certain members of the Board of Trustees are limited partners or are affiliated with management of the related partnerships. Investments as of June 30, 2009 and 2008 totaled approximately $30,477 and $38,200, respectively.

The College receives contributions and promises to give from members of the Board of Trustees. For the year ended June 30, 2009, the College received approximately $4,271 of total contribution revenue from members of the Board of Trustees. As of June 30, 2009, contributions receivable from members of the Board of Trustees totaled approximately $169,295.

June 30, 2009 and 2008
(in thousands)

NOTE 18 - COMMITMENTS AND CONTINGENCIES:

At June 30, 2009 and 2008 the College has investment commitments in limited partnerships as follows:

	2009	2008
Original commitments	$ 133,249	$ 152,249
Commitments paid	(78,785)	(70,779)
Remaining commitments	$ 54,464	$ 81,470
Number of partnerships	34	39

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.

Occasionally, the College is involved in lawsuits arising in the ordinary course of its operations. The College's management does not expect the ultimate resolution of pending legal actions to have a material effect on the financial position or results of operation of the College.

In August, 2008, the College entered into a contract related to the construction of The Kravis Center. The Kravis Center will house state-of-the-art classrooms, five of the College's 10 research institutes, faculty offices, and the Offices of Admission and Financial Aid, as well as provide numerous opportunities for informal gatherings through a series of exterior terraces and a center courtyard. The outstanding commitment under the construction contract was $46,404 as of June 30, 2009.

NOTE 19 - SUBSEQUENT EVENTS:

Subsequent events are events or transactions that occur after the balance sheet 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 balance sheet, 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 balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

The College has evaluated subsequent events through October 19, 2009, 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.

For additional copies, please contact
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