CLAREMONT McKENNA

COLLEGE

2012–2013 Financial Report

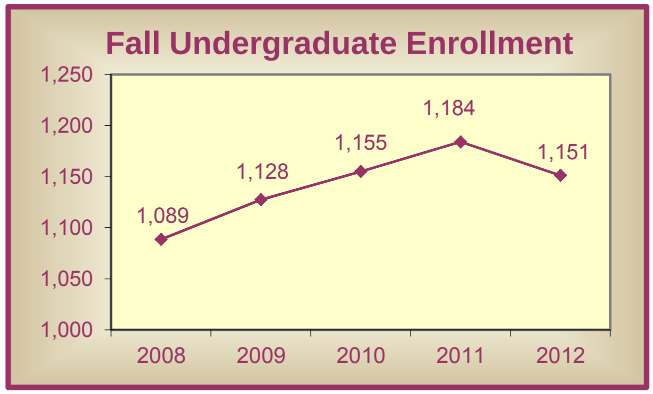
CLAREMONT MCKENNA COLLEGE
ANNUAL FINANCIAL REPORT

2013 and 2012

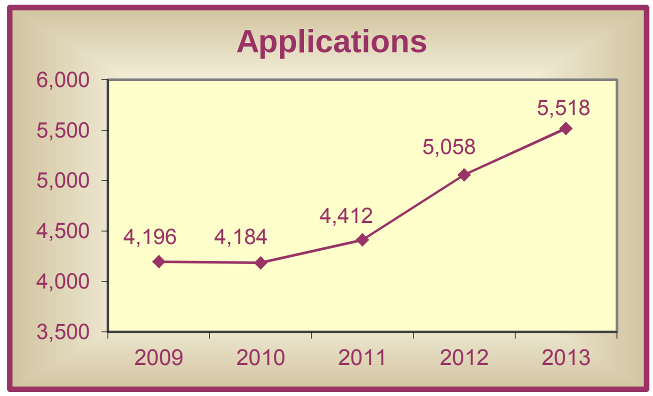
CONTENTS

Financial Highlights

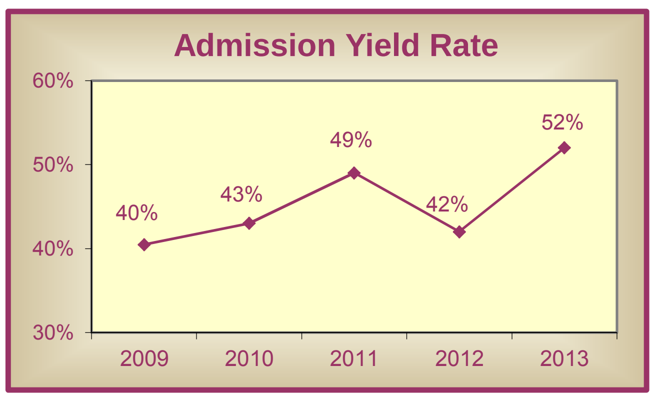
- Fall 2012 FTE undergraduate enrollment in Claremont reflects a planned decrease from the prior year. The average FTE undergraduate enrollment for the year (Fall and Spring) was also 1,151. FTE undergraduate enrollment for the 2012-13 fiscal year, including the Washington program, Silicon Valley program, and study-abroad programs, was 1,250.



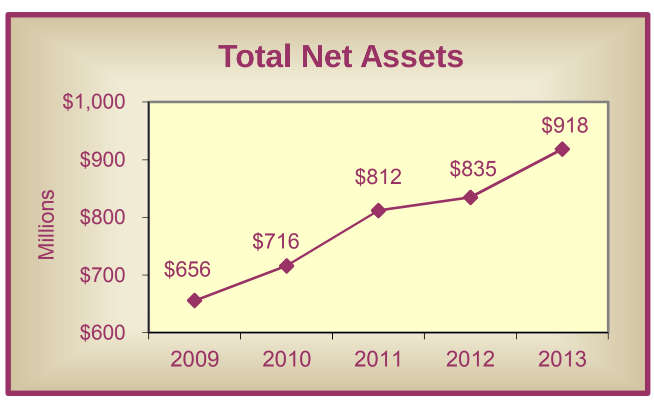
- Freshman applications for admission in the Fall of 2013 were 5,518, an all-time high for CMC. Applications for the last five years have averaged 4,674—approximately fourteen times more applications than openings in the entering class.



- The yield rate increased to 52% for the Fall of 2013. The total number of new freshmen entering the College in Fall of 2013 was 337 students.



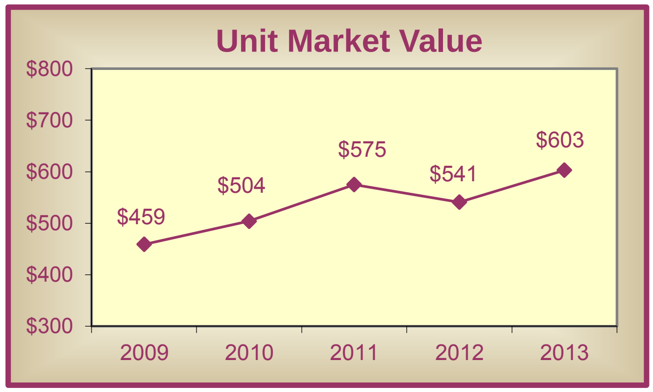
- Total net assets increased by 10% to $918 million primarily driven by a combination of changes in private gifts and gains on investments.



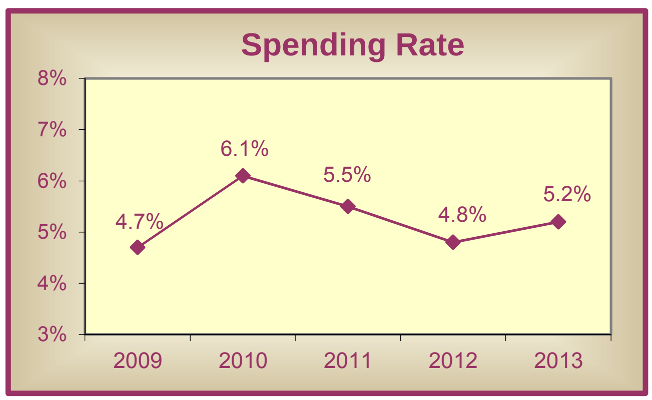
Financial Highlights

- Total investments increased by 16.9% in 2013, after fees and spending for operations. The net increase was primarily attributable to new gifts and realized and unrealized gains.

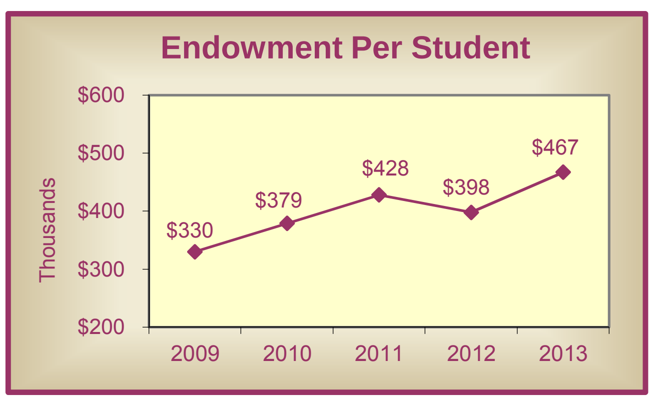
- The unit market value increased by 11.5%. Unit market value reflects general market performance after spending for operations.



- The spending rate (spending amount per unit divided by unit market value at the beginning of the year) increased as a result of the decline in the unit market value by the end of fiscal year 2012, which became the beginning of the year value for 2013.

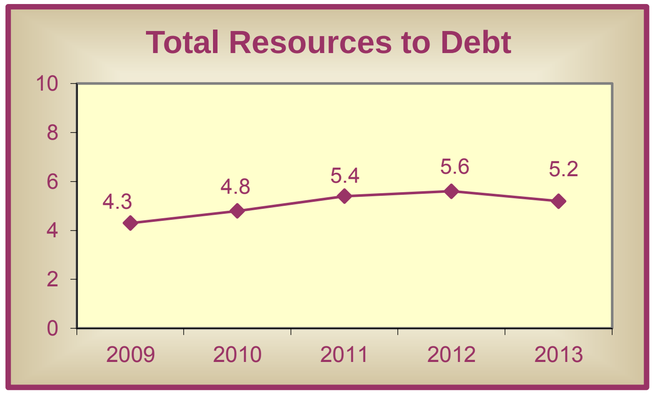


- Endowment per student increased as a result of the increase in the market value of the endowment as of June 30, 2013, and the decrease in FTE enrollment in Fall 2012. Total endowment at June 30, 2013, was $599 million.

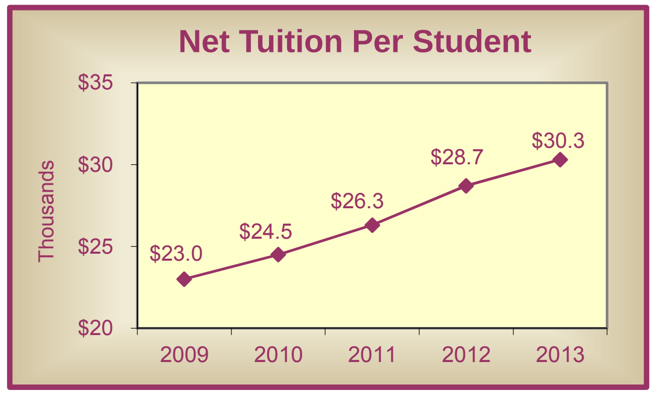


Financial Highlights

- Total resources to debt decreased in 2013 as a result of new bonds issued by the College. CMC's ratio of 5.2 is lower than the 2012 median value of 5.8 for Moody's Aa small institutions (enrollments typically under 3,000 FTE). Moody's Investors Services assigned a rating of Aa2 with a stable outlook to CMC's Series 2012 Revenue Bonds.

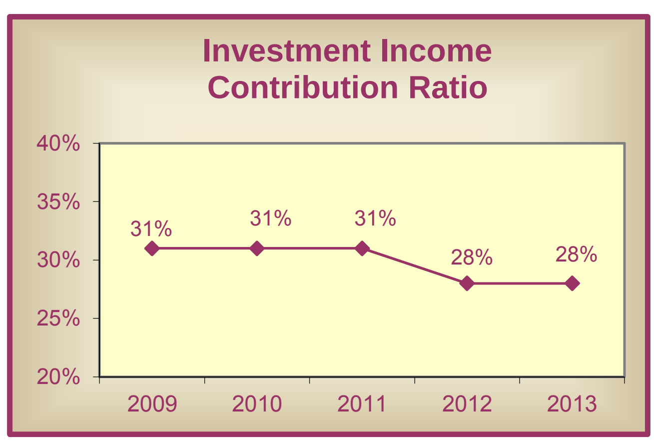


- CMC experienced growth in net tuition per student at a rate higher than the rate of increase in gross tuition, which was a direct result of a small decrease in the tuition discount. This dollar level places CMC higher than the 2012 median net tuition per student of $25,887 for Moody's Aa small institutions.



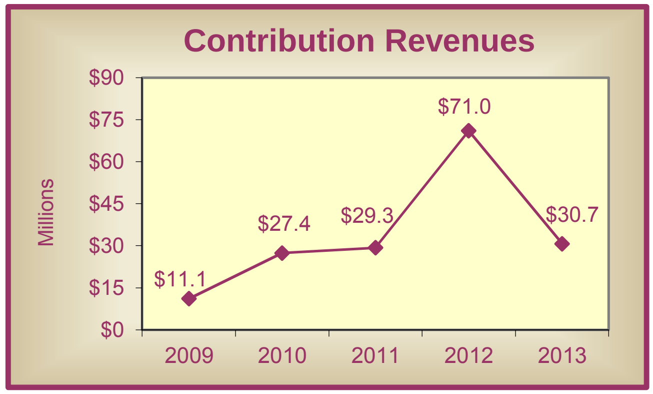
- The total tuition discount (financial aid divided by tuition and fees revenues) decreased as part of a planned multi-year reduction. CMC's discount is lower than the 2012 median discount of 37.6% for Moody's Aa small institutions.

- 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 remained consistent between 2012 and 2013.



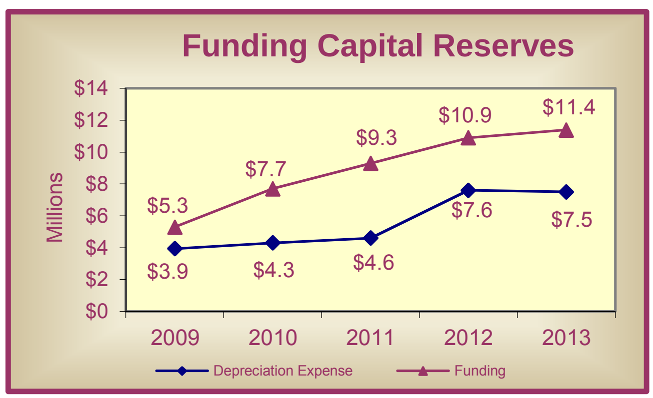
Financial Highlights

- Private gifts and grants reported by the Development Office were $35.9 million for the 2013 fiscal year. After actuarially adjusting the deferred gifts and adding in unconditional promises to give, contribution revenues finished the fiscal year at $30.7 million.

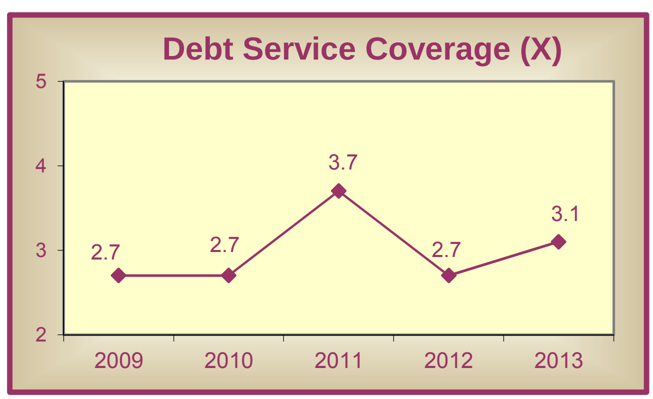


- Although unpredictable from year to year, matured annuity and life income agreements continue to provide significant resources to the College's endowment and operating funds.

- CMC continues its policy of funding capital reserves. The calculation of annual set-asides into capital reserves was changed to more accurately reflect replacement values of existing facilities. For comparative purposes, the funding of capital reserves has exceeded the amount of depreciation expense recorded in the financial statements over the past several fiscal years.



- Debt service coverage (net operating revenues plus interest and depreciation expense divided by annual debt service) improved in 2013 due to an increase in net operating revenue. CMC's ratio is higher than the 2012 median value of 2.86 for Moody's Aa small institutions.



CLAREMONT McKENNA COLLEGE

Office of the Treasurer

October 11, 2013

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

Ladies and Gentlemen:

The fiscal year that ended on June 30, 2013, marked the end of President Pamela Gann's tenure as the fourth President of Claremont McKenna College. After 14 years in that role, President Gann will spend the next year in preparation for her return to the classroom in the fall of 2014 as the Trustee Professor of Legal Studies and George R. Roberts Fellow. One of the most notable achievements of the fiscal year was the celebration of victory at the end of the Campaign for Claremont McKenna College. The Campaign was formally launched in 2008 with a $600 million goal, and reached $635 million at the end of the fiscal year, which represents the largest amount raised in a campaign to date compared to all other American liberal arts colleges.

After an external search, the Board of Trustees announced the appointment of Hiram Chodosh as the next President of CMC. President Chodosh officially assumed his role on July 1, 2013, and has enthusiastically immersed himself in life at the College. Full of new ideas and dreams, President Chodosh has also embraced many CMC traditions, including being "ponded" by students on his birthday, that our relatively young college has shared with him.

With the completion of the Campus Master Plan and significant building projects that have transformed the west end of the campus over the past two years, the Board of Trustees approved moving forward with the new Roberts Pavilion to replace the obsolete Ducey Gymnasium. The Roberts Pavilion is expected to make another transformative physical contribution to the campus and is eagerly anticipated by the student body. The new facility will hold up to 2,000 people by using the arena floor for College-hosted major events, and will accommodate fitness and recreational uses for CMC students as well as varsity competitions in the CMS Athletic program.

The investment portfolio is the largest asset of the College, and management closely monitors the global economic environment and its effects on financial markets. The return on CMC's endowment for the year was 17%, net of fees. CMC's one-year return is tracking near the top of the Cambridge Associates database of preliminary returns for college and university investment pools and is in the top quartile of the same database over the trailing three-, five-, and ten-year periods. In response to the changing economic conditions and expectations of future earnings, the Board of Trustees adopted changes to the College's spending policy in October 2012, to more conservatively smooth the effects of short-term investment results on the operating budget, and to reduce the spending rate in future years without immediate drastic reductions in operations. The changes will be phased over two years and should be fully implemented with the 2014-15 budget year, barring any drastic changes in the financial markets.

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

The newly admitted class of freshmen for Fall 2013 continues to be an impressive group of students. The number of applicants for the class of 2017, recruited during the 2012-13 fiscal year, was 9% higher than the prior record for the College set in 2011-12, and 25% higher than applications in 2010-11. Of the 5,518 applications received, 11.7% were accepted (admission rate), and 52% were enrolled (yield rate), making CMC one of the most selective liberal arts colleges in the country. The median SAT score was 2120. Only 37% of our 337 enrolled freshmen are from California; another 44% represent domestic students outside of California and 19% are international students. The average FTE undergraduate enrollment in Claremont for the 2012-13 fiscal year was 1,151 students. The higher enrollment yields in the new freshman class contributed to a record 1,217 students in Claremont for the Fall 2013 semester. Every possible residence hall space is occupied, which triggered a recent approval by the Board of Trustees to begin construction of additions to the Mid-Quad residence halls. These additions will be ready for occupancy in the Fall of 2015.

Net tuition per student continued to increase while the total tuition discount remained relatively flat. The College continues to maintain its need-blind admission policy and meet-all-need financial aid policy, and confirmed the preservation of these policies as a high priority. The Board of Trustees had to make a tough decision in the spring to discontinue its policy (adopted in 2007-08 and implemented in 2008-09) to provide need-based financial aid packages with no student loans. The difficult economic environment has made this policy unaffordable for the long-term, and it will be phased out over the next five years, beginning with the incoming class of 2014. The Campaign for Claremont McKenna College provided several new gifts for both need-based and merit scholarships, which are reflected in the calculation for the total tuition discount.

Statements of Financial Position

Total assets at the end of June 30, 2013, increased 10.9% over the prior year, primarily attributable to increases in investments and plant facilities. The Campaign for Claremont McKenna College had a strong finale, and cash payments of the multi-year pledges will explain a decrease in contributions receivable over the next few years. Liabilities increased with the issuance of California Educational Facilities Authority (CEFA) bonds at the end of 2012 at record-low interest rates. Bond proceeds were used to advance refund the remaining balance of the CEFA 2003 bonds, and to provide new resources for the renovation of the Mid-Quad residence halls.

The increase in plant facilities, net of depreciation, from 2012 to 2013 included a major demolition and reconstruction of the North Mall connecting the Kravis Center to the Athenaeum and Heggblade Center that was completed and capitalized in 2012. Along with minor renovations of the interior of the Hub, the new outdoor Hub patio along the North Mall has been a popular destination for students year-round in the California climate. Renovations of Phillips, Beckett, and Berger Halls within the Mid-Quad began in May 2013 and were ready for occupancy by the end of August. The second phase of renovations, covering Marks and Benson Halls, will be performed in the summer of 2014, along with construction of the recently approved additions to Beckett and Marks Halls, and a more significant annex connecting Berger and Benson Halls. The new construction will not be complete and ready for occupancy until the Fall of 2015, except for the Beckett Hall additions, which will be completed in the Fall of 2014.

Statement of Activities

The statement of activities provides greater detail of the changes in net assets during the fiscal year. Net assets increased 10% from the prior year, driven by a combination of changes in private gifts and realized and unrealized gains on investments. Total revenues decreased 24.9% from the prior year. A multi-year pledge was received late in the 2012 fiscal year, driving an unusual increase in private gifts for that year.

Total operating expenses increased by 3.7% from the prior year, though there were fluctuations in increases of the various categories of expenses. Employee costs increased 6.2%, representing increases for normal salary adjustments, new positions, and a 7.9% increase in employee benefits, primarily driven by continued increases in health insurance. Additional expenses for interest on CEFA bonds issued during the year were allocated to project-related expense categories.

Positive performance in the financial markets accounted for big swings in the various categories of changes in net assets. In addition to realized and unrealized gains on investments, actuarial adjustments for liabilities in the College's gift annuity program and changes in the liability for the frozen staff retirement plan are driven by market performance.

The Board of Trustees adopted a new policy for funding its capital reserves. Rather than connecting the funding to the amount of depreciation expense, which is based on the historic cost of the assets, management worked with an outside consultant to develop an extensive inventory of its current facilities. With an end goal of preserving our existing facilities into the future, an integrated facilities plan was developed to track renewal and replacement of the existing facilities and to assign appropriate replacement costs of the assets. An annual transfer of unrestricted net assets is budgeted and transferred to the capital reserves based on the data in the integrated facilities plan to more accurately reflect the replacement values. The plan is updated annually and reviewed by the Buildings & Grounds Committee of the Board of Trustees.

Statements of Cash Flows

Net cash flows increased almost $1.2 million for fiscal year 2013. The net cash used in operating activities of almost $14.9 million and investing activities of $19.8 million was offset by net cash provided by financing activities of almost $36 million. Cash outside of the investment pool continues to be managed using a multi-tiered structure based on the timeline of the expected use of cash, particularly related to the needs for capital projects, and is reviewed regularly by the Finance and Investment Committees of the Board of Trustees.

Summary

The 2012-13 fiscal year was upbeat for CMC, highlighted by the very successful completion of its Campaign for Claremont McKenna College, the positive investment performance, the record-setting admission statistics, and the physical rewards of recent investments in facilities.

CMC publicly acknowledged and thanked President Gann for her numerous accomplishments with a named professorship. As a chapter in CMC's short history closes, another begins with the welcoming of President Chodosh. The many events of his inaugural celebration took place in early October 2013 around the theme of “Liberal Arts in Action”, giving the broader CMC community an opportunity to affirm its confidence in all aspects of the CMC leadership as the College takes the next step toward planning for the future.

Respectfully submitted,

Robin J. Aspinall

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

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Claremont McKenna College

Report on the Financial Statements

We have audited the accompanying financial statements of Claremont McKenna College, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Los Angeles, California
October 21, 2013

CLAREMONT MCKENNA COLLEGE
STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012
(in thousands)

	2013	2012
ASSETS		
Cash	$ 1,659	$ 407
Accounts and notes receivable, net (Note 2)	16,997	17,050
Prepaid expenses and deposits	5,501	4,641
Contributions receivable, net (Note 3)	206,175	208,529
Beneficial interest in trusts (Note 3)	5,860	5,752
Investments (Note 4)	727,983	622,632
Plant facilities, net (Note 6)	186,499	178,484
Total assets	$ 1,150,674	$ 1,037,495
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 16,124	$ 11,688
Funds held in trust for others	2,853	2,796
Deposits and deferred revenues	1,289	1,041
Staff retirement liability	1,196	2,128
Life income and annuities payable (Note 9)	43,276	42,316
Capital lease obligation (Note 7)	1,072	1,228
Bonds payable (Note 10)	162,349	137,567
Government advances for student loans	3,224	3,217
Asset retirement obligation (Note 8)	847	816
Total liabilities	232,230	202,797
Net Assets (Note 13):		
Unrestricted	211,540	175,679
Temporarily restricted	413,013	382,214
Permanently restricted	293,891	276,805
Total net assets	918,444	834,698
Total liabilities and net assets	$ 1,150,674	$ 1,037,495

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

CLAREMONT MCKENNA COLLEGE
STATEMENT OF ACTIVITIES

For the year ended June 30, 2013
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Student revenues	$ 72,995	$ -	$ -	$ 72,995
Less: Financial aid	(20,355)	-	-	(20,355)
Net student revenues (Note 15)	52,640	-	-	52,640
Private gifts and grants	3,675	18,970	8,057	30,702
Federal grants	910	-	-	910
Private contracts	658	-	-	658
Spending policy income	7,599	19,340	323	27,262
Other investment income	1,790	-	191	1,981
Other revenues	1,958	-	-	1,958
Release of net assets				
Restricted gifts	20,743	(20,743)	-	-
Restricted spending policy income	18,259	(18,259)	-	-
Annuity and life income	365	(365)	-	-
Total revenues	108,597	(1,057)	8,571	116,111
Expenses:				
Instruction	34,490	-	-	34,490
Research	7,459	-	-	7,459
Academic support	8,598	-	-	8,598
Student services	13,985	-	-	13,985
Institutional support	16,243	-	-	16,243
Auxiliary enterprises	16,787	-	-	16,787
Total expenses	97,562	-	-	97,562
Excess of revenues over expenses	11,035	(1,057)	8,571	18,549
Other changes in net assets:				
Realized and unrealized gains (losses), net of spending allocation	22,864	36,911	313	60,088
Release of net assets				
Plant facilities	1,145	(1,145)	-	-
Actuarial adjustment	-	2,567	1,777	4,344
Staff retirement plan comprehensive gain	765	-	-	765
Donor redesignations between net asset categories	52	(6,477)	6,425	-
Change in net assets	35,861	30,799	17,086	83,746
Net assets at beginning of year	175,679	382,214	276,805	834,698
Net assets at end of year	$ 211,540	$ 413,013	$ 293,891	$ 918,444

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

CLAREMONT MCKENNA COLLEGE
STATEMENT OF ACTIVITIES

For the year ended June 30, 2012
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Student revenues	$ 71,107	$ -	$ -	$ 71,107
Less: Financial aid	(19,823)	-	-	(19,823)
Net student revenues	51,284	-	-	51,284
Private gifts and grants	3,768	59,859	7,337	70,964
Federal grants	1,047	-	-	1,047
Private contracts	875	-	-	875
Spending policy income	7,434	18,697	350	26,481
Other investment income	1,490	-	83	1,573
Other revenues	2,351	-	-	2,351
Release of net assets				
Restricted gifts	14,688	(14,688)	-	-
Restricted spending policy income	17,475	(17,475)	-	-
Annuity and life income	777	(777)	-	-
Total revenues	101,189	45,616	7,770	154,575
Expenses:				
Instruction	32,461	-	-	32,461
Research	6,585	-	-	6,585
Academic support	9,722	-	-	9,722
Student services	14,146	-	-	14,146
Institutional support	15,457	-	-	15,457
Auxiliary enterprises	15,695	-	-	15,695
Total expenses	94,066	-	-	94,066
Excess of revenues over expenses	7,123	45,616	7,770	60,509
Other changes in net assets:				
Realized and unrealized gains (losses), net of spending allocation	(12,973)	(20,409)	(296)	(33,678)
Release of net assets				
Plant facilities	3,291	(3,291)	-	-
Actuarial adjustment	-	(2,023)	(976)	(2,999)
Staff retirement plan comprehensive loss	(968)	-	-	(968)
Donor redesignations between net asset categories	65	(3,796)	3,731	-
Change in net assets	(3,462)	16,097	10,229	22,864
Net assets at beginning of year	179,141	366,117	266,576	811,834
Net assets at end of year	$ 175,679	$ 382,214	$ 276,805	$ 834,698

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

CLAREMONT MCKENNA COLLEGE
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2013 and June 30, 2012
(in thousands)

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 83,746	$ 22,864
Adjustments to reconcile change in net assets		
to net cash used in operating activities:		
Depreciation expense	7,498	7,563
Amortization and accretion expense	(115)	19
Loss on disposal of plant facilities	36	1,498
Allowance for doubtful student loan accounts	24	32
Comprehensive (gain)/loss on staff retirement plan	(765)	968
Discount on life income contract gifts	(3,140)	(2,878)
Realized and unrealized (gain)/loss on investments	(91,636)	7,600
Loss on debt defeasance	18	232
Non-cash gifts	(8,826)	(1,700)
Adjustment of actuarial liability for annuities payable	6,298	7,044
Decrease/(increase) in accounts and contributions receivable	2,564	(43,164)
Decrease/(increase) in beneficial interest in trusts	(108)	(501)
Decrease/(increase) in prepaid expenses and deposits	(860)	(77)
(Decrease)/increase in accounts payable and accrued liabilities	4,436	(2,767)
(Decrease)/increase in funds held in trust for others	57	(13)
(Decrease)/increase in deposits and deferred revenues	248	(174)
Contributions restricted for long-term investments	(14,199)	(10,049)
Defined benefit plan contributions over expense	(167)	(252)
Net cash (used in)/provided by operating activities	(14,891)	(13,755)
Cash flows from investing activities:		
Purchase of plant facilities	(15,396)	(12,064)
Purchases of investments	(638,508)	(424,237)
Proceeds from sales of investments	634,271	443,872
Loans made to students and employees	(2,367)	(1,846)
Collection of student and employee loans	2,185	2,177
Net cash (used in)/provided by investing activities	(19,815)	7,902
Cash flows from financing activities:		
Payments to annuity and life income beneficiaries	(4,742)	(5,224)
Investment income for annuity and life income investments	1,892	2,110
Proceeds from borrowings	26,021	-
Principal payments for borrowings	(1,418)	(1,272)
Contributions restricted for life income contracts	4,018	3,513
Contributions restricted for endowment	9,909	6,273
Contributions restricted for plant expenditures and student loans	272	263
Increase/(decrease) in government advances for student loans	6	10
Net cash (used in)/provided by financing activities	35,958	5,673
Net (decrease)/increase in cash	1,252	(180)
Cash at beginning of year	407	587
Cash at end of year	$ 1,659	$ 407
Supplemental disclosure of cash flows:		
Interest paid	$ 7,171	$ 6,696
Supplemental disclosure of noncash financing activity:		
Capital lease obligation	$ 152	$ 494

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

June 30, 2013 and 2012

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 17), 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.).

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.

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

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.

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

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 decrease to accounts, notes, or contributions receivable. The College follows federal guidelines for determining when student loans are delinquent or past due for both federal and institutional loans.

June 30, 2013 and 2012

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 restrictions.

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 the State's required timelines 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. Concentration of credit risk with respect to receivables are limited due to the large number of students from which amounts are due, with no one account being significant.

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, 2013 and 2012. 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.

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 term 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, 2013 and 2012, these cumulative gains totaled approximately $83,710,000 and $74,942,000, respectively. The Board of Trustees may, at its discretion, approve additional spending for special projects. The Board of Trustees adopted a new investment policy in October 2012. The amount of investment return available for curent operations will be determined by applying an increase of 2.0% to the prior year unit spending rate, provided that the resulting calculation falls within a collar of 4.5% to 5.5% of a twenty quarter average unit market value.

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, 2013 and 2012

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, 50 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. 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 transfers to its capital project reserves an amount to allow for the preservation of its existing facilities into the future. 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, 2013 and 2012. Proceeds from the disposal of equipment acquired with federal funds will be transferred to the federal awarding agency. 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 1.2% to 7.6% 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:
The College had no unrecognized tax benefits and/or obligations at June 30, 2013 and 2012.

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.

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, 2013 and 2012
(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 principles. Investments with no readily available market are generally valued according to the estimated fair value 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.

Reclassifications:

Certain prior year amounts have been reclassified for consistency with current year presentations.

NOTE 2 - ACCOUNTS AND NOTES RECEIVABLE:

Accounts and notes receivable at June 30, 2013 and 2012 are as follows:

	2013	2012
Student notes receivable	$ 11,349	$ 11,804
Federal loan funds	2,181	2,411
Other Claremont Colleges	506	604
Student accounts receivable	1,013	883
Grants and contracts receivable	358	261
Housing assistance notes receivable	1,705	838
Other	412	705
	17,524	17,506
Less allowance for doubtful accounts receivable	(527)	(456)
Net accounts and notes receivable	$ 16,997	$ 17,050

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 1.4% to 4.9%.

Contributions receivable at June 30, 2013 and 2012 are expected to be realized as follows:

	2013	2012
Within one year	$ 22,273	$ 20,604
Between one year and five years	73,444	71,633
More than five years	188,593	200,560
	284,310	292,797
Less discount	(77,149)	(83,370)
Less allowance for doubtful contributions receivable	(986)	(898)
Net contributions receivable	$ 206,175	$ 208,529

June 30, 2013 and 2012
(in thousands)

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

Contributions receivable at June 30, 2013 and 2012 are intended for the following uses:

	2013	2012
Endowment	$ 112,756	$ 111,887
Plant	5,162	5,240
Other	88,257	91,402
Net contributions receivable	$ 206,175	$ 208,529

At June 30, 2013 and 2012, the College had knowledge of conditional promises to give in the amount of $3,695 and $4,059, respectively. The purpose of the promises is to create endowed chairs for new and existing faculty positions. The promises will be recognized as revenue when the conditions are met.

At June 30, 2013 and 2012, the College held beneficial interest in outside trusts of $5,860 and $5,752, 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 rates used are commensurate with the risks associated with the contribution.

At June 30, 2013, 89.7% of contributions receivable were due from three donors. At June 30, 2012, 93.9% of contributions receivable were due from three 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, 2013 and 2012:

	Pooled Investments Fund	
	2013	2012
Unit market value at end of year	$ 603.32	$ 541.38
Units owned:		
Unrestricted:		
Funds functioning as endowment	230,847	224,574
Temporarily restricted:		
Annuity and life income contracts and agreements	19,794	19,976
Endowment	67,844	69,314
Total temporarily restricted	87,638	89,290
Permanently restricted:		
Endowment	692,538	666,276
College loan investments	2,379	2,511
Annuity and life income contracts and agreements	43,774	44,516
Total permanently restricted	738,691	713,303
Total units	1,057,176	1,027,167

June 30, 2013 and 2012
(in thousands)

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

Investment income related to College investments for the years ended June 30, 2013 and 2012, net of management and custody fees of $4,117 and $3,825, respectively, is as follows:

Amounts allocated in accordance with spending policy for pooled investments:	2013	2012
Net pooled investment income	$ 2,568	$ 1,731
Pooled investment gains appropriated	26,492	26,539
Total spending policy income and gains	29,060	28,270
Other investment income	1,981	1,573
Less amounts allocated to annuity and life income contracts and agreements	(1,798)	(1,789)
Total investment income	$ 29,243	$ 28,054
Realized and unrealized gains/(losses), net of spending allocation	60,088	(33,678)
Total investment returns	$ 89,331	$ (5,624)

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, 2013 and 2012:

	2013	2012
Cash equivalents	$ 20,119	$ 14,753
Domestic equities	173,450	161,169
International equities	145,619	122,068
Domestic treasuries	26,501	26,846
Global fixed income	87,869	76,929
Assets whose use is limited (Note 11)	27,881	3,371
Private investments:		
Long/short equity	44,764	23,592
Absolute return funds	82,708	79,525
Private equity and venture capital	71,019	71,141
Real estate, energy, and timber	48,053	43,238
Total investments	$ 727,983	$ 622,632

By category:	2013	2012
Endowment and funds functioning as endowment:		
Pooled investments	$ 598,024	$ 519,814
Separately invested	1,123	769
Total endowment and funds functioning as endowment	599,147	520,583
Annuity and life income contracts:		
Pooled investments	$ 38,352	$ 34,915
Separately invested	14,403	15,003
Total annuity and life income contracts and agreements	52,755	49,918
Other:		
Pooled	$ 1,435	$ 1,360
Separately invested	74,646	50,771
Total other	76,081	52,131
Total by category	$ 727,983	$ 622,632

June 30, 2013 and 2012
(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, 2013 and 2012:

	Level 1	Level 2	Level 3	2013
Cash equivalents	$ 20,080	$ 39	$ -	$ 20,119
Domestic equities	127,365	46,085	-	173,450
International equities	38,781	106,838	-	145,619
Domestic treasuries	-	26,501	-	26,501
Global fixed income	31,296	56,573	-	87,869
Assets whose use is limited	-	27,881	-	27,881
Private investments:				
Long/short equity	-	-	44,764	44,764
Absolute return	-	-	82,708	82,708
Private equity and venture capital	-	-	71,019	71,019
Real estate, energy, and timber	-	-	48,053	48,053
Beneficial interest in trusts	-	-	5,860	5,860
Total	$ 217,522	$ 263,917	$ 252,404	$ 733,843

	Level 1	Level 2	Level 3	2012
Cash equivalents	$ 14,722	$ 31	$ -	$ 14,753
Domestic equities	94,623	66,546	-	161,169
International equities	33,309	88,759	-	122,068
Domestic treasuries	-	26,846	-	26,846
Global fixed income	27,389	49,540	-	76,929
Assets whose use is limited	3,371	-	-	3,371
Private investments:				
Long/short equity	-	5,440	18,152	23,592
Absolute return	-	3,854	75,671	79,525
Private equity and venture capital	-	-	71,141	71,141
Real estate, energy, and timber	-	-	43,238	43,238
Beneficial interest in trusts	-	-	5,752	5,752
Total	$ 173,414	$ 241,016	$ 213,954	$ 628,384

June 30, 2013 and 2012
(in thousands)

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

The following table includes a roll forward of the amounts for assets classified within Level 3 at June 30, 2013 and 2012:

	Long/short equity	Absolute return	Private equity & Venture capital	Real estate, energy, and timber	Beneficial Interest in Trusts	Total
Balance at July 1, 2011	$ 15,767	$ 69,396	$ 74,380	$ 33,667	$ 5,251	$ 198,461
Purchases	30	6,976	14,485	10,456	-	31,947
Sales	(1,723)	(1,596)	(22,596)	(6,251)	-	(32,166)
Transfers in	6,412	-	-	-	-	6,412
Realized gain/(loss), net	(535)	(10)	19	1,248	-	722
Unrealized gain/(loss), net	(1,799)	905	4,597	2,434	-	6,137
Interest/dividends	-	-	256	1,684	-	1,940
Actuarial adjustment	-	-	-	-	501	501
Balance at July 1, 2012	$ 18,152	$ 75,671	$ 71,141	$ 43,238	$ 5,752	$ 213,954
Purchases	20,599	39	9,062	6,468	-	36,168
Sales	(1,189)	(10,946)	(24,813)	(8,028)	-	(44,976)
Transfers in	1,149	3,854	-	-	-	5,003
Realized gain/(loss), net	(23)	1,165	8,526	2,185	-	11,853
Unrealized gain/(loss), net	6,076	12,925	6,097	2,815	-	27,913
Interest/dividends	-	-	1,006	1,375	-	2,381
Actuarial adjustment	-	-	-	-	108	108
Balance at June 30, 2013	$ 44,764	$ 82,708	$ 71,019	$ 48,053	$ 5,860	$ 252,404

Net appreciation/(depreciation) on investments and beneficial interest in trusts 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, 2013 and 2012 of $27,913 and $6,137, respectively. The College's policy is to recognize transfers in and transfers out of Level 1, Level 2, and Level 3 at the beginning of the reporting period. Transfers in to Level 3 during the period ending June 30, 2013 and 2012 is due to change 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, 2013:

	Fair Value at June 30, 2013	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Domestic equities	$ 46,085	none	7 to 60 days	7 to 30 days	(1)
International equity funds	106,838	none	15 to 90 days	7 to 60 days	(1)
Domestic treasuries	26,501	none	15 to 90 days	7 to 60 days	(1)
Global fixed income	56,573	none	7 to 30 days	7 to 10 days	(1)
Long/short equity	44,764	none	qtrly to 3 years	30 to 90 days	(2)
Absolute return	82,708	none	qtrly to 3 years	30 to 90 days	(2)
Private equity and venture capital	71,019	$ 31,555	1 - 15 years	none	(3)
Real estate, energy, and timber	48,053	45,654	1 - 15 years	none	(3)
Total	$ 482,541	$ 77,209			

June 30, 2013 and 2012
(in thousands)

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

(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.

(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 ranges from ten to fifteen years and distributions will be received as the underlying investments are realized.

NOTE 6 - PLANT FACILITIES:

Plant facilities are recorded at cost or estimated fair value at the date of donation, and at June 30, 2013 and 2012 consists of the following:

	2013	2012
Land and land improvements	$ 20,100	$ 15,418
Buildings and permanent improvements	185,833	185,319
Equipment	24,855	21,778
Equipment under capital lease	1,670	1,519
Property held for future use	13,938	13,621
Construction in progress	13,407	6,646
	259,803	244,301
Less accumulated depreciation	(73,304)	(65,817)
Net plant facilities	$ 186,499	$ 178,484

NOTE 7 - CAPITAL LEASE OBLIGATION:

The College entered into capital lease commitments to finance the acquisition of certain equipment. The corresponding obligations are due in monthly and quarterly installments with maturities through December 2018.

The annual capital lease obligation at June 30, 2013 was as follows:

Fiscal Years Ending June 30,	Lease Payments
2014	$ 416
2015	416
2016	275
2017	61
2018	17
Total payments	1,185
Less interest	(113)
Total capital lease obligation	$ 1,072

June 30, 2013 and 2012
(in thousands)

NOTE 8 - 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, 2013 and 2012:

	2013	2012
Obligations incurred	$ -	$ -
Obligations settled	-	-
Accretion expense	31	31
Revisions in estimated cash flows	-	-
	31	31
Beginning balance	816	785
Ending balance	$ 847	$ 816

NOTE 9 - LIFE INCOME AND ANNUITIES PAYABLE:

Life income and annuities payable of $43,276 and $42,316 at June 30, 2013 and 2012, 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, 2013 and 2012 also include $3,278 and $1,409, respectively, of releases to endowment within permanently restricted net assets.

NOTE 10 - BONDS PAYABLE:

At June 30, 2013 and 2012, bonds payable was comprised of the following:

	2013	2012
Bonds issued through California Educational Facilities Authority (CEFA):		
Series 1999	$ 660	$ 1,290
Series 2003	-	8,205
Series 2007	39,185	39,425
Series 2009	83,095	83,095
Series 2011	5,480	5,480
Series 2012	30,000	-
	158,420	137,495
Unamortized premium/(discount), net	3,929	72
Total bonds payable	$ 162,349	$ 137,567

The CEFA Series 1999 bonds are due in 2014. The last installment will be $660 with interest payable semi-annually at a rate of 4.5%.

The CEFA Series 2003 bonds were refunded by CEFA Series 2012 bonds.

The CEFA Series 2007 bonds are due in 2038. Annual installments range from $245 in 2014 to $3,575 in 2038. Interest is payable semi-annually at rates ranging from 3.8% to 5.0%, at June 30, 2013. 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.

June 30, 2013 and 2012
(in thousands)

NOTE 10 - BONDS PAYABLE: ***Continued***

The CEFA Series 2011 bonds are due in 2030. Annual installments range from $245 in 2015 to $480 in 2030. Interest is payable semi-annually at rates ranging from 4.0% to 5.3%, at June 30, 2013. Bonds maturing after January 1, 2026 with principal balances totaling $1,770 are subject to mandatory redemption at the outstanding principal balance plus accrued interest. Refunding proceeds of approximately $5,687 were deposited into an irrevocable trust with an escrow agent to provide for the partial redemption of the CEFA Series 1999 bonds. As a result, a portion of the CEFA Series 1999 bonds liability have been removed from the Statement of Financial Position.

The CEFA Series 2012 bonds are due in 2042. Annual installments range from $255 in 2014 to $22,260 in 2042. Interest is payable semi-annually at rates ranging from 2.3% to 5.0%, at June 30, 2013. Bonds maturing after January 1, 2033 are subject to mandatory redemption, in part, by lot, from mandatory sinking fund payments deposited. The Bonds maturing on January 1, 2042 are not subject to mandatory redemption prior to their stated maturity. Refunding proceeds of approximately $8,397 were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the CEFA Series 2003 bonds. As a result, the CEFA Series 2003 bonds liability have been removed from the Statement of Financial Position.

Interest expense was $7,342 and $6,845 for the years ended June 30, 2013 and 2012, respectively.

The maturity of bonds payable at June 30, 2013, is as follows:

Fiscal Years Ending June 30,	Principal Amount
2014	$ 1,160
2015	1,235
2016	1,290
2017	1,335
2018	1,385
Thereafter	152,015
	$ 158,420

The CEFA Series 2012, 2011, 2009, 2007, 2003, and 1999 bond agreements contain various restrictive covenants which include maintenance of certain financial ratios, as defined in the agreements.

The College holds CEFA bonds that are reported at an amortized cost of $158,420 and $137,495 at June 30, 2013 and 2012, respectively, in the Statement of Financial Position. These CEFA bonds have an approximate fair value of $164,329 and $148,267 at June 30, 2013 and 2012, respectively. The College determined these CEFA bonds to be Level 2 measurements in the fair value hierarchy.

NOTE 11 - ASSETS WHOSE USE IS LIMITED:

Indenture requirements of bond financing (see Note 10, "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 obligations recorded at market value, which approximates fair value. Assets whose use is limited totaled $27,881 and $3,371, respectively, at June 30, 2013 and 2012.

NOTE 12 - EMPLOYEE BENEFIT PLANS:

The College participates, with other members of The Claremont Colleges (Note 17), 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, 2013 and 2012 totaled $3,771 and $3,553, respectively.

June 30, 2013 and 2012
(in thousands)

NOTE 12 - EMPLOYEE BENEFIT PLANS: ***Continued***

The Claremont University Consortium administers a defined benefit plan (the "Plan") covering substantially all nonacademic employees of the College, along with those of the other Claremont Colleges. The Plan is funded in accordance with the Employer Retirement Income Security Act of 1974 ("ERISA"). The benefits are based on a percent of each year's base compensation. Plan assets are invested primarily in a diversified group of equity and fixed-income securities. The College's allocation of the net pension cost for the years ended June 30, 2013 and 2012 was $201 and $182, 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 13 - NET ASSETS:

At June 30, 2013 and 2012, net assets consists of the following:

	2013	2012
Unrestricted:		
For operations and designated purposes	$ 1,700	$ 577
Student loans	2,447	3,140
Board designated endowment funds	135,509	108,757
Plant facilities	71,884	63,205
Total unrestricted	$ 211,540	$ 175,679
Temporarily restricted:		
Restricted for specific purposes	$ 105,355	$ 112,035
Annuity and life income contracts and agreements	2,448	848
Term endowments	140,072	150,557
Portion of perpetual endowment fund subject to a time restriction under California UPMIFA:		
Without purpose restriction	15,069	12,709
With purpose restriction	150,069	106,065
Total temporarily restricted	$ 413,013	$ 382,214
Permanently restricted:		
Student loans	$ 11,647	$ 11,873
Annuity and life income contracts and agreements	11,060	10,550
Endowment	271,184	254,382
Total permanently restricted	$ 293,891	$ 276,805

June 30, 2013 and 2012
(in thousands)

NOTE 14 - 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, 2013 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013
Investment returns:				
Earned income	$ 2,567	$ -	$ 201	$ 2,768
Change in realized and unrealized net appreciation (depreciation) of investments	47,451	37,140	290	84,881
Net investment return	50,018	37,140	491	87,649
Endowment returns reinvested (or distributed for operations)	(25,919)	1,369	258	(24,292)
Net investment returns	24,099	38,509	749	63,357
Other changes in endowed equity:				
Gifts	-	4,564	7,572	12,136
Other additions, net	2,653	(7,194)	8,481	3,940
Total other changes in endowed equity	2,653	(2,630)	16,053	16,076
Net change in endowed equity	26,752	35,879	16,802	79,433
Endowed equity, beginning of year	108,757	269,331	254,382	632,470
Endowed equity, end of year	$ 135,509	$ 305,210	$ 271,184	$ 711,903

At June 30, 2013, endowed equity consists of the following assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013
Contributions receivable, net of discount	$ -	$ 107,392	$ 5,364	$ 112,756
Investments	135,509	197,818	265,820	599,147
Total endowed equity	$ 135,509	$ 305,210	$ 271,184	$ 711,903

June 30, 2013 and 2012
(in thousands)

NOTE 14 - ENDOWMENT: *Continued*

Changes in the College's endowment for the year ended June 30, 2012 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012
Investment returns:				
Earned income	$ 1,731	$ -	$ 101	$ 1,832
Change in realized and unrealized net appreciation (depreciation) of investments	12,251	(19,236)	(318)	(7,303)
Net investment return	13,982	(19,236)	(217)	(5,471)
Endowment returns reinvested (or distributed for operations)	(25,295)	1,410	282	(23,603)
Net investment returns	(11,313)	(17,826)	65	(29,074)
Other changes in endowed equity:				
Gifts	-	4,576	6,901	11,477
Other additions, net	2,725	(7,977)	4,119	(1,133)
Total other changes in endowed equity	2,725	(3,401)	11,020	10,344
Net change in endowed equity	(8,588)	(21,227)	11,085	(18,730)
Endowed equity, beginning of year	117,345	290,558	243,297	651,200
Endowed equity, end of year	$ 108,757	$ 269,331	$ 254,382	$ 632,470

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

Contributions receivable, net of discount	$ -	$ 107,828	$ 4,059	$ 111,887
Investments	108,757	161,503	250,323	520,583
Total endowed equity	$ 108,757	$ 269,331	$ 254,382	$ 632,470

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 $3,764 and $12,823 at June 30, 2013 and 2012, respectively.

June 30, 2013 and 2012
(in thousands)

NOTE 15 - NET STUDENT REVENUES:

Student revenues for the years ended June 30, 2013 and 2012 consist of the following:

	2013	2012
Tuition and fees	$ 58,236	$ 56,379
Room and board	14,759	14,728
Gross student revenues	72,995	71,107
Less financial aid:		
Sponsored	(14,407)	(13,005)
Unsponsored	(5,948)	(6,818)
Total financial aid	(20,355)	(19,823)
Net student revenues	$ 52,640	$ 51,284

"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 16 - INSTITUTIONAL SUPPORT FUNDRAISING EXPENSE:

Included in Institutional Support expenses are $4,521 and $4,249 of expenditures related to fundraising for the years ended June 30, 2013 and 2012, respectively.

NOTE 17 - AFFILIATED INSTITUTIONS:

The College is a member of an affiliated group of colleges known as The Claremont Colleges. Each college is a separate corporate entity governed by its own board of trustees. Claremont University Consortium, a member of this group, is the central coordinating institution which provides common student and administrative services, including certain central facilities utilized by all The Claremont Colleges. The costs of these services and facilities are shared by the members of the group. Amounts paid by the College for such services and use of facilities for the years ended June 30, 2013 and 2012 totaled $5,271 and $5,198, respectively.

NOTE 18 - 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, 2013 and 2012 totaled $17,965 and $21,285, respectively.

The College receives contributions and promises to give from members of the Board of Trustees. For the year ended June 30, 2013 and 2012, the College received $12,248 and $52,724, respectively, of total contribution revenue from members of the Board of Trustees. At June 30, 2013 and 2012, contributions receivable from members of the Board of Trustees totaled $200,258 and $200,939, respectively.

June 30, 2013 and 2012
(in thousands)

NOTE 19 - 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.

NOTE 20 - 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.

Subsequent events have been evaluated through October 21, 2013, which corresponds to the date when the financial statements are available for issuance.

For additional copies, please contact
Robin J. Aspinall
Vice President for Business and Administration and Treasurer

Bauer Center, 500 East Ninth Street
Claremont, California 91711-6400
(909) 621-8116
robin.aspinall@claremontmckenna.edu