

Pitzer College
2010-11

Audited Financial Report



PITZER
COLLEGE

PITZER COLLEGE ANNUAL FINANCIAL REPORT

June 30, 2011 and 2010

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Pitzer College
Claremont, California

We have audited the accompanying consolidated statements of financial position of Pitzer College (the "College") as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pitzer College as of June 30, 2011 and 2010, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Los Angeles, California
October 14, 2011

PITZER COLLEGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 389,789	\$ 417,261
Short term investments (Note 5)	13,829,712	11,333,825
Prepaid expenses and deposits	2,414,214	2,165,800
Accounts receivable, net (Note 3)	1,770,561	2,186,198
Notes receivable, net (Note 3)	5,491,681	5,451,448
Contributions receivable (Note 4)	2,885,699	1,122,775
Beneficial interest in trusts (Note 4)	2,125,638	1,908,029
Investments (Note 5)	149,831,162	139,002,907
Plant facilities, net (Note 9)	62,751,021	54,545,572
Total assets	<u><u>\$ 241,489,477</u></u>	<u><u>\$ 218,133,815</u></u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 8,388,674	\$ 5,967,033
Liability for early retirement plan (Note 11)	2,040,988	2,400,498
Deposits and deferred revenues	2,174,746	2,202,846
Life income and annuities payable	219,243	212,604
Capital lease obligation (Note 10)	504,096	382,835
Bonds payable (Note 12)	80,282,162	80,499,595
Government advances for student loans	3,163,324	3,179,289
Asset retirement obligation (Note 9)	887,650	857,356
Total liabilities	<u>97,660,883</u>	<u>95,702,056</u>
 Net Assets (Note 13):		
Unrestricted	91,911,585	80,125,373
Temporarily restricted	21,569,474	13,333,983
Permanently restricted	30,347,535	28,972,403
Total net assets	<u>143,828,594</u>	<u>122,431,759</u>
 Total liabilities and net assets	 <u><u>\$ 241,489,477</u></u>	 <u><u>\$ 218,133,815</u></u>

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

PITZER COLLEGE
CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Net student revenues (Note 14)	\$ 41,296,642	\$ -	\$ -	\$ 41,296,642
Contributions	2,637,855	3,755,033	836,840	7,229,728
Grants and contracts	785,558	2,500	-	788,058
Spending policy income (Note 2,5)	1,610,614	9,437	2,934	1,622,985
Other investment income (Note 5)	2,201,668	25,027	83,319	2,310,014
Summer conference revenue	1,121,886	-	-	1,121,886
Other revenues	369,728	-	-	369,728
Release of temporarily restricted net assets and reclassifications	935,016	(934,489)	(527)	-
Total revenues	<u>50,958,967</u>	<u>2,857,508</u>	<u>922,566</u>	<u>54,739,041</u>
Expenses:				
Academic program	21,710,439	-	-	21,710,439
Co-curricular program	14,009,008	-	-	14,009,008
Public service	1,163,862	-	-	1,163,862
Marketing	5,756,348	-	-	5,756,348
General and administrative	6,226,256	-	-	6,226,256
Total expenses	<u>48,865,913</u>	<u>-</u>	<u>-</u>	<u>48,865,913</u>
Excess of revenues over (under) expenses	2,093,054	2,857,508	922,566	5,873,128
Other changes in net assets:				
Realized and unrealized gains (losses), net of spending allocation (Note 5)	9,283,129	5,375,184	437,640	15,095,953
Gain (loss) on disposal of plant assets	(23,929)	-	-	(23,929)
Actuarial adjustment	-	2,799	14,926	17,725
Comprehensive gain (loss) on defined benefit plans	433,958	-	-	433,958
Change in net assets	11,786,212	8,235,491	1,375,132	21,396,835
Net assets at beginning of year	<u>80,125,373</u>	<u>13,333,983</u>	<u>28,972,403</u>	<u>122,431,759</u>
Net assets at end of year	<u>\$ 91,911,585</u>	<u>\$ 21,569,474</u>	<u>\$ 30,347,535</u>	<u>\$ 143,828,594</u>

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

PITZER COLLEGE
CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Net student revenues (Note 14)	\$ 39,176,465	\$ -	\$ -	\$ 39,176,465
Contributions	1,613,896	993,833	434,146	3,041,875
Grants and contracts	659,660	-	-	659,660
Spending policy income (Note 2,5)	-	-	-	-
Other investment income (Note 5)	1,516,685	-	78,395	1,595,080
Summer conference revenue	1,101,559	-	-	1,101,559
Other revenues	242,522	-	-	242,522
Release of temporarily restricted net assets and reclassifications	4,878,342	(4,872,085)	(6,257)	-
Total revenues	<u>49,189,129</u>	<u>(3,878,252)</u>	<u>506,284</u>	<u>45,817,161</u>
Expenses:				
Academic program	22,296,893	-	-	22,296,893
Co-curricular program	12,474,895	-	-	12,474,895
Public service	1,006,518	-	-	1,006,518
Marketing	5,405,408	-	-	5,405,408
General and administrative	5,078,497	-	-	5,078,497
Total expenses	<u>46,262,211</u>	<u>-</u>	<u>-</u>	<u>46,262,211</u>
Excess of revenues over (under) expenses	2,926,918	(3,878,252)	506,284	(445,050)
Other changes in net assets:				
Realized and unrealized gains (losses), net of spending allocation (Note 5)	6,071,969	2,915,944	164,941	9,152,854
Gain (loss) on disposal of plant assets	103,076	-	-	103,076
Actuarial adjustment	-	8,504	(11,159)	(2,655)
Comprehensive gain (loss) on defined benefit plans	(350,003)	-	-	(350,003)
Change in net assets	8,751,960	(953,804)	660,066	8,458,222
Net assets at beginning of year	<u>71,373,413</u>	<u>14,287,787</u>	<u>28,312,337</u>	<u>113,973,537</u>
Net assets at end of year	<u>\$ 80,125,373</u>	<u>\$ 13,333,983</u>	<u>\$ 28,972,403</u>	<u>\$ 122,431,759</u>

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

PITZER COLLEGE
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Student fees, net of financial aid	\$ 41,641,442	\$ 38,252,578
Gift, grant and contract revenue	3,742,496	2,078,839
Investment income	4,134,328	948,458
Other revenues	1,272,137	1,282,328
Interest paid	(3,375,243)	(2,437,501)
Gain (loss) on disposal of plant and equipment	(23,929)	103,076
Payments to employees and suppliers	(43,304,797)	(40,858,235)
Net cash (used in) provided by operating activities	<u>4,086,434</u>	<u>(630,457)</u>
Cash flows from investing activities:		
Purchase of plant facilities	(7,903,725)	(6,631,276)
Settlement of conditional asset retirement obligation	(8,020)	(7,282)
Purchases of investments	(83,695,301)	(295,909,449)
Proceeds from sales of investments	85,465,080	260,321,718
Loans made to students and employees	(596,145)	(1,030,208)
Collection of student and employee loans	598,649	661,852
Net cash used in investing activities	<u>(6,139,462)</u>	<u>(42,594,645)</u>
Cash flows from financing activities:		
Payments to life income beneficiaries	(24,758)	(24,336)
Investment income and gains (losses) on life income investments	7,263	7,533
Debt Issuance	-	63,724,597
Principal payments for borrowings	(295,486)	(26,336,347)
Contributions receivable payments received	808,366	5,134,265
Contributions restricted for endowment	415,866	429,020
Contributions restricted for plant expenditures	1,130,270	175,682
Change in government advances for student loans	(15,965)	(24,656)
Net cash provided by financing activities	<u>2,025,556</u>	<u>43,085,758</u>
Net (decrease) increase in cash	(27,472)	(139,344)
Cash and cash equivalents at beginning of year	<u>417,261</u>	<u>556,605</u>
Cash and cash equivalents at end of year	<u>\$ 389,789</u>	<u>\$ 417,261</u>

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

PITZER COLLEGE
CONSOLIDATED STATEMENTS OF CASH FLOWS, *Continued*

For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of change in net assets to cash flows from operating activities:		
Change in net assets	\$ 21,396,835	\$ 8,458,222
Adjustments to reconcile change in net assets to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation expense	2,375,429	2,079,970
Amortization and accretion expense	(56,918)	75,417
Comprehensive (gain) loss on staff retirement plan	(338,385)	233,843
Realized losses (gains) on investments	(2,526,092)	(8,583,220)
Unrealized losses (gains) on investments	(12,545,515)	(1,068,341)
Gain on settlement of asset retirement obligation	(2,294)	(103,076)
Non-cash gifts	(157,864)	(488,619)
Adjustment of actuarial liability for life income agreements	(17,725)	2,655
(Increase) decrease in allowance for doubtful accounts	(42,737)	(46,869)
(Increase) decrease in accounts receivable	415,637	(979,635)
(Increase) decrease in contributions receivable	(2,611,490)	(635,966)
Decrease (increase) in prepaid expenses and deposits	(208,321)	(568,225)
Increase (decrease) in accounts payable and accrued liabilities	252,920	1,462,045
(Decrease) increase in liability for early retirement plan	(359,510)	20,471
(Decrease) increase in deposits and deferred revenues	(28,100)	102,617
Contributions for long-term investments	(1,546,136)	(604,703)
Defined benefit plan contributions over expense	60,476	12,957
Net cash and cash equivalents (used in) provided by operating activities	<u>\$ 4,086,434</u>	<u>\$ (630,457)</u>

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

PITZER COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 1 – ORGANIZATION:

Founded in 1963, Pitzer College is an independent, coeducational, residential liberal arts and sciences college. The College is part of the unique educational environment known as The Claremont Colleges. Within The Claremont College's consortium, Pitzer's educational philosophy is singular. Blending classroom instruction with fieldwork, Pitzer engages a student's mind, heart and spirit by integrating educational resources on campus, abroad and in the local community. Pitzer offers a curriculum that spans over 40 major fields and focuses on interdisciplinary, intercultural education with an emphasis on social responsibility and community service. Pitzer College Costa Rica was formed to hold real property in Costa Rica for the benefit of the education curriculum of Pitzer College and in support of the Firestone Center for Restoration Ecology. Hereinafter, these entities are collectively referred to as the "College" or "Pitzer".

Pitzer College and Pitzer College Costa Rica are nonprofit corporations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting policies of the College are in accordance with those generally accepted for colleges and universities:

Basis of Presentation:

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, "Not-for-Profit Entities."

Consolidated Financial Statements:

The activities of Pitzer College Costa Rica are consolidated in the College's consolidated financial statements, as required by generally accepted accounting principles.

Net Asset Categories:

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

- *Unrestricted Net Assets*

Unrestricted net assets include all support that is not subject to donor-imposed restrictions.

- *Temporarily Restricted Net Assets*

Temporarily restricted net assets include gifts of cash and securities, accumulated earnings and income from endowments that are subject to donor-imposed restrictions that either lapse or can be satisfied. When a donor restriction expires or funds are appropriated, temporarily restricted net assets are released or reclassified to unrestricted net assets (Note 2, Expiration of Donor-Imposed Restrictions).

- *Permanently Restricted Net Assets*

Permanently restricted net assets include pledges, gifts, and income that are subject to donor-imposed restrictions that they be maintained permanently by the College. The donors of endowment funds generally allow the College to use the income and a portion of the gains earned on these assets for general or specific purposes under the College's spending policy.

Tuition and Fees:

Student tuition and fees are recorded as revenues in the year during which the majority of related academic services are rendered.

Collectability of student accounts and notes receivable is reviewed both individually and in the aggregate. Allowances have been established based on experience, and balances deemed uncollectible are written off through a charge to bad debt expense or the provision for doubtful accounts.

PITZER COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

Grants and Contracts:

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

Contributions:

Contributions, including unconditional promises to give, are recognized as revenue in the period pledged or received and are reported as increases in the appropriate category of net assets. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after twelve months are discounted at a discount rate commensurate with the risks involved.

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 substantially expires. At that time, the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both and for unexpended earnings of endowment when appropriated by the Board. The College follows the policy of reporting donor-imposed restricted contribution and endowment income as unrestricted revenues when restrictions are met in the same period as received. It is also the College's policy to release the restrictions on contributions of cash or other assets received for the acquisition of long-lived assets when the long-lived assets are placed into service.

Allocation of Certain Expenses:

Expenses are reported as decreases in unrestricted net assets. The Statements of Activities present expenses by five functional categories. Academic program includes expenses for instruction and related academic support departments such as research, libraries, the Dean of Faculty and Registrar Offices. Co-curricular program includes expenses associated with the residential life operation of the College and related support departments such as Dean of Students Office and Career Planning. Public service includes conference activities. Marketing expenses for revenue development for the College include expenses of the Admission and Financial Aid Offices, Public Relations, Alumni Relations and the Advancement Office. General and administrative includes expenses such as information technology, planning, institutional research, human resources, liability insurance, legal and audit fees, and the President and Treasurer's Offices.

Depreciation and facilities expenses are allocated to functional categories based on building square footage dedicated to that specific function. Interest expense is allocated based on the use of the related borrowings.

Cash and Cash Equivalents:

For the purposes of reporting cash flows, cash includes demand deposit bank accounts. Resources invested in money market funds are classified as cash equivalents, except for any such investments managed as part of the investment pool, which are classified as investments.

Cash Held in Separate Accounts:

The California Student Aid Commission requires institutions participating in the Cal Grant program to maintain funds advanced in a separate interest bearing account to properly handle and manage the funds. The funds are the property of the State and unspent funds are to be returned to the State along with interest earned.

Concentration of Credit Risk:

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

PITZER COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

Notes Receivable:

Notes receivable consist of student loans and are reported at cost. Interest earned is added to the pool for use in issuing additional loans. Collectability of notes receivable is reviewed both individually and in the aggregate. Allowances have been established based on experience, and balances deemed uncollectable are written off through a charge to the provision for doubtful accounts and a credit to notes receivable. The College follows federal guidelines for determining when student loans are delinquent or past due for both federal and donor restricted loans.

Short Term Investments:

Short-term investments include corporate and government obligation securities.

Investments:

Where permitted by law, the College pools investments for management purposes. The remainder of investments are managed as separate investments. Marketable securities are reported at fair market value. Non-marketable alternative investments are carried at estimated fair value provided by the management of the non-marketable alternative investment partnerships or funds at the most current date available at year end, and are adjusted by cash receipts, cash disbursements, and securities distributions through June 30, 2011 and 2010. 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.

The cost of securities sold is determined by the average cost method and is used to compute realized gains and losses. Unrealized gains and losses reflect the changes in the market values of investments from the prior year. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or use of funds has not been appropriated. The date of record for investments is the trade date.

Nonmarketable investment instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and nonmarketable investments), and nondisclosure of portfolio composition. Because these investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed and such differences could be material.

Derivatives:

Certain investments held by the College may include derivative instruments as part of their investment strategy, but the College does not invest directly in derivatives.

Management of Pooled Investments:

The College follows an investment policy which anticipates a greater long-range 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. In 2011, the amount of investment return available for current operations was determined by applying 33.3% of a 4.7% rate to a twelve-quarter average market value of pooled investments ending December 31, 2009. In 2010, the Board of Trustees elected to forgo spending income from the endowment. All earnings in excess of spending were reinvested and are reported on the Statement of Activities as "Other investment income". Unexpended amounts generated from permanently restricted endowments were allocated to the temporarily restricted funds through unrealized gains. If the ordinary income portion of pooled investment returns is insufficient to provide the full amount of investment return specified, the balance may be appropriated from realized gains of the pooled investments. For Board designated or appropriated funds, cumulative net realized gains and transfers of ordinary income in excess of the spending policy ("cumulative gains") are held in unrestricted net assets. For donor restricted or unappropriated funds, cumulative gains are held in temporarily restricted net assets. Cumulative gains are available for appropriation under the College's spending policy. At June 30, 2011 and 2010, these cumulative realized gains totaled \$21,420,531 and \$17,238,352, respectively.

PITZER COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

Endowment Funds:

The Board of Trustees of the College interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) to state that the College, in the absence of explicit donor stipulations to the contrary, may appropriate for expenditure or accumulate so much of an endowment fund as the College determines prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the value of gifts donated to the endowment, and (b) 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 California UPMIFA. In accordance with California UPMIFA, 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 mission 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

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. A determination of the fair value of notes receivable, 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, is not significantly different than the recorded net value.

The College carries most investments and its beneficial interest in trusts held by a third party at fair value in accordance with generally accepted accounting principles. 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. A fair value hierarchy that prioritizes the inputs to valuation techniques was used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the College has the ability to access at the measurement date;

Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 – Inputs that are unobservable.

Inputs are used in applying the valuation techniques and broadly refer to the assumptions that the College uses to make valuation decisions, including assumptions about risk. Inputs may include quoted market prices, recent transactions, manager statements, periodicals, newspapers, provisions within agreements with investment managers and other factors. An investment’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the College’s perceived risk of that investment.

PITZER COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

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

Investments that are valued based on quoted market prices of comparable assets and investments reported at net asset value or its equivalent which are redeemable in the near term are typically classified within Level 2.

The investments in hedge funds, private equity funds, limited partnerships with extended redemption periods and its beneficial interest in trusts held by third parties are sometimes valued utilizing unobservable inputs, and are therefore classified within Level 3. These assets are presented in the accompanying consolidated financial statements at fair value. The College's determination of fair value is based upon the best available information provided by the investment manager and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents the College's proportionate share of the partner's capital of the investment partnerships as reported by their general partners. For these investments, the College, through its monitoring activities, agrees with the fair market value as determined by the investment managers.

The general partners of the underlying investment partnerships generally value their investments at fair value and in accordance with generally accepted accounting principles. Investments with no readily available market are generally valued according to the 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 College, which 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, there are inherent limitations in any methodology. 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.

Plant Facilities:

Plant facilities consist of property, plant and equipment which are stated at cost, representing purchase price or fair market value at the date of acquisition, less accumulated depreciation computed on a straight-line basis over the estimated useful lives of buildings, permanent improvements and equipment. Plant purchases with a useful life of seven years or more and a cost equal to or greater than \$50,000 for land improvements and buildings and \$25,000 for equipment and software are capitalized. Estimated useful lives are generally 7 years for equipment and permanent improvements and 40 years for buildings. Assets are retired at their cost less accumulated depreciation at the time they are sold, impaired, or no longer in use. Each year the College funds its annual depreciation charge through current revenues. Asset retirement obligations are recorded based on estimated settlement dates and methods.

Assets Whose Use is Limited:

Assets whose use is limited include assets maintained by a trustee in accordance with the CEFA (California Educational Facilities Authority) bond agreements. See Note 8 for additional information.

Deposits and Deferred revenue:

Deposits and deferred revenue consists primarily of prepayments of tuition and fees related to future academic years.

Annuity and Life Income Contracts and Agreements:

The College has legal title to annuity and life income contracts and agreements subject to life interests of beneficiaries. No significant financial benefit is now being or can be realized until the contractual obligations are released. However, the costs of managing these contracts and agreements are included in unrestricted expenses.

PITZER COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

The College uses the actuarial method of recording annuity and life income contracts and agreements. Under this method, the asset is recorded at fair value when a gift is received. The present value of the aggregate annuity payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as a contribution in the appropriate net asset category. The liability account is adjusted by investment income, gains and 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 6.0% to 7.5% and over estimated lives according to Annuity 2003 Unisex Tables as of June 30, 2011.

Income Taxes:

The objective of the College is to maintain and conduct a 501(c)(3) nonprofit educational institution. The primary purpose of accounting and reporting is the recording of resources received and applied rather than the determination of net income. In accordance with provisions of generally accepted accounting principles, the College had no uncertain tax positions and/or obligations at June 30, 2011 and 2010.

Use of Estimates:

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The fair value of investments is a significant estimate and can change dramatically subject to market conditions. This could have a significant effect on the statement of activities.

Reclassifications:

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

NOTE 3 - ACCOUNTS AND NOTES RECEIVABLE:

Accounts receivable at June 30, 2011 and 2010 consisted of the following:

	2011	2010
Student accounts	\$ 754,152	\$ 658,916
Federal grants and contracts	110,715	205,460
Other Claremont Colleges	342,479	612,012
Other	683,967	795,980
	<u>1,891,313</u>	<u>2,272,368</u>
Less allowance for doubtful accounts	(120,752)	(86,170)
Net accounts receivable	<u>\$ 1,770,561</u>	<u>\$ 2,186,198</u>

PITZER COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 3 - ACCOUNTS AND NOTES RECEIVABLE: *Continued*

The College makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or donor restricted resources. At June 30, 2011 and 2010, student loans represented 2.3% and 2.5% of total assets, respectively.

At June 30, student loans consisted of the following:

	2011	2010
Federal government programs	\$ 2,970,030	\$ 3,161,580
Donor restricted programs	2,575,559	2,331,849
	<u>5,545,589</u>	<u>5,493,429</u>
Less allowance for doubtful loans:		
Beginning of year	(367,848)	(410,849)
Adjustments	19,130	43,001
End of year	<u>(348,718)</u>	<u>(367,848)</u>
Student loans receivable, net	<u>\$ 5,196,871</u>	<u>\$ 5,125,581</u>

The College participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of \$127,500 and \$287,700 at June 30, 2011 and 2010, respectively, are ultimately refundable to the government and are classified as liabilities in the statement of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

The College issues interest-free student loans per a donor agreement. The availability of funds for new loans under the gift agreement is dependent on repayments on outstanding loans. The College is responsible for reimbursing the program for defaulted loans. Subsequent payments received by the College from students who are in default, may be returned to the College.

At June 30, 2011 and 2010, the following amounts were past due under student loan programs:

	less than 270 days past due	270 days to 2 years past due	2 to 5 years past due	Over 5 years past due	Total past due
2011					
Federal government programs	\$ 261,502	\$ 129,632	\$ 124,332	\$ 82,972	\$ 598,438
Donor restricted programs	7,192	6,640	7,029	171,520	192,381
Total	<u>\$ 268,694</u>	<u>\$ 136,272</u>	<u>\$ 131,361</u>	<u>\$ 254,492</u>	<u>\$ 790,819</u>
2010					
Federal government programs	\$ 251,178	\$ 119,136	\$ 70,521	\$ 56,903	\$ 497,738
Donor restricted programs	5,517	9,271	12,233	170,588	197,609
Total	<u>\$ 256,695</u>	<u>\$ 128,407</u>	<u>\$ 82,754</u>	<u>\$ 227,491</u>	<u>\$ 695,347</u>

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. The allowance for doubtful loans on the Federal government programs and the donor restricted programs at June 30, 2011 was \$122,803 and \$225,915, and at June 30, 2010 was \$99,195 and \$268,653, respectively.

Faculty and staff loans:

As part of a program to attract and retain excellent faculty and senior staff, the College provides home mortgage and computer financing assistance. Notes receivable amounting to \$294,810 and \$325,867 were outstanding at June 30, 2011 and 2010, respectively, and are collateralized by deeds of trust on properties concentrated in the region surrounding the College. No allowance for doubtful accounts has been recorded against these loans based on their collateralization and prior collection history.

The loan amounts represent 0.12% and 0.15% of total assets, respectively. At June 30, 2011 and 2010, there were no amounts past due under the faculty and staff loan program.

PITZER COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 4 - CONTRIBUTIONS RECEIVABLE AND BENEFICIAL INTEREST IN TRUSTS:

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and revenues 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 2.3% to 5.2%.

Unconditional promises to give at June 30, 2011 and 2010 were expected to be realized as follows:

	2011	2010
Within one year	\$ 949,016	\$ 600,267
Between one year and five years	2,038,850	554,544
	<u>2,987,866</u>	<u>1,154,811</u>
Less discount	(102,167)	(32,036)
Net contributions receivable	<u>\$ 2,885,699</u>	<u>\$ 1,122,775</u>

Contributions receivable at June 30, 2011 and 2010 are intended for the following uses:

	2011	2010
Endowment	\$ 439,459	\$ 33,016
Plant	468,528	246,184
Other	1,977,712	843,575
Net contributions receivable	<u>\$ 2,885,699</u>	<u>\$ 1,122,775</u>

The College is beneficiary to certain trusts where a third party acts as trustee. The present value of these interests is recorded in beneficial interest in trusts.

NOTE 5 - INVESTMENTS:

Where permitted by gift agreement and/or applicable government regulations, investments are pooled. Pooled investments and allocation of pooled investment income are accounted for on a unit value method. The following is a summary of data that pertains to this method at June 30, 2011 and 2010:

	2011	2010
Unit market value at end of year	<u>\$ 263.65</u>	<u>\$ 224.48</u>
Net ordinary investment income per weighted average unit	<u>\$ 3.98</u>	<u>\$ 2.90</u>
Units owned:		
Unrestricted:		
Funds functioning as endowment	268,377	259,469
Permanently restricted:		
Endowment	148,124	146,358
Total units	<u>416,502</u>	<u>405,827</u>
Weighted average units	<u>407,794</u>	<u>381,539</u>

Investment income related to College investments for the years ended June 30, 2011 and 2010, net of management and custody fees of \$432,996 and \$381,639, respectively, was as follows:

PITZER COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 5 - INVESTMENTS: *Continued*

	<u>2011</u>	<u>2010</u>
Total spending policy income	\$ 1,622,985	\$ -
Income from non-pool investments	607,177	495,363
Reinvested income from pooled investments	1,709,723	1,107,292
Less amounts allocated to annuity and life income contracts and agreements	(6,886)	(7,575)
Total other investment income	<u>\$ 2,310,014</u>	<u>\$ 1,595,080</u>
Realized and unrealized gains (losses), net of pooled investment gains appropriated	<u>15,095,953</u>	<u>9,152,858</u>
Total investment returns	<u><u>\$ 19,028,952</u></u>	<u><u>\$ 10,747,938</u></u>

It is the College's policy to establish and maintain a diversified investment portfolio. The following schedule summarizes the assets in pooled investments and the assets held as short-term and long-term separate investments at June 30, 2011 and 2010. The carrying values of investments are estimates based on quoted market prices where available, and are considered fair values.

The College had approximately \$19,920,467 and \$14,973,036 in investments that are nonmarketable as of June 30, 2011 and 2010, respectively. These investments represent 12.17% and 9.96% of total investments and 13.85% and 12.23% of net assets at June 30, 2011 and 2010, respectively. Total investment income and realized and unrealized (losses) gains on investments that are not readily marketable were \$2,244,865 and \$2,263,510 for the years ended June 30, 2011 and 2010, respectively.

By investment category:

	<u>2011</u>	<u>2010</u>
Pooled investments	\$ 109,812,381	\$ 91,100,785
Separately invested	53,848,493	59,235,947
Total by investment category	<u><u>\$ 163,660,874</u></u>	<u><u>\$ 150,336,732</u></u>

By asset type:

Cash equivalents	\$ 16,884,936	\$ 16,970,152
Fixed income funds	25,023,055	26,688,200
Equity funds	41,845,153	30,830,359
Balanced funds	4,754,816	1,162,229
Common stocks	10,705,639	8,151,170
Limited partnerships	30,702,083	25,133,629
Assets whose use is limited	33,745,192	41,400,993
Total by asset type	<u><u>\$ 163,660,874</u></u>	<u><u>\$ 150,336,732</u></u>

By category:

Endowment and funds functioning as endowment		
Pooled investments	\$ 109,812,381	\$ 91,100,785
Separately invested	1,906,527	1,651,525
	<u>\$ 111,718,908</u>	<u>\$ 92,752,310</u>
Annuity and life income contracts and agreements	332,848	306,618
Plant	37,563,943	45,419,886
Other	14,045,175	11,857,918
Total by category	<u><u>\$ 163,660,874</u></u>	<u><u>\$ 150,336,732</u></u>

PITZER COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 6 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS:

The following tables presents the investments carried on the Statement of Financial Position by level within the valuation hierarchy as of June 30, 2011 and 2010:

	Level 1	Level 2	Level 3	2011
Redeemable securities:				
Cash equivalents	\$ 16,884,936	\$ -	\$ -	\$ 16,884,936
Mutual funds				
Fixed income funds	25,023,055	-	-	25,023,055
US Equity funds	23,165,565	-	-	23,165,565
International Equity funds	18,679,588	-	-	18,679,588
Balanced funds	4,754,816	-	-	4,754,816
Common stocks	10,691,075	-	-	10,691,075
Assets whose use is limited	33,745,192	-	-	33,745,192
Limited partnerships				
International equity securities	-	5,451,666	-	5,451,666
Fixed income securities	-	5,344,514	-	5,344,514
Multi-asset	-	-	10,317,152	10,317,152
Hedge fund investments				
Multi-asset	-	-	8,481,580	8,481,580
Total redeemable securities	<u>132,944,227</u>	<u>10,796,180</u>	<u>18,798,732</u>	<u>162,539,139</u>
Nonredeemable securities:				
Privately held common stocks	-	-	14,564	14,564
Limited partnerships				
Real Estate	-	-	244,978	244,978
Distressed Debt	-	-	360,300	360,300
Hedge fund investments				
Multi-asset	-	-	501,893	501,893
Beneficial interest in trusts held by third parties	-	-	2,125,638	2,125,638
Total nonredeemable securities	<u>-</u>	<u>-</u>	<u>3,247,373</u>	<u>3,247,373</u>
Total	<u>\$ 132,944,227</u>	<u>\$ 10,796,180</u>	<u>\$ 22,046,105</u>	<u>\$ 165,786,512</u>

PITZER COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 6 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS: *Continued*

	Level 1	Level 2	Level 3	2010
Redeemable securities:				
Cash equivalents	\$ 16,970,152	\$ -	\$ -	\$ 16,970,152
Mutual funds				
Fixed income funds	26,688,200	-	-	26,688,200
US Equity funds	11,434,555	-	-	11,434,555
International Equity funds	19,395,804	-	-	19,395,804
Balanced funds	1,162,229	-	-	1,162,229
Common stocks	8,136,606	-	-	8,136,606
Assets whose use is limited	41,400,993	-	-	41,400,993
Limited Partnerships				
International equity securities	-	4,297,467	-	4,297,467
Fixed income securities	-	5,877,690	-	5,877,690
Multi-asset	-	-	8,826,446	8,826,446
Hedge fund investments				
Multi-asset	-	-	3,162,744	3,162,744
Total redeemable securities	<u>125,188,539</u>	<u>10,175,157</u>	<u>11,989,190</u>	<u>147,352,886</u>
Nonredeemable securities:				-
Privately held common stocks	-	-	14,564	14,564
Limited partnerships				
Real Estate	-	-	2,806,221	2,806,221
Distressed Debt	-	-	163,061	163,061
Beneficial interest in trusts held by third parties	-	-	1,908,029	1,908,029
Total nonredeemable securities	<u>-</u>	<u>-</u>	<u>4,891,875</u>	<u>4,891,875</u>
Total	<u>\$ 125,188,539</u>	<u>\$ 10,175,157</u>	<u>\$ 16,881,065</u>	<u>\$ 152,244,761</u>

PITZER COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 6 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS: *Continued*

The following table includes a roll forward of the amounts for the year ended June 30, 2011 for assets classified within Level 3:

	<u>Balance at July 1, 2010</u>	<u>Purchases/ Sales, net</u>	<u>Realized Gain(loss), net</u>	<u>Unrealized Gain(loss), net</u>	<u>Actuarial Adjustment</u>	<u>Balance at June 30, 2011</u>
Privately held common stock	\$ 14,564	\$ -	\$ -	\$ -	\$ -	\$ 14,564
Limited partnerships						
Multi-asset	8,826,446	755	415,406	1,074,545	-	10,317,152
Real Estate	2,806,221	(1,992,571)	1,101,298	(1,669,970)	-	244,978
Distressed Debt	163,061	170,399	-	26,840	-	360,300
Hedge fund investments						
Multi-asset - redeemable	3,162,744	5,000,000	-	318,836	-	8,481,580
Multi-asset - nonredeemable	-	525,000	-	(23,107)	-	501,893
Beneficial interest in trusts	1,908,029	-	-	219,477	(1,868)	2,125,638
Total	<u>\$ 16,881,065</u>	<u>\$ 3,703,583</u>	<u>\$ 1,516,704</u>	<u>\$ (53,379)</u>	<u>\$ (1,868)</u>	<u>\$ 22,046,105</u>

	<u>Balance at July 1, 2009</u>	<u>Purchases/ Sales, net</u>	<u>Realized Gain(loss), net</u>	<u>Unrealized Gain(loss), net</u>	<u>Actuarial Adjustment</u>	<u>Balance at June 30, 2010</u>
Cash equivalents	\$ 219,047	\$ (228,082)	\$ 9,035	\$ -	\$ -	\$ -
Privately held common stock	14,564	-	-	-	-	14,564
Limited partnerships						
Multi-asset	7,770,856	(2,004)	(60,566)	1,118,160	-	8,826,446
Real Estate	3,334,494	(1,717,502)	1,120,967	68,262	-	2,806,221
Distressed Debt	101,465	116,688	-	(55,092)	-	163,061
Hedge fund investments						
Multi-asset - redeemable	-	3,100,000	-	62,744	-	3,162,744
Beneficial interest in trusts	1,835,938	-	-	61,753	10,338	1,908,029
Total	<u>\$ 13,276,364</u>	<u>\$ 1,269,100</u>	<u>\$ 1,069,436</u>	<u>\$ 1,255,827</u>	<u>\$ 10,338</u>	<u>\$ 16,881,065</u>

Net appreciation (depreciation) on investments and beneficial interest in trusts in the table above are reflected in "Realized and unrealized gains (losses), net of spending allocation" and "Actuarial adjustment", respectively, on the Statement of Activities. Also included in these accounts are the net unrealized gains (losses) on investments and actuarial adjustment on beneficial interest in trusts for Level 3 assets still held at June 30, 2011 of (\$272,856) and \$217,609, and held at June 30, 2010 of \$1,194,074 and \$72,091, respectively.

Transfers in or out of Level 3 are implemented based on the ability to redeem the investments in the near term. The College's policy is to recognize transfers in and transfers out at the beginning of the reporting period. This policy includes transfers in and transfers out of Level 1, Level 2 and Level 3.

PITZER COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 6 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS: *Continued*

The following table shows the fair value, unfunded commitments and redemption restrictions for investments reported at 'Net Asset Value' as of June 30, 2011:

	Fair Value at June 30, 2011	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Limited partnerships					
International equity securities	\$ 5,451,666	\$ -	Monthly	15 days	(1)
Fixed income securities	5,344,514	-	Monthly	10 days	(1)
Multi-asset	10,317,152	-	Annually	1 year	(1)
Real Estate	244,978	84,415	None	N/A	(2)
Distressed Debt	360,300	423,967	None	N/A	(1)
Hedge fund investments					
Multi-asset - redeemable	8,481,580	-	Semi-Annually	2 months to 1 year	(3)
Multi-asset - nonredeemable	501,893	3,475,000	None	N/A	(3)
Totals	<u>\$ 30,702,083</u>	<u>\$ 3,983,382</u>			

Private equity funds held at year-end have remaining lives ranging from 1 to 10 years with commitments due estimated as follows:

Year Ending	Amount
2012	2,245,882
2013	1,737,500
	<u>\$ 3,983,382</u>

(1) Limited partnerships are invested with managers whose investment strategies include absolute return, other hedging strategies, private equity, venture capital, buy-outs, turnarounds, international equity, global fixed income and equity, international real estate, distressed debt and natural resources. Redemption rights vary from monthly to no redemption rights for the investor except as determined by the management of the fund.

(2) Real estate funds include Commonfund Realty Investors which has an annual redemption right of 20% of the partner's capital balance, but this redemption right has been suspended by the fund due to financial conditions. The College's capital balance in Commonfund Realty Partners is \$71,687.

(3) Hedge fund investments are invested with a manager whose investment strategy includes, but is not limited to, private equity, real estate and natural resources. Redeemable funds may be redeemed semi-annually with a two month redemption notice after the funds have been invested for one year.

NOTE 7 - DEFICIENCIES FROM DECLINES IN FAIR VALUE:

Deficiencies of \$38,641 and \$591,350 at June 30, 2011 and 2010, respectively, existed resulting from declines in fair value from the original gift amount. The allocation of deficiencies is recorded in accordance with generally accepted accounting principles.

NOTE 8 - ASSETS WHOSE USE IS LIMITED:

Indenture requirements of bond financing (see Note 12, "Bonds Payable") provide for the establishment and maintenance of various accounts with trustees. The indenture terms limit the use of these funds to capital expenditures and debt service payments as outlined in the agreements. Assets whose use is limited are comprised of cash equivalents and government and corporate securities recorded at fair market value. Assets whose use is limited totaled \$33,745,192 and \$41,400,993, respectively, as of June 30, 2011 and 2010, and are included in investments in the statement of financial position.

PITZER COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 9 - PLANT FACILITIES:

Plant facilities are recorded at cost or estimated fair value at the date of donation, and at June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 5,911,931	\$ 5,948,024
Buildings	67,788,180	66,301,277
Equipment	5,513,510	6,804,497
Equipment under capital lease	651,810	821,510
Construction in progress	9,973,692	1,282,563
	<u>89,839,123</u>	<u>81,157,871</u>
Less accumulated depreciation	(27,088,102)	(26,612,299)
Net plant facilities	<u>\$ 62,751,021</u>	<u>\$ 54,545,572</u>

The College has recorded asset retirement obligations in accordance with generally accepted accounting principles related to certain fixed assets, primarily for disposal of regulated materials upon eventual retirement of the assets.

The following schedule summarizes asset retirement obligation activity for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Obligations settled	\$ (8,020)	\$ (7,282)
Gain on settlement	(2,294)	(103,076)
Accretion expense	40,608	38,765
Beginning balance	857,356	928,949
Ending balance	<u>\$ 887,650</u>	<u>\$ 857,356</u>

NOTE 10 - CAPITAL LEASE OBLIGATION:

The College has entered into capital lease commitments to finance the acquisition of computer equipment. The corresponding obligations are due in monthly and quarterly installments with maturities through July 2015.

The annual lease obligation at June 30, 2011 was as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Lease Payments</u>
2012	\$ 178,893
2013	178,893
2014	146,677
2015	29,449
Total payments	<u>533,912</u>
Less interest	(29,816)
Total capital lease obligation	<u>\$ 504,096</u>

PITZER COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 11 - EARLY RETIREMENT PLAN:

The College maintains an Early Retirement Plan ("the Plan") that enables faculty with at least 20 years of service to elect early retirement. For those faculty members that have entered into a contractual agreement with the College under the Plan, the College is obligated to continue to make salary payments, as well as normal retirement contributions and other employment benefit costs as stipulated in each agreement. The obligations will be settled using the general assets of the College.

The liability recorded on the Statement of Financial Position for the Plan at June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Benefit Obligation		
Accumulated benefit obligation at end of year	\$ 2,040,988	\$ 2,400,498
Funded status	<u>\$ (2,040,988)</u>	<u>\$ (2,400,498)</u>

Amounts recognized in unrestricted net assets consists of:

	<u>2011</u>	<u>2010</u>
Net loss	\$ 349,536	\$ 377,482
Prior service cost	176,295	189,098
Transition obligation	<u>219,300</u>	<u>274,124</u>
	<u>\$ 745,131</u>	<u>\$ 840,704</u>

Other changes in plan assets and benefit obligations recognized in "Comprehensive loss on defined benefit plans" on the Statement of Activities:

	<u>2011</u>	<u>2010</u>
Net (loss) gain	\$ (21,049)	\$ 183,787
Recognized loss	(6,897)	-
Recognized prior service cost	(12,803)	(12,803)
Recognized net initial obligation	<u>(54,824)</u>	<u>(54,824)</u>
Total other changes in unrestricted net assets	<u>\$ (95,573)</u>	<u>\$ 116,160</u>
Total amounts recognized as changes in unrestricted net assets arising from the early retirement plan	<u>\$ 237,960</u>	<u>\$ 424,499</u>

The College expects the following amounts to be recognized for the year ending June 30,

	<u>2012</u>	<u>2011</u>
Loss recognition	\$ 8,890	\$ 6,897
Prior service cost recognition	12,803	12,803
Net initial benefit obligation recognition	<u>54,824</u>	<u>54,824</u>
	<u>\$ 76,517</u>	<u>\$ 74,524</u>

PITZER COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 11- EARLY RETIREMENT PLAN: *Continued*

During the years ended June 30, 2011 and 2010, employer contributions were \$774,554 and \$226,944, respectively. The College expects to contribute, from ongoing cash flows and assets, \$357,697 to the plan in 2012. Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Fiscal Year Ending June 30,</u>	Expected benefit payments
2012	\$ 357,697
2013	98,490
2014	105,051
2015	78,264
2016	-
2017-2021	738,217
	<u>\$ 1,377,719</u>

The discount rate, rate of increase in medical costs and rate of increase in future compensation levels used in determining the actuarial present value of the benefit obligation were 5.5%, 7.0% and 4.0%, respectively, at June 30, 2011 and 5.5%, 7.0% and 4.0%, respectively as of June 30, 2010.

NOTE 12 - BONDS PAYABLE:

At June 30, 2011 and 2010, bonds payable were comprised of the following:

	<u>2011</u>	<u>2010</u>
Bonds issued through California Educational Facilities Authority ("CEFA"):		
Series 1997 A	\$ 340,000	\$ 500,000
Series 2005 A	16,085,000	16,085,000
Series 2009	62,075,000	62,075,000
	<u>78,500,000</u>	<u>78,660,000</u>
Plus unamortized net premium	1,782,162	1,839,595
Total bonds payable	<u>\$ 80,282,162</u>	<u>\$ 80,499,595</u>

The CEFA Series 1997A bonds are due in 2013. Annual principal payments are \$170,000. Interest is payable semi-annually at a rate of 5.38%. Bonds maturing after April 1, 2012 with principal balances totaling \$340,000 are subject to mandatory redemption at prices ranging from 100% to 102% of the outstanding principal balance.

The CEFA Series 2005A bonds were issued in April 2005. The bond proceeds are funding the acquisition, construction, rehabilitation, remodeling, renovation and equipping of certain educational facilities. The CEFA Series 2005A bonds are due in 2035. Annual principal payments range from \$110,000 to \$1,580,000. Interest is payable semi-annually at 5%. Bonds maturing after April 1, 2015 with principal balances totaling \$15,860,000 are subject to redemption at the outstanding principal balance plus accrued interest.

The CEFA Series 2009 bonds were issued in November 2009. The bond proceeds are funding the acquisition, construction, rehabilitation, remodeling, renovation and equipping of certain educational facilities as well as defeasing CEFA Series 1999 and 2005B. The CEFA Series 2009 bonds are due in 2040. Annual principal payments range from \$1,135,000 to \$5,255,000. Interest is payable semi-annually at rates ranging from 5.00% to 6.00%. Bonds maturing after April 1, 2029 with principal balances totaling \$43,720,000 are subject to redemption at the outstanding principal balance plus accrued interest.

The CEFA Series 1997A, 2005A and 2009 bonds are not collateralized. Total interest expense was \$4,050,945 and \$3,111,360, net of capitalized interest of \$264,615 and \$111,744, for the years ended June 30, 2011 and 2010, respectively.

PITZER COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 12 - BONDS PAYABLE: *Continued*

The maturity of bonds payable at June 30, 2011, was as follows:

<u>Fiscal Years Ending June 30.</u>	<u>Principal Amount</u>
2012	\$ 170,000
2013	1,305,000
2014	1,375,000
2015	1,440,000
2016	1,515,000
Thereafter	72,695,000
	<u>\$ 78,500,000</u>

The CEFA Series 2009, 2005A, and 1997A bond agreements contain various restrictive covenants which include maintenance of certain financial ratios, as defined in the agreements.

The estimated fair value of the College's bonds payable was \$80,801,985 and \$81,084,661 at June 30, 2011 and 2010, respectively. This fair value was estimated based on the discounted amount of future cash outflows at current rates available to the College for debt of the same remaining maturities.

The College has an unsecured \$3,000,000 line of credit with a bank. Any borrowings on the line would bear interest at 0.25% above the Prime Rate or 1.75% over the LIBOR rate. There were no borrowings outstanding on the line at June 30, 2011 and 2010.

NOTE 13 - NET ASSETS:

At June 30, 2011 and 2010, net assets consisted of the following:

	<u>2011</u>	<u>2010</u>
Unrestricted:		
Available for operations	\$ 808,339	\$ 899,168
For designated purposes	521,103	206,138
Funds functioning as endowment	70,720,128	57,791,678
Plant facilities	19,862,015	21,228,389
Total unrestricted	<u>\$ 91,911,585</u>	<u>\$ 80,125,373</u>
Temporarily restricted:		
Plant facilities	\$ 2,060,537	\$ 799,018
Annuity and life income contracts and agreements	118,565	115,765
Endowment	15,869,551	10,519,605
Other	3,520,821	1,899,595
Total temporarily restricted	<u>\$ 21,569,474</u>	<u>\$ 13,333,983</u>
Permanently restricted:		
Student loans	\$ 2,658,168	\$ 2,612,084
Annuity and life income contracts and agreements	109,053	94,126
Endowment	27,580,314	26,266,193
Total permanently restricted	<u>\$ 30,347,535</u>	<u>\$ 28,972,403</u>

PITZER COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 14 - NET STUDENT REVENUES:

Student revenues for the years ended June 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Tuition:		
Tuition - regular students	\$ 35,817,166	\$ 32,732,205
Tuition - new resource students	1,535,039	1,408,960
Tuition - study abroad	3,014,495	2,879,128
Tuition - summer session	437,001	530,515
Campus activities fees	741,095	685,672
Miscellaneous student fees	411,281	356,203
Gross student revenue	<u>41,956,077</u>	<u>38,592,683</u>
Less: grant aid	(12,308,590)	(11,177,160)
Tuition revenue net of grant aid	<u>29,647,487</u>	<u>27,415,523</u>
Other student revenues:		
Room fees	5,541,166	5,468,642
Board fees	3,253,102	3,174,839
Facility fees	2,419,860	2,279,534
PACE program	435,027	837,927
Total other student revenues	<u>11,649,155</u>	<u>11,760,942</u>
Net student revenues	<u>\$ 41,296,642</u>	<u>\$ 39,176,465</u>

NOTE 15 - FUND RAISING EXPENSE:

Included in Marketing expenses in the accompanying consolidated Statement of Activities for the years ended June 30, 2011 and 2010 are approximately \$1,409,000 and \$1,270,000, respectively, of expenditures related to fundraising.

NOTE 16 - ENDOWMENT:

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

PITZER COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 16 - ENDOWMENT: *Continued*

Changes in the College's endowment for the years ended June 30, 2011 and 2010 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011
Investment returns:				
Investment income from pooled funds	\$ 3,332,708	\$ -	\$ -	\$ 3,332,708
Less spending policy reinvested	(1,709,723)	-	-	(1,709,723)
Less investment returns appropriated for operations	(1,610,614)	(9,437)	(2,934)	(1,622,985)
Interfund Transfers	(12,371)	9,437	2,934	-
Cumulative gains appropriated for operations	-	-	-	-
Change in realized/unrealized net appreciation of investments	8,934,402	5,349,946	437,640	14,721,988
Net return in pooled investment fund	8,934,402	5,349,946	437,640	14,721,988
Investment income from separate investments	70	-	36,707	36,777
Reinvested income from pooled investments	1,709,723	-	2,934	1,712,657
Total net investment returns	10,644,195	5,349,946	477,281	16,471,422
Other changes in endowed equity:				
Gifts	-	-	836,840	836,840
Transfers	2,284,255	-	-	2,284,255
Net change in endowed equity	12,928,450	5,349,946	1,314,121	19,592,517
Endowed equity, beginning of year	57,791,678	10,519,605	26,266,193	94,577,476
Endowed equity, end of year	<u>\$ 70,720,128</u>	<u>\$ 15,869,551</u>	<u>\$ 27,580,314</u>	<u>\$ 114,169,993</u>

At June 30, 2011, endowed equity consists of the following assets:

Investments	\$ 70,720,128	\$ 15,869,551	\$ 25,129,229	\$ 111,718,908
Beneficial interest in trusts	-	-	2,011,626	2,011,626
Contributions receivable, net of discount	-	-	439,459	439,459
Total endowed equity	<u>\$ 70,720,128</u>	<u>\$ 15,869,551</u>	<u>\$ 27,580,314</u>	<u>\$ 114,169,993</u>

PITZER COLLEGE
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 16 - ENDOWMENT: *Continued*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010
Investment returns:				
Investment income from pooled funds	\$ 1,107,292	\$ -	\$ -	\$ 1,107,292
Less spending policy reinvested	(1,107,292)	-	-	(1,107,292)
Less investment returns appropriated for operations	-	-	-	-
Interfund Transfers	-	-	-	-
Cumulative gains appropriated for operations	-	-	-	-
Change in realized/unrealized net appreciation of investments	6,367,820	2,964,569	160,191	9,492,580
Net return in pooled investment fund	6,367,820	2,964,569	160,191	9,492,580
Investment income from separate investments	15,603	-	31,243	46,846
Reinvested income from pooled investments	1,107,292	-	-	1,107,292
Total net investment returns	7,490,715	2,964,569	191,434	10,646,718
Other changes in endowed equity:				
Gifts	-	-	434,146	434,146
Transfers	6,032,961	-	-	6,032,961
Net change in endowed equity	13,523,676	2,964,569	625,580	17,113,825
Endowed equity, beginning of year	44,268,002	7,555,036	25,640,613	77,463,651
Endowed equity, end of year	<u>\$ 57,791,678</u>	<u>\$ 10,519,605</u>	<u>\$ 26,266,193</u>	<u>\$ 94,577,476</u>
At June 30, 2010, endowed equity consists of the following assets:				
Investments	\$ 57,791,678	\$ 10,519,605	\$ 24,441,027	\$ 92,752,310
Beneficial interest in trusts	-	-	1,792,150	1,792,150
Contributions receivable, net of discount	-	-	33,016	33,016
Total endowed equity	<u>\$ 57,791,678</u>	<u>\$ 10,519,605</u>	<u>\$ 26,266,193</u>	<u>\$ 94,577,476</u>

PITZER COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 16 - ENDOWMENT: *Continued*

The net assets of the College include permanent endowment, temporarily restricted endowment and funds functioning as endowment (collectively the "endowment"). Permanent endowments are subject to the restriction that the gift instrument be held in perpetuity and that the principal be invested and the income only be utilized as provided for under the California UPMIFA. Temporarily restricted endowment are subject to timing restrictions of the donor. Funds functioning as endowment have been established by the Board of Trustees to function as endowment, any portion of such funds may be expended.

	<u>2011</u>	<u>2010</u>
Unrestricted endowment		
Funds functioning as endowment	\$ 70,758,769	\$ 58,383,028
Funds with deficiencies	(38,641)	(591,350)
Total unrestricted endowment	<u>\$ 70,720,128</u>	<u>\$ 57,791,678</u>
Temporarily Restricted		
Portion of perpetual endowment fund subject to a time restriction under California UPMIFA:		
Without purpose restriction	\$ 8,481,256	\$ 5,564,713
With purpose restriction	7,388,295	4,954,892
Total temporarily restricted endowment funds	<u>\$ 15,869,551</u>	<u>\$ 10,519,605</u>
Permanently restricted endowment	<u>27,580,314</u>	<u>26,266,193</u>
Total endowment	<u>\$ 114,169,993</u>	<u>\$ 94,577,476</u>

NOTE 17 - EMPLOYEE BENEFIT PLANS:

The College participates with other members of The Claremont Colleges (Note 18), in a defined contribution retirement plan which provides retirement benefits to eligible personnel through Teachers Insurance and Annuity Association and The College Retirement Equity Fund. Under this defined contribution plan, College and participant contributions are used to purchase individual annuity contracts and investments equivalent to retirement benefits earned. Vesting provisions are full and immediate. Benefits commence upon retirement, and pre-retirement survivor death benefits are provided. College contributions to the plan for the years ended June 30, 2011 and 2010 totaled \$1,976,881 and \$1,853,199, respectively.

The Claremont University Consortium administers a defined benefit plan (the "Plan") covering substantially all nonacademic employees of the College, along with those of the other Claremont Colleges. The Plan is funded in accordance with the Employer Retirement Income Security Act of 1974 ("ERISA"). The benefits are based on a percent of each year's base compensation. Plan assets are invested primarily in a diversified group of equity and fixed-income securities, in an insurance company's separate and general accounts. The College's allocation of the net pension cost for the years ended June 30, 2011 and 2010 was \$129,258 and \$115,166, respectively. A decision was made to curtail the Plan in June 2004. Under the curtailment the accrued benefits earned as of June 30, 2005 were frozen and no future benefits will be earned under the plan. The impact of the curtailment was a reduction to the benefit obligation. Eligible plan participants began receiving benefits under the defined contribution retirement plan in July 2005. Additional information on the Plan can be obtained from the audited financial statements of Claremont University Consortium.

NOTE 18 - AFFILIATED INSTITUTIONS:

The College is a member of an affiliated group of colleges known as The Claremont Colleges. Each College is a separate corporate entity governed by its own Board of Trustees. Claremont University Consortium, a member of this group, is the central coordinating institution which provides common student and administrative services, including certain central facilities utilized by all The Claremont Colleges. The costs of these services and facilities are shared by the members of the group. Amounts paid by the College for such services and use of facilities for the years ended June 30, 2011 and 2010 totaled \$3,590,774 and \$3,108,401, respectively.

PITZER COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 19 - RELATED PARTIES:

The College receives contributions and promises to give from members of the Board of Trustees. For the years ended June 30, 2011 and 2010, the College received approximately \$1,516,000 and \$884,000, respectively, of total contribution revenue from members of the Board of Trustees. As of June 30, 2011 and 2010, contributions receivable from members of the Board of Trustees totaled approximately \$436,000 and \$341,000 of total contributions receivable.

NOTE 20 - COMMITMENTS AND CONTINGENCIES:

During 2011 and 2010, the College entered into several contracts related to pre-construction planning for a new residence hall and academic complex, the renovation of the College's auditorium and for other building renovations. The outstanding commitments under these construction contracts were approximately \$21,710,000 and \$1,454,000 for the years ended June 30, 2011 and 2010, respectively.

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

Occasionally, the College is involved in lawsuits arising in the ordinary course of its operations. The College's management does not expect the ultimate resolution of pending legal actions to have a material effect on the financial position or results of operation of the College.

NOTE 21 - SUBSEQUENT EVENTS:

Subsequent events are events or transactions that occur after the statement of financial position date but before consolidated financial statements are available to be issued. The College recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The College's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

The College has evaluated subsequent events through October 14, 2011, which is the date the consolidated financial statements are available for issuance.