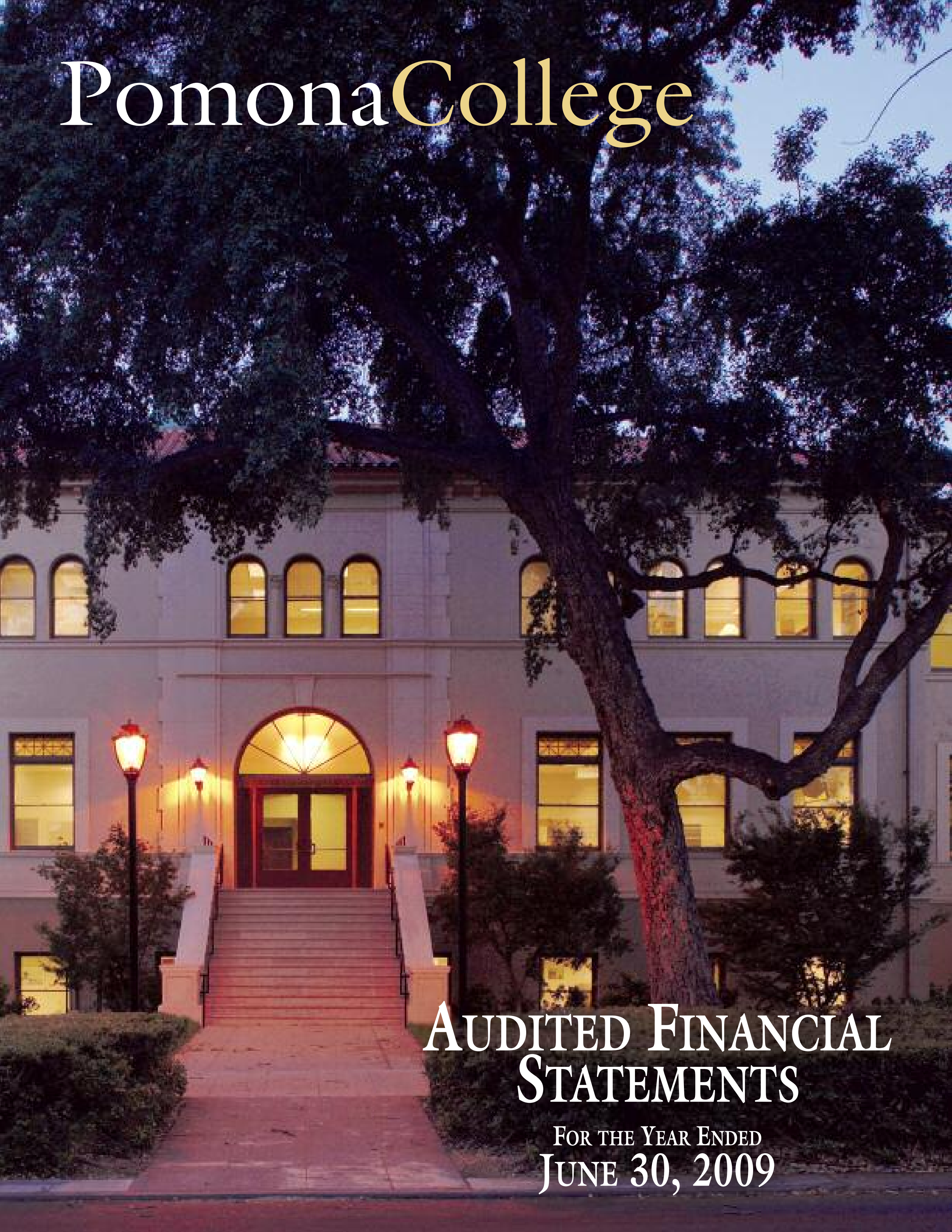

Pomona College

Audited Financial Statements

For the Year Ended June 30, 2009

Pomona College

Report on Audited Financial Statements
For the Year Ended June 30, 2009

PricewaterhouseCoopers LLP
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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, 2009, 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, 2008 financial statements, and in our report dated October 14, 2008, 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.

As discussed in Note 1, the College adopted FASB Staff Position (FSP) No. 117-1 "Endowment of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds", in the year ended June 30, 2009.

PricewaterhouseCoopers LLP

October 12, 2009

Pomona College
Statement of Financial Position
As of June 30, 2009
(With Summarized Financial Information
for the Year Ended June 30, 2008)
(In Thousands of Dollars)

	2009	2008
Assets		
Cash	$ 2,113	$ 1,508
Collateral held for loaned securities	-	64,781
Accounts and other receivables, net of allowance	2,631	1,696
Prepaid expenses and deposits	1,674	1,112
Short-term investments	72,098	56,364
Contributions receivable, net	39,511	24,662
Notes receivable, net of allowance	17,333	18,588
Long-term investments:		
Pooled	1,391,863	1,870,112
Separately Invested	83,367	97,986
Assets restricted to investment in property and equipment	72,747	98,652
Plant facilities, net of accumulated depreciation	276,161	257,469
Total assets	$ 1,959,498	$ 2,492,930
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 9,170	$ 14,198
Accrued payroll and other liabilities	20,949	15,989
Securities lending obligation	-	64,781
Life income and annuities obligation	60,007	60,363
CEFA bonds payable	188,762	190,433
Government advances for student loans	5,027	4,939
Funds held in trust for others	23,592	26,096
Total liabilities	307,507	376,799
Net assets:		
Unrestricted	769,713	1,791,435
Temporarily restricted	597,287	45,820
Permanently restricted	284,991	278,876
Total net assets	1,651,991	2,116,131
Total liabilities and net assets	$ 1,959,498	$ 2,492,930

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

Pomona College
Statement of Activities
For the Year Ended June 30, 2009
(With Summarized Financial Information for the Year Ended June 30, 2008)
(In Thousands of Dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Revenues and gains:					
Student revenues	$ 72,060			$ 72,060	$ 68,656
Less: Student financial aid	(25,100)			(25,100)	(21,925)
Net student revenues	46,960	-	-	46,960	46,731
Federal grants and contracts	1,327			1,327	1,543
Private gifts and grants	7,198	$ 9,935	$ 11,533	28,666	21,958
Private contracts	613			613	578
Investment income	10,446	179	1,946	12,571	16,764
Net realized gains, appropriated	61,060			61,060	45,995
Sales and services of education depts.	466			466	289
Other sources	560		62	622	810
Total revenues and gains	128,630	10,114	13,541	152,285	134,668
Expenses:					
Instruction	51,237			51,237	49,520
Research	2,689			2,689	3,141
Public service	569			569	621
Academic support	13,109			13,109	13,049
Student services	14,108			14,108	13,817
Institutional support	22,825			22,825	20,142
Auxiliary enterprises	17,529			17,529	17,505
Total expenses	122,066	-	-	122,066	117,795
Increase in net assets from operating activities	6,564	10,114	13,541	30,219	16,873
Non-operating activities:					
Net realized and unrealized (loss)/gain on investments	(177,906)	(226,745)	(1,030)	(405,681)	63,571
Net realized gains appropriated	(61,060)			(61,060)	(45,995)
Adjustment of actuarial liabilities	(13,747)	(4,905)	(7,212)	(25,864)	5,623
Comprehensive loss on staff retirement plan	(1,754)			(1,754)	(78)
Annuity and life income funds released	748	(748)		-	-
Net assets released from restriction	40,403	(40,403)		-	-
Change in designation of donor contributions	(816)		816	-	-
(Decrease) / increase in net assets from non-operating activities	(214,132)	(272,801)	(7,426)	(494,359)	23,121
(Decrease) / increase in net assets before effect of a change in accounting principle	(207,568)	(262,687)	6,115	(464,140)	39,994
Effect of a change in accounting principle	(814,154)	814,154		-	-
(Decrease) / increase in net assets	(1,021,722)	551,467	6,115	(464,140)	39,994
Net assets at beginning of year	1,791,435	45,820	278,876	2,116,131	2,076,137
Net assets at end of year	$ 769,713	$ 597,287	$ 284,991	$ 1,651,991	$ 2,116,131

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

Pomona College
Statement of Cash Flows
For the Year Ended June 30, 2009
(With Summarized Financial Information
for the Year Ended June 30, 2008)
(In Thousands of Dollars)

	2009	2008
Cash flows from operating and non-operating activities:		
(Decrease) / increase in net assets	$ (464,140)	$ 39,994
Adjustments to reconcile increase in net assets to net cash provided by / (used in) operating and non-operating activities:		
Depreciation	10,485	10,585
Amortization of bond premium	(646)	(24)
Contributions restricted for long-term investment	(12,608)	(6,936)
Non-cash gifts	(2,451)	(7,201)
Increase / (decrease) in actuarial liabilities	25,864	(5,623)
(Increase) / decrease in accounts receivable	(935)	1,417
(Increase) / decrease in contributions receivable	(15,054)	2,281
(Increase) / decrease in prepaid expenses and deposits	(562)	203
Decrease in accounts payable	(184)	(74)
Increase in accrued payroll and other liabilities	4,960	1,844
Net realized and unrealized loss / (gain) on investments	405,681	(63,571)
Net cash used in operating activities	(49,590)	(27,105)
Cash flows from investing activities:		
Additions to plant facilities	(34,021)	(34,094)
Purchase of investments	(776,376)	(1,632,908)
Sale of investments	853,833	1,596,774
Disbursements of student loans	(157)	(1,053)
Collections of student loans	1,412	532
Disbursements of trust deed loans	(5,807)	(4,255)
Collections of trust deed loans	782	1,152
Net cash provided by / (used in) investing activites	39,666	(73,852)
Cash flows from financing activities:		
Proceeds from issuance of CEFA bonds	67,960	98,272
Proceeds from contributions restricted for		
Investment in endowment	11,871	1,821
Investment in life income	148	237
Investment in plant	2	2,888
Government advances for student loans	88	33
Payments on CEFA bonds payable	(2,095)	(2,005)
Defeasance and redemption of CEFA bonds payable	(66,890)	-
Investment income restricted for long-term investment	2,379	2,923
Payments on life income and annuities payable	(2,934)	(3,469)
Net cash provided by financing activities	10,529	100,700
Net change in cash	605	(257)
Cash at beginning of year	1,508	1,765
Cash at end of year	$ 2,113	$ 1,508
Supplementary cash flow information		
Cash paid during the year for interest	$ 5,379	$ 2,762

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 1,550 students and a student-faculty ratio of nine 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 and with the provisions of the American Institute of Certified Public Accountants’ *Audit and Accounting Guide for Not-for-Profit Organizations*.

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.

1. Summary of Significant Accounting Policies (Continued)

Cash

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

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

Investments

Investments are stated at fair value, as defined by SFAS No. 157, *Fair Value Measurements*, 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. The College believes the carrying amount of these financial instruments is a reasonable estimate of fair value.

The College's private investments have a high concentration of securities that are not traded on ready markets, subjecting these investments to market value volatility. The net realized and unrealized loss on investments of $405,681,000 included approximately $257,424,000 of net losses related to venture capital holdings and other alternative investments for the year ended June 30, 2009. The net realized and unrealized appreciation (depreciation) in fair value of investments is reflected in the accompanying Statement of Activities.

1. Summary of Significant Accounting Policies (Continued)

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. At June 30, 2009, these cumulative net gains totaled approximately $1,065,829,000 and were recorded in unrestricted ($462,335,000) and temporarily restricted ($603,494,000) net assets and are available for appropriation under the College's spending policy. The spending policy states that a rate ranging between 4.5% and 5.5% is applied to the trailing 12-quarter average market value of the pooled investments. The actual rate of spending from the pooled investments for the fiscal year ended June 30, 2009 was 4.64% of the average of the previous 12-quarter market values.

Plant Facilities

Plant facilities consist of property, plant and equipment which 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 to not record or capitalize its 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.

1. Summary of Significant Accounting Policies (Continued)

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.

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 4.4% 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 as 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. Included in institutional support expense for the year ended June 30, 2009 is $4,936,000 of expenses related to fund-raising, exclusive of expenses for Alumni Relations and Public Affairs.

1. Summary of Significant Accounting Policies (Continued)

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 donor-imposed restricted contributions and endowment income whose restrictions are met in the same period as received as unrestricted support. 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.

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, 2008, from which the summarized information was derived.

1. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The College implemented SFAS No. 157 and its provisions are reflected in the accompanying financial statements.

In September 2009, FASB issued Accounting Standards Update 2009-12, which allows the College to measure the fair value of its investment in certain entities, as defined by the standard, at net asset value (NAV). The College chose to early adopt the standard for the period ending June 30, 2009. As the College has historically used NAV as the basis for determining the fair value of these investments, the adoption had no impact on the financial statements.

In August 2008, the FASB issued FASB Staff Position ("FSP") 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds* effective for fiscal years ending after December 15, 2008. The standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and expands disclosures about an organization's endowment (both donor-restricted and board-designated funds), whether or not the organization is subject to UPMIFA. The State of California adopted UPMIFA effective January 1, 2009; therefore, the College implemented FSP 117-1 in 2009 and its impact is reflected in the accompanying financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 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 the provisions of SFAS 159 during 2009 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. Since the College had no obligation for unrelated business income tax for the year ended June 30, 2009, no provisions for federal or state income taxes are required.

1. Summary of Significant Accounting Policies (Continued)

Reclassifications

The prior year Statement of Activities and Statement of Cash Flows have been revised to conform to the current period presentation.

2. Net Student Revenues

Student revenues for the year ended June 30, 2009, in thousands of dollars, consist of the following:

Tuition and fees	$ 55,277
Room and board	16,783
Gross student revenues	72,060
Less:	
Sponsored financial aid	(14,262)
Unsponsored financial aid	(10,838)
Student financial aid	(25,100)
Net student revenues	$ 46,960

"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, 2009 and 2008, in thousands of dollars, are as follows:

Private gifts and grants	$ 96
Investment income	1,765
Federal grants and contracts	381
Sales and other	397
	2,639
Less: Allowance for doubtful accounts	(8)
Accounts receivable, net of allowance	$ 2,631

4. Notes Receivable

Notes receivable at June 30, 2009, in thousands of dollars, are as follows:

Loans receivable from students	$ 17,905
Less: Allowance for doubtful accounts	(572)
Notes receivable, net of allowance	$ 17,333

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, 2009 have been discounted at credit-adjusted rates in accordance with SFAS 157.

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 5.25%. 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 ready market.

5. Contributions Receivable (Continued)

At June 30, 2009, unconditional promises to give, in thousands of dollars, are expected to be realized in the following periods:

In one year or less	$ 11,345
Between one year and five years	12,890
More than five years	2,961
	27,196
Less: Discount	(1,859)
Contributions receivable	25,337
Split-interest agreements	14,174
Total	$ 39,511

Unconditional promises to give and split-interest agreements at June 30, 2009, in thousands of dollars, have the following restrictions:

Endowment for programs, activities and scholarships	$ 12,399
Building construction	21,026
Education and general	7,945
	41,370
Less: Discount	(1,859)
Total	$ 39,511

6. Investments

Fair Value Measurement

The College carries all investments at fair value in accordance with Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("SFAS 157"). 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. SFAS 157 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 FAS 157 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.

6. Investments (Continued)

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.

The general partners of the underlying investment partnerships generally value their investments at fair value and in accordance with SFAS 157. 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.

6. Investments (Continued)

The following table is a summary of the levels, in thousands of dollars, used as of June 30, 2009 in valuing the College's assets carried at fair value:

	Level 1	Level 2	Level 3	Total
Pooled investments:				
Equities, fixed income and cash	$ 257,335	$ 240,834	$ 134,877	$ 633,046
Venture capital			130,791	130,791
Private Equity			108,819	108,819
Absolute return			342,483	342,483
Real assets	7,644		169,080	176,724
Total pooled investments	264,979	240,834	886,050	1,391,863
Separately invested assets:				
Equities, fixed income and cash	187,819	35,325	5,068	228,212
Total separately invested assets	187,819	35,325	5,068	228,212
Total	$ 452,798	$ 276,159	$ 891,118	$ 1,620,075

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:

	Level 3
Balance at June 30, 2008	$ 1,134,288
Total gains and losses:	
Net realized gains	29,770
Net change in unrealized losses	(282,982)
Total gains and losses	(253,212)
Net purchases, sales and settlements	10,097
Transfers in/(out) of level 3	(55)
Balance at June 30, 2009	$ 891,118

6. Investments (Continued)

Essentially all of the net change in unrealized depreciation for the period is attributable to assets classified as Level 3 and are still held at June 30, 2009.

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, 2009:

Unit-fair value at end of year	$ 695.87
Units owned:	
Unrestricted:	
Funds functioning as endowment	820,062
Designated for annuity and life income funds	57,725
Total unrestricted	877,787
Temporarily restricted:	
Annuities and life income funds	8,247
Total temporarily restricted	8,247
Permanently restricted:	
Endowment funds	1,087,908
Annuities and life income funds	26,234
Total permanently restricted	1,114,142
Total units	2,000,176
Weighted-average units	1,999,020
Net pooled investment income per weighted-average unit	$ 5.92

For the year ended June 30, 2009, in accordance with the investment policy for pooled investments, the Board of Trustees authorized appropriations of $61,060,000 (based on an approved spending rate of 4.64%) for current operations from the realized investment gains of pooled investments.

6. Investments (Continued)

Investment income related to all investments for the year ended June 30, 2009 was $12,571,000, which is net of related expenses of $3,903,000.

The cost and fair value of investments at June 30, 2009, in thousands of dollars, are as follows:

	Cost	Fair Value
Pooled Investments		
Cash and cash equivalents	$ 56,798	$ 56,798
Senior debt securities	112,919	111,685
Equities	226,980	195,575
International investments	152,433	167,340
Real estate and hard asset investments	97,014	102,951
Venture capital	216,728	130,791
Absolute return strategies	286,032	342,483
Emerging markets	84,323	79,891
Private equities	135,536	108,819
Oil and gas	61,348	52,226
Timber	18,446	21,516
Mortgage loans receivable	21,788	21,788
Total long-term investments – pooled	$ 1,470,345	$ 1,391,863
Separately Invested		
Cash and cash equivalents	$ 6,587	$ 6,587
Senior debt securities	31,506	31,500
Equities	15,853	16,150
Mutual funds	21,732	19,095
International investments	1,073	947
Real estate investments	7,101	6,313
Other	6,607	2,775
Total long-term investments – separately invested	90,459	83,367
Short-term investments	72,098	72,098
Assets restricted to investment in property and equipment	72,747	72,747
Total investments	$ 1,705,649	$ 1,620,075

6. Investments (Continued)

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, 2009, in thousands of dollars.

Absolute Return Strategy	Number of Funds	Cost	Fair Value
Diversified arbitrage	6	$ 103,648	$ 132,275
Long-short equity	8	123,379	138,058
Event arbitrage	2	29,822	48,716
Distressed equity	5	29,183	23,434
	21	$ 286,032	$ 342,483

Pending Purchases and Sales

At June 30, 2009, the College had pending security purchases and sales of approximately $1,133,000 and $702,000, respectively. These amounts are included in separately invested assets on the Statement of Financial Position.

Contracts

At June 30, 2009, the College had commitments to invest approximately $266,085,000 with various investment funds. Of these commitments, approximately $71,100,000 is due within one year.

7. Plant Facilities

Plant facilities at June 30, 2009, in thousands of dollars, are as follows:

Land	$ 3,486
Land improvements	14,766
Buildings	303,612
Equipment	38,399
Construction-in-progress	41,919
	402,182
Less: Accumulated depreciation	(126,021)
Plant facilities, net of accumulated depreciation	$ 276,161

Outstanding commitments for construction contracts amounted to approximately $8,143,000 as of June 30, 2009.

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, 2009 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	9,855
Series 1999A	4.0%-4.4%	2010-2017	4,845
			178,345
Plus: Unamortized premium			10,417
CEFA bonds payable			$ 188,762

8. CEFA Bonds Payable (Continued)

Schedule of Maturities

Years Ending June 30,	
2010	$ 2,190
2011	2,285
2012	2,375
2013	2,490
2014	1,250
2015-2045	167,755
	$ 178,345

On April 2, 2009, the College issued an aggregate of $62,290,000 in new CEFA Series 2009A Bonds which comprised of $31,145,000 of current interest bonds with a maturity of January 1, 2019 and $31,145,000 with a maturity of January 1, 2024 The net proceeds from the Series 2009A Bonds, including a bond premium of $5,670,000, were used to defease the College's CEFA Series 2008B Variable Rate Demand Revenue Bonds, the College's Series 2005B Variable Rate Demand Revenue Bonds and $5,825,000 of the College's CEFA Series 1999A Bonds. This transaction resulted in a loss of $1,052,000 and is included in Institutional Support expenses on the accompanying Statement of Activities.

At June 30, 2009, the College had approximately $72,747,000 of proceeds from the California Educational Facilities Authority 2009A and 2008A bonds whose use is limited to capital expenditures. The unspent proceeds from the Series 2009A bonds ($31,118,000) are invested in a portfolio of United States Treasury Notes and the unspent proceeds from the Series 2008A ($41,629,000) are invested pursuant to an investment agreement with FSA Capital Management Services LLC.

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

At June 30, 2009, the fair value of the College's CEFA bonds payable was approximately $188,746,000. 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, 2009, in thousands of dollars, are as follows:

Revocable trusts	$ 14,716
Other remaindermen trusts payable	8,876
	$ 23,592

10. Net Assets

At June 30, 2009, net assets consist of the following, in thousands of dollars:

Unrestricted:	
Available for operations	$ 95
For designated purposes	127,299
Designated for annuity and life income funds	17,018
Funds functioning as endowment	544,016
Invested in plant facilities	81,285
Total unrestricted	769,713
Temporarily restricted:	
Restricted for specific purposes	18,881
Annuity and life income funds	25,574
Funds functioning as endowment	552,832
Total temporarily restricted	597,287
Permanently restricted:	
Loan funds	17,263
Annuity and life income funds	20,034
Endowment funds	247,694
Total permanently restricted	284,991
Total net assets	$ 1,651,991

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, 2009, 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, 2009, the College's allocation of net pension costs was approximately ($82,000). Also at June 30, 2009, the College had a reserve for future funding payments of approximately $2,792,000 that was included in accrued payroll and other liabilities on the Statement of Financial Position and approximately $988,000 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, 2009, the College's contributions to these plans amounted to approximately $4,943,000. Also included in the Statement of Activities for the year ended June 30, 2009 is a comprehensive loss of $1,754,000 relating to the defined benefit plan. This loss represents the amount by which the accumulated plan benefits exceeded the plan assets at June 30, 2009.

11. Employee Benefit Plans (Continued)

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, 2009 the College has approximately $448,000 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.

The State of California adopted the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"); therefore, the College implemented the provisions of FASB Staff Position No. 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds" ("FSP 117-1") effective July 1, 2008. FSP 117-1 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

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.

12. Endowment (Continued)

Interpretation of Relevant Law

The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act (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 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

Endowment net assets consist of the following at June 30, 2009 (in thousands):

	Unrestricted	Termporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds			$ 247,694	$ 247,694
Board-designated endowment funds	$ 167,999			167,999
Accumulated unappropriated gains	376,017	$ 552,832		928,849
Total endowed net assets	$ 544,016	$ 552,832	$ 247,694	$ 1,344,542

12. Endowment (Continued)

Changes in endowment net assets for the year ended June 30, 2009 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2008	$ 1,562,129	-	$ 233,083	$ 1,795,212
Net asset reclassification based on law change	(814,154)	$ 814,154		-
Endowment net assets after reclassification	747,975	814,154	233,083	1,795,212
Pooled investment returns:				
Earned income	11,825			11,825
Net realized and unrealized gains on investments during the year				
Net realized losses	(16,034)	(19,407)		(35,441)
Net unrealized losses	(156,290)	(207,337)		(363,627)
Total pooled investment returns	(160,499)	(226,744)	-	(387,243)
Distributions per spending policy	(72,884)			(72,884)
Net pooled investment returns appropriated to pool	(233,383)	(226,744)	-	(460,127)
Other changes in endowed equity				
Gifts and releases	697		12,566	13,263
Net additions to / (withdrawals) from endowed equity	(5,685)		458	(5,227)
Endowment income reinvested	655		1,801	2,456
Appropriation of endowment assets for expenditure	34,578	(34,578)		-
Other losses / changes	(821)		(214)	(1,035)
Total other changes in endowed equity	29,424	(34,578)	14,611	9,457
Total changes in endowed equity	(203,959)	(261,322)	14,611	(450,670)
Endowment net assets, June 30, 2009	544,016	552,832	247,694	1,344,542

12. Endowment (Continued)

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 the Act requires the College to retain as a fund of perpetual duration. Deficits of this nature that are reported in unrestricted net assets were $4,524,000 as of June 30, 2009. 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.

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.

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.

12. Endowment (Continued)

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 the September 30th 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.

13. Related Parties

It is the policy of the College to provide full disclosure to the Audit Committee of the Board of Trustees of any related-party transactions. In the opinion of management, there were no material related-party transactions, other than transactions with affiliated institutions, which require disclosure in the financial statements.

14. Commitments and Contingencies

Line of Credit

At June 30, 2009, the College had a $50,000,000 line of credit which expires on November 30, 2009. Any borrowings on the line would bear interest at a rate set by the bank (2.25% at June 30, 2009) and is subject to change from time to time. There were no borrowings outstanding on the line at June 30, 2009.

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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