# S

HE WOMEN'S COLLEGE • CLAREMONT

Financial Report 2006–2007

THE PARAMOUNT

OBLIGATION OF A COLLEGE

IS TO DEVELOP IN ITS STUDENTS

THE ABILITY TO THINK CLEARLY

AND INDEPENDENTLY,

AND THE ABILITY

# SCRIPPS COLLEGE
# ANNUAL FINANCIAL REPORT

2007 and 2006

## CONTENTS

Treasurer's Letter

Report of Independent Auditors

Statements of Financial Position

Statements of Activities

Statements of Cash Flows

Supplemental Schedule - Statements of Endowed Equit

October  16, 2007

Dear Members of the Board of Trustees and Friends of Scripps College:

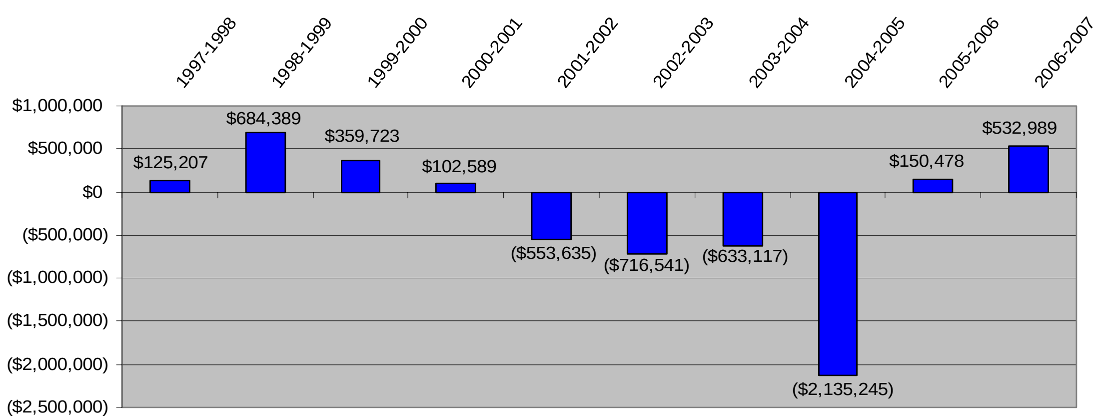
The following report presents the results of operations and other financial information for fiscal 2006-2007.

FINANCES:

Total assets increased by $59 million to $411 million, while net assets increased $57 million to $374 million. Endowment growth from gifts and investments provided much of the increase.

The Statement of Activities on page 7 shows over $43 million in operating revenue and an operating surplus of $533,000. This marks an improvement over fiscal 2005-2006 operating surplus of $150,000 and the deficit of over $2 million in fiscal 2004-2005. In the 1999 strategic plan, the College defined financial equilibrium as an operating surplus of $500,000 after giving effect to depreciation expense and interest on debt. For this year, the goal has been achieved.  The chart below shows the 10 year results of operations history.

**STATEMENT OF ACTIVITIES**
**OPERATING SURPLUS/ (DEFICIT)**
**1998-2007**



The Statement of Changes in Endowed Equity (page 10) shows an increase in the endowment of over $53 million after giving effect to almost $10 million of endowment income distributed to operations and other purposes.

# SCRIPPS COLLEGE
# STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

| | 2007 | 2006 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash | $ 282,053 | $ 177,336 |
| Accounts Receivable (Note 2) | 397,113 | 482,396 |
| Notes receivable, net (Note 2) | 448,367 | 561,216 |
| Contributions receivable (Note 3) | 3,546,557 | 1,017,484 |
| Prepaid expenses, deposits, and other | 742,557 | 473,653 |
| Investments (Note 4) | 10,405,190 | 8,403,401 |
| Assets whose use is limited (Note 4) | - | 3,410,817 |
| Total current assets | 15,821,837 | 14,526,303 |
| Non current assets | | |
| Notes receivable, net (Note 2) | 4,259,994 | 4,115,580 |
| Contributions receivable, net (Note 3) | 14,054,976 | 7,867,518 |
| Investments (Note 4) | 292,057,246 | 244,316,901 |
| Investments held as a reserve for depreciation (Note 4) | 1,943,753 | 1,613,257 |
| Collections (Note 1) | 16,586,170 | 16,501,166 |
| Plant facilities | | |
| Land and land improvements | 4,573,872 | 5,172,382 |
| Buildings | 78,091,886 | 77,527,263 |
| Equipment and furnishings | 5,559,069 | 9,286,203 |
| Property held for future use | 1,274,368 | 1,274,368 |
| Construction in progress | 6,457,716 | 1,724,879 |
| Accumulated depreciation | (29,554,878) | (31,903,338) |
| Net plant facilities | 66,402,033 | 63,081,757 |
| Total assets | $ 411,126,009 | $ 352,022,482 |

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

SCRIPPS COLLEGE
STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

| | | 2007 | | 2006 |
|---|---|---|---|---|
| **LIABILITIES AND NET ASSETS** | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | $ | 3,843,515 | $ | 2,438,935 |
| Current portion of bonds payable (Note 6) | | 460,000 | | 435,000 |
| Deposits and deferred revenue | | 1,721,109 | | 1,051,605 |
| Total current liabilities | | 6,024,624 | | 3,925,540 |
| Non current liabilities | | | | |
| Life income and annuities payable (Note 5) | | 5,381,030 | | 4,989,261 |
| Payable to Claremont University Consortium | | 28,096 | | 37,529 |
| Liability for staff retirement plan | | 291,411 | | 243,471 |
| Bonds payable (Note 6) | | 22,819,634 | | 23,245,363 |

# SCRIPPS COLLEGE
# STATEMENTS OF ACTIVITIES

For the years ended June 30, 2007 and 2006

| | 2007 | 2006 |
|---|---|---|
| **Unrestricted Net Assets** | | |
| Revenues and releases of net assets: | | |
| Tuition, room and board | $ 37,538,611 | $ 35,521,964 |
| Less financial aid | 9,156,545 | 9,169,822 |
| Net student revenues (Note 10) | 28,382,066 | 26,352,142 |
| Contributions to operations | 2,454,109 | 2,503,990 |
| Federal gifts and contracts | 337,279 | 349,159 |
| Spending policy income | 8,427,774 | 7,768,695 |
| Other investment income, net | 949,841 | 919,043 |
| Other revenue | 667,674 | 717,247 |
| Gifts and endowment payout for non-budgetary items | 702,397 | 657,224 |

# SCRIPPS COLLEGE
# STATEMENTS OF ACTIVITIES

For the years ended June 30, 2007 and 2006

| | 2007 | 2006 |
|---|---|---|
| **Temporarily Restricted Net Assets** | | |
| Revenues: | | |
| Contributions | $ 2,119,929 | $ 1,283,177 |
| Spending policy income | 584,636 | 528,692 |
| Other investment income, net | (3,066) | 67,684 |
| Adjustments on contributions receivable | (7,253) | (8,841) |
| Total revenues | 2,694,246 | 1,870,712 |
| Other changes in temporarily restricted net assets: | | |
| Actuarial adjustment of annuity and life income liabilities | 598,293 | 408,369 |
| Other | 295,151 | 216,395 |
| Release of temporarily restricted net assets: | | |
| Operations | (1,303,426) | (1,178,808) |
| Annuity and life income | - | (811,436) |
| Plant | (410,942) | (332,385) |
| Redesignation of net assets | (38,101) | 82,880 |
| Change in temporarily restricted net assets | 1,835,221 | 255,727 |
| Temporarily restricted net assets, beginning of year | 22,071,374 | 21,815,647 |
| Temporarily restricted net assets, end of year | $ 23,906,595 | $ 22,071,374 |
| **Permanently Restricted Net Assets** | | |
| Revenues: | | |
| Contributions | $ 16,725,012 | $ 1,467,588 |
| Spending policy income | - | 19,217 |
| Other investment income, net | 114,817 | 74,631 |
| Adjustments on contributions receivable | (593,955) | - |
| Other revenue | 13,748 | 5,533 |
| Total revenues | 16,259,622 | 1,566,969 |
| Other changes in permanently restricted net assets: | | |
| Actuarial adjustment of annuity and life income liabilities | 1,047,463 | 606,590 |
| Redesignation of net assets | 10,792 | 125,720 |
| Net (loss) on investments | - | - |
| Change in permanently restricted net assets | 17,317,877 | 2,299,279 |
| Permanently restricted net assets, beginning of year | 80,614,730 | 78,315,451 |
| Permanently restricted net assets, end of year | $ 97,932,607 | $ 80,614,730 |
| Total change in net assets: | | |
| Total net assets, beginning of year | $ 317,235,138 | $ 287,405,582 |
| Total year to date change in net assets | 57,003,523 | 29,829,556 |
| Total net assets, end of year | $ 374,238,661 | $ 317,235,138 |

# SCRIPPS COLLEGE
# STATEMENTS OF CASH FLOWS

For the years ended June 30, 2007 and 2006

| | 2007 | 2006 |
|---|---|---|
| Cash flows from operating activities: | | |
| Tuition, room and board, net of financial aid | $ 29,031,792 | $ 26,758,013 |
| Gifts, grants and contracts | 3,421,436 | 3,472,899 |
| Investment income | 4,433,529 | 3,651,814 |
| Other revenue | 953,286 | 1,189,839 |
| Payments for interest on debt | (1,284,014) | (1,308,982) |
| Payments to employees and suppliers | (37,699,035) | (37,311,974) |
| Net cash (used in) operating activities (Notes 13 and 14) | (1,143,006) | (3,548,391) |
| Cash flows from investing activities: | | |
| Purchase of plant facilities | (6,120,447) | (1,048,240) |
| Proceeds from sale of investments | 267,358,169 | 77,008,132 |
| Purchase of investments | (269,502,122) | (75,249,182) |
| Loans made to students and faculty | (513,194) | (385,328) |
| Collection of student and faculty loans | 470,075 | 352,203 |
| Net cash (used in) provided by investing activities | (8,307,519) | 677,585 |
| Cash flows from financing activities: | | |
| Payments to life income beneficiaries | (616,773) | (624,453) |
| Investment income on life income investments | 937,082 | 400,855 |
| Principal payments on debt | (435,000) | (418,000) |
| Contributions restricted for loans | 9,881 | 50 |
| Contributions restricted for endowment | 7,273,353 | 1,080,663 |
| Contributions restricted for life income contracts | 361,310 | 1,045,687 |
| Contributions restricted for plant expenditures | 1,683,593 | 615,446 |
| Contributions for other restricted purposes | 373,967 | 738,587 |
| Change in advances for student loans | (32,171) | (26,003) |
| Net cash provided by financing activities | 9,555,242 | 2,812,832 |
| Net increase (decrease) in cash | 104,717 | (57,974) |
| Cash at beginning of year | 177,336 | 235,310 |
| Cash at end of year | $ 282,053 | $ 177,336 |

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

# SCRIPPS COLLEGE
# SUPPLEMENTAL SCHEDULE
# STATEMENTS OF CHANGES IN ENDOWED EQUITY

For the years ended June 30, 2007 and 2006

| | 2007 | 2006 |
|---|---|---|
| Pooled investment return: | | |
| Earned income | $ 3,484,916 | $ 2,760,208 |
| Change in realized and unrealized | | |
| net appreciation of investments | 42,904,043 | 32,440,136 |
| Net investment return | 46,388,959 | 35,200,344 |
| | | |
| Endowment returns distributed for operations | (8,427,774) | (7,768,695) |
| Endowment returns distributed for non-budgetary items | (555,784) | (488,999) |
| Endowment returns distributed for temporarily restricted net assets | (584,636) | (528,692) |
| Endowment returns reinvested for permanently restricted net assets | - | (19,217) |
| Net investment returns reinvested | 36,820,765 | 26,394,741 |
| | | |
| Other changes in endowed equity: | | |
| Contributions | 14,931,842 | 1,080,663 |
| Other, net | | |

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Founded in 1926, Scripps College (the "College") is an independent, liberal arts college for women with a distinctive interdisciplinary core curriculum offering instruction in the humanities, fine arts, and the natural and social sciences. The College has an enrollment of approximately 873 students. The campus is on the National Register of Historic Places.

Its mission is to educate women to develop their intellect and talents through active participation in a community of

June 30, 2007 and 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

**Revenue and Expense Recognition, Continued:**

Investment Return – Investment income and gains and losses on investments and changes in other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

Expenses - Expenses are generally reported as decreases in unrestricted net assets. The financial statements present expenses by functional classification in accordance with the overall educational and research mission of the College.

**Operating Revenues and Expenses:**

Operating revenues include charges for tuition, room and board, net of financial aid, gifts and grants, spending policy

June 30, 2007 and 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

**Cash:**

For the purposes of reporting cash flows, cash includes demand deposit bank accounts.

**Concentration of Credit Risk:**

Financial instruments that potentially subject the College to concentrations of credit risk consists principally of cash deposits at financial institutions and investments in marketable securities. At times, balances in the College's cash and investment accounts exceed the Federal Deposit Insurance Corporation (FDIC) or Securities Investors Protection Corporation (SPIC).

**Investments:**

Cash Equivalents – Resources invested in money market funds are classified as cash equivalents, including any such investments held by external investment managers. Resources invested in money market funds for loan programs are classified as short term investments.

Marketable Securities - Marketable securities are reported at fair market value, except for trust deed loans, certain real estate investments, and other miscellaneous assets which are stated at cost. The cost of securities sold is determined by the average cost method and is used to compute realized gains and losses. Unrealized gains and losses reflect the changes in the market values of investments from the prior year. The date of record for investments is the trade date.

Alternative Investments - Venture capital investments are stated at fair value as of the most recent valuation date prior to year-end. Diversified limited partnership interests are invested in both publicly and privately owned securities. The fair values of private investments are based on estimates and assumptions of the general partners or partnership valuation committees in the absence of readily determinable market values. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of similar investments and other pertinent information. The private investments have a high concentration of pre-initial public offering securities, subjecting these investments to market value volatility. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Net realized and unrealized gains from alternative investments, on the statements of activities, for the years ended June 30, 2007 and 2006 is $28,751,455 and $31,110,372, respectively.

Due to the risks associated with certain investments and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in risks in the near term could materially effect account balances and the amounts reported in the statements of financial position.

**Management of Pooled Investments:**

The College follows an investment policy, which anticipates a greater long-term return through investing for capital appreciation, and accepts lower current yields from dividends and interest. In order to offset the effect of lower current yields for current operations, the Board of Trustees has adopted a spending policy for pooled investments whereby the amount of investment return available for current operations is determined by applying 5.00% to the average market

June 30, 2007 and 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

**Assets Whose Use is Limited:**

Indenture requirements of bond financing (see Note 6, “Note and Bonds Payable”) provide for the establishment and maintenance of various accounts with trustees. The indenture terms limit the use of these funds to the construction of plant facilities and payment of principal and interest to bond holders. Assets whose use is limited are comprised of cash equivalents, government and corporate securities and are recorded at cost, which approximates fair value.

**Collections:**

The College capitalizes its collections of works of art and rare books at their appraised or estimated current market value upon date of gift. In some cases, collection items held solely for their potential educational value or historic significance, or where the cost to establish the current market value was deemed to exceed the benefit, were not assigned value for the purpose of capitalization.

**Plant Facilities:**

Plant facilities consists of property, plant and equipment and is stated at cost, representing the original purchase price or fair market value at the date of the gift, less accumulated depreciation. Plant purchases with a useful life of five years or more and a cost equal to or greater than $50,000 for land improvements, $100,000 for large buildings (10,000 square feet), $50,000 for other buildings and $25,000 for equipment are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives the assets, generally, 25 years for land improvements, 40 years for buildings, 4 years for computing equipment and 7 years for other equipment. Depreciation expense is funded through operations and contributions. The cost and accumulated depreciation of assetsDepmort34 ,(T*(equivaleng4r)-35gov u9forks)-242(2.3615 TD(Poeum

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

**Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported

**Fair Value of Financial Instruments:**

A financial instrument is defined as a contractual obligation that ultimately ends with the delivery of cash or an ownership interest in an entity. Disclosures, included in these notes, regarding the fair value of financial instruments have been derived using external market sources, estimates using present value or other valuation techniques. Determination of the fair value of loan fund receivables, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs.

**Reclassifications:**

Certain 2006 amounts have been reclassified to conform to 2007 presentation.

**Change in Accounting Principle:**

The College implemented Financial Accounting Standards Board Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations”, an interpretation of FASB Statement No. 143 “Accounting for Asset Retirement Obligations” (FIN 47) as of June 30, 2006. FIN 47 clarified that conditional asset obligations meet the definition of liabilities and should be recognized when incurred if their fair values can be reasonable estimated. Upon implementation of FIN 47, the College recorded a cumulative effect of change in accounting principle of $482,872.

June 30, 2007 and 2006

**NOTE 2 - ACCOUNTS AND NOTES RECEIVABLE:**

Accounts receivable at June 30, 2007 and 2006 are as follows:

| | 2007 | 2006 |
|---|---|---|
| Student accounts | $ 51,606 | $ 119,401 |
| Federal and private grants and contracts | 10,620 | 142,521 |
| Other Claremont Colleges | 128,305 | 149,415 |
| Due from broker | 56,523 | 53,418 |
| Travel advances | 69,252 | 41,308 |
| Other | 93,292 | 11,017 |
| | 409,598 | 517,080 |
| Less allowance for doubtful accounts | (12,485) | (34,684) |
| Total accounts receivable, net | $ 397,113 | $ 482,396 |

Notes receivable at June 30, 2007 and 2006 are as follows:

| | 2007 | 2006 |
|---|---|---|
| Student notes | $ 4,740,133 | $ 4,734,698 |
| Faculty loans | 200,870 | 157,436 |
| | 4,941,003 | 4,892,134 |
| Less allowance for doubtful student notes | (232,642) | (215,338) |
| Total notes receivable, net | 4,708,361 | 4,676,796 |
| Less current portion | (448,367) | (561,216) |
| Non current notes receivable | $ 4,259,994 | $ 4,115,580 |

**NOTE 3 - 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 to the present value of future cash flows at rates ranging from 3.1 to 5.7%.

Unconditional promises to give at June 30, 2007 and 2006 are expected to be realized in the following periods:

| | 2007 | 2006 |
|---|---|---|
| Within one year | $ 3,571,012 | $ 1,051,003 |
| Between one year and five years | 4,026,712 | 842,899 |
| More than five years | 13,246,403 | 7,209,216 |
| | 20,844,127 | 9,103,118 |
| Less discount | (1,038,483) | (218,116) |
| Less allowance for doubtful contributions receivable | (2,204,111) | - |
| | 17,601,533 | 8,885,002 |
| Less current portion, net of discount | (3,546,557) | (1,017,484) |
| Contributions receivable, net | $ 14,054,976 | $ 7,867,518 |

Contributions receivable at June 30, 2007 and 2006 are intended for the following uses:

| | 2007 | 2006 |
|---|---|---|
| Endowment | $ 8,279,791 | $ 1,215,257 |
| Non-trustee charitable remainder unitrusts | 8,739,278 | 6,804,217 |
| Other | 582,464 | 865,528 |
| Total | $ 17,601,533 | $ 8,885,002 |

**NOTE 3 - CONTRIBUTIONS RECEIVABLE, CONTINUED:**

The College has also received two conditional promises to give totaling $200,000. These promises to give are contingent upon raising funds from other sources. Since these amounts are conditional, they are not recognized until the condition is met.

**NOTE 4 - INVESTMENTS:**

Where permitted by gift agreement and/or applicable government regulations, investments are pooled. Pooled investments and allocation of pooled investment income are accounted for on a unit value method. The following is a summary of data pertaining to this method for the years ended June 30, 2007 and 2006:

| | 2007 | 2006 |
|---|---|---|
| Unit market value at end of year | $ 572.14 | $ 493.96 |
| Units owned: | | |
| Unrestricted | 54,017 | 50,396 |
| Temporarily restricted | 23,338 | 24,172 |
| Permanently restricted | 418,000 | 402,632 |
| Total | 495,355 | 477,200 |

Investment income related to College investments, net of management and custody fees of $1,153,769 and $982,924 for the years ended June 30, 2007 and 2006, respectively, is as follows:

| | 2007 | 2006 |
|---|---|---|
| Pooled investments income | $ 3,690,103 | $ 2,959,449 |
| Pooled investments gains appropriated | 6,162,336 | 6,135,975 |
| Total spending policy income and gains | 9,852,439 | 9,095,424 |
| Less amounts allocated to annuity and life income contracts/agreements and for non-budgetary items | (840,056) | (778,820) |
| Total spending policy income | 9,012,410 | 8,316,604 |
| Other investment income | 1,183,848 | 1,145,757 |
| Other investment gains | 31,108 | 48,148 |
| Less amounts allocated to annuity and life income contracts/agreements and for non-budgetary items | (153,364) | (132,547) |
| Total other investment income | 1,061,592 | 1,061,358 |
| Realized gains on pooled investments | 32,959,222 | 10,438,032 |
| Unrealized gains on pooled investments | 10,334,260 | 22,258,258 |
| Pooled investment gains appropriated | (6,162,336) | (6,135,975) |
| Net realized and unrealized losses on investments net of allocation to operations | 37,131,146 | 26,560,315 |
| Total investment return | $ 47,205,148 | $ 35,938,277 |

It is the College's policy to invest and maintain a diversified investment portfolio. The following schedule summarizes investments at June 30:

Investment by program:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| Investment pool | $ 210,510,169 | $ 283,411,285 | $ 175,199,546 | $ 236,871,266 |
| Separate investments | 19,831,103 | 20,994,904 | 20,053,863 | 20,873,110 |
| Total by program | $ 230,341,272 | $ 304,406,189 | $ 195,253,409 | $ 257,744,376 |

June 30, 2007 and 2006

**NOTE 6 - NOTE AND BONDS PAYABLE, CONTINUED:**

The CEFA Series 1997C bonds are due in 2015. Annual installments range from $231,100 in March 2008 to $327,400 in March 2015. Interest is payable semi-annually at rates ranging from 5.0% to 5.5%. Bonds maturing after March 1, 2007 with principal balances totaling $2,197,000 are subject to redemption at prices ranging from 102% to 100%. The CEFA Series 1997C bonds are collateralized by a CEFA Series 1990 loan agreement, due in annual installments ranging from $200,000 in March 2007 to $320,000 in March 2015 at a rate of 7.0%. The total principal and interest payments made by the College under the CEFA Series 1990 loan agreement fund the CEFA Series 1997C bond payments.

The CEFA Series 1999 bonds are due in 2030. Annual installments range from $235,000 in February 2008 to $685,000 in February 2030. Interest is payable semi-annually at rates ranging from 4.4% to 5.1%. Bonds maturing after February

The CEFA Series 2001 bonds are due in 2031. Annual installments range from $25,000 in August 2007 to $1,675,000 in August 2031, and bear interest at rates ranging from 5.00% to 5.25%. Bonds maturing after August 1, 2011 with principal balances totaling $12,070,000 are subject to optional redemption at a price equal to the principal amount redeemed.

Interest expense was $1,305,963 and $1,330,023 for the years ended June 30, 2007 and 2006, respectively, and includes amortized discount (premium) and cost of issuance of $34,271.

At June 30, 2007, the bond maturities were as follows:

| Fiscal Year Ending June 30, | | |
|---|---|---|
| 2008 | $ | 460,000 |
| 2009 | | 485,000 |
| 2010 | | 515,000 |
| 2011 | | 545,000 |
| 2012 | | 575,000 |
| Thereafter | | 21,300,000 |
| | $ | 23,880,000 |

The College has an unsecured $3,000,000 line of credit with Wells Fargo Bank. Any borrowings on the line would bear interest at the bank's prime rate. There were no borrowings outstanding on the line at June 30, 2007 and 2006.

The estimated fair value of the College's bonds payable was approximately $24,363,000 and $24,831,000 at June 30, 2007 and 2006, respectively. The fair value was estimated based upon the discounted amount of future cash outflows based on current rates available to the College for debt of the same remaining maturities.

**NOTE 7 - FUNDS HELD IN TRUST FOR OTHERS:**

June 30, 2007 and 2006

**NOTE 11 - FUND RAISING EXPENSE:**

**NOTE 12 - OPERATING LEASES:**

| Fiscal Years Ending June 30, | Lease Payments |
|---|---|
| 2008 | $ 52,860 |
| 2009 | 45,742 |
| 2010 | 21,166 |
| 2011 | 18,481 |
| 2012 | 18,080 |
| Thereafter | 1,139 |
| | $ 157,468 |

**NOTE 13 - CASH USED IN OPERATING ACTIVITIES:**

| | 2007 | 2006 |
|---|---|---|
| Net cash used in operations | $ (1,143,006) | $ (3,548,391) |
| Depreciation expense | (2,800,171) | (2,660,742) |
| Pooled investment gains appropriated | 6,162,336 | 6,135,975 |
| Gains on separate investments | 39,656 | 492 |
| Temporarily and permanently restricted spending policy income | (584,636) | (547,909) |
| Temporarily and permanently restricted other investment income, net | (120,299) | (94,659) |
| Temporarily and permanently restricted other income | (308,899) | (221,928) |
| Release of temporarily restricted net assets to operations | 1,303,426 | 1,990,244 |
| Non-operating payments | 167,687 | |
| Transfer to Claremont University Consortium | 4,888 | 72,737 |
| Expensed gifts in kind | (1,288) | (2,823) |
| Decrease in unrestricted receivables, prepaid expenses, | | |

4,888

June 30, 2007 and 2006

**NOTE 14 - CASH FLOW RECONCILIATION:**

| | 2007 | 2006 |
|---|---|---|
| Change in net assets | $ 57,003,523 | $ 29,829,556 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation expense | 2,800,171 | 2,660,742 |
| Gifts in kind | (85,004) | (443,325) |
| Realized gains on sale of investments | (32,990,333) | (10,477,339) |
| Unrealized gains on investments | (10,334,260) | (22,258,258) |
| Amortization of bond discount and cost of issuance | 34,271 | 34,271 |
| Amortization of asset retirement obligation | 28,544 | 27,247 |
| Comprehensive pension (income) expense | (165,678) | (334,050) |
| Adjustment of actuarial liability for life income agreements | (1,645,756) | (1,014,959) |
| Adjustment on contributions receivable | 601,208 | 8,841 |
| Decrease (increase) in accounts and notes receivable | 97,104 | 180,372 |
| Decrease in contributions receivable | 338,180 | 490,554 |
| Increase in prepaid expenses and deposits | (257,300) | (19,736) |
| (Decrease) increase in accounts payable and other accrued liabilities | 1,395,147 | (113,539) |
| Increase in deposits and deferred revenue | 669,504 | 391,917 |
| Defined benefit plan contributions (over)/under expense | 213,618 | 10,759 |
| Cumulative effect of change in accounting principle | - | 482,872 |
| Contributions for long-term investment | | |

June 30, 2007 and 2006

**NOTE 17 - AFFILIATED INSTITUTIONS:**

The College is a member of an affiliated group of colleges known as The Claremont Colleges. Each college is a separate corporate entity governed by its own board of trustees. Claremont University Consortium, a member of this group, is the

**NOTE 18 - COMMITMENTS AND CONTINGENCIES:**

**Contracts**

The College has made investment commitments to thirty-four limited partnerships totaling $162,400,000. At June 30, 2007, the College has contributed capital of approximately $91,102,000 and has a remaining outstanding commitment of approximately $71,298,000.

**Litigation**

**Federal Funding**

**NOTE 19 - SUBSEQUENT EVENT:**