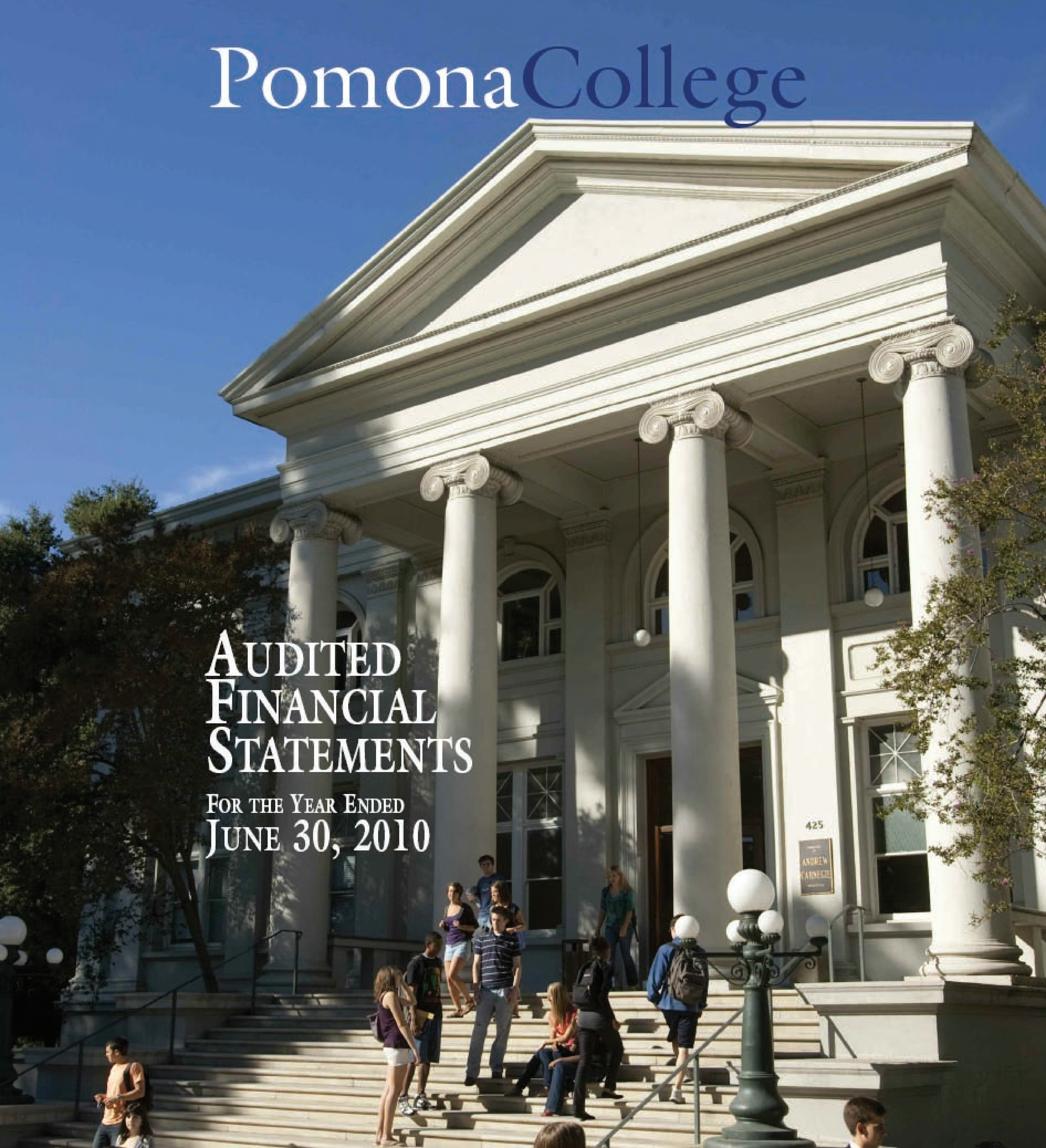
Pomona College

Audited Financial Statements

For the Year Ended June 30, 2010



Pomona College

Financial Statements
For the Year Ended June 30, 2010

PricewaterhouseCoopers LLP
350 S. Grand Ave.
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Report of Independent Auditors

To the Board of Trustees of
Pomona College

In our opinion, the accompanying statement of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Pomona College (the "College") at June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 audit. The prior year summarized comparative information has been derived from the College's June 30, 2009 financial statements, and in our report dated October 12, 2009, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 20, 2010

Pomona College
Statement of Financial Position
As of June 30, 2010
(With Summarized Financial Information
as of Year Ended June 30, 2009)
(In Thousands of Dollars)

	2010	2009
Assets		
Cash and cash equivalents	$ 3,148	$ 2,113
Accounts and other receivables, net of allowance	2,608	2,631
Prepaid expenses and deposits	1,666	1,674
Short-term investments	92,753	72,098
Contributions receivable, net	46,484	39,511
Notes receivable, net of allowance	16,402	17,333
Long-term investments:		
Pooled	1,500,622	1,391,863
Separately Invested	92,785	83,367
Assets held for property, plant and equipment	36,438	72,747
Property, plant and equipment, net of accumulated depreciation	312,407	276,161
Total assets	$ 2,105,313	$ 1,959,498
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 15,313	$ 9,170
Accrued payroll and other liabilities	24,394	20,949
Life income and annuities obligation	63,116	60,007
CEFA bonds payable	185,525	188,762
Government advances for student loans	5,076	5,027
Funds held in trust for others	25,870	23,592
Total liabilities	319,294	307,507
Net assets:		
Unrestricted	829,153	769,713
Temporarily restricted	653,466	597,287
Permanently restricted	303,400	284,991
Total net assets	1,786,019	1,651,991
Total liabilities and net assets	$ 2,105,313	$ 1,959,498

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

Pomona College
Statement of Activities
For the Year Ended June 30, 2010
(With Summarized Financial Information for the Year Ended June 30, 2009)
(In Thousands of Dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
Revenues and gains:					
Student revenues	$ 75,171			$ 75,171	$ 72,060
Less: Student financial aid	(25,822)			(25,822)	(25,100)
Net student revenues	49,349	-	-	49,349	46,960
Federal grants and contracts	1,586			1,586	1,327
Private gifts and grants	7,666	$ 2,671	$ 13,446	23,783	28,666
Private contracts	641		-	641	613
Investment income	8,708	171	1,514	10,393	12,571
Net realized gains, appropriated	66,044			66,044	61,060
Sales and services of education departments	449			449	466
Other sources	404		75	479	622
Total revenues and gains	134,847	2,842	15,035	152,724	152,285
Expenses:					
Instruction	51,168			51,168	51,237
Research	2,408			2,408	2,689
Public service	1,042			1,042	569
Academic support	12,934			12,934	13,109
Student services	12,961			12,961	14,108
Institutional support	20,490			20,490	22,825
Auxiliary enterprises	18,223			18,223	17,529
Total expenses	119,226	-	-	119,226	122,066
Increase in net assets from operating activities	15,621	2,842	15,035	33,498	30,219
Non-operating activities:					
Net realized and unrealized gain / (loss) on investments	65,987	90,919	475	157,381	(405,681)
Net realized gains appropriated	(66,044)			(66,044)	(61,060)
Changes in actuarially determined gift liabilities	4,298	2,956	2,841	10,095	(25,864)
Comprehensive loss on staff retirement plan	(902)			(902)	(1,754)
Annuity and life income funds released	253	(253)		-	-
Net assets released from restriction	38,728	(38,922)	194	-	-
Change in designation of donor contributions	1,499	(1,363)	(136)	-	-
Increase / (decrease) in net assets from non-operating activities	43,819	53,337	3,374	100,530	(494,359)
Increase / (decrease) in net assets	59,440	56,179	18,409	134,028	(464,140)
Net assets at beginning of year	769,713	597,287	284,991	1,651,991	2,116,131
Net assets at end of year	$ 829,153	$ 653,466	$ 303,400	$ 1,786,019	$ 1,651,991

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

Pomona College
Statement of Cash Flows
For the Year Ended June 30, 2010
(With Summarized Financial Information for the Year Ended June 30, 2009)
(In Thousands of Dollars)

	2010	2009
Cash flows from operating and non-operating activities:		
Increase / (decrease) in net assets	$ 134,028	$ (464,140)
Adjustments to reconcile increase / (decrease) in net assets to net cash used in operating and non-operating activities:		
Depreciation	11,389	10,485
Amortization of bond premium	(1,047)	(646)
Contributions restricted for long-term investment	(15,251)	(12,608)
Net realized and unrealized (gain) / loss on investments	(157,381)	405,681
Non-cash gifts	(3,201)	(2,451)
(Decrease) / increase in actuarial liabilities	(10,095)	25,864
Change in assets and liabilities:		
Decrease/(increase) in accounts receivable	23	(935)
Increase in contributions receivable	(6,572)	(15,054)
Decrease/(increase) in prepaid expenses and deposits	8	(562)
Increase / (decrease) in accounts payable	1,149	(184)
Increase in accrued payroll and other liabilities	3,445	4,960
Net cash used in operating activities	(43,505)	(49,590)
Cash flows from investing activities:		
Additions to property, plant and equipment	(42,642)	(34,021)
Purchase of investments	(714,343)	(776,376)
Sale of investments	791,847	853,833
Disbursements of student loans	(202)	(157)
Collections of student loans	1,133	1,412
Disbursements of trust deed loans	(6,834)	(5,807)
Collections of trust deed loans	1,929	782
Net cash provided by investing activites	30,888	39,666
Cash flows from financing activities:		
Proceeds from issuance of CEFA bonds	-	67,960
Proceeds from contributions restricted for:		
Investment in endowment	13,340	11,871
Investment in life income	1,713	148
Investment in plant	1,151	2
Government advances for student loans	49	88
Payments on CEFA bonds payable	(2,190)	(2,095)
Defeasance and redemption of CEFA bonds payable	-	(66,890)
Investment income restricted for long-term investment	2,205	2,379
Payments on life income and annuities payable	(2,616)	(2,934)
Net cash provided by financing activities	13,652	10,529
Net change in cash	1,035	605
Cash and cash equivalents, beginning of year	2,113	1,508
Cash and cash equivalents, end of year	$ 3,148	$ 2,113
Supplementary cash flow information		
Cash paid during the year for interest	$ 6,862	$ 5,379

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

1. Summary of Significant Accounting Policies

Reporting Organization

Founded in 1887, Pomona College (the "College") is an independent, coeducational liberal arts college offering instruction in all major fields of the fine arts, humanities, social sciences, and natural sciences. The College has an enrollment of approximately 1,450 students and a student-faculty ratio of seven to one.

Pomona College is a member of an affiliated group of colleges known as The Claremont Colleges. Each affiliated college is a separate corporate entity governed by a separate Board of Trustees. The Claremont University Consortium, a member of this group, acts as the coordinating institution which provides common student and administrative services including certain central facilities utilized by all the colleges. The costs of these services and facilities are shared by the members of the group.

Basis of Presentation

The accompanying financial statements of the College are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and with the provisions of the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Not-for-Profit Organizations*.

On July 1, 2009, the Financial Accounting Standards Board (FASB) released the authoritative version of the FASB Accounting Standards Codification (ASC) as the single source of authoritative nongovernmental accounting principles for U.S. GAAP. It is effective for periods ending after September 15, 2009. The ASC does not change GAAP. It introduces a new structure comprised of a Topic-based model. Accordingly, references to FASB statements, interpretations and other pronouncements in these financial statements have been changed to reflect the new structure. The more significant accounting policies are set forth below:

Net Assets

The accompanying financial statements present information regarding the College's financial position and activities according to the following three net asset categories:

Unrestricted Net Assets
Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets
Net assets that are subject to donor-imposed time or use restrictions that have not been met.

Permanently Restricted Net Assets
Net assets subject to donor-imposed restrictions that must be maintained permanently by the College. Generally, the donors permit the College to use all or part of the income earned on these assets for specific purposes.

Cash and Cash Equivalents

Cash includes all short-term, highly liquid investments with original maturities of three months or less when purchased. Cash and cash equivalents representing assets held in the investment pool are included in long-term investments (see Note 6).

1. Summary of Significant Accounting Policies (Continued)

The College maintains cash in various financial institutions, which periodically exceeds federally insured limits.

Investments

Investments are stated at fair value, as defined by ASC 820, *"Fair Value Measurements and Disclosures"*, and all related transactions are recorded on the trade date. The fair value of investments is based on quoted market prices from national security exchanges, except for alternative investments for which quoted market prices are not available. The fair value of certain alternative investments, which include limited partnerships in venture capital, real estate and other private debt and equity funds, is based on valuations provided by the external investment managers, general partners or partnership valuation committees, adjusted for receipts and disbursements of cash and distributions of securities if the date of the valuation is prior to the College's fiscal year end. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments and other pertinent information.

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, the Board of Trustees has adopted a spending policy for pooled investments whereby annually, if the ordinary income from the pooled investments is insufficient to provide the full amount of investment return specified by the adopted spending policy, the balance may be appropriated from cumulative realized gains of the pooled investments.

Property, Plant and Equipment

Property plant and equipment are stated at cost, representing the purchase price or fair market value at date of gift, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets (generally, 7 years for equipment and land improvements and 40 years for buildings). Construction in progress will be depreciated over these useful lives of the respective assets when they are ready for their intended use. The costs and accumulated depreciation of assets sold or retired are removed from the accounts and the related gains and losses are included in the Statement of Activities.

Art Collection

The College follows a policy not to record or capitalize its art collections. The College's art collections consist of objects of historical and aesthetic significance held for public exhibition and educational purposes. All works in the collection are catalogued, preserved, cared for and monitored according to professional museum standards, and are subject to a policy that requires proceeds from de-accession to be used exclusively for acquisition.

Life Income and Annuities Payable

The College has legal title to life income and annuity 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. The costs of managing these contracts and agreements are included in operating expenses.

1. Summary of Significant Accounting Policies (Continued)

The College uses the actuarial method of recording life income and annuity contracts and agreements. Under this method, 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 3.0% to 7.5% and over estimated lives according to the Annuity 2000 Mortality Table. Payments of income to beneficiaries are principally funded by the investment income of the related gift annuity investments.

Revenue and Expense Recognition

Student tuition and fees are recorded as revenues in the year during which the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenues and are included in other liabilities on the Statement of Financial Position. Revenues from federal grants and contracts are recorded as allowable expenditures under such agreements are incurred. Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate class of net assets. Contributions where donor restrictions are met within the same fiscal year as the contribution is received are included in unrestricted 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. Contributions to be received after one year are discounted at an appropriate discount rate. An allowance for uncollectible contributions is estimated based upon such factors as prior collection history, type of contribution and nature of fund-raising activity. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments, investment income and other revenues are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation.

Allocation of Certain Expenses

The Statement of Activities presents expenses by functional classification. Depreciation expense, operation and maintenance of plant and interest expense are allocated based on square footage occupancy of college facilities. Included in institutional support expense for the year ended June 30, 2010 is $5,876,000 of expenses related to fund-raising.

Expiration 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 expires. At that time, the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The College follows the policy of reporting, as unrestricted support, donor-imposed restricted contributions and endowment income whose restrictions are met in the same period as received. It is also the College’s policy to lift 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.

1. Summary of Significant Accounting Policies (Continued)

Estates and Trusts

The College is named beneficiary of various estates in probate. Unless the ultimate amount available for distribution can be determined before the close of the probate proceedings, the College does not record these amounts until the time of asset distribution. Trusts in which the College is named as irrevocable beneficiary, but is not a trustee, are recorded when the College is notified by the trustee and the ownership percentage and valuation are determined.

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 disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues, expenses and other changes in net assets during the year. Actual results could differ from those estimates.

Summarized Financial Information

The financial statements include certain prior year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

New Accounting Pronouncements

Accounting Standards Codification ("ASC" or "Codification") Topic 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value under GAAP and enhances disclosures about fair value measurements. The College implemented this standard in the fiscal year ended June 30, 2009. ASC 820 defines fair value as an exchange price that would be received for an asset or paid to transfer a liability (the exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

In April 2009, Financial Accounting Standards Board ("FASB") issued ASC Topics 820-10-35, 50 and 55, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased*. This standard provides additional guidance on estimating the fair value of an asset where the level of activity has decreased significantly, and affirms that the objective fair value is the price that would be received to sell the asset in an orderly transaction, even when the market for the asset is not active. The College adopted ASC Topics 820-10-35, 50 and 55 effective January, 1, 2009.

In July 2009, the FASB Accounting Standards Codification became the single source of authoritative non-SEC U.S. generally accepted accounting principles ("GAAP") for non-governmental entities.

In September 2009, the FASB issued FASB Accounting Standards Update (ASU) No. 2009-12, *Investment in Certain Entities That Calculate Net Asset Value per Share (ASU 2009-12).* ASU 2009-12, adds disclosures, and provides guidance for estimating the fair value of investments in investment companies that calculate net asset value per share, allowing the Net Asset Value per

1. Summary of Significant Accounting Policies (Continued)

Share (NAV) to be used as a practical expedient for fair value where investment companies follow the American Institute of Certified Public Accountants (AICPA) Guide in arriving at their reported NAV. The College adopted ASU 2009-12 effective July 1, 2009.

In January 2010, the FASB issued ASU No. 2010-06, *Improving Disclosure about Fair Value Measurements.* This amends ASC 820 to require additional disclosures. The guidance requires entities to disclose transfers of assets in and out of Levels 1 and 2 of the fair value hierarchy, and the reasons for those transfers. ASU 2010-06 is effective for fiscal years beginning after January 2010. In addition, the guidance requires separate presentation of purchases and sales in the Level 3 asset reconciliation; which is effective January 2011. The adoption of this guidance is not expected to have a material impact on the College's financial statements.

During the year ended June 30, 2009, the College adopted a new accounting standard that governs how not-for-profit organizations classify the net assets of donor-restricted endowment funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The new standard requires that net appreciation related to permanently restricted endowments be classified as temporarily restricted net assets until appropriated for expenditure. In addition, the standard required enhanced disclosures for all endowment funds. The State of California adopted UPMIFA effective January 1, 2009. In fiscal year ended June 30, 2009, the College recorded an adjustment to reclassify approximately $814,000,000 from the unrestricted to temporarily restricted net assets related to the adoption of this standard.

In February 2007, a new standard was established which permits entities to choose to measure many financial instruments and certain other items at fair value, with changes in fair value recognized in the change in net assets. The College considered these provisions and chose not to adopt the fair value option for those assets and liabilities qualified for such treatment under the pronouncement.

Taxation

The College is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and the corresponding sections of the California Revenue and Taxation Code, except for taxes on net unrelated business income. The College concluded that no provisions for federal or state income tax are required for the year ended June 30, 2010.

Subsequent Events

The College evaluated subsequent events for the period from June 30, 2010, the date of the financial statements, through October 20, 2010, the date of the issuance of the financial statements.

2. Net Student Revenues

Student revenues for the year ended June 30, 2010, in thousands of dollars, consist of the following:

Tuition and fees	$ 57,846
Room and board	17,325
Gross student revenues	75,171
Less:	
Sponsored financial aid	(14,771)
Unsponsored financial aid	(11,051)
Student financial aid	(25,822)
Net student revenues	$ 49,349

"Sponsored" financial aid consists of funds provided by external entities (including donors of restricted funds), whereas "unsponsored" aid consists of funds provided by the College.

3. Accounts and Other Receivables

Accounts and other receivables at June 30, 2010, in thousands of dollars, are as follows:

Private gifts and grants	$ 162
Investment income	893
Federal grants and contracts	548
Sales and other	1,013
	2,616
Less: Allowance for doubtful accounts	(8)
Accounts and other receivables, net of allowance	$ 2,608

4. Notes Receivable

Notes receivable at June 30, 2010, in thousands of dollars, are as follows:

Loans receivable from students	$ 16,990
Less: Allowance for doubtful accounts	(588)
Notes receivable, net of allowance	$ 16,402

Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans with U.S. Government mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, could not be made without incurring excessive costs.

5. Contributions Receivable

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, at rates ranging from 2.0% to 6.6%, to the present value of the future cash flows. Unconditional promises to give received during the year ended June 30, 2010 have been discounted at credit-adjusted rates in accordance with ASC 820.

The College has been named remainderman in certain split-interest agreements. These trust agreements require that the trustee make annual or more frequent payments to the beneficiaries. Upon the death of the beneficiaries or other termination of the trusts, the remaining trust assets will be distributed to the College and other remaindermen as stipulated in the trust agreements. The College has recorded its beneficial interest in these split-interest agreements based on the present value of future cash flows using a discount rate of 5.50%. The actuarial assumption used in this calculation is based on the expected return on assets in effect at the date of the valuation. The underlying trust assets are valued at fair value and consist primarily of securities that are traded on the ready market.

At June 30, 2010, unconditional promises to give, in thousands of dollars, are expected to be realized in the following periods:

In one year or less	$ 22,362
Between one year and five years	8,636
More than five years	1,558
	32,556
Less: Discount	(1,583)
Pledged contributions	30,973
Split-interest agreements	15,511
Contributions receivable, net	$ 46,484

Unconditional promises to give and split-interest agreements at June 30, 2010, in thousands of dollars, have the following restrictions:

Endowment for programs, activities and scholarships	$ 7,846
Building construction	20,946
Education and general	19,275
	48,067
Less Discount	(1,583)
Contributions receivable, net	$ 46,484

6. Investments

Fair Value Measurement

The College carries all investments at fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures.* Under this standard, fair value is defined as the price that would be received to sell an asset (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

The fair value of investments at June 30, 2010, in thousands of dollars, is as follows:

Pooled Investments	
Cash and cash equivalents	$ 29,855
U.S. equities	187,020
Non – U.S. equities	142,351
Emerging markets	82,798
Fixed income	190,485
Venture capital	147,822
Private equity	144,689
Absolute return	362,535
Real assets[1]	213,067
Total long-term investments - pooled	$ 1,500,622
Separately Invested	
Cash and cash equivalents	21,065
U.S. equities	22,392
Non – U.S. equities	1,744
Fixed income	34,543
Real assets[1]	5,021
Other	8,020
Total long-term investments – separately invested	92,785
Short-term investments (cash and cash equivalents)	92,753
Assets held for property, plant and equipment (cash and fixed income)	36,438
	$ 1,722,598

[1] Real assets include marketable hard assets, private real estate/timber, and private oil and gas/energy

Investment income related to all investments for the year ended June 30, 2010 was $10,393,000, which is net of related expenses of $3,913,000.

Absolute Return Strategies

Investments utilizing an absolute return strategy are less liquid than the College's other investments. These investments typically include certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased,

6. Investments (Continued)

intended to hedge against changes in the market value of investments. These financial instruments may result in loss due to changes in the market (market risk). The following table summarizes these investments by investment strategy type at June 30, 2010, in thousands of dollars.

Absolute Return Strategy	Number of Funds	Cost	Fair Value
Diversified arbitrage	7	$ 95,079	$ 140,888
Long-short equity	8	148,188	165,546
Event arbitrage	2	29,822	56,101
	17	$ 273,089	$ 362,535

Pending Purchases and Sales

At June 30, 2010, the College had pending security purchases and sales of approximately $574,000 and $790,000, respectively, included in separately invested assets on the Statement of Financial Position.

Pooled Fund

Where permitted by gift agreements and/or applicable government regulations, investments are pooled. Pooled investments and allocations of pooled investment income are accounted for on a unit-fair value method. The following schedule summarizes data pertaining to this method for the year ended June 30, 2010:

Unit-fair value at end of year	$ 742.12
Units owned:	
Unrestricted:	
Funds functioning as endowment	831,360
Designated for annuity and life income funds	55,303
Total unrestricted	886,663
Temporarily restricted:	
Funds functioning as endowment	33
Annuities and life income funds	8,260
Total temporarily restricted	8,293
Permanently restricted:	
Endowment funds	1,101,856
Annuities and life income funds	25,255
Total permanently restricted	1,127,111
Total units	2,022,067
Weighted-average units	2,006,183
Net pooled investment income per weighted-average unit	$ 5.80

6. Investments (Continued)

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date of identical, unrestricted assets. Assets and liabilities classified as Level 1 generally include listed equities, futures, options and certain fixed income securities.

Level 2 – Quoted prices for markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly. Assets and liabilities classified as Level 2 generally include equity swaps, forward contracts, certain fixed income securities, over-the-counter option contracts and certain other derivatives.

Level 3 – Pricing inputs are unobservable for the asset and reflect the management's own assumptions to determine fair value. Assets classified as Level 3 include private investments that are supported by little or no market activity.

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.

The investments in cash and cash equivalents, short-term investments, and certain domestic and international equities are valued based on quoted market prices, and are therefore classified within Level 1.

The investments in domestic fixed income, international fixed income and real properties are valued based on quoted market prices of comparable assets, and are therefore classified within Level 2.

The investments in private equity, long/short hedge funds, absolute return hedge funds and certain investment funds focused on domestic and international equities are valued utilizing unobservable inputs, and are therefore classified within Level 3. These investments are presented in the accompanying financial statements at fair value. The College's determination of fair value is based upon the best available information provided by the investment manager and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents the College's proportionate share of the partner's capital of the investment partnerships as reported by their general partners. For these investments, the College has determined, through its monitoring activities, to rely on the fair market value as determined by the investment managers.

6. Investments (Continued)

The general partners of the underlying investment partnerships generally value their investments at fair value and in accordance with ASC 820. Investments with no readily available market are generally valued according to the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations and/or the income approach. Consideration is also given to financial condition and operating results of the investment, the amount that the investment partnerships can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant. An investment can be carried at acquisition price (cost) if little has changed since the initial investment of the company and is most representative of fair value. Investments with a readily available market (listed on a securities exchange or traded in the over-the-counter market) are valued at quoted market prices or at an appropriate discount from such price if marketability of the securities is restricted.

Although the College uses its best judgment in determining the fair value of investments, there are inherent limitations in any methodology. Therefore, the values presented herein are not necessarily indicative of the amount that the College could realize in a current transaction. Future confirming events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon liquidation of the investments.

The following table summarizes the valuation of the College's investments, in thousands of dollars, by the ASC 820 fair value hierarchy levels as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Pooled investments				
Cash & cash equivalents	$ 29,855	$ -	$ -	$ 29,855
U.S. equities	67,196	-	119,824	187,020
Non - U.S. equities	18,231	121,990	2,130	142,351
Emerging markets	35,005	38,215	9,578	82,798
Fixed income	68,099	95,567	26,819	190,485
Venture capital	-	-	147,822	147,822
Private equity	-	-	144,689	144,689
Absolute return	-	-	362,535	362,535
Real assets[1]	40,353	32,082	140,632	213,067
Total pooled investments	258,739	287,854	954,029	1,500,622
Separately invested assets				
Cash & cash equivalents	124,424	-	-	124,424
U.S. equities	22,171	-	221	22,392
Non – U.S. equities	1,744	-	-	1,744
Fixed income	12,714	47,641	20	60,375
Real assets[1]	1,480	-	3,541	5,021
Other	42	7,972	6	8,020
Total separately invested assets	162,575	55,613	3,788	221,976
Total	$ 421,314	$ 343,467	$ 957,817	$ 1,722,598

[1] Real assets include marketable hard assets, private real estate/timber, and private oil and gas/energy

6. Investments (Continued)

The following is a reconciliation of Level 3 assets for which unobservable inputs were used to determine fair value. The table represents the activity of Level 3 securities held at the beginning and the end of the period, in thousands of dollars.

	Beginning Balance at June 30, 2009	Realized Gains (Losses)	Changes in Unrealized Gains (Losses)	Net Purchases (Sales and Settlements)	Net Transfers In (Out) of Level 3	Ending Balance at June 30, 2010
Pooled investments:						
U.S. equities	$ 121,412	$ 5,084	$ 18,328	$ (25,000)	$ -	$ 119,824
Non – U.S. equities	3,470	90	322	(46)	(1,706)	2,130
Emerging markets	8,761	480	1,582	(1,025)	(220)	9,578
Fixed income	1,235	233	1,722	23,710	(81)	26,819
Venture capital	130,791	1,089	7,692	8,250	-	147,822
Private equity	120,806	5,002	19,014	(133)	-	144,689
Absolute return	336,326	8,097	24,969	(6,857)	-	362,535
Real assets[1]	163,249	7,751	(14,550)	8,668	(24,486)	140,632
Total pooled investments	886,050	27,826	59,079	7,567	(26,493)	954,029
Separately invested assets:						
U.S. equities	185	-	36	-	-	221
Fixed income	324	(89)	71	(177)	(109)	20
Real assets[1]	4,553	(102)	(368)	(542)	-	3,541
Other	6	-	-	-	-	6
Total separately invested assets	5,068	(191)	(261)	(719)	(109)	3,788
Total Level 3 assets	$ 891,118	$ 27,635	$ 58,818	$ 6,848	$ (26,602)	$ 957,817

[1] Real assets include marketable hard assets, private real estate/timber, and private oil and gas/energy

6. Investments (Continued)

The College uses the Net Asset Value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Per ASU 2009-12, the following table lists investments in other investment companies (in partnership format) by major category, in thousands of dollars:

	Strategy	NAV in Funds	# of Funds	Remaining Life	Amount of Unfunded Commitments [2]	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions
Venture / Growth Equity	Venture Capital and Growth Equity fund primarily in the U.S.	$147.8	74	1 - 15 years	$72.5	up to 6 years	N/A [1]	N/A [1]
Private Equity / Distressed	Buyout and Distressed Funds in U.S. and international.	$144.7	49	1 - 15 years	$74.6	up to 6 years	N/A [1]	N/A [1]
Private Real Estate / Timber	Real Estate and Timberland funds primarily in the U.S. and developed Europe.	$53.9	21	1 - 15 years	$44.6	up to 6 years	N/A [1]	N/A [1]
Private Oil & Gas / Energy	Funds engaged in development of energy and other natural resources.	$70.4	19	1 - 15 years	$42.3	up to 6 years	N/A [1]	N/A [1]
TOTAL PRIVATE INVESTMENTS		**$416.8**	**163**		**$234.0**			
Absolute Return & Long/Short Equity	Long/Short and Diversified Arbitrage funds investing globally.	$362.5	17	N.A	$0.0	N/A	Ranges between quarterly with 30 days' notice, to annually with 180 days' notice.	1 fund has lock-up period for 6 months. 1 fund has rolling one-year lock-up period. 1 fund has two-year lock up period. 5 funds have side-pockets.
Comingled Funds	Long-only equity funds with various regional mandates.	$366.9	9	N.A	$0.0	N/A	Ranges between semi-monthly with 5 days' notice, to quarterly with 6 days' notice.	2 funds have one-year lock-up period. 1 fund limits redemptions to one-third of original capital contribution per year.

7. Property, Plant and Equipment

Property, plant and equipment at June 30, 2010, in thousands of dollars, are as follows:

Land	$ 3,486
Land improvements	15,210
Buildings	332,428
Equipment	38,521
Construction-in-progress	56,525
	446,170
Less: Accumulated depreciation	(133,763)
Property, plant and equipment, net of accumulated depreciation	$ 312,407

Outstanding commitments for construction contracts amounted to approximately $36,123,000 as of June 30, 2010.

8. CEFA Bonds Payable

Bonds payable, in thousands of dollars, issued through the California Educational Facilities Authority ("CEFA"), and associated interest rates and maturities at June 30, 2010 are as follows:

	Interest Rates	Maturity Dates	Principal Amount
Series 2009A	5.0%	2019, 2024	$ 62,290
Series 2008A	4.4%-5.0%	2018	59,475
Series 2005A	4.4%-5.2%	2018-2045	41,880
Series 2001	4.0%-5.0%	2010-2017	8,800
Series 1999A	4.0%-4.4%	2010-2017	3,710
			176,155
Plus: Unamortized premium			9,370
CEFA bonds payable			$ 185,525

Schedule of Maturities

Years Ending June 30,	
2011	$ 2,285
2012	2,375
2013	2,490
2014	1,250
2015	1,305
2016-2045	166,450
	$ 176,155

At June 30, 2010, the College had $36,438,000 of unspent proceeds from the California Educational Facilities Authority 2009A and 2008A held in trust accounts by US Bank (the "Trustee"), and whose use is limited to capital expenditures.

8. CEFA Bonds Payable (Continued)

The proceeds from the Series 2009A bonds, approximately $31,709,000, are invested in a portfolio of United States Treasury Notes ($21,344,000) and in cash ($10,365,000). The proceeds from the Series 2008A bonds, approximately $4,729,000, are invested pursuant to an investment agreement with FSA Capital Management Services LLC.

As of June 30, 2010, the College had incurred and paid from its general operating cash account qualifying capital expenditures of approximately $7,144,000 associated with Series 2009A and $4,433,000 associated with Series 2008A bond proceeds. These funds were restored to the College's general operating cash account via reimbursement from the bond proceeds held in trust accounts by the Trustee subsequent to June 30, 2010.

The CEFA agreements contain covenants relating to maintenance of the College, insurance and other general items.

At June 30, 2010, the fair value of the College's CEFA bonds payable was approximately $191,825,000. Fair value was estimated based upon dealer quotes for similar instruments.

9. Funds Held in Trust for Others

Funds held in trust for others at June 30, 2010, in thousands of dollars, are as follows:

Revocable trusts	$ 16,214
Other remaindermen trusts payable	9,656
Total funds held for others	$ 25,870

10. Net Assets

At June 30, 2010, net assets consist of the following, in thousands of dollars:

Unrestricted:	
Available for operations	$ 95
For designated purposes	104,707
Designated for annuity and life income funds	16,495
Funds functioning as endowment	587,418
Invested in property, plant and equipment	120,438
Total Unrestricted	829,153
Temporarily Restricted	
Restricted for specific purposes	19,092
Annuity and life income funds	28,296
Funds functioning as endowment	606,078
Total temporarily restricted	653,466
Permanently restricted	
Loan funds	16,980
Annuity and life income funds	20,942
Endowment funds	265,478
Total permanently restricted	303,400
Total net assets	$ 1,786,019

11. Employee Benefit Plans

Retirement Plans

The College participates with other members of The Claremont Colleges in two retirement plans administered by the Claremont University Consortium – a defined contribution plan and a defined benefit plan. These plans cover all of the College's eligible employees.

The defined contribution plan provides retirement benefits for all employees through Teachers Insurance and Annuity Association and the College Retirement Equities Fund ("TIAA/CREF"). Under this plan, College contributions are used to purchase fixed and/or variable annuities offered by TIAA-CREF. Vesting provisions are full and immediate. Benefits commence upon retirement and pre-retirement survivor death benefits are provided. In conjunction with this plan, employees are able to contribute a portion of their salary into a Tax-Deferred Annuity account and invest such assets in mutual funds offered by TIAA-CREF, Fidelity Investments Institutional Services Company, Inc., or The Vanguard Group.

Prior to July 1, 2005, certain retirement-eligible employees participated in a defined benefit plan, wherein the benefits were based on years of service, compensation, and the amount of employee contributions, if any. On June 30, 2005, the plan was frozen and all participants were immediately eligible to become participants in the defined contribution plan. The defined benefit plan continues to be funded in accordance with Employment Retirement Income Security Act of 1974 ("ERISA") and for the year ended June 30, 2010, the Plan has met the minimum funding requirements. Plan assets are invested in a diversified group of equity and fixed-income securities, in an insurance company's separate and general accounts. At June 30, 2010, the College's allocation of net pension costs was approximately $384,000. Also at June 30, 2010, the College had a reserve for future funding payments of approximately $3,693,000 that was included in accrued payroll and other liabilities on the Statement of Financial Position and approximately $1,447,000 related to contributions made by employees to the College's 457(b) Plan that were included in separately invested assets and accrued payroll and other liabilities on the Statement of Financial Position.

For the year ended June 30, 2010, the College's contributions to these plans amounted to approximately $6,913,000. Also included in the Statement of Activities for the year ended June 30, 2010 is a comprehensive loss of $908,000 relating to the defined benefit plan. This loss represents the amount by which the accumulated plan benefits exceeded the plan assets at June 30, 2010.

Workers' Compensation

The College participates with other members of The Claremont Colleges in collective insurance agreements including self-insurance for workers' compensation. At June 30, 2010 the College has approximately $575,000 in accounts payable to provide for payment of claims pending. Management believes that the ultimate disposition of these or other claims would not result in any material adjustments to the financial statements.

12. Endowment

The net assets of the College include permanent endowment and funds functioning as endowment. Permanent endowments are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized as provided for under the California Uniform Prudent Management of Institutional Funds Act. While funds functioning as endowment have been established by the Board of Trustees to function as endowment, any portion of such funds may be expended.

12. Endowment (Continued)

The College's endowment consists of approximately 1,700 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA" or "the Act") as permitting the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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 the Act. In accordance with the Act, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment policies of the College

Return Objective and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a custom

benchmark which reflects the College's current asset allocation targets and a simple benchmark composed of 85% of the S&P 500 index and 15% of the Barclays Capital Government/Credit Bond Index, while assuming a moderate level of investment risk.

The College expects its endowment funds to attain, over time and within acceptable risk levels, an average annual real rate of return of approximately 8 percent, net of all investment management and related fees and without regard to whether the return is in the form of income or capital gains. Actual returns in any given year may vary from this amount.

12. Endowment (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has a policy of appropriating for distribution each year 4.5% to 5.5% of its endowment funds' average fair value over the prior 12 quarters through September 30 of the preceding fiscal year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate at least equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. For the year ended June 30, 2010, the Board of Trustees authorized appropriations of $66,044,000, based on an approved spending rate of 4.5%, for current operations from the realized investment gains of pooled investments.

Endowment net assets consist of the following at June 30, 2010, in thousands of dollars:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 265,478	$ 265,478
Board-designated endowment funds	176,762	-	-	176,762
Accumulated unappropriated gains	410,656	606,078	-	1,016,734
Total endowment net assets	$ 587,418	$ 606,078	$ 265,478	$ 1,458,974

12. Endowment (Continued)

Changes in endowment net assets for the year ended June 30, 2010 are as follows, in thousands of dollars:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2009	$ 544,016	$ 552,832	$ 247,694	$ 1,344,542
Pooled investment returns:				
Earned income	11,635	-	-	11,635
Net realized and unrealized gains on investments during the year				
Net realized gains	14,973	24,554	-	39,527
Net unrealized gains	48,150	66,365	-	114,515
Total pooled investment returns	74,758	90,919	-	165,677
Distributions per spending policy	(77,679)	-	-	(77,679)
Net pooled investment returns appropriated to pool	(2,921)	90,919	-	87,998
Other changes in endowed equity:				
Gifts and releases	75	25	15,452	15,552
Net additions to / (withdrawals) from endowed equity	8,185	-	432	8,617
Endowment income reinvested	358	-	1,425	1,783
Appropriation of endowment assets			-	
for expenditure	37,698	(37,698)	-	-
Other losses / changes	7	-	475	482
Total other changes in endowed equity	46,323	(37,673)	17,784	26,434
Total changes in endowed equity	43,402	53,246	17,784	114,432
Endowment net assets, June 30, 2010	$ 587,418	$ 606,078	$ 265,478	$ 1,458,974

Funds with Deficits

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. Deficits of this nature that are reported in unrestricted net assets were $3,269,000 as of June 30, 2010. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

13. Related Parties

In the opinion of management, there were no material related-party transactions.

14. Commitments and Contingencies

Line of Credit

At June 30, 2010, the College had a $50,000,000 line of credit which expires on November 30, 2010. Any borrowings on the line would bear interest at a rate set by the bank (2.25% per annum at June 30, 2010) and is subject to change from time to time. There were no borrowings outstanding on the line at June 30, 2010.

Litigation

The College is involved in claims, including those for self-insurance, and occasional lawsuits arising in the ordinary course of its operations. In the opinion of management, the ultimate resolution of these claims and lawsuits are not expected to have a material effect on the College's financial position or change in net assets.

Federal Funding

Certain federal grants which the College administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time. The College expects that such amounts, if any, would not have a significant impact on the financial position of the College.

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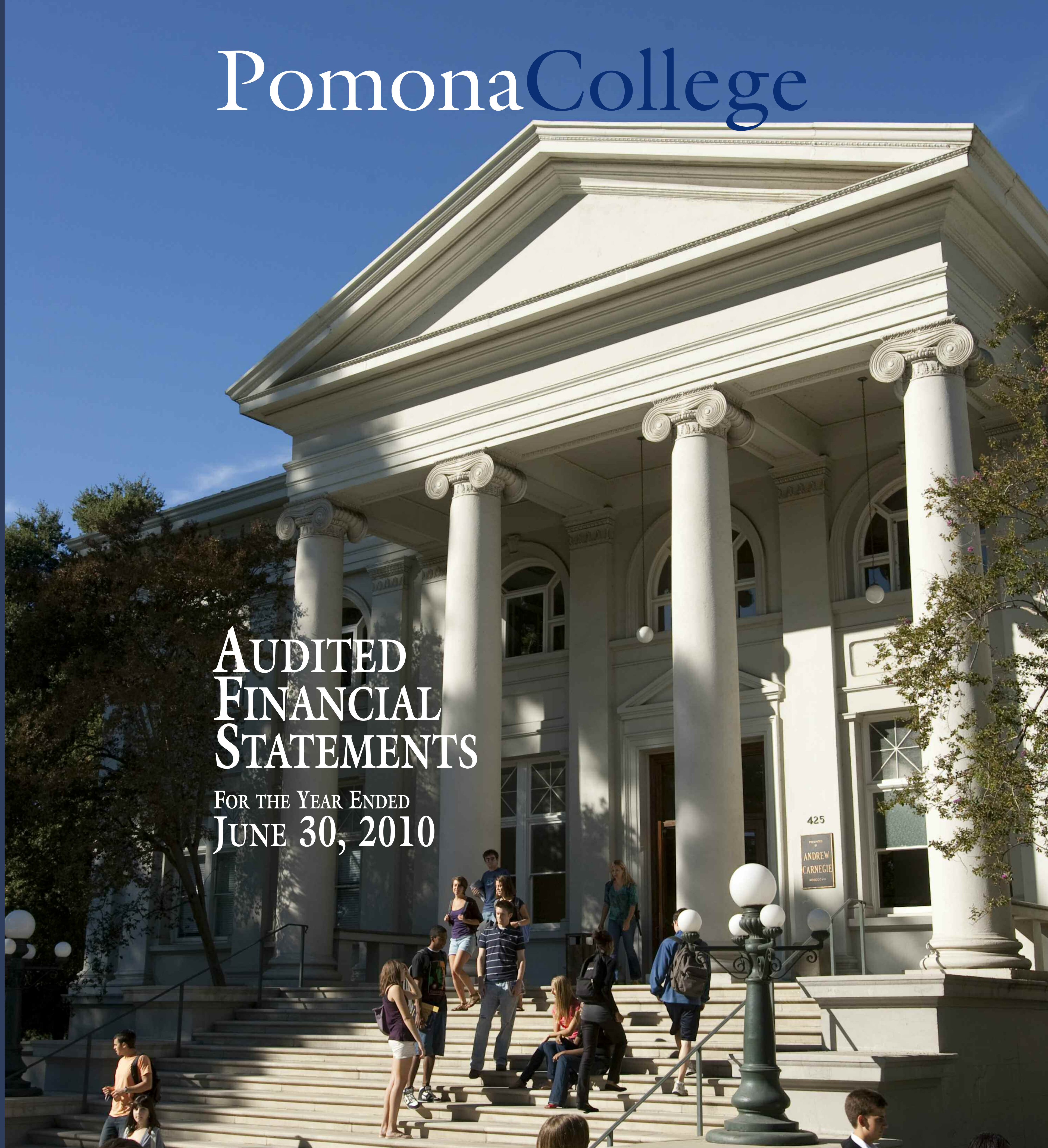
PomonaCollege



Audited Financial Statements

For the Year Ended June 30, 2010