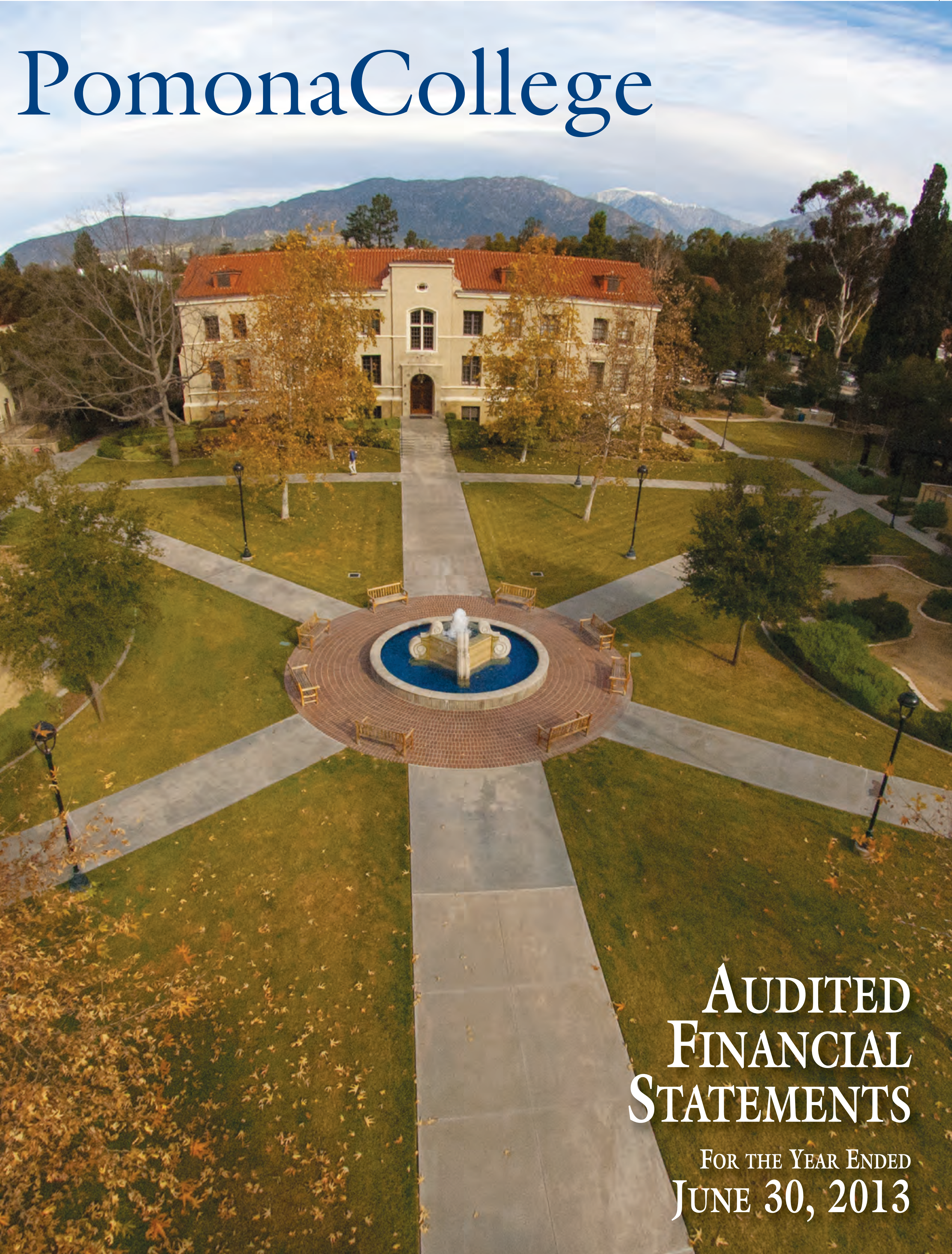
PomonaCollege



Audited Financial Statements

For the Year Ended
June 30, 2013

POMONA COLLEGE

Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Trustees
Pomona College:

Report on the Financial Statements

We have audited the accompanying financial statements of Pomona College (the 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 U.S. generally accepted accounting principles; 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 auditors' 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 we have 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 the College as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

KPMG LLP

Irvine, California
November 26, 2013

POMONA COLLEGE

Statements of Financial Position

June 30, 2013 and 2012

(In thousands of dollars)

Assets		**2013**	**2012**
Cash and cash equivalents	$	4,127	4,004
Accounts and other receivables, net of allowance		2,352	3,425
Prepaid expenses and deposits		1,547	1,651
Short-term investments		94,682	97,538
Contributions receivable, net		44,540	45,994
Notes receivable, net of allowance		13,658	14,421
Long-term investments:			
Pooled		1,909,166	1,752,135
Separately invested		87,293	83,904
Property, plant, and equipment, net of accumulated depreciation		352,387	347,898
Total assets	$	2,509,752	2,350,970
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	12,422	11,289
Accrued payroll and other liabilities		14,159	16,178
Life income and annuities obligation		74,899	68,623
CEFA bonds payable		190,974	192,111
Government advances for student loans		5,021	5,060
Funds held in trust for others		11,094	10,701
Total liabilities		308,569	303,962
Net assets:			
Unrestricted		1,073,567	1,003,859
Temporarily restricted		795,685	719,239
Permanently restricted		331,931	323,910
Total net assets		2,201,183	2,047,008
Total liabilities and net assets	$	2,509,752	2,350,970

See accompanying notes to financial statements.

POMONA COLLEGE

Statement of Activities

Year ended June 30, 2013

(In thousands of dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Student revenues	$ 86,636	—	—	86,636
Less student financial aid	(31,394)	—	—	(31,394)
Net student revenues	55,242	—	—	55,242
Federal grants and contracts	2,755	—	—	2,755
Private gifts and grants	8,167	3,970	2,800	14,937
Private contracts	901	—	—	901
Endowment income appropriated for operations	68,638	—	—	68,638
Sales and services of education departments	621	—	—	621
Other revenues	853	—	48	901
	81,935	3,970	2,848	88,753
Net assets released from restriction	37,706	(37,706)	—	—
Transfers among net asset categories	1,569	(2,083)	514	—
Total revenues, gains, and other support	176,452	(35,819)	3,362	143,995
Expenses:				
Instruction	55,539	—	—	55,539
Research	2,587	—	—	2,587
Public service	1,081	—	—	1,081
Academic support	14,430	—	—	14,430
Student services	16,711	—	—	16,711
Institutional support	27,356	—	—	27,356
Auxiliary enterprises	25,211	—	—	25,211
Total expenses	142,915	—	—	142,915
Increase (decrease) in net assets from operating activities	33,537	(35,819)	3,362	1,080
Nonoperating activities:				
Net realized and unrealized gain on investments	86,460	110,101	390	196,951
Investment income	9,264	254	534	10,052
Endowment income appropriated for operations	(68,638)	—	—	(68,638)
Changes in actuarially determined gift liabilities	7,138	2,079	3,738	12,955
Comprehensive gain on staff retirement plan	1,775	—	—	1,775
Annuity and life income funds released	172	(169)	(3)	—
Increase in net assets from nonoperating activities	36,171	112,265	4,659	153,095
Increase in net assets	69,708	76,446	8,021	154,175
Net assets, beginning of year	1,003,859	719,239	323,910	2,047,008
Net assets, end of year	$ 1,073,567	795,685	331,931	2,201,183

See accompanying notes to financial statements.

POMONA COLLEGE

Statement of Activities

Year ended June 30, 2012

(In thousands of dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Student revenues	$ 82,537	—	—	82,537
Less student financial aid	(29,015)	—	—	(29,015)
Net student revenues	53,522	—	—	53,522
Federal grants and contracts	2,127	—	—	2,127
Private gifts and grants	7,834	3,445	5,338	16,617
Private contracts	1,172	—	—	1,172
Endowment income appropriated for operations	65,022	—	—	65,022
Sales and services of education departments	487	—	—	487
Other revenues	543	—	56	599
	77,185	3,445	5,394	86,024
Net assets released from restriction	41,331	(41,241)	(90)	—
Transfers among net asset categories	(143)	143	—	—
Total revenues, gains, and other support	171,895	(37,653)	5,304	139,546
Expenses:				
Instruction	51,806	—	—	51,806
Research	2,696	—	—	2,696
Public service	1,056	—	—	1,056
Academic support	13,396	—	—	13,396
Student services	15,089	—	—	15,089
Institutional support	26,640	—	—	26,640
Auxiliary enterprises	23,803	—	—	23,803
Total expenses	134,486	—	—	134,486
Increase (decrease) in net assets from operating activities	37,409	(37,653)	5,304	5,060
Nonoperating activities:				
Net realized and unrealized gain (loss) on investments	10,607	13,350	(60)	23,897
Investment income	8,409	237	729	9,375
Endowment income appropriated for operations	(65,022)	—	—	(65,022)
Changes in actuarially determined gift liabilities	516	5,398	1,142	7,056
Comprehensive loss on staff retirement plan	(1,382)	—	—	(1,382)
Annuity and life income funds released	53	(53)	—	—
Change in restriction of donor contributions	—	(3,600)	3,600	—
Increase (decrease) in net assets from nonoperating activities	(46,819)	15,332	5,411	(26,076)
Increase (decrease) in net assets	(9,410)	(22,321)	10,715	(21,016)
Net assets, beginning of year	1,013,269	741,560	313,195	2,068,024
Net assets, end of year	$ 1,003,859	719,239	323,910	2,047,008

See accompanying notes to financial statements.

POMONA COLLEGE

Statements of Cash Flows

Years ended June 30, 2013 and 2012

(In thousands of dollars)

		2013	2012
Cash flows from operating and nonoperating activities:			
Increase (decrease) in net assets	$	154,175	(21,016)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		12,701	14,357
Accretion of interest on CEFA bonds		2,501	2,386
Amortization of bond premium		(1,203)	(633)
Contributions restricted for long-term investment		(4,692)	(6,207)
Net realized and unrealized gain on investments		(196,951)	(23,897)
Noncash gifts		(596)	(3,044)
Adjustments of actuarial liabilities		(12,955)	(7,056)
Change in assets and liabilities:			
Decrease in accounts receivable		1,073	7,722
Decrease in contributions receivable		1,921	7,174
Decrease (increase) in prepaid expenses and deposits		104	(329)
Decrease in accounts payable		(1,181)	(465)
Decrease in accrued payroll and other liabilities		(1,741)	(1,762)
Net cash used in operating activities		(46,844)	(32,770)
Cash flows from investing activities:			
Additions to property, plant, and equipment		(15,155)	(18,473)
Purchase of investments		(542,156)	(580,770)
Proceeds from sale of investments		603,267	630,040
Disbursements of student loans		(999)	(1,169)
Collections of student loans		1,762	2,057
Disbursements of trust deed loans		(5,106)	(2,943)
Collections of trust deed loans		3,693	2,115
Net cash provided by investing activities		45,306	30,857
Cash flows from financing activities:			
Proceeds from contributions restricted for:			
Investment in endowment		2,230	4,232
Investment in life income		867	970
Investment in plant		1,595	1,005
Proceeds from bonds issuance		—	7,914
Government advances for student loans		(39)	(14)
Payments on CEFA bonds payable		(2,435)	(10,669)
Investment income restricted for long-term investment		1,938	1,983
Payments on life income and annuities obligation		(2,495)	(2,570)
Net cash provided by financing activities		1,661	2,851
Net change in cash		123	938
Cash and cash equivalents, beginning of year		4,004	3,066
Cash and cash equivalents, end of year	$	4,127	4,004
Supplementary cash flow information:			
Cash paid during the year for interest	$	6,649	6,565

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) 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 1,590 students and a student-faculty ratio of eight 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.

(b) Basis of Presentation

The accompanying financial statements of the College are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

(c) Classification of 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

Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions, contingent upon specific performance of a future event or a specific passage of time before the College may spend the funds, and earnings on endowment funds that have not yet been appropriated.

Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor restrictions requiring that the assets be maintained in perpetuity. The investment income generated from these assets is temporarily restricted by law until appropriated by the board of trustees in support of the College's programs and operations.

(d) 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).

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

(e) Investments

Investments are reflected at fair value. The College uses net asset value (NAV) as a practical expedient for determining fair value of its financial instruments, in cases where appropriate criteria are met.

(f) 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.

(g) Fair Value of Financial Instruments

The College did not elect fair value accounting for any asset of liability that is not currently required to be measured at fair value.

Fair value of the College's financial instruments is determined using the estimates, methods, and assumptions as set forth below. See note 6 for further information regarding investments and their fair value.

(i) Cash equivalents, Accounts and Other Receivables, Accounts Payable, Accrued Payroll, and Other Liabilities

Fair value approximates book value due to the short maturity of these instruments.

A reasonable estimate of the fair value of student loans extended under government loan programs has not been made as the loans can only be assigned to the U.S. government.

(ii) CEFA Bonds Payable

Fair value of bonds is estimated with Level 2 inputs, based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for similar maturities and credit quality. See note 8 for further information regarding CEFA bonds payable and their fair value.

(iii) Life Income and Annuities Obligation

The carrying amount of annuity and trust obligations approximates fair value as the instruments are recorded at the estimated net present value of future cash flows. The estimated fair value, however, involves unobservable inputs considered to be Level 3 in the fair value hierarchy.

(h) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, representing the purchase price or fair market value at the 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 the 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.

(i) Art Collection

The College does not record or capitalize its art collections. The fine art collections of the College are housed in the Pomona College Museum of Art. Among important holdings are the Kress Collection of 15th and 16th century Italian panel paintings; over 5,000 examples of Pre-Columbian to 20th century American Indian art and artifacts; and a large collection of American and European prints, drawings, and photographs. 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 deaccession to be used exclusively for acquisition of art works.

(j) Life Income and Annuities Obligation

The actuarial liability for life income and annuity contracts and agreements are based on the present value of future payments, discounted at a rate that is commensurate with the risks involved ranging from 2.00% to 7.25% and over estimated lives according to the Annuity 2000 Mortality Table.

(k) 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 accrued payroll and 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. 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.

(l) 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 years ended June 30, 2013 and 2012 are $7,277,000 and $7,344,000, respectively, of expenses related to fund-raising.

(m) Expiration of Donor-Imposed Restrictions

The expiration of a donor-imposed restriction on a contribution 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 whose restrictions are met in the same period as received. It is 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.

(n) 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.

(o) Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 reporting period. Actual results could differ from those estimates.

(p) Income Taxes

The College is exempt for federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal and state income taxes. However, the College is subject to income taxes on any income that is derived from a trade or business regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

The preparation of financial statements in conformity with GAAP prescribes for all entities, including pass-through entities, minimum thresholds for financial statement recognition of an uncertain position taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction) and requires certain expanded tax disclosures. No such uncertain tax positions exist for the College at June 30, 2013 and 2012. The College files income tax returns in the U.S. Federal and the State of California jurisdictions, and is no longer subject to federal and state income tax examinations for tax years before 2008 and 2007, respectively.

(2) Net Student Revenues

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

		2013	2012
Tuition and fees	$	67,162	63,766
Room and board		19,474	18,771
Gross student revenues		86,636	82,537
Less:			
Sponsored financial aid		(14,160)	(13,622)
Unsponsored financial aid		(17,234)	(15,393)
Student financial aid		(31,394)	(29,015)
Net student revenues	$	55,242	53,522

"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, net of allowance at June 30, 2013 and 2012, in thousands of dollars, are as follows:

		2013	2012
Private gifts and grants	$	711	978
Investment income		557	1,440
Federal grants and contracts		671	834
Sales and other		456	222
		2,395	3,474
Less allowance for doubtful accounts		(43)	(49)
Accounts and other receivables, net of allowance	$	2,352	3,425

(4) Notes Receivable

Notes receivable at June 30, 2013 and 2012, in thousands of dollars, are as follows:

		2013	2012
Loans receivable from students	$	14,290	14,974
Less allowance for doubtful accounts		(632)	(553)
Notes receivable, net of allowance	$	13,658	14,421

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 2.00% to 3.05% to the present value of the future cash flows. Unconditional promises to give received during the years ended June 30, 2013 and 2012 have been discounted at credit-adjusted rates commensurate with the risks associated with the contribution in accordance with Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures.* These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. Book value approximates fair value.

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 discount rates ranging from 4.55% to 7.25%. 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 active market.

At June 30, 2013 and 2012, unconditional promises to give, in thousands of dollars, are expected to be received in the following periods:

		2013	2012
In one year or less	$	8,182	8,425
Between one year and five years		14,415	14,825
More than five years		750	2,395
		23,347	25,645
Less discount		(1,522)	(1,949)
Pledged contributions		21,825	23,696
Split-interest agreements		22,715	22,298
Contributions receivable, net	$	44,540	45,994

Unconditional promises to give and split-interest agreements at June 30, 2013 and 2012, in thousands of dollars, have the following restrictions:

		2013	2012
Endowment for programs, activities, and scholarships	$	11,524	11,521
Building construction		21,418	21,313
Education and general		13,120	15,109
		46,062	47,943
Less discount		(1,522)	(1,949)
Contributions receivable, net	$	44,540	45,994

(6) Investments

(a) Fair Value Measurement

The fair value of the College's financial instruments as of June 30, 2013 and 2012 represents management's best estimates of the amounts that would be received to sell those assets in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there are little, if any, observable inputs, management's own judgments about the assumptions of market participants were used in pricing the asset. Those judgments are developed by management based on the best information available in the circumstances.

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 fair value of investments at June 30, 2013 and 2012, in thousands of dollars, is as follows:

		2013	2012
Pooled investments:			
Cash and cash equivalents	$	31,431	37,832
U.S. equities		281,379	248,832
Non-U.S. equities		193,704	153,126
Emerging markets		162,522	113,876
Fixed income		183,685	190,764
Venture capital		195,894	201,428
Private equity		152,617	154,439
Absolute return		437,617	385,681
Real assets[1]		270,317	266,157
Total long-term investments – pooled		1,909,166	1,752,135
Separately invested:			
Cash and cash equivalents		5,530	7,132
U.S. equities		28,180	25,328
Non-U.S. equities		3,451	2,706
Fixed income		35,353	34,943
Real assets[1]		4,151	4,130
Other		10,628	9,665
Total long-term investments – separately invested		87,293	83,904
Short-term investments (cash and cash equivalents)		94,682	97,538
	$	2,091,141	1,933,577

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

The College's investment income net of related expenses for the years ended June 30, 2013 and 2012 was as follows, in thousands of dollars:

		2013	2012
Interest and dividends	$	15,016	14,541
Less investment expenses		(4,964)	(5,166)
Investment income		10,052	9,375
Net realized and unrealized gains on investments		196,951	23,897
Total investment income, net	$	207,003	33,272

(b) 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, 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, 2013 and 2012, in thousands of dollars.

	2013			
Absolute return strategy	**Number of funds**		**Cost**	**Fair value**
Diversified arbitrage	5	$	71,438	141,057
Long-short equity	8		140,212	206,876
Event arbitrage	2		26,921	62,519
Distressed securities	1		15,000	27,165
	16	$	253,571	437,617

	2012			
Absolute return strategy	**Number of funds**		**Cost**	**Fair value**
Diversified arbitrage	5	$	72,748	119,719
Long-short equity	7		137,679	186,524
Event arbitrage	2		26,921	56,867
Distressed securities	1		15,000	22,571
	15	$	252,348	385,681

(c) Pending Purchases and Sales

At June 30, 2013 and 2012, the College had pending security purchases and sales of approximately $313,000 and $1,297,000 and $577,000 and $403,000, respectively, included in the "other" category of separately invested assets on the previous page.

(d) 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 table summarizes data pertaining to this method for the years ended June 30, 2013 and 2012:

		2013	2012
Unit fair value at end of year	$	914.5	843.6
Units owned:			
Unrestricted:			
Funds functioning as endowment		879,337	877,337
Designated for annuity and life income funds		69,080	64,124
Total unrestricted		948,417	941,461
Temporarily restricted:			
Restricted for specific purposes		6,178	6,068
Funds functioning as endowment		13,593	13,571
Annuities and life income funds		8,363	8,299
Total temporarily restricted		28,134	27,938
Permanently restricted:			
Endowment funds		1,083,551	1,079,459
Annuities and life income funds		29,856	28,089
Total permanently restricted		1,113,407	1,107,548
Total units		2,089,958	2,076,947
Weighted average units		2,082,304	2,065,430
Net pooled investment income per weighted average unit	$	6	6

(e) Fair Value Hierarchy

The College's fair value hierarchy 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 – 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 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, certain domestic and international equities, certain emerging markets, certain real assets and certain domestic fixed income are valued based on quoted market prices, and are, therefore, classified within Level 1.

The investments in certain international equities, certain emerging markets, domestic fixed income, international fixed income, and certain 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, venture capital, absolute return hedge funds, certain real assets, certain investment funds focused on domestic and international equities, and international fixed incomes 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.

The general partners of the underlying investment partnerships generally value their investments at fair value. 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.

(Continued)

The following table summarizes the valuation of the College's investments, in thousands of dollars, by the fair value hierarchy levels as of June 30, 2013 and 2012:

		2013			
		Level 1	**Level 2**	**Level 3**	**Total**
Pooled investments:					
Cash and cash equivalents	$	31,431	—	—	31,431
U.S. equities		57,212	—	224,167	281,379
Non-U.S. equities		12,893	148,994	31,817	193,704
Emerging markets		42,466	120,056	—	162,522
Fixed income		44,866	94,265	44,554	183,685
Venture capital		—	—	195,894	195,894
Private equity		—	—	152,617	152,617
Absolute return		—	—	437,617	437,617
Real assets		81,187	—	189,130	270,317
Total pooled investments		270,055	363,315	1,275,796	1,909,166
Other invested assets:					
Cash and cash equivalents		100,212	—	—	100,212
U.S. equities		27,776	398	6	28,180
Non-U.S. equities		3,451	—	—	3,451
Fixed income		14,708	20,645	—	35,353
Real assets		—	—	4,151	4,151
Other		58	10,566	4	10,628
Total other invested assets		146,205	31,609	4,161	181,975
Total	$	416,260	394,924	1,279,957	2,091,141

(Continued)

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Pooled investments:				
Cash and cash equivalents	$ 37,832	—	—	37,832
U.S. equities	58,670	—	190,162	248,832
Non-U.S. equities	13,098	139,991	37	153,126
Emerging markets	37,435	76,441	—	113,876
Fixed income	46,030	99,155	45,579	190,764
Venture capital	—	—	201,428	201,428
Private equity	—	—	154,439	154,439
Absolute return	—	—	385,681	385,681
Real assets	44,262	39,700	182,195	266,157
Total pooled investments	237,327	355,287	1,159,521	1,752,135
Other invested assets:				
Cash and cash equivalents	104,670	—	—	104,670
U.S. equities	25,322	—	6	25,328
Non-U.S. equities	2,706	—	—	2,706
Fixed income	13,005	21,938	—	34,943
Real assets	—	—	4,130	4,130
Other	53	9,608	4	9,665
Total other invested assets	145,756	31,546	4,140	181,442
Total	$ 383,083	386,833	1,163,661	1,933,577

(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 end of the period, in thousands of dollars:

	June 30, 2013					
	Beginning balance at June 30, 2012	Realized gains (losses)	Changes in unrealized gains (losses)	Purchases	Sales	Ending balance at June 30, 2013
Pooled investments:						
U.S. equities	$ 190,162	1,311	37,694	—	(5,000)	224,167
Non-U.S. equities	37	—	1,780	30,000	—	31,817
Fixed income	45,579	—	(1,025)	—	—	44,554
Venture capital	201,428	22,665	(7,749)	16,781	(37,231)	195,894
Private equity	154,439	14,849	9,421	15,714	(41,806)	152,617
Absolute return	385,681	7,179	50,713	12,000	(17,956)	437,617
Real assets	182,195	5,661	7,862	32,068	(38,656)	189,130
Total pooled investments	1,159,521	51,665	98,696	106,563	(140,649)	1,275,796
Other invested assets:						
U.S. equities	6	—	—	—	—	6
Real assets	4,130	(34)	86	390	(421)	4,151
Other	4	—	—	—	—	4
Total other invested assets	4,140	(34)	86	390	(421)	4,161
Total Level 3 assets	$ 1,163,661	51,631	98,782	106,953	(141,070)	1,279,957

Change in unrealized gains for the period included in the increase in net assets for assets still held at the reporting date (in thousands) $ 98,782

	June 30, 2012					
	Beginning balance at June 30, 2011	**Realized gains (losses)**	**Changes in unrealized gains (losses)**	**Purchases**	**Sales**	**Ending balance at June 30, 2012**
Pooled investments:						
U.S. equities	$ 151,622	—	18,540	20,000	—	190,162
Non-U.S. equities	39	—	(2)	—	—	37
Fixed income	28,180	—	2,399	15,000		45,579
Venture capital	174,214	7,252	18,241	20,785	(19,064)	201,428
Private equity	165,358	15,973	(8,945)	19,737	(37,684)	154,439
Absolute return	380,274	(20)	6,176	44	(793)	385,681
Real assets	174,677	10,562	(4,762)	29,700	(27,982)	182,195
Total pooled investments	1,074,364	33,767	31,647	105,266	(85,523)	1,159,521
Other invested assets:						
U.S. equities	4	—	2	—	—	6
Real assets	3,662	(71)	20	658	(139)	4,130
Other	4	—	—	—	—	4
Total other invested assets	3,670	(71)	22	658	(139)	4,140
Total Level 3 assets	$ 1,078,034	33,696	31,669	105,924	(85,662)	1,163,661

Change in unrealized gains (losses) for the period included in the increase (decrease) in net assets for assets still held at the reporting date (in thousands) 31,669

(Continued)

The College uses the 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 Accounting Standards Update (ASU) 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, the following table lists investments in other investment companies (in partnership format) by major category, in millions of dollars:

	Strategy	NAV in funds	Number of funds	Remaining life	Amount of unfunded commitments[2]	Timing to draw down commitments	Redemption terms	Redemption restrictions	Redemption restrictions in place at year-end
Venture/growth equity	Venture capital and growth equity fund primarily in the U.S	$ 195.9	79	1–15 years	$ 56.4	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Private equity/distressed	Buyout and distressed funds in U.S. and international	152.6	46	1–15 years	56.9	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Private real estate/timber	Real estate and timberland funds primarily in the U.S. and developed Europe	84.0	22	1–15 years	36.3	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Private oil and gas/energy	Funds engaged in development of energy and other natural resources	105.1	23	1–15 years	50.9	up to 6 years	N/A [1]	N/A [1]	N/A [1]
Total private investments		537.6	170		200.5				
Absolute return and long/short equity	Long/short and diversified arbitrage funds investing globally	437.6	15	N/A	—	N/A	Ranges between quarterly with 30 days' notice, to annually with 180 days' notice.	1 fund has six months remaining of a twelve month lock-up period	3 funds have 25% annual gates in place; 1 fund has 15% gate in place; 1 fund has a 10% gate in place
Commingled funds	Long-only equity funds, emerging markets, fixed income, energy, and other natural resources with various regional mandates.	569.6	12	N/A	—	N/A	Ranges between monthly with 30 days' notice, to tri-annually with 90 days' notice.	2 funds have rolling three-year lock-up periods	1 fund has a 50% annual gate; 1 fund has a 25% annual gate; 1 fund has a 20% annual gate
	Total	$ 1,544.8	197		$ 200.5				

1 These funds are in private equity structure with no ability to be redeemed.

2 Of these commitments, approximately $72,000,000 is due within one year.

(7) Property, Plant, and Equipment

Property, plant, and equipment at June 30, 2013 and 2012, in thousands of dollars, are as follows:

	2013	2012
Land	$ 6,788	6,598
Land improvements	21,741	19,187
Buildings	437,429	430,860
Equipment	43,905	42,784
Construction in progress	16,508	9,751
	526,371	509,180
Less accumulated depreciation	(173,984)	(161,282)
Property, plant, and equipment, net of accumulated depreciation	$ 352,387	347,898

Outstanding commitments for construction contracts amounted to approximately $22,060,000 and $1,449,000 as of June 30, 2013 and 2012, respectively.

(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, 2013 and 2012 are as follows:

	2013		
	Interest rates	Maturity dates	Principal amount
Series 2011A	4.0%	2014-2017	$ 5,035
Series 2009A	5.0%	2019, 2024	62,290
Series 2008A	4.4% –5.0%	2018	62,890
Series 2005A	4.4% –5.2%	2018–2045	54,271
			184,486
Plus unamortized premium			6,488
CEFA bonds payable			$ 190,974

	2012			
	Interest rates	**Maturity dates**		**Principal amount**
Series 2011A	4.0%	2013 –2017	$	6,180
Series 2009A	5.0%	2019, 2024		62,290
Series 2008A	4.4% –5.0%	2018		62,148
Series 2005A	4.4% –5.2%	2018 –2045		52,512
Series 1999A	4.4%	2013		1,290
				184,420
Plus unamortized premium				7,691
CEFA bonds payable			$	192,111

Schedule of maturities:		
Years ending:		
2014	$	1,185
2015		1,230
2016		1,285
2017		1,335
2018		65,422
2019-2045		114,029
	$	184,486

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

In July 2011, the College completed a new municipal bond financing through the CEFA 2011A Series bonds in the par amount of $7,310,000. Proceeds from the bonds were used in the defeasance of the CEFA 2001 Series bonds in the amount of $7,700,000.

At June 30, 2013 and 2012, the fair value of the College’s CEFA bonds payable was approximately $201,388,000 and $213,418,000, respectively. 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, 2013 and 2012, in thousands of dollars, are as follows:

		2013	**2012**
Remaindermen trusts payable	$	11,094	10,701
Total funds held for others	$	11,094	10,701

(10) Net Assets

At June 30, 2013 and 2012, net assets consist of the following, in thousands of dollars:

		2013	2012
Unrestricted:			
Available for operations	$	95	95
For plant and other designated purposes		85,276	85,772
Designated for annuity and life income funds		29,011	23,883
Funds functioning as endowment		803,067	738,322
Invested in property, plant, and equipment, net of related debt		156,118	155,787
Total unrestricted		1,073,567	1,003,859
Temporarily restricted:			
Restricted for specific purposes		20,115	20,590
Annuity and life income funds		41,822	39,813
Donor-restricted endowment funds		1,016	996
Accumulated unappropriated gains on endowment		732,732	657,840
Total temporarily restricted		795,685	719,239
Permanently restricted:			
Loan funds		16,077	16,253
Annuity and life income funds		29,228	25,175
Endowment funds		286,626	282,482
Total permanently restricted		331,931	323,910
Total net assets	$	2,201,183	2,047,008

(11) 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 preretirement 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 the Employment Retirement Income Security Act of 1974 (ERISA) and for the years ended June 30, 2013 and 2012, 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, 2013 and 2012, the College's allocation of net pension costs was approximately $340,000 and $293,000, respectively. Also at June 30, 2013 and 2012, the College had a reserve for future funding payments of approximately $2,191,000 and $3,966,000 that was included in accrued payroll and other liabilities on the statement of financial position and approximately $2,923,000 and $2,352,000, respectively, 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 years ended June 30, 2013 and 2012, the College's contributions to these plans amounted to approximately $5,980,000 and $5,828,000. Also included in the statement of activities for the years ended June 30, 2013 and 2012 is a comprehensive gain of $1,775,000 and a comprehensive loss of $1,382,000, respectively, relating to the staff retirement plan.

(12) 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, 2013 and 2012, the College had approximately $480,000 and $435,000, respectively, 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.

(13) 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 (UPMIFA). 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.

The College's endowment consists of approximately 1,800 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.

(a) Interpretation of Relevant Law

The board of trustees of the College has interpreted the UPMIFA 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 endowments; (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

(b) 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 that 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 6.00%, 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.

(c) 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.

(Continued)

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has a policy of appropriating for distribution each year 4.50% to 5.50% of its endowment funds' average fair value over the prior 12 quarters through June 30 one year prior to the beginning of the 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. In May 2010, the board of trustees approved a two-year deviation from the College's endowment payout policy to permit the 12-quarter average spending rate to fall below 4.50% and to permit the growth in spending per unit to fall below 4.00%. The temporary reduction in endowment payout was a response to the impact of the 2008 financial crisis on the value of the endowment. For the years ended June 30, 2013 and 2012, the board of trustees authorized distributions of $68,638,000 and $65,022,000, respectively, based on an approved spending rate of 4.50% and 4.07%, for current operations from the realized investment gains of pooled investments.

Endowment net assets consist of the following at June 30, 2013 and 2012, in thousands of dollars:

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ (275)	1,016	286,626	287,367
Board-designated endowment funds	184,885	—	—	184,885
Accumulated unappropriated gains	618,457	732,732	—	1,351,189
Total endowment net assets	$ 803,067	733,748	286,626	1,823,441

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ (1,881)	996	282,482	281,597
Board-designated endowment funds	183,053	—	—	183,053
Accumulated unappropriated gains	557,150	657,840	—	1,214,990
Total endowment net assets	$ 738,322	658,836	282,482	1,679,640

Changes in endowment net assets for the year ended June 30, 2013 are as follows, in thousands of dollars:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2012	$	738,322	658,836	282,482	1,679,640
Pooled investment returns:					
Earned income		9,546	—	—	9,546
Net realized and unrealized gains on investments during the year		86,797	110,101	—	196,898
Total pooled investment returns		96,343	110,101	—	206,444
Distributions per spending policy		(68,638)	—	—	(68,638)
Net pooled investment returns appropriated to pool		27,705	110,101	—	137,806
Other changes in endowment:					
Gifts		617	15	2,232	2,864
Releases, changes, losses, and transfers per donor restrictions		2,670	(1,606)	1,491	2,555
Endowment income reinvested		150	5	421	576
Appropriation of endowment assets for expenditure		33,603	(33,603)	—	—
Total other changes in endowment		37,040	(35,189)	4,144	5,995
Total changes in endowed equity		64,745	74,912	4,144	143,801
Endowment net assets, June 30, 2013	$	803,067	733,748	286,626	1,823,441

Changes in endowment net assets for the year ended June 30, 2012 are as follows, in thousands of dollars:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2011	$ 753,676	675,389	271,389	1,700,454
Pooled investment returns:				
Earned income	8,903	—	—	8,903
Net realized and unrealized gains on investments during the year	10,662	13,350	—	24,012
Total pooled investment returns	19,565	13,350	—	32,915
Distributions per spending policy	(65,022)	—	—	(65,022)
Net pooled investment returns appropriated to pool	(45,457)	13,350	—	(32,107)
Other changes in endowment:				
Gifts	21	30	5,191	5,242
Releases, changes, losses, and transfers per donor restrictions	(1,139)	1,135	5,261	5,257
Endowment income reinvested	149	4	641	794
Appropriation of endowment assets for expenditure	31,072	(31,072)	—	—
Total other changes in endowment	30,103	(29,903)	11,093	11,293
Total changes in endowed equity	(15,354)	(16,553)	11,093	(20,814)
Endowment net assets, June 30, 2012	$ 738,322	658,836	282,482	1,679,640

(e) 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 $275,000 and $1,881,000 as of June 30, 2013 and 2012, respectively. 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.

(14) Affiliated Institutions

The amounts paid by the College to Claremont University Consortium for the common student and administrative services and the use of facilities for the years ended June 30, 2013 and 2012 totaled $6,648,000 and $6,585,000, respectively.

(15) Commitments and Contingencies

(a) Line of Credit

At June 30, 2013 and 2012, the College had a $50,000,000 line of credit, which expires on February 28, 2014. Any borrowings on the line would bear interest at a rate set by the bank (2.25% per annum at June 30, 2013 and 2012) and is subject to change from time to time. There were no borrowings outstanding on the line at June 30, 2013 and 2012.

(b) Federal Funding

Certain federal grants that 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.

(16) Subsequent Events

On November 7, 2013, the College executed a $44,762,000 commitment with a Construction Company for the construction of a new laboratory and renovation of a Science Hall. The project is scheduled to be completed in the Fall of 2015. Subsequent events have been evaluated through November 26, 2013, which is the date the financial statements were issued. There are no additional subsequent events that require disclosure.

Pomona College

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