Claremont McKenna College

2007–2008 Financial Report

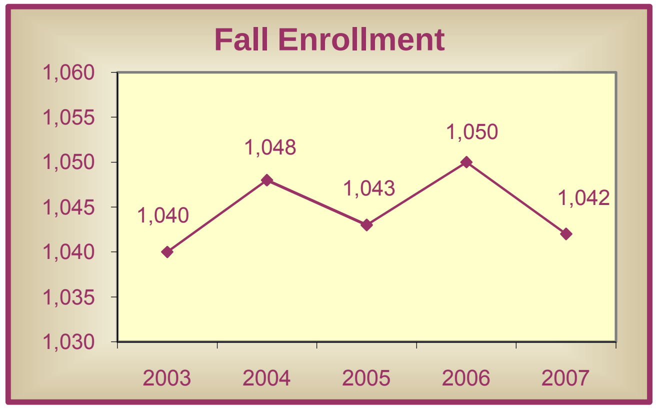
CLAREMONT MCKENNA COLLEGE
ANNUAL FINANCIAL REPORT

2008 and 2007

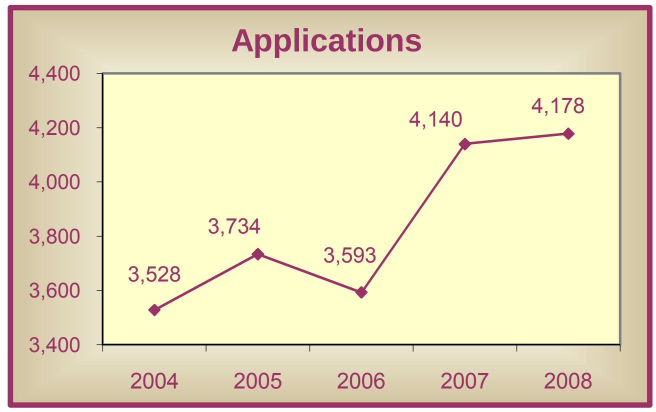
CONTENTS

Financial Highlights

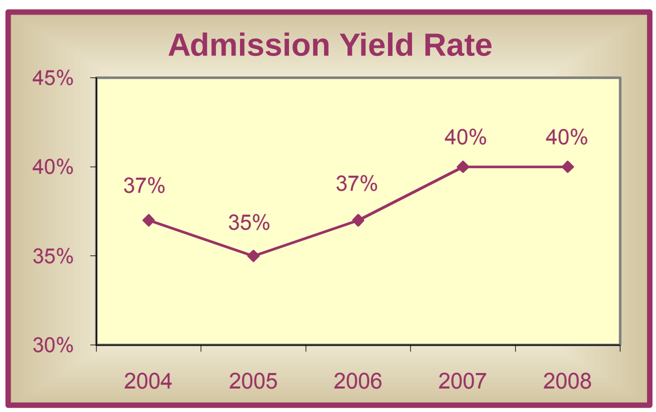
- Fall 2007 FTE enrollment in Claremont decreased slightly. The average FTE enrollment for the year (Fall and Spring) was 1,041 compared to a budgeted target of 1,025. FTE enrollment for the 2007-08 fiscal year, including the Washington program and study abroad programs, was 1,121.



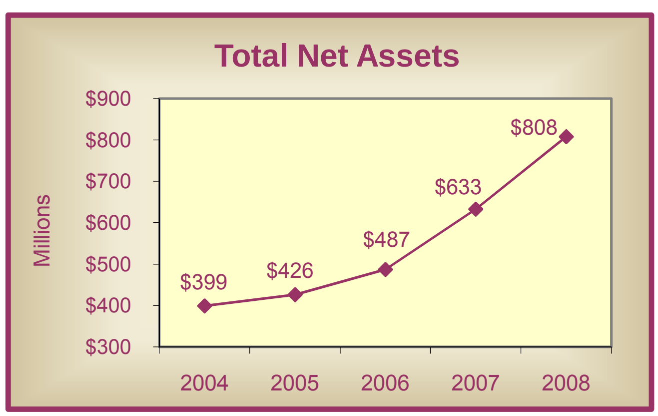
- Freshman applications for admission in the Fall of 2008 rose to 4,178, representing a record for CMC. Applications for the last five years have averaged 3,835—twelve times more applications than openings in the entering class.



- The yield rate remained constant at 40% for the Fall of 2008. The total number of new freshmen entering the College was 320 students.

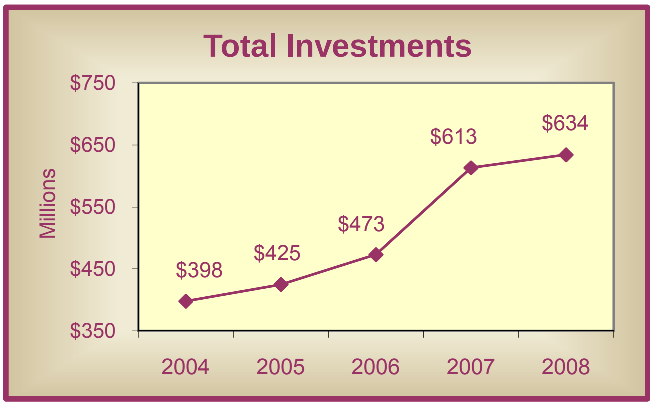


- Total net assets increased by 28% to $808 million due primarily to increases from new gifts.

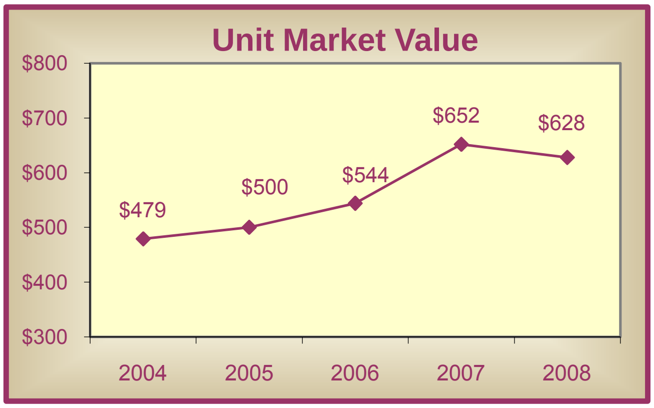


Financial Highlights

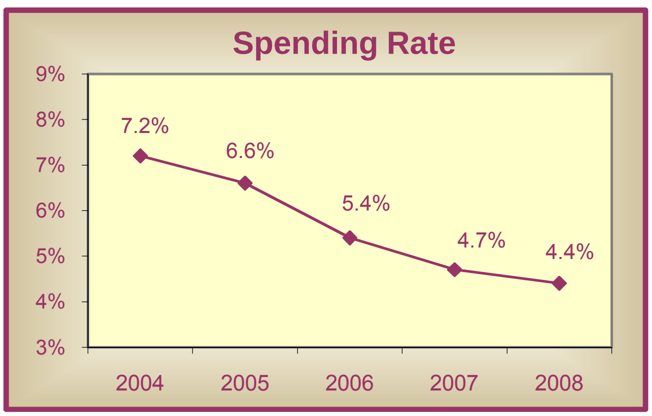
- Total investments, net of securities lending collateral, increased by 3.4% in 2008, after fees and spending for operations.



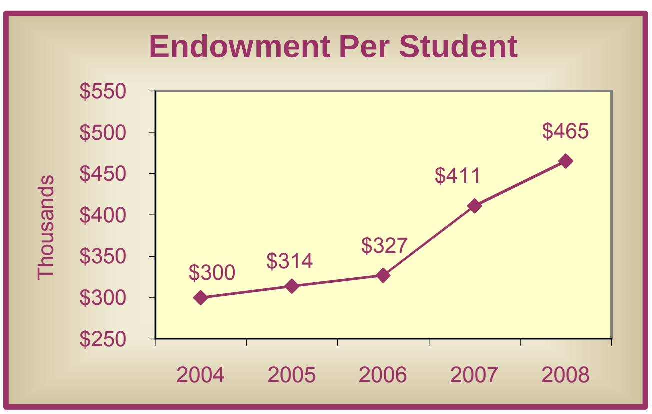
- The unit market value decreased slightly by 3.7%. Unit market value reflects general market performance after spending for operations.



- The spending rate (spending amount per unit divided by unit market value at the beginning of the year) decreased for the fourth consecutive year as a result of focused reduction efforts by the Trustees, combined with favorable returns on investments.

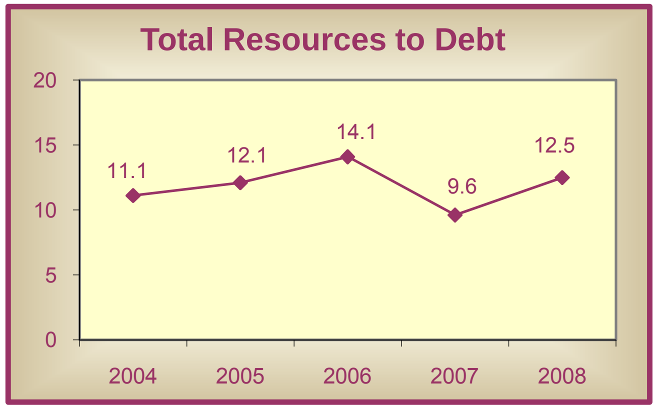


- Endowment per student increased as a result of growth in the endowment from new gifts. Total endowment at June 30, 2008, was $528 million.

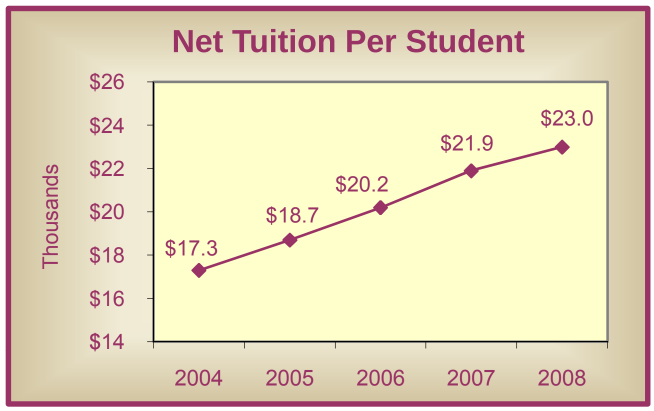


Financial Highlights

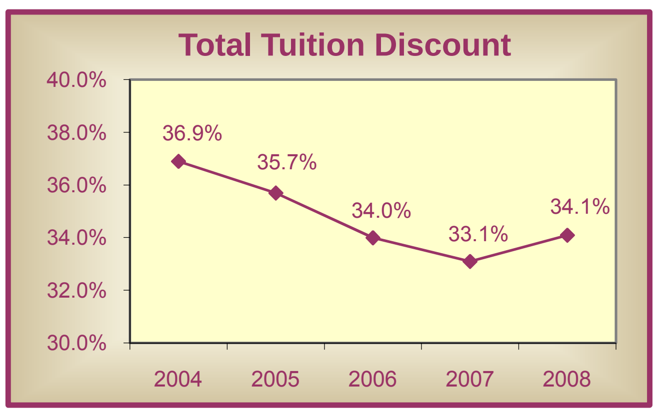
- Total debt outstanding decreased in 2008 while total net assets increased. CMC's ratio of 12.5 is well above the 2007 median value of 7.0 for Moody's Aa small institutions (enrollments typically under 3,000 FTE).



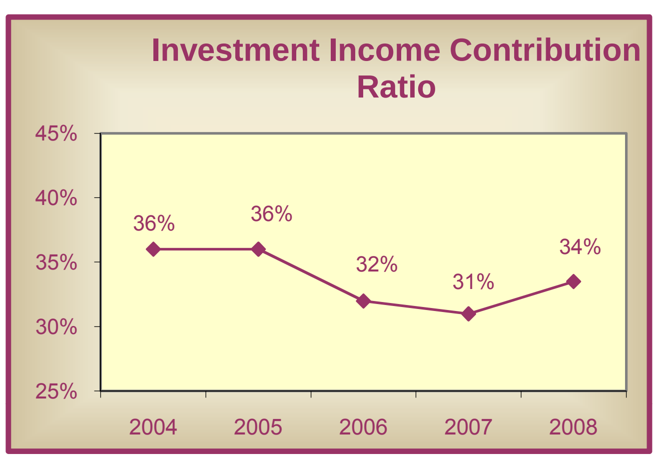
- CMC experienced growth in net tuition per student at a rate slightly lower than the rate of increase in tuition, a direct result of an increase in the tuition discount. This dollar level places CMC above the 2007 median net tuition per student of $21,134 for Moody's Aa small institutions.



- Total tuition discount percentage (financial aid expense divided by tuition and fees revenues) increased as a result of an increase in need-based financial aid following CMC's policy to meet all need. CMC's discount percentage exceeds the median discount of 33.9 % for Moody's Aa small institutions.

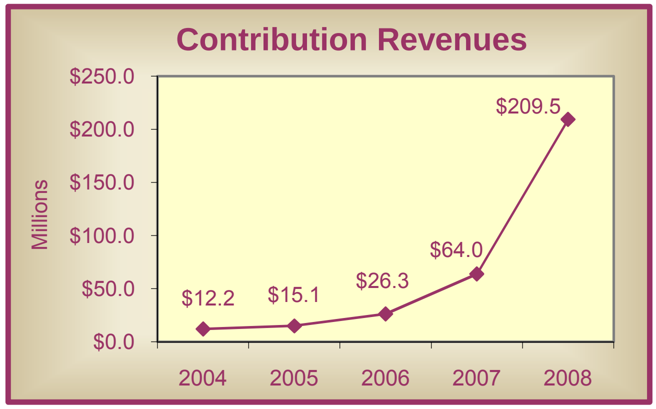


- CMC's endowment and a prudent spending policy produce sufficient investment income to make a significant contribution toward covering the operational costs of a CMC education. The increase in 2008 was directly related to a special temporary increase to the spending rate approved by the Board of Trustees to produce more investment income for operations.

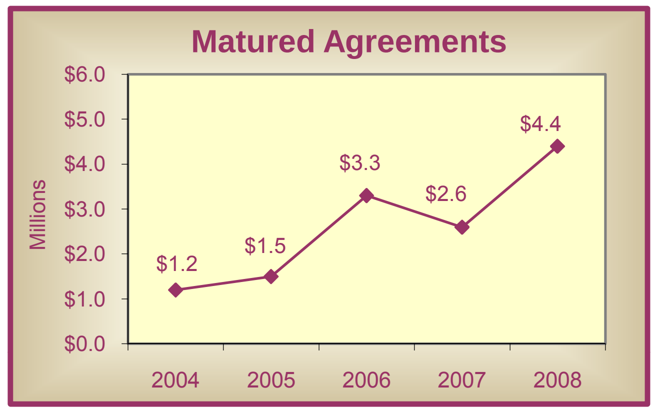


Financial Highlights

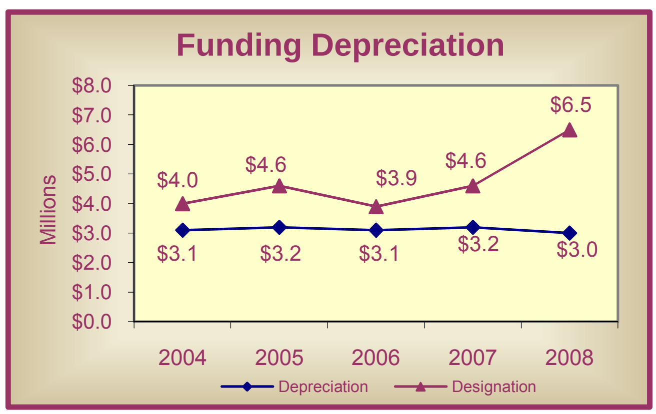
- Private gifts and grants reported by the Development Office were $42.6 million. After actuarially adjusting the deferred gifts and adding in unconditional promises to give, contribution revenues finished the fiscal year at $209.5 million, a new record for CMC.



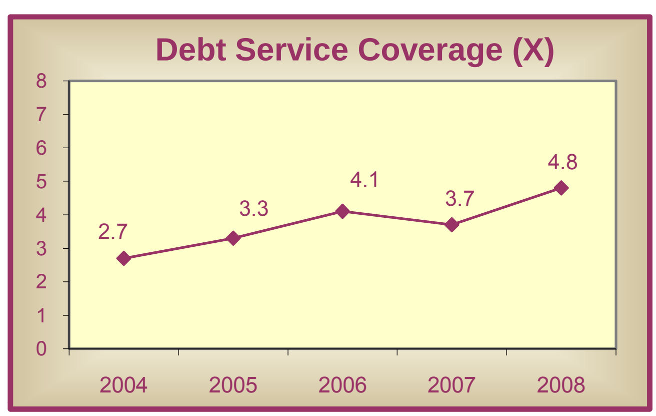
- Although unpredictable from year to year, matured annuity and life income agreements continue to provide significant resources to the College's endowment and operating funds.



- 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) increased in 2008 as a direct result of an increase in net operating revenues. CMC's ratio remains well above the 2007 median value of 2.8 for Moody's Aa small institutions.



CLAREMONT McKENNA COLLEGE

Office of the Treasurer

October 15, 2008

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

Ladies and Gentlemen:

It is a pleasure to report that the fiscal year that ended on June 30, 2008, was another strong year for the College. Total gifts and promises to give set a record for the College at $209.5 million. The Campaign for Claremont McKenna was publicly announced in March with a goal of $600 million to be raised by December, 2012. The Campaign encompasses investments in faculty, students, facilities, The Fund for CMC and The Robert Day Scholars Program. The return on investments, net of fees, was 0.7%, which exceeded the College's benchmark indices for the fiscal year and is expected to place Claremont McKenna College in the top quartile in terms of investment performance reported by the more than 700 colleges and universities participating in the annual NACUBO Endowment Study.

Recruiting and admission of new students continues to be strong. The average FTE enrollment in Claremont for the fiscal year of 1,041 students exceeded the budgeted target of 1,025 students. The number of applications for the newly admitted class of 2012, which completed the application process in 2007-08, set another new record for the College. Of the 4,178 applications received, 19% were accepted (admission rate), and 40% 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 30 states and 10 foreign countries. Net tuition per student continued to increase, while the total tuition discount (scholarships provided to students) increased. The College continues to maintain its need-blind admission policy and meet-all-need financial aid policy.

Statements of Financial Position

The most significant change in the statements of financial position is in net contributions receivable. The College received two landmark gifts during the year. In September, 2007, the College received a $200 million pledge from alumnus and trustee Robert A. Day '65, P'12 to create the Robert Day Scholars Program and establish the Robert Day School of Economics and Finance, including a new Master's Program in Finance. This was the largest gift to a liberal arts institution to date and among the top 20 gifts ever given to a college or university. In July, 2008, the College received a $75 million pledge from the Marie-Josée and Henry R. Kravis Foundation for The Campaign for Claremont McKenna. In appreciation of the Kravis gift, the College's new academic and admission building has been named the Kravis Center.

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Member of The Claremont Colleges

Other changes in the statements of financial position include increases in investments and plant facilities. The increased value of investments held by the College was attributable to new gifts to the endowment, net of spending policy income distributed for operations.

The College embarked on an ambitious building and renovation plan, reflected in the plant facilities line item. During the year, construction was completed on 11 new houses in the Arbol Verde neighborhood south of the main campus, which represents additions to the inventory of homes in the faculty/staff rental program. The College began construction on a new residence hall, which was completed and opened in August, 2008. Currently named Claremont Hall, the building houses 109 students allowing for budgeted growth in the student body of approximately 80 students over the next two years and will provide relief of overcrowded conditions in other existing residence halls. Construction was also started on the Biszantz Family Tennis Center, a 12-court competition facility including indoor team and coaching space. A new recreation field abuts the facility for use in the intramural and varsity athletics programs. Major renovations of Auen and Fawcett Halls, two of the tower residence halls built in 1967, were begun in May, 2008, and completed in August, 2008.

Planning efforts are continuing on the Kravis Center, which will house the academic departments of government, history, and philosophy and religious studies, as well as five of the research institutes and the admission and financial aid offices. The College expects to break ground on this facility at the beginning of 2009. Schematic designs for a new fitness and athletics facility to replace Ducey Gymnasium are also in progress. Construction of the facility will rely on fundraising achieved through the Campaign. The College is also finalizing plans to purchase land from the Claremont University Consortium on the east side of Claremont Boulevard to eventually relocate parking and varsity athletics fields.

Major changes in the liabilities of the College included an increase in accounts payable from the construction work mentioned above, a decrease in obligations under the securities lending program due to its termination, and a decrease in refundable advances from revocable trusts. The latter two categories are offset by decreases in the investments line item where the related assets were held.

The increases in total net assets were primarily a result of new contributions receivable, which are held in the temporarily restricted category until the pledged payments are received.

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 $1.4 million as a result of tuition, room and board charge increases, and including an increase in the amount of financial aid awarded. The Board of Trustees adopted a no-packaged-loan policy for need-based financial aid recipients effective in the fall, 2008. Two new scholarship programs funded through Campaign gifts, the Frank Seaver Leadership Scholarship Fund and the Interdisciplinary Science Scholarship Fund, will also provide full-tuition scholarships for students beginning in the 2008-09 fiscal year.

Total private gifts and grants increased $145 million, or more than three times the amount from the prior year, which had been a record year. The gross amounts of gifts have been discounted for the present value of payments on contributions receivable expected to be made in future years. Investment income contributed 33% toward the cost of providing an education at Claremont McKenna College. This amount is higher than the amount of investment income contributing to operations of the College over the last two years because of a special temporary increase in the spending rate approved by the Trustees. Increases in expenses attributable to the kick-off of the Campaign for Claremont McKenna prompted the temporary increase in the spending rate, which will be phased out over four years.

Total operating expenses increased by 13% from the prior year. The most significant changes were related to increased expenses of the Campaign, increased activity in federal research grants and research institute expenses, and start-up expenses of the new Robert Day Scholars Program. Many of these increases were funded by corresponding increases in operating revenue through releases of temporarily restricted gifts and spending policy income. In addition, interest expense increased for new debt issued at the end of the prior fiscal year for the construction and renovation of residence halls, which was allocated primarily to auxiliary enterprises.

The actuarial adjustment represents changes in the expected future commitments on split-interest agreements, based on the age of beneficiaries and the future payment obligations. A significant redesignation of net assets during the year was the result of the College's interest in an outside trust being distributed earlier than planned. At the request of the donor, the distributed funds were permanently restricted for investment in the endowment, with the income to be used to create a full-tuition scholarship program for outstanding undergraduates.

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 2008, the College was able to add $3.5 million to the reserves in addition to the amount of depreciation expense of $3 million.

Statements of Cash Flows

Net cash flows increased $111,000 for fiscal year 2008. The net cash used in investing activities of $40.5 million, primarily for construction projects, was offset by the net cash provided by operating activities of $14.6 million and financing activities of $25.9 million.

Summary

The 2008 fiscal year was a record-setting year in terms of gifts to the College. Although investment performance was flat, new gifts and the diversified investment portfolio placed the College in a strong position at the end of the year, with an endowment totaling $528 million. Enrollment exceeded the target for students in Claremont, while acceptance and yield rates for freshman applications remained at exceptional levels. Funds in excess of depreciation were added to a reserve for renovations, and the College has embarked on several new capital projects to plan for student growth and to meet the changing needs of the campus. The Board of Trustees and the administration continue to tightly monitor the budgets and to plan for operational excesses of revenues over expenses in the long-term financial forecast. The Campaign for Claremont McKenna will further strengthen the outstanding academic and student programs for which the College is known, and will allow additional investment in state-of-the-art facilities that will enhance academic and residential facilities.

Since the end of the 2008 fiscal year, the world has experienced significant declines in the financial markets. The Board of Trustees and administration of the College are committed to closely monitoring the uncertain and changing environment and to carefully allocating the College's resources while aspiring to achieve the important mission of Claremont McKenna College.

Respectfully submitted,

Robin J. Aspinall

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

INDEPENDENT AUDITORS' OPINION

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, 2008 and 2007, 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, 2008 and 2007, 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, 2008

CLAREMONT MCKENNA COLLEGE
STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007
(in thousands)

	2008	2007
ASSETS		
Cash	$ 860	$ 749
Accounts and notes receivable, net (Note 2)	17,642	17,208
Prepaid expenses and deposits	2,262	2,458
Contributions receivable, net (Note 3)	186,331	31,671
Beneficial interest from revocable trusts (Note 3)	2,681	8,196
Beneficial interest in trusts (Note 3)	4,424	18,139
Investments (Note 4)	633,729	620,820
Plant facilities, net (Note 5)	91,333	65,621
Total assets	$ 939,262	$ 764,862
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 13,569	$ 4,597
Funds held in trust for others	2,516	4,372
Obligations under securities lending program (Note 4)	-	7,436
Deposits and deferred revenues	1,543	1,384
Staff retirement liability	529	481
Life income and annuities payable (Note 6)	45,756	40,072
Bonds payable (Note 7)	61,010	61,974
Government advances for student loans	3,182	3,153
Refundable advances from revocable trusts (Note 3)	2,681	8,196
Asset retirement obligation (Note 5)	722	691
Total liabilities	131,508	132,356
Net Assets (Note 8):		
Unrestricted	341,035	351,802
Temporarily restricted	225,499	66,840
Permanently restricted	241,220	213,864
Total net assets	807,754	632,506
Total liabilities and net assets	$ 939,262	$ 764,862

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 (Note 9)	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
STATEMENT OF ACTIVITIES

For the year ended June 30, 2007
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Student revenues	$ 47,604	$ -	$ -	$ 47,604
Less: Financial aid	(12,380)	-	-	(12,380)
Net student revenues	35,224	-	-	35,224
Private gifts and grants	6,063	32,401	25,564	64,028
Federal grants	902	-	-	902
Private contracts	345	-	-	345
Spending policy income	6,387	11,132	842	18,361
Other investment income	2,251	7	20	2,278
Other revenues	1,425	-	-	1,425
Release of net assets				
Restricted gifts	4,513	(4,513)	-	-
Restricted spending policy income	10,888	(10,888)	-	-
Annuity and life income	263	(251)	(12)	-
Total revenues	68,261	27,888	26,414	122,563
Expenses:				
Instruction	21,799	-	-	21,799
Research	5,620	-	-	5,620
Academic support	5,121	-	-	5,121
Student services	9,665	-	-	9,665
Institutional support	13,504	-	-	13,504
Auxiliary enterprises	8,099	-	-	8,099
Total expenses	63,808	-	-	63,808
Excess of revenues over expenses	4,453	27,888	26,414	58,755
Other changes in net assets:				
Realized and unrealized gains (losses), net of spending allocation	76,978	(149)	(121)	76,708
Actuarial adjustment	-	5,824	5,049	10,873
Other	(91)	-	-	(91)
Staff retirement plan comprehensive gain	(275)	-	-	(275)
Donor redesignations between net asset categories	(87)	(1,229)	1,316	-
Change in net assets	80,978	32,334	32,658	145,970
Net assets at beginning of year	270,824	34,506	181,206	486,536
Net assets at end of year	$ 351,802	$ 66,840	$ 213,864	$ 632,506

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

CLAREMONT MCKENNA COLLEGE
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2008 and June 30, 2007
(in thousands)

	2008	2007
Cash flows from operating activities:		
Change in net assets	$ 175,248	$ 145,970
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	2,971	3,161
Amortization and accretion expense	(48)	41
Allowance for doubtful accounts	11	(3)
Comprehensive loss on staff retirement plan	394	275
Discount on life income contract gifts	(5,425)	(1,743)
Realized and unrealized loss (gain) on investments	9,177	(101,207)
Loss on debt defeasance	-	395
Non-cash gifts	(16,914)	(13,060)
Adjustment of actuarial liability for annuities payable	13,404	4,451
Increase in accounts and contributions receivable	(154,478)	(28,760)
Decrease (increase) in beneficial interest in trusts	13,715	(6,305)
Decrease (increase) in prepaid expenses and deposits	792	(618)
Increase in accounts payable and accrued liabilities	8,963	840
(Decrease) increase in funds held in trust for others	(1,856)	857
Increase in deposits and deferred revenues	159	355
Contributions restricted for long-term investments	(31,078)	(14,641)
Defined benefit plan contributions under (over) expense	(347)	(193)
Net cash provided (used) by operating activities	14,688	(10,185)
Cash flows from investing activities:		
Purchase of plant facilities	(28,683)	(5,787)
Purchases of investments	(618,999)	(540,668)
Proceeds from sales of investments	607,793	516,424
Loans made to students and employees	(2,682)	(2,737)
Collection of student and employee loans	2,065	2,033
Net cash used in investing activities	(40,506)	(30,735)
Cash flows from financing activities:		
Payments to annuity and life income beneficiaries	(5,903)	(6,088)
Investment income for annuity and life income investments	2,205	2,719
Proceeds from borrowings	-	42,908
Debt issuance costs	(595)	(595)
Principal payments for borrowings	(885)	(12,603)
Contributions restricted for life income contracts	4,174	1,416
Contributions restricted for endowment	26,210	12,722
Contributions restricted for plant expenditures and student loans	694	504
Increase in government advances for student loans	29	46
Net cash provided by financing activities	25,929	41,029
Net increase in cash	111	109
Cash at beginning of year	749	640
Cash at end of year	$ 860	$ 749
Supplemental disclosure of cash flows:		
Interest paid	$ 1,697	$ 1,709

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

June 30, 2008 and 2007

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 14), 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 contribute 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 in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, "Not-for-Profit Organizations."

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.

Collectibility 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, 2008 and 2007

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 both. 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, which is primarily to finance auxiliary enterprise construction.

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 alternative investments are carried at estimated fair value provided by the management of the non-marketable alternative investment partnerships or funds at the most current date available at year end, and are adjusted by cash receipts, cash disbursements, and securities distributions through June 30, 2008 and 2007. 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 alternative investments. Because non-marketable alternative investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material.

June 30, 2008 and 2007

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 restricted by explicit donor stipulation. The date of record for investments is the trade date.

The College is aware there are significant pressures in the current global financial markets. The College is monitoring the developments in the markets and believes that it is positioned to deal with these developments should the market conditions persist.

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 unrestricted net assets and are available for appropriation under the College’s spending policy. At June 30, 2008 and 2007, these cumulative gains totaled approximately $122,720,000 and $119,246,000, respectively.

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. 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 transfering 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.

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.

June 30, 2008 and 2007

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

Annuity and Life Income Contracts and Agreements: ***Continued***
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.

Recently Adopted Accounting Standards:
The College adopted the provisions of Financial Accounting Standards Board Interpretation (FIN) No. 48, "*Accounting for Uncertainty in Income Taxes*", on July 1, 2007. The College has no unrecognized tax benefits which would have required an adjustment to the July 1, 2007 beginning balance of net assets and no unrecognized tax benefits at July 1, 2007 and at June 30, 2008.

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

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 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.

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

NOTE 2 - ACCOUNTS AND NOTES RECEIVABLE:

Accounts and notes receivable at June 30, 2008 and 2007 are as follows (in thousands):

	2008	2007
Student notes receivable	$ 12,686	$ 12,227
Federal loan funds	3,190	3,032
Other Claremont Colleges	449	187
Student accounts	230	316
Investment receivables	95	165
Grants and contracts receivable	441	335
Other	718	1,098
	17,809	17,360
Less allowance for doubtful accounts receivable	(167)	(152)
Net accounts and notes receivable	$ 17,642	$ 17,208

June 30, 2008 and 2007

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. Promises to give are recorded after discounting to the present value of future cash flows at rates ranging from 2.8% to 6.3%

Unconditional promises to give at June 30, 2008 and 2007 are expected to be realized as follows (in thousands):

	2008	2007
Within one year	$ 10,520	$ 24,715
Between one year and five years	51,304	7,576
More than five years	217,086	-
	278,910	32,291
Less discount	(92,579)	(620)
Net contributions receivable	$ 186,331	$ 31,671

Contributions receivable at June 30, 2008 and 2007 are intended for the following uses (in thousands):

	2008	2007
Endowment	$ 118,128	$ 26,486
Plant	3,410	2,015
Other	64,793	3,170
Net contributions receivable	$ 186,331	$ 31,671

Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. At June 30, 2008 and 2007 the College had knowledge of approximately $22,978,000 and $27,625,000, respectively, of conditional promises to give through bequests that will not be recognized as revenue until the respective conditions in the wills 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, 2008 and 2007 the College had approximately $2,681,000 and $8,196,000, 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, 2008 and 2007

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, 2008 and 2007:

	Pooled Investments Fund	
	2008	2007
Unit market value at end of year	$ 627.60	$ 652.24
Units owned:		
Unrestricted:		
Funds functioning as endowment	254,190	204,102
College loan investments	-	380
Other	-	5,224
Total unrestricted	254,190	209,706
Temporarily restricted:		
Annuity and life income contracts and agreements	19,466	17,698
Permanently restricted:		
Endowment	586,648	522,053
College loan investments	3,459	19,147
Annuity and life income contracts and agreements	49,517	52,736
Total permanently restricted	639,624	593,936
Total units	913,280	821,340

Investment income related to College investments for the years ended June 30, 2008 and 2007, net of management and custody fees of approximately $4,238,000 and $3,632,000, respectively, is as follows (in thousands):

	2008	2007
Amounts allocated in accordance with spending policy for pooled investments:		
Net pooled investment income	$ 5,335	$ 5,021
Pooled investment gains appropriated	19,922	15,254
Total spending policy income and gains	25,257	20,275
Other investment income	3,590	3,073
Less amounts allocated to annuity and life income contracts and agreements	(2,610)	(2,709)
Total investment income	$ 26,237	$ 20,639
Realized and unrealized gains, net of spending allocation	(21,826)	76,708
Total investment returns	$ 4,411	$ 97,347

June 30, 2008 and 2007

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. The following schedule summarizes the assets in pooled investments and the assets held as separate investments at June 30, 2008 and 2007 (in thousands):

	2008	2007
Pooled investments:		
Cash equivalents	$ 25,341	$ 33,702
Marketable global debt securities	51,361	47,508
Marketable securities lent under securities lending program	-	7,436
Marketable domestic equity securities	99,917	100,788
Marketable international equity securities	129,780	128,701
Alternative investments:		
Hedge funds	96,095	78,946
Distressed debt funds	8,561	5,727
Private equity and venture capital	52,091	64,509
Natural resources funds	103,353	65,079
Real estate funds	6,678	3,313
Total pooled investments	$ 573,177	$ 535,709
Separate investments:		
Cash equivalents	$ 23,348	$ 32,714
Marketable securities	17,531	18,099
Assets whose use is limited	16,131	30,233
Real estate and other *(reported at cost)*	3,542	4,065
Total separate investments	$ 60,552	$ 85,111
Total investments	$ 633,729	$ 620,820
By category (in thousands):		
Endowment and funds functioning as endowment:		
Pooled investments	$ 527,712	$ 473,624
Separately invested	141	397
Total endowment and funds functioning as endowment	527,853	474,021
Annuity and life income contracts:		
Pooled investments	$ 43,294	$ 45,940
Separately invested	21,244	22,597
Total annuity and life income contracts and agreements	64,538	68,537
Other:		
Pooled	2,171	16,143
Separately invested	39,167	62,119
Total other	41,338	78,262
Total by category	$ 633,729	$ 620,820

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

The College was named as trustee of The Berger Philanthropic Fund (the "Fund") of which the College was a 20% beneficiary. During the year ending June 30, 2008, the Fund was dissolved. At June 30, 2008 and 2007 the College has recorded assets of the Fund totaling approximately $0 and $3,421,000, net of third party remaindermen interests of approximately $0 and $3,407,000, for a net asset of approximately $0 and $14,000, respectively. The net assets consist primarily of investments in money market funds.

The College participated in a securities lending program with its trustee bank as lending agent. As of July 1, 2007 all activity was discontinued. Securities on loan were fully collateralized by cash in amounts equal to or greater than the market value of the securities. The market value of securities on loan at June 30, 2008 and 2007 was approximately $0 and $7,021,000, respectively. The cash collateral from securities lending at June 30, 2008 and 2007 was approximately $0 and $7,436,000, respectively and is included in cash equivalents as a separate investment.

NOTE 5 - PLANT FACILITIES:

Plant facilities are recorded at cost or estimated fair value at the date of donation, and at June 30, 2008 and 2007 consists of the following (in thousands):

	2008	2007
Land and land improvements	$ 7,898	$ 7,713
Buildings	76,995	76,985
Equipment	11,517	11,341
Property held for future use	12,707	6,263
Construction in progress	28,131	6,263
	137,248	108,565
Less accumulated depreciation	(45,915)	(42,944)
Net plant facilities	$ 91,333	$ 65,621

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, 2008 and 2007 (in thousands):

	2008	2007
Obligations incurred	$ 4	$ 1
Obligations settled	-	-
Accretion expense	27	26
Revisions in estimated cash flows	-	-
	-	-
Beginning balance	691	664
Ending balance	$ 722	$ 691

June 30, 2008 and 2007

NOTE 6 - LIFE INCOME AND ANNUITIES PAYABLE:

Life income and annuities payable of approximately $45,756,000 and $40,072,000 at June 30, 2008 and 2007, 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, 2008 and 2007 also include approximately $2,603,000 and $2,379,000, respectively, of releases to endowment within permanently restricted net assets.

NOTE 7 - BONDS PAYABLE:

At June 30, 2008 and 2007, bonds payable were comprised of the following (in thousands):

	2008	2007
Bonds issued through California Educational Facilities Authority ("CEFA"):		
Series 1999	$ 9,252	$ 9,767
Series 2003	9,090	9,295
Series 2007	40,260	40,425
	58,602	59,487
Plus unamortized premium	2,408	2,487
Total bonds payable	$ 61,010	$ 61,974

The CEFA Series 1999 bonds are due in 2029. Annual installments range from $535,000 in 2009 to $500,000 in 2029. Interest is payable semi-annually at rates ranging from 3.8% to 5.1%, as of June 30, 2008. Bonds maturing after November 1, 2013 with principal balances totaling $5,687,000 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 $210,000 in 2009 to $600,000 in 2033. Interest is payable semi-annually at rates ranging from 3.0% to 4.75%, as of June 30, 2008. Bonds maturing after January 1, 2013 with principal balances totaling $7,965,000 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 $180,000 in 2009 to $3,575,000 in 2038. Interest is payable semi-annually at rates ranging from 3.5% to 5%, as of June 30, 2008. Bonds maturing after January 1, 2017 with principal balances totaling $36,740,000 are subject to mandatory redemption at the outstanding principal balance plus accrued interest.

Interest expense was approximately $2,511,000 and $1,672,000 for the years ended June 30, 2008 and 2007, respectively.

June 30, 2008 and 2007

NOTE 7 - BONDS PAYABLE: ***Continued***

The maturity of bonds payable at June 30, 2008, is as follows (in thousands):

Fiscal Years Ending June 30,	Principal Amount
2009	$ 925
2010	985
2011	1,020
2012	1,065
2013	1,110
Thereafter	53,497
	$ 58,602

The CEFA Series 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, 2008 and 2007, the College was in compliance with all bond covenants.

The estimated fair value of the College's bonds payable was approximately $59,372,000 and $60,961,000 at June 30, 2008 and 2007, 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.

The College has an unsecured $2,000,000 line of credit with a bank. Any borrowings on the line would bear interest at 0.5% below the bank’s prime rate or 1.5% over the LIBOR rate. There were no borrowings outstanding on the line at June 30, 2008 and 2007.

NOTE 8 - NET ASSETS:

At June 30, 2008 and 2007, net assets consists of the following (in thousands):

	2008	2007
Unrestricted:		
For operations and designated purposes	$ 715	$ 3,033
Student loans	1,901	4,180
Funds functioning as endowment	293,245	304,919
Plant facilities	45,174	39,670
Total unrestricted	$ 341,035	$ 351,802
Temporarily restricted:		
Restricted for specific purposes	$ 81,599	$ 19,217
Annuity and life income contracts and agreements	7,517	27,623
Term Endowment	136,383	20,000
Total temporarily restricted	$ 225,499	$ 66,840
Permanently restricted:		
Student loans	$ 11,556	$ 19,764
Annuity and life income contracts and agreements	13,311	18,512
Endowment	216,353	175,588
Total permanently restricted	$ 241,220	$ 213,864

June 30, 2008 and 2007

NOTE 8 - NET ASSETS: *Continued*

Deficiencies for donor-restricted endowment funds of approximately $4,524,000 and $471,000 at June 30, 2008 and 2007, respectively, resulting from declines in market value from the original gift amount, have been recorded in unrestricted net assets. As the market value of the portfolio increases, the deficiency will reverse. The allocation of deficiencies is recorded in accordance with Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations."

NOTE 9 - NET STUDENT REVENUES:

Student revenues for the years ended June 30, 2008 and 2007 consist of the following (in thousands):

	2008	2007
Tuition and fees	$ 39,141	$ 37,377
Room and board	10,854	10,227
Gross student revenues	49,995	47,604
Less financial aid:		
Sponsored	(10,418)	(8,022)
Unsponsored	(2,927)	(4,358)
Total financial aid	(13,345)	(12,380)
Net student revenues	$ 36,650	$ 35,224

"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 10 - OTHER REVENUES

Other revenues for the years ended June 30, 2008 and 2007 include approximately $510,000 and $513,000 of tuition payments for students at The Children's School at Claremont McKenna College.

NOTE 11 - INSTITUTIONAL SUPPORT FUND RAISING EXPENSE:

Included in Institutional Support expenses are approximately $5,463,000 and $4,012,000 of expenditures related to fundraising for the years ended June 30, 2008 and 2007, respectively, exclusive of expenditures for Alumni Relations and Public Affairs and Communications.

NOTE 12 - ENDOWMENT:

The net assets of the College include permanent endowment and funds functioning as endowment. Permanent endowment funds 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 the California Uniform Management of Institutional Funds Act. While funds have been established by the Board of Trustees to function as endowment, any portion of such funds may be expended.

June 30, 2008 and 2007

NOTE 12 - ENDOWMENT: *Continued*

Changes in the College's endowment for the years ended June 30, 2008 and 2007 were as follows (in thousands):

	2008	2007
Investment returns:		
Earned income	$ 5,439	$ 4,432
Change in realized and unrealized net appreciation of investments	(404)	88,860
Net investment return	5,035	93,292
Endowment returns distributed for operations	(23,488)	(17,688)
Net investment surplus	(18,453)	75,604
Other changes in endowed equity:		
Gifts	130,435	43,701
Other additions, net	33,492	7,822
Total other changes in endowed equity	163,927	51,523
Net change in endowed equity	145,474	127,127
Endowed equity, beginning of year	500,507	373,380
Endowed equity, end of year	$ 645,981	$ 500,507

At June 30, 2008 and 2007, endowed equity consists of the following assets (in thousands):

	2008	2007
Contributions receivable, net of discount	$ 118,128	$ 26,486
Investments	527,853	474,021
Total endowed equity	$ 645,981	$ 500,507

NOTE 13 - EMPLOYEE BENEFIT PLANS:

The College participates, with other members of The Claremont Colleges (Note 14), 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, 2008 and 2007 totaled approximately $2,759,000 and $2,452,000, respectively.

The Claremont University Consortium administers a defined benefit plan (the "Plan") covering substantially all nonacademic employees of the College, along with those of the other Claremont Colleges. The Plan is funded in accordance with the Employer Retirement Income Security Act of 1974 ("ERISA"). The benefits are based on 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, 2008 and 2007 was approximately ($14,000) and ($32,000), 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.

June 30, 2008 and 2007

NOTE 14 - 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, 2008 and 2007 totaled approximately $4,321,000 and $4,263,000, respectively.

NOTE 15 - 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, 2008 and 2007 totaled approximately $38,200,000 and $50,284,000, respectively.

The College receives contributions and promises to give from members of the Board of Trustees. For the year ended June 30, 2008, the College received approximately $197,706,000 of total contribution revenue from members of the Board of Trustees. As of June 30, 2008, contributions receivable from members of the Board of Trustees totaled approximately $178,987,000.

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

At June 30, 2008 and 2007 the College has investment commitments in limited partnerships as follows (in thousands):

	2008	2007
Original commitments	$ 152,249	$ 113,749
Commitments paid	(70,779)	(67,562)
Remaining commitments	$ 81,470	$ 46,187
Number of partnerships	39	30

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.

June 30, 2008 and 2007

NOTE 16 - COMMITMENTS AND CONTINGENCIES: *Continued*

In July 2007, the College entered into a contract related to the construction of a residence hall. The outstanding commitment under the construction contract was $3,634,000 as of June 30, 2008.

In May 2008, the College entered into a contract related to the renovation of two residence halls. The outstanding commitment under the construction contract was $7,831,000 as of June 30, 2008.

In June 2008, the College entered into a contract related to the construction of a tennis center. The outstanding commitment under the construction contract was $5,324,000 as of June 30, 2008.

Subsequent to year end, 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 Office 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 $54,144,000.

NOTE 17 - ASSETS WHOSE USE IS LIMITED:

Indenture requirements of bond financing (see Note 7, "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 securities recorded at market value, which approximates fair value. Assets whose use is limited totaled approximately $16,131,000 and $30,233,000, respectively, as of June 30, 2008 and 2007.

NOTE 18 - UPCOMING PRONOUNCEMENTS:

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*" (SFAS 157) which establishes a framework for measuring fair value of assets and liabilities and expands disclosures about fair value measurements. The changes to current practice resulting from the application of SFAS No. 157 relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB deferred the implementation of the provisions of SFAS No. 157 relating to nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. Management is currently evaluating the impact that SFAS 157 may have on the College's results of operations, financial position, and cash flow.

June 30, 2008 and 2007

NOTE 18 - UPCOMING PRONOUNCEMENTS: ***Continued***

In February 2007, the FASB released SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*" (SFAS 159). SFAS 159 permits companies to measure many financial instruments and certain other assets and liabilities at fair value on an instrument by instrument basis. SFAS 159 also establishes presentation and disclosure requirements to facilitate comparisons between companies that select different measurement attributes for similar types of assets and liabilities. SFAS 159 was effective for the College on July 1, 2008. The College is currently evaluating the potential impact on the statement of financial position, statement of activities and related cash flow statements of adopting SFAS 159.

In August 2008, the FASB released FASB Staff Position – FAS 117-1 "*Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.*" (FSP-FAS 117-1). FSP-FAS 117-1 will provide for an update of Statement of Financial Accounting Standards 117 relating to the treatment of permanently restricted net assets to be consistent with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) legislation, which was passed in California in October 2008 and will be effective January 1, 2009. The implementation date of FSP-FAS 117-1 is for fiscal years ending after December 15, 2008. The College is currently evaluating the impact of the UPMIFA legislation and FSP-FAS 117-1.

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