Claremont McKenna College

2009–2010 Financial Report

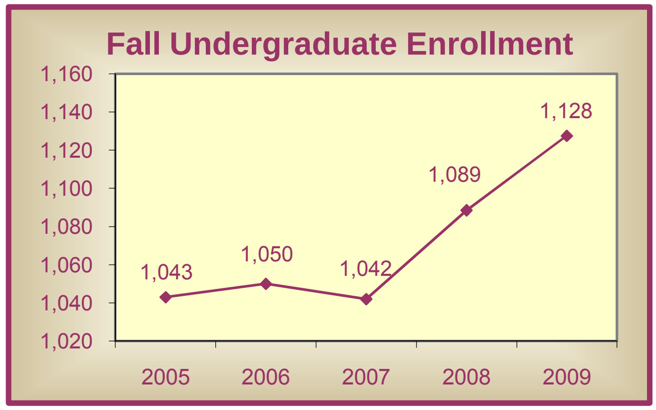
CLAREMONT MCKENNA COLLEGE
ANNUAL FINANCIAL REPORT

2010 and 2009

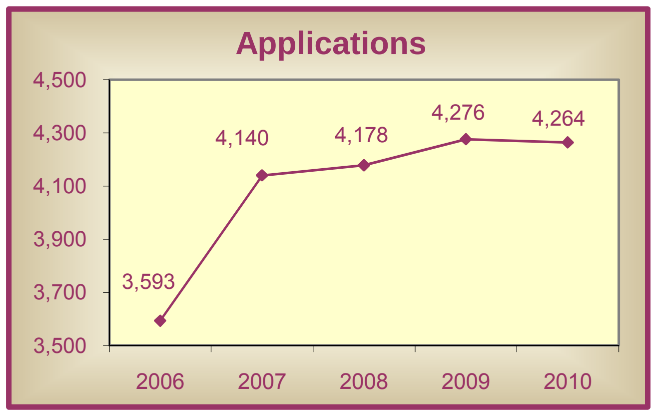
CONTENTS

Financial Highlights

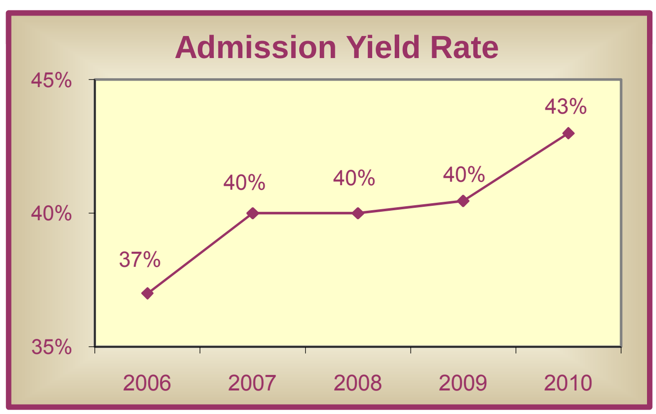
- Fall 2009 FTE undergraduate enrollment in Claremont reflects a planned increase from prior years. The average FTE undergraduate enrollment for the year (Fall and Spring) was 1,141. FTE undergraduate enrollment for the 2009-10 fiscal year, including the Washington program and study abroad programs, was 1,215.



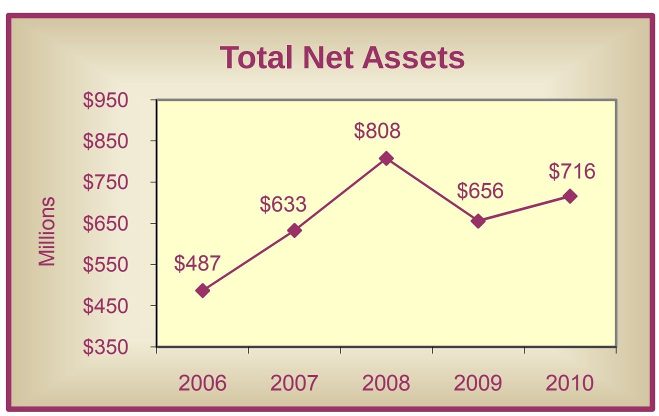
- Freshman applications for admission in the Fall of 2010 were 4,264, consistent with prior years. Applications for the last five years have averaged 4,090—thirteen times more applications than openings in the entering class.



- The yield rate increased to 43% for the Fall of 2010. The total number of new freshmen entering the College in Fall of 2010 was 314 students.

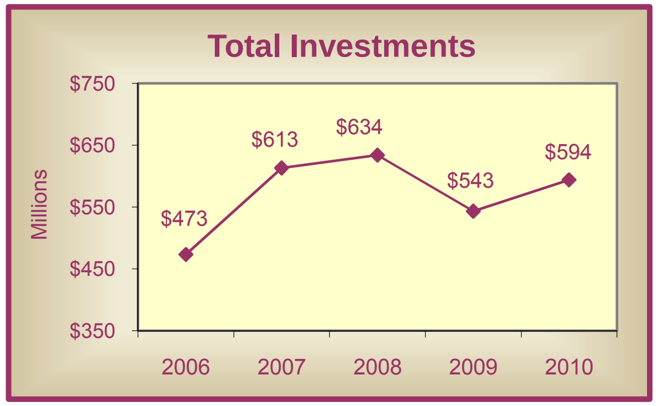


- Total net assets increased by 9% to $716 million due primarily to realized and unrealized gains on investments.

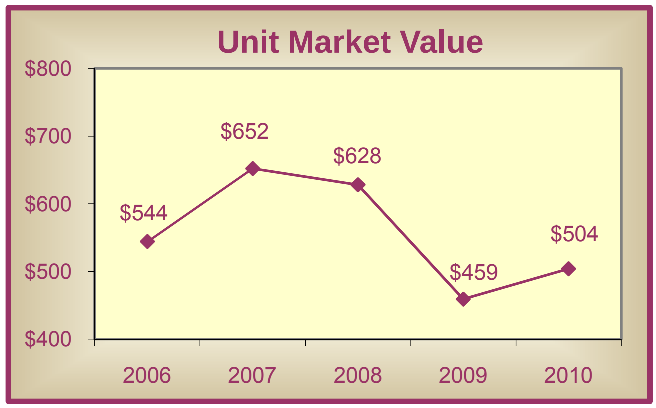


Financial Highlights

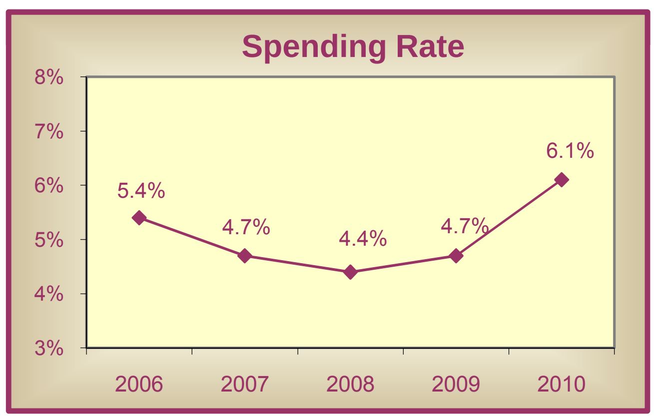
- Total investments increased by 9.4% in 2010, after fees and spending for operations.



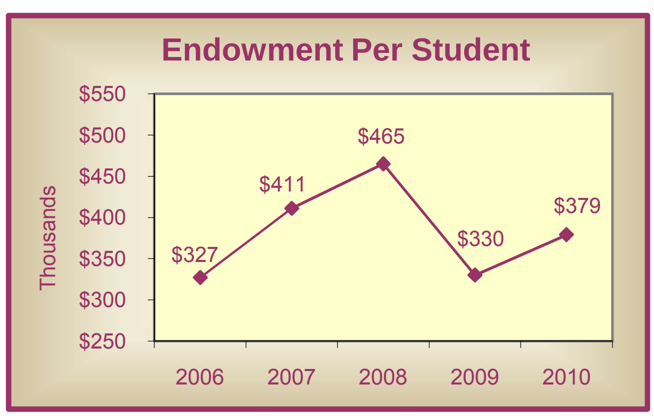
- The unit market value increased by 9.8%. Unit market value reflects general market performance after spending for operations.



- The spending rate (spending amount per unit divided by unit market value at the beginning of the year) increased as a result of the declines in unit market value in fiscal years ending in 2008 and 2009.

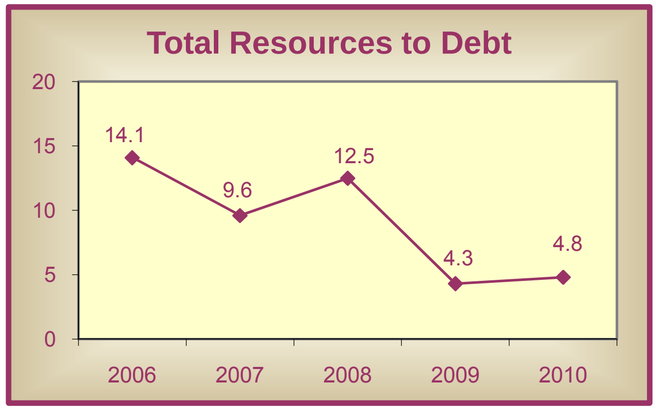


- Endowment per student increased as a result of the increase in the market value of the endowment as of June 30, 2010. Total endowment at June 30, 2010, was $466 million.

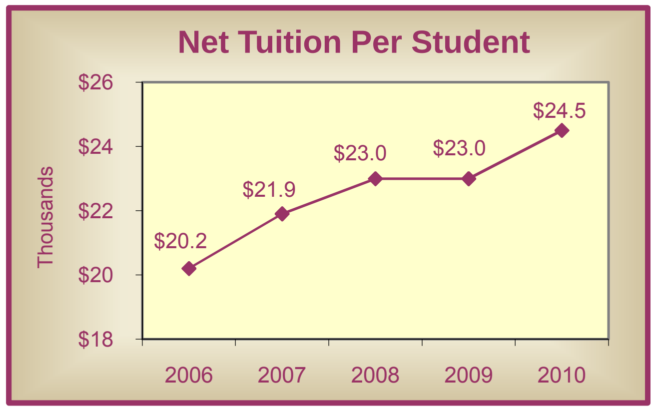


Financial Highlights

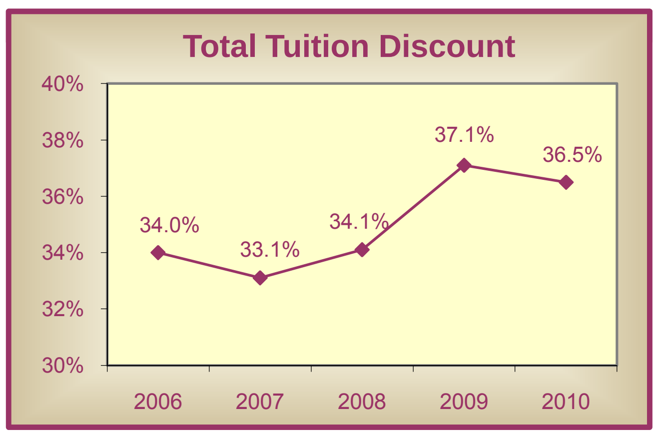
- Total resources to debt decreased in 2009 as a result of new bonds issued by the College and increased in 2010 due to an increase in net assets. CMC's ratio of 4.8 is consistent with the 2009 median value of 5.0 for Moody's Aa small institutions (enrollments typically under 3,000 FTE).



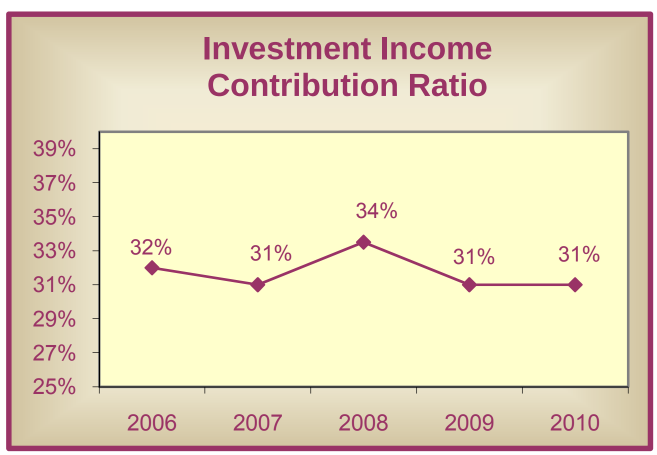
- CMC experienced growth in net tuition per student at a rate higher than the rate of increase in tuition, due to a decrease in the tuition discount. This dollar level places CMC slightly above the 2009 median net tuition per student of $22,623 for Moody's Aa small institutions.



- Total tuition discount (financial aid divided by tuition and fees revenues) decreased intentionally in an expected multi-year phased reduction plan. CMC's discount is consistent with the median discount of 36.7% for Moody's Aa small institutions.

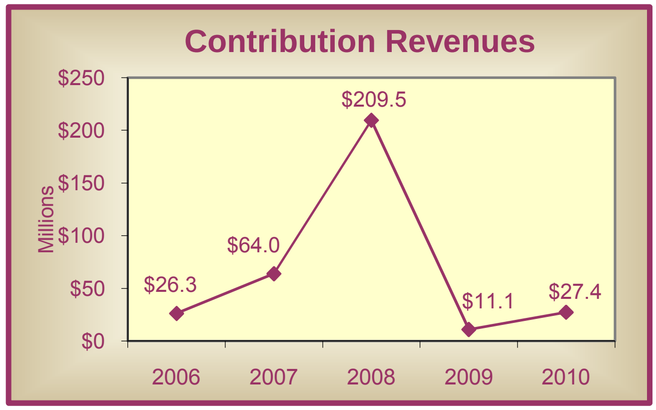


- CMC's endowment and a prudent spending policy produce sufficient investment income to make a significant contribution toward covering the operational costs of a CMC education. The investment income contribution ratio has remained consistent over the past five years.

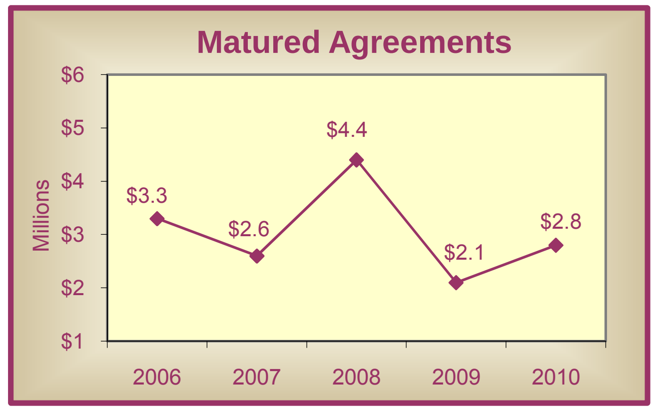


Financial Highlights

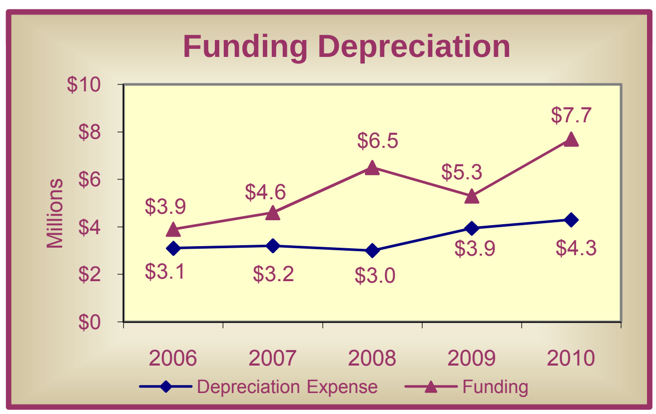
- Private gifts and grants reported by the Development Office were $37.4 million. After actuarially adjusting the deferred gifts and adding in unconditional promises to give, contribution revenues finished the fiscal year at $27.4 million.



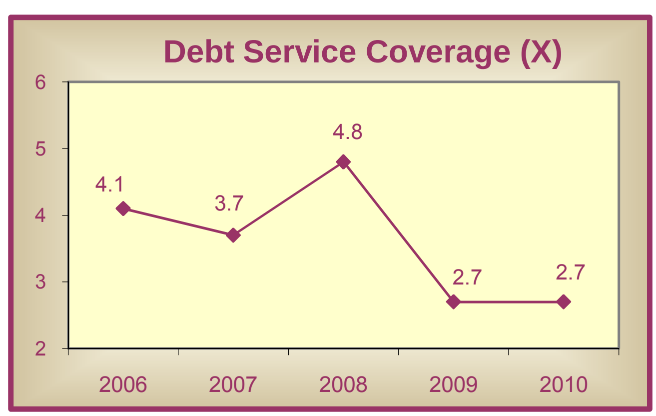
- Although unpredictable from year to year, matured annuity and life income agreements continue to provide significant resources to the College's endowment and operating funds.



- 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 and remained flat in 2010. CMC's ratio is slightly below the 2009 median value of 3.2 for Moody's Aa small institutions.



CLAREMONT McKENNA COLLEGE

Office of the Treasurer

October 8, 2010

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

Ladies and Gentlemen:

After wading through the effects of the global economic turmoil of 2008-09, it is a welcome relief to report that, from the Treasurer's financial viewpoint, 2009-10 was a fairly uneventful year. The administration spent a large part of the year implementing planned reductions in the operating expense budget, adjusting to a leaner staff, and working with the Board of Trustees planning for the future of Claremont McKenna College.

The return on CMC's endowment for the year, net of fees, was 16.4%, which exceeded the College's benchmark returns for the fiscal year. CMC's one-year return is in the top 4 percent of the Cambridge Associates database of preliminary returns for college and university investment pools, and in the top 6 percent of the same database over a five-year period. The operating budget had been prepared with an initial expectation of a flat investment performance for the year. This expected return was conservatively adjusted midway through the year when it appeared the positive investment performance in the latter half of calendar year 2009 would carry through to an annual return in excess of 7%. The eventual return of 16.4%, combined with a leaner operating budget, allowed some longer-term financial flexibility that had not been anticipated. After many years of analysis and discussion, the Board of Trustees adopted a policy to provide a faculty housing assistance plan. In general terms, this assistance is available to tenured faculty in the form of a forgivable loan toward a down payment on the purchase of their first house near the campus.

As part of the recovery process from the global financial crisis and recession, the trustees and administration have begun discussions, which I expect are occurring at most privately endowed college campuses around the nation, to look at the future of the funding model for higher education. With so much dependency on endowment support, an investment shock of the magnitude experienced in 2008 disrupts the operations of the college for many years into the future, creating the need for exponential returns to make up for the losses incurred. The staff embarked on a long-term strategic financial modeling study to test the financial impact of various scenarios of investment returns, enrollments, capital investments, and potential new sources of revenues. These discussions will continue throughout the current fiscal year within the administration and the various committees of the Board of Trustees as we plan for the future of CMC.

Bauer Center, 500 E. Ninth Street, Claremont, California 91711-6400 Tel: 909.621.8116 Fax: 909.607.7655 www.cmc.edu

Member of The Claremont Colleges

Recruiting and admission of new students continues to be strong. The average FTE enrollment in Claremont for the fiscal year of 1,141 students slightly exceeded the budgeted target of 1,130 students. The number of applications for the newly admitted class of 2014, which completed the application process in 2009-10, was comparable to the record set in 2008-09 for the College. Of the 4,264 applications received, 17% were accepted (admission rate), and 43% were 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 37 states and 21 foreign countries. Net tuition per student increased as a result of an intentional decision to reduce the total financial aid budget, to be phased in over the next few years. The College continues to maintain its need-blind admission policy and meet-all-need financial aid policy, and confirmed the continuation of its policy adopted in 2008-09 to provide need-based financial aid packages with no student loans. The current Campaign for Claremont McKenna College has provided several new gifts for both need-based and merit scholarships, which are reflected in the calculation for the total tuition discount.

The College hired Moore Ruble Yudell Architects & Planners in the Spring of 2009 to lead the College through development of a new campus master plan. This process has actively included trustees, faculty, staff, students, alumni, and community members. The master plan is expected to be submitted to the City of Claremont this fall, with the entitlement process to follow thereafter. Although the plan is ambitious, it has been developed with the flexibility necessary to allow for the addition and replacement of buildings as funding is achieved. The highest priority noted in the master plan is the replacement of Ducey Gym with a new Fitness and Athletic Center to accommodate the needs of the current student body for fitness and recreational uses, as well as for varsity competition.

Statements of Financial Position

The most significant change in the statements of financial position is the increase in the value of investments. The increase in total assets reflects the change in investment values, as well as a decrease in contributions receivable. 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. The decrease in contributions receivable in the current year is primarily attributable to payments made toward these pledges, which continue to remain on schedule.

Another major change in the statements of financial position is an increase in plant facilities, particularly related to construction in progress. Bond proceeds from the January, 2009, debt issued through the California Educational Facilities Authority are being used to finance the construction of the 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 will make a significant architectural statement and provide an iconic entrance at the west end of campus. The College is also planning a major renovation of the first floor of the Marian Miner Cook Athenaeum during the summer of 2011. The Athenaeum serves as an informal meeting place for students, as well as the official site for more formal gatherings for distinguished speakers who join students and faculty for dinner or lunch prior to their featured lectures. To complement the completion of the Kravis Center construction and the Athenaeum renovation, improvements to the north mall connecting these two buildings will also be undertaken during the summer of 2011.

Smaller capital projects undertaken during the year included the installation of a central chilled water distribution system on the west end of campus, enabling the removal of several small individual building cooling systems. The central system will eventually be powered by the equipment in the Kravis Center. A new 62-space parking lot was constructed at the south end of campus, near The Children's School, and seismic updates to several of the mid-quad residence halls were completed. As part of the projects identified through the master plan process, the walkway between Adams Hall and the Emett Student Center was remodeled, allowing the College to begin introducing new hardscape and landscape materials to the campus.

Statement of Activities

The statement of activities provides greater detail of the changes in net assets during the fiscal year. Total revenues increased 25% from the prior year, primarily driven by private gifts and grants. This line item more than doubled the 2008-09 totals, reflecting an improving attitude toward the economy and philanthropy from the prior year. The Campaign for Claremont McKenna College, which was formally launched in 2008, has raised $453.7 million toward a $600 million goal. Student revenues, net of scholarships and grants, increased $3.3 million as a result of tuition, room and board charge increases and an increase in the number of full-time equivalent undergraduate students from 1,195 in 2008-09 to 1,215 in 2009-10. Spending policy income was lower in 2009-10, primarily as a result of a decrease in discretionary spending as the spending per unit in the pooled investments fund was held flat. The spending policy formula provides for decreases in the spending per unit over the next few years as a result of the investment market downturn in 2008, and is the primary driver for reductions in the operating budget that were fully incorporated in 2009-10.

Total operating expenses increased by 2.5% from the prior year. The most significant changes were related to the new Robert Day Master's program in finance. Expenses directly related to the Master's program were primarily funded by corresponding increases in operating revenue through releases of temporarily restricted gifts. The program enrolled 20 students in its inaugural year, and tuition charges for the program were heavily subsidized as part of the release of temporarily restricted gifts. Part of the reductions in expenses implemented in 2009-10 included a salary freeze on all faculty and staff salaries for one year. Several staff positions were eliminated as part of a voluntary early retirement plan.

Other changes in net assets included realized and unrealized gains, net of the spending allocation for operations. 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, also increased as a result of investment results.

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 2010, the College was able to add $3.2 million to the reserve in addition to the amount of depreciation expense of $4.4 million, for a total transfer of $7.6 million to the renewal and replacement reserve.

Statements of Cash Flows

Net cash flows increased $232,000 for fiscal year 2010. The net cash used in operating activities of $7.8 million and in investing activities of $1.8 million was offset by the net cash provided by financing activities of almost $9.9 million, primarily from contributions restricted for the endowment.

Summary

Overall, the 2010 fiscal year ended with results that were better than initially anticipated. Planning and budgeting efforts were conservative, and the College was able to stay on target with its operating expenses. Investment returns exceeded earlier estimates. Contribution revenues were close to the internal targets, and the College continues to hold high expectations for meeting its fundraising goals over the remainder of the Campaign for Claremont McKenna College. The trustees and administration are confident that CMC will be able to continue its high standard of academic excellence after the global financial crisis, though we will proceed with caution and continue to analyze every step taken toward improvement for the future.

Enrollment and applications remain strong, the College remains committed to its recently adopted policy for no packaged loans to need-based students, and a new policy for faculty housing assistance was adopted. The College began exploring options for new sources of revenue, including more intensive uses of existing facilities during the summer. The College community is involved with and committed to long-term planning in eager anticipation of keeping CMC on an upward trajectory of excellence.

Respectfully submitted,

Robin J. Aspinall

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

INDEPENDENT AUDITOR'S 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, 2010 and 2009, 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, 2010 and 2009, 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 20, 2010

CLAREMONT MCKENNA COLLEGE
STATEMENTS OF FINANCIAL POSITION

June 30, 2010 and 2009
(in thousands)

	2010	2009
ASSETS		
Cash	$ 630	$ 398
Accounts and notes receivable, net (Note 2)	17,794	17,246
Prepaid expenses and deposits	3,952	3,334
Contributions receivable, net (Note 3)	163,095	176,749
Beneficial interest from revocable trusts (Note 3)	-	2,580
Beneficial interest in trusts (Note 3)	4,763	4,743
Investments (Note 4)	594,087	543,119
Plant facilities, net (Note 6)	137,045	111,798
Total assets	$ 921,366	$ 859,967
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 15,399	$ 9,928
Funds held in trust for others	2,360	2,075
Deposits and deferred revenues	1,321	1,385
Staff retirement liability	2,010	1,432
Life income and annuities payable (Note 8)	40,959	42,504
Bonds payable (Note 9)	139,422	140,392
Government advances for student loans	3,208	3,232
Refundable advances from revocable trusts (Note 3)	-	2,580
Asset retirement obligation (Note 7)	755	726
Total liabilities	205,434	204,254
Net Assets (Note 12):		
Unrestricted	138,803	110,206
Temporarily restricted	321,119	302,637
Permanently restricted	256,010	242,870
Total net assets	715,932	655,713
Total liabilities and net assets	$ 921,366	$ 859,967

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

CLAREMONT MCKENNA COLLEGE
STATEMENT OF ACTIVITIES

For the year ended June 30, 2010
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Student revenues	$ 60,849	$ -	$ -	$ 60,849
Less: Financial aid	(17,436)	-	-	(17,436)
Net student revenues (Note 14)	43,413	-	-	43,413
Private gifts and grants	3,845	12,608	10,919	27,372
Federal grants	1,695	-	-	1,695
Private contracts	644	-	-	644
Spending policy income	6,926	17,481	369	24,776
Other investment income	2,349	3	(18)	2,334
Other revenues	2,081	-	-	2,081
Release of net assets				
Restricted gifts	11,116	(9,885)	(1,231)	-
Restricted spending policy income	15,868	(15,868)	-	-
Annuity and life income	491	(491)	-	-
Total revenues	88,428	3,848	10,039	102,315
Expenses:				
Instruction	26,658	-	-	26,658
Research	5,753	-	-	5,753
Academic support	7,527	-	-	7,527
Student services	11,945	-	-	11,945
Institutional support	14,343	-	-	14,343
Auxiliary enterprises	13,916	-	-	13,916
Total expenses	80,142	-	-	80,142
Excess of revenues over expenses	8,286	3,848	10,039	22,173
Other changes in net assets:				
Realized and unrealized gains (losses), net of spending allocation	20,714	13,851	(94)	34,471
Release of net assets				
Plant facilities	165	(165)	-	-
Actuarial adjustment	-	1,757	2,370	4,127
Staff retirement plan comprehensive loss	(552)	-	-	(552)
Donor redesignations between net asset categories	(16)	(809)	825	-
Change in net assets	28,597	18,482	13,140	60,219
Net assets at beginning of year	110,206	302,637	242,870	655,713
Net assets at end of year	$ 138,803	$ 321,119	$ 256,010	$ 715,932

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	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 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
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2010 and June 30, 2009
(in thousands)

	2010	2009
Cash flows from operating activities:		
Change in net assets	$ 60,219	$ (152,041)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	4,267	3,939
Amortization and accretion expense	44	(51)
Loss on disposal of plant facilities	120	784
Allowance for doubtful student loan accounts	12	11
Comprehensive loss on staff retirement plan	552	1,057
Discount on life income contract gifts	(1,492)	(2,038)
Realized and unrealized (gain)/loss on investments	(68,003)	132,172
Non-cash gifts	(11,593)	(2,681)
Adjustment of actuarial liability for annuities payable	3,242	3,999
Decrease/(increase) in accounts and contributions receivable	12,788	9,713
Decrease/(increase) in beneficial interest in trusts	(20)	(319)
Decrease/(increase) in prepaid expenses and deposits	(618)	(477)
(Decrease)/increase in accounts payable and accrued liabilities	5,471	(3,661)
(Decrease)/increase in funds held in trust for others	285	(441)
(Decrease)/increase in deposits and deferred revenues	(63)	(158)
Contributions restricted for long-term investments	(13,063)	(9,131)
Defined benefit plan contributions over expense	26	(154)
Net cash (used in)/provided by operating activities	(7,826)	(19,477)
Cash flows from investing activities:		
Purchase of plant facilities	(29,635)	(25,211)
Purchases of investments	(539,342)	(541,883)
Proceeds from sales of investments	566,838	499,386
Loans made to students and employees	(1,603)	(1,535)
Collection of student and employee loans	1,909	1,807
Net cash (used in)/provided by investing activities	(1,833)	(67,436)
Cash flows from financing activities:		
Payments to annuity and life income beneficiaries	(2,789)	(2,183)
Investment income for annuity and life income investments	624	589
Proceeds from borrowings	-	80,385
Debt issuance costs	-	(595)
Principal payments for borrowings	(985)	(925)
Contributions restricted for life income contracts	2,129	1,402
Contributions restricted for endowment	9,481	6,682
Contributions restricted for plant expenditures and student loans	1,454	1,046
Increase/(decrease) in government advances for student loans	(23)	50
Net cash (used in)/provided by financing activities	9,891	86,451
Net (decrease)/increase in cash	232	(462)
Cash at beginning of year	398	860
Cash at end of year	$ 630	$ 398
Supplemental disclosure of cash flows:		
Interest paid	$ 6,691	$ 2,190

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

June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Established in 1946, Claremont McKenna College (the "College") is a highly selective, independent, coeducational, residential, 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 pursues this mission by providing a liberal arts education that emphasizes economics and political science, a professoriate that is dedicated to effective teaching, a close student-teacher relationship that fosters critical inquiry, an active residential and intellectual environment that promotes responsible citizenship, and a program of research institutes and scholarly support that makes possible a faculty of teacher-scholars.

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.).

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 resources that a donor has required the College to retain in perpetuity. Generally, the donor of these assets permits the College to use all or a part of the income and gains earned on the gifted assets.

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

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.

Collectability of student accounts, notes receivable, and contributions 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.

June 30, 2010 and 2009

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 acquisition 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.

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

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 according to required timelines to the State along with interest earned.

Concentration of Credit Risk:
Financial instruments that potentially subject the College to concentrations of credit risk consist 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) insured limits.

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. Non-marketable investments are carried at estimated fair value provided by the management of the non-marketable investment partnerships or funds at June 30, 2010 and 2009. 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.

June 30, 2010 and 2009

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

Investments: ***Continued***
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.

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, 2010 and 2009, these cumulative gains totaled approximately $78,989,000 and $86,944,000, respectively. The Board of Trustees may, at its discretion, approve additional spending for special projects. At June 30, 2009 the Board of Trustees approved an additional allocation of approximately $1,716,000. At June 30, 2010, there was no additional spending allocation.

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.

June 30, 2010 and 2009

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

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. Building improvements that extend the remaining useful life of the building will be depreciated over a period not to exceed 20 years. 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. 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.

No significant property or equipment has been pledged as collateral or otherwise subject to lien for the years ended June 30, 2010 and 2009. 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, 2010 and 2009. 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 the Annuity 2000 Mortality 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 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, 2010 and 2009.

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.

June 30, 2010 and 2009

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

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. 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 are subject to significant restrictions as to their transfer or disposition, and is not practical because such a determination cannot be made without incurring excessive costs.

The College carries most investments at fair value in accordance with generally accepted accounting principles. 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.

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 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 the College's beneficial interest in trusts valued utilizing unobservable inputs, and which 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.

June 30, 2010 and 2009
(in thousands)

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

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

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 partnership 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.

NOTE 2 - ACCOUNTS AND NOTES RECEIVABLE:

Accounts and notes receivable at June 30, 2010 and 2009 are as follows:

	2010	2009
Student notes receivable	$ 12,408	$ 12,586
Federal loan funds	2,829	2,946
Other Claremont Colleges	203	372
Student accounts	1,271	278
Grants and contracts receivable	350	208
Other	1,028	1,026
	18,089	17,416
Less allowance for doubtful accounts receivable	(295)	(170)
	$ 17,794	$ 17,246

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 1.9% to 5.2%.

Contributions receivable at June 30, 2010 and 2009 are expected to be realized as follows:

	2010	2009
Within one year	$ 9,812	$ 18,192
Between one year and five years	44,013	50,839
More than five years	200,209	206,974
	254,034	276,005
Less discount	(90,928)	(99,256)
Less allowance for doubtful contributions receivable	(11)	-
Net contributions receivable	$ 163,095	$ 176,749

June 30, 2010 and 2009
(in thousands)

NOTE 3 - CONTRIBUTIONS RECEIVABLE AND BENEFICIAL INTEREST IN TRUSTS: ***Continued***

Contributions receivable at June 30, 2010 and 2009 are intended for the following uses:

Endowment	$ 105,501	$ 113,801
Plant	5,061	6,036
Other	52,533	56,912
Net contributions receivable	$ 163,095	$ 176,749

At June 30, 2010 and 2009, the College had knowledge of conditional promises to give in the amount of $8,044 and $20,927. The promises will be recognized as revenue when the conditions are substantially met.

At June 30, 2009, the College served as trustee of a revocable trust for which the College was also a beneficiary. At June 30, 2009 the revocable trust had a value of $2,580, which was reported in the statement of financial position as beneficial interest from revocable trusts and refundable advances from revocable trusts. During the year ended June 30, 2010, the contractual obligations of the trust were released and the trust assets were distributed to the College.

At June 30, 2010 and 2009, the College held beneficial interest in outside trusts of $4,763 and $4,743, respectively. These trusts are administered by outside trustees, with the College deriving income and/or a residual interest from the assets. When an irrevocable trust is established or the College is notified of its existence, the College recognizes its beneficial interest in the trust as a contribution at fair value, which is measured as the present value of the estimated expected future benefits to be received when the trust assets are distributed. The contribution revenue recognized is classified as an increase in either temporarily or permanently restricted net assets based on the time or use restrictions placed by the donor upon the College's beneficial interest in the assets. Periodic adjustments to the beneficial interest to reflect changes in the fair value, life expectancy, and discount rate are recognized as actuarial gains or losses. The discount rate used at June 30, 2010 was 4.3%.

At June 30, 2010 and 2009, 87.9% and 88.7% of contributions receivable was due from two donors.

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, 2010 and 2009:

	Pooled Investments Fund	
	2010	2009
Unit market value at end of year	$ 504.07	$ 458.69
Units owned:		
Unrestricted:		
Funds functioning as endowment	211,959	199,366
Temporarily restricted:		
Annuity and life income contracts and agreements	18,955	19,363
Endowment	86,067	68,809
Total temporarily restricted	105,022	88,172
Permanently restricted:		
Endowment	626,181	602,958
College loan investments	2,848	3,459
Annuity and life income contracts and agreements	48,147	49,794
Total permanently restricted	677,176	656,211
Total units	994,157	943,749

June 30, 2010 and 2009
(in thousands)

NOTE 4 - INVESTMENTS: ***Continued***

Investment income related to College investments for the years ended June 30, 2010 and 2009, net of management and custody fees of $3,936 and $4,305, respectively, is as follows:

Amounts allocated in accordance with spending policy for pooled investments:	2010	2009
Net pooled investment income	$ 4,260	$ 2,993
Pooled investment gains appropriated	22,396	24,332
Total spending policy income and gains	26,656	27,325
Other investment income	2,334	1,249
Less amounts allocated to annuity and life income contracts and agreements	(1,880)	(1,949)
Total investment income	$ 27,110	$ 26,625
Realized and unrealized gains/(losses), net of spending allocation	34,471	(142,541)
Total investment returns	$ 61,581	$ (115,916)

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, 2010 and 2009:

	2010	2009
Cash equivalents	$ 43,158	$ 56,826
Domestic equities and equity funds	130,999	112,144
International equity funds	92,958	100,179
Debt securities and debt funds	98,240	59,835
Assets whose use is limited (Note 10)	46,281	67,338
Private investments:		
Hedge funds	89,269	70,422
Private equity and venture capital	68,394	55,830
Real estate and energy funds	24,788	20,545
Total investments	$ 594,087	$ 543,119

By category:	2010	2009
Endowment and funds functioning as endowment:		
Pooled investments	$ 465,863	$ 399,578
Separately invested	584	133
Total endowment and funds functioning as endowment	466,447	399,711
Annuity and life income contracts:		
Pooled investments	$ 33,824	$ 31,721
Separately invested	13,928	15,020
Total annuity and life income contracts and agreements	47,752	46,741
Other:		
Pooled	1,435	1,588
Separately invested	78,453	95,079
Total other	79,888	96,667
Total by category	$ 594,087	$ 543,119

June 30, 2010 and 2009
(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 at June 30, 2010 and 2009:

	Level 1	Level 2	Level 3	2010
Cash equivalents	$ 43,158	$ -	$ -	$ 43,158
Domestic equities and equity funds	63,873	67,126	-	130,999
International equity funds	2,928	90,030	-	92,958
Debt securities and debt funds	53,698	44,542	-	98,240
Assets whose use is limited	3,675	42,606	-	46,281
Private investments:				
Hedge funds	-	16,194	73,075	89,269
Private equity and venture capital	-	-	68,394	68,394
Real estate and energy funds	-	-	24,788	24,788
Beneficial interest in trusts	-	-	4,763	4,763
Total	$ 167,332	$ 260,498	$ 171,020	$ 598,850

	Level 1	Level 2	Level 3	2009
Cash equivalents	$ 56,826	$ -	$ -	$ 56,826
Domestic equities and equity funds	58,698	53,446	-	112,144
International equity funds	3,160	97,019	-	100,179
Debt securities and debt funds	42,653	17,182	-	59,835
Assets whose use is limited	3,987	63,351	-	67,338
Private investments:				
Hedge funds	-	26,714	43,708	70,422
Private equity and venture capital	-	-	55,830	55,830
Real estate and energy funds	-	-	19,631	19,631
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 at June 30, 2010 and 2009:

	Hedge funds	Private equity & Venture Capital	Real estate & energy funds	Beneficial Interest in Trusts	Total
Balance at July 1, 2008	$ 51,545	$ 62,285	$ 20,270	$ 4,424	$ 138,524
Purchases	1,740	15,796	4,075	-	21,611
Sales	(4,576)	(7,804)	(2,155)	-	(14,535)
Realized gain/(loss), net	(727)	(1,364)	7	-	(2,084)
Unrealized gain/(loss), net	(4,299)	(13,639)	(3,101)	-	(21,039)
Interest/dividends	25	556	535	-	1,116
Actuarial adjustment	-	-	-	319	319
Balance at July 1, 2009	$ 43,708	$ 55,830	$ 19,631	$ 4,743	$ 123,912
Purchases	30,661	14,539	4,690	-	49,890
Sales	(17,346)	(19,897)	(2,359)	-	(39,602)
Transfers	9,326	-	914	-	10,240
Realized gain/(loss), net	461	2,076	496	-	3,033
Unrealized gain/(loss), net	6,210	12,467	802	-	19,479
Interest/dividends	55	3,379	614	-	4,048
Actuarial adjustment	-	-	-	20	20
Balance at June 30, 2010	$ 73,075	$ 68,394	$ 24,788	$ 4,763	$ 171,020

June 30, 2010 and 2009
(in thousands)

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS: *Continued*

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 are net unrealized gains/(losses) on investments and actuarial adjustment on beneficial interest in trusts for Level 3 assets still held at June 30, 2010 of $19,479 and ($21,039), respectively. Transfers in and out of level 3 relate to changes in liquidity terms.

The following table shows the fair value, unfunded commitments and redemption restrictions for investments reported at "Net Asset Value" at June 30, 2010:

	Fair Value at June 30, 2010	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Domestic equity funds	$ 67,126	none	30 to 90 days	7 to 30 days	(1)
International equity funds	90,030	none	15 to 90 days	7 to 60 days	(1)
Debt funds	23,099	none	7 to 10 days	7 to 10 days	(1)
Hedge funds	89,269	$ 5,000	quarterly to 3 years	30 to 90 days	(2)
Private equity and venture capital	68,394	32,373	1 - 15 years	none	(3)
Real estate and energy funds	24,788	23,983	1 - 15 years	none	(3)
Total	$ 362,706	$ 61,356			

(1) These categories include investments in commingled fund vehicles that invest in debt and equity securities. The debt funds serve as a deflation hedge for the portfolio, while the equity allocation seeks total return and growth. The fair values of the investments in these categories have been estimated using the net asset value per share as reported by each underlying fund. There are no significant redemption restrictions in place for these funds.

(2) This category includes investments in global long/short, event driven, diversified arbitrage, distressed securities, and other multi-strategy hedge fund vehicles. The hedge fund allocation is intended to reduce risk by mitigating volatility of the equity markets and targets positive and stable absolute returns. The fair values of the investments in this category have been estimated using the net asset value per share as reported by each underlying fund. Approximately 82% of the investments in this category have redemption terms in excess of 90 days.

(3) These categories include investments in leveraged buyout, distressed securities, venture capital, real estate, and energy private limited partnership funds. The real estate and energy funds serve as an inflation hedge for the portfolio and the other private categories are included for total return enhancement. The fair values of the investments in these categories have been estimated using the College's ownership percentage of the total net asset value for each underlying fund. The contractual life of these funds range from ten to fifteen years and distributions will be received as the underlying investments are realized.

June 30, 2010 and 2009
(in thousands)

NOTE 6 - PLANT FACILITIES:

Plant facilities are recorded at cost or estimated fair value at the date of donation, and at June 30, 2010 and 2009 consists of the following:

	2010	2009
Land and land improvements	$ 13,533	$ 13,857
Buildings	103,679	103,203
Equipment	14,138	12,697
Property held for future use	12,676	12,676
Construction in progress	46,671	18,750
	190,697	161,183
Less accumulated depreciation	(53,652)	(49,385)
Net plant facilities	$ 137,045	$ 111,798

At June 30, 2010 and 2009 the amount of capitalized interest included in construction in progress was $1,615 and $424, respectively.

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, 2010 and 2009:

	2010	2009
Obligations incurred	$ -	$ -
Obligations settled	-	(24)
Accretion expense	29	28
Revisions in estimated cash flows	-	-
	29	4
Beginning balance	726	722
Ending balance	$ 755	$ 726

NOTE 8 - LIFE INCOME AND ANNUITIES PAYABLE:

Life income and annuities payable of $40,959 and $42,504 at June 30, 2010 and 2009, 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, 2010 and 2009 also include $2,341 and $1,921, respectively, of releases to endowment within permanently restricted net assets.

June 30, 2010 and 2009
(in thousands)

NOTE 9 - BONDS PAYABLE:

At June 30, 2010 and 2009, bonds payable was comprised of the following:

	2010	2009
Bonds issued through California Educational Facilities Authority (CEFA):		
Series 1999	$ 8,162	$ 8,717
Series 2003	8,660	8,880
Series 2007	39,870	40,080
Series 2009	83,095	83,095
	139,787	140,772
Unamortized/(discount) premium, net	(365)	(380)
Total bonds payable	$ 139,422	$ 140,392

The CEFA Series 1999 bonds are due in 2029. Annual installments range from $580 in 2011 to $500 in 2029. Interest is payable semi-annually at rates ranging from 3.9% to 5.1%, at June 30, 2010. 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 $225 in 2011 to $600 in 2033. Interest is payable semi-annually at rates ranging from 3.0% to 4.75%, at June 30, 2010. 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.

The CEFA Series 2007 bonds are due in 2038. Annual installments range from $215 in 2011 to $3,575 in 2038. Interest is payable semi-annually at rates ranging from 3.5% to 5%, at June 30, 2010. 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 $5,827 and $4,303 for the years ended June 30, 2010 and 2009, respectively.

The maturity of bonds payable at June 30, 2010, is as follows:

Fiscal Years Ending June 30,	Principal Amount
2011	$ 1,020
2012	1,065
2013	1,110
2014	1,155
2015	1,205
Thereafter	134,232
	$ 139,787

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, 2010 and 2009, the College was in compliance with all bond covenants.

The estimated fair value of the College's bonds payable was $145,473 and $142,036 at June 30, 2010 and 2009, 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.

June 30, 2010 and 2009
(in thousands)

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 $46,281 and $67,338, respectively, at June 30, 2010 and 2009.

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, 2010 and 2009 totaled $3,086 and $3,069, 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, 2010 and 2009 was $264 and $223, respectively. A decision was made to curtail the Plan in June, 2004. Under the curtailment, the accrued benefits earned at 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, 2010 and 2009, net assets consists of the following:

	2010	2009
Unrestricted:		
For operations and designated purposes	$ 227	$ 146
Student loans	3,029	1,359
Board designated endowment funds	85,377	58,806
Plant facilities	50,170	49,895
Total unrestricted	$ 138,803	$ 110,206
Temporarily restricted:		
Restricted for specific purposes	$ 68,909	$ 71,617
Annuity and life income contracts and agreements	814	(488)
Term endowments	163,718	170,887
Portion of perpetual endowment fund subject to a time restriction under California UPMIFA:		
Without purpose restriction	10,900	9,082
With purpose restriction	76,778	51,539
Total temporarily restricted	$ 321,119	$ 302,637
Permanently restricted:		
Student loans	$ 11,832	$ 11,699
Annuity and life income contracts and agreements	9,003	7,973
Endowment	235,175	223,198
Total permanently restricted	$ 256,010	$ 242,870

June 30, 2010 and 2009
(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 year ended June 30, 2010 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010
Investment returns:				
Earned income	$ 4,262	$ -	$ 3	$ 4,265
Change in realized and unrealized net appreciation (depreciation) of investments	42,559	13,925	(118)	56,366
Net investment return	46,821	13,925	(115)	60,631
Endowment returns reinvested or (distributed for operations)	(26,028)	1,311	282	(24,435)
Net investment returns	20,793	15,236	167	36,196
Other changes in endowed equity:				
Gifts	-	6,761	10,434	17,195
Other additions, net	5,778	(2,109)	1,376	5,045
Total other changes in endowed equity	5,778	4,652	11,810	22,240
Net change in endowed equity	26,571	19,888	11,977	58,436
Endowed equity, beginning of year	58,806	231,508	223,198	513,512
Endowed equity, end of year	$ 85,377	$ 251,396	$ 235,175	$ 571,948

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010
Contributions receivable, net of discount	$ -	$ 98,870	$ 6,631	$ 105,501
Investments	85,377	152,526	228,544	466,447
Total endowed equity	$ 85,377	$ 251,396	$ 235,175	$ 571,948

June 30, 2010 and 2009
(in thousands)

NOTE 13 - ENDOWMENT: ***Continued***

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009
Investment returns:				
Earned income	$ 3,021	$ -	$ 1	$ 3,022
Change in realized and unrealized net appreciation (depreciation) of investments	(127,813)	10,604	(85)	(117,294)
Net investment return	(124,792)	10,604	(84)	(114,272)
Endowment returns reinvested or (distributed for operations)	(27,056)	1,234	390	(25,432)
Net investment returns	(151,848)	11,838	306	(139,704)
Other changes in endowed equity:				
Gifts	-	-	6,024	6,024
Other additions, net	(417)	1,113	515	1,211
Total other changes in endowed equity	(417)	1,113	6,539	7,235
Net change in endowed equity	(152,265)	12,951	6,845	(132,469)
Reclassification based on change in law (UPMIFA)	(82,174)	82,174	-	-
Endowed equity, beginning of year	293,245	136,383	216,353	645,981
Endowed equity, end of year	$ 58,806	$ 231,508	$ 223,198	$ 513,512

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

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

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 $21,465 and $32,840 at June 30, 2010 and 2009, respectively.

June 30, 2010 and 2009
(in thousands)

NOTE 14 - NET STUDENT REVENUES:

Student revenues for the years ended June 30, 2010 and 2009 consist of the following:

	2010	2009
Tuition and fees	$ 47,731	$ 43,728
Room and board	13,118	12,580
Gross student revenues	60,849	56,308
Less financial aid:		
Sponsored	(6,269)	(6,293)
Unsponsored	(11,167)	(9,916)
Total financial aid	(17,436)	(16,209)
Net student revenues	$ 43,413	$ 40,099

"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 $4,349 and $5,227 of expenditures related to fundraising for the years ended June 30, 2010 and 2009, respectively.

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, 2010 and 2009 totaled $4,618 and $4,573, respectively.

NOTE 17 - RELATED PARTY TRANSACTIONS:

The College holds 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 at June 30, 2010 and 2009 totaled $37,542 and $30,477, respectively.

The College receives contributions and promises to give from members of the Board of Trustees. For the year ended June 30, 2010, the College received $3,588 of total contribution revenue from members of the Board of Trustees. At June 30, 2010, contributions receivable from members of the Board of Trustees totaled $153,246.

June 30, 2010 and 2009
(in thousands)

NOTE 18 - COMMITMENTS AND CONTINGENCIES:

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 $25,878 at June 30, 2010.

NOTE 19 - SUBSEQUENT EVENTS:

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

The College has evaluated subsequent events through October 20, 2010, 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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