## CONTENTS

<table>
<thead>
<tr>
<th>Item</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report of Independent Auditors</td>
<td>2</td>
</tr>
<tr>
<td>Consolidated Statements of Financial Position</td>
<td>3</td>
</tr>
<tr>
<td>Consolidated Statements of Activities</td>
<td>4</td>
</tr>
<tr>
<td>Consolidated Statements of Cash Flows</td>
<td>6</td>
</tr>
<tr>
<td>Notes to the Consolidated Financial Statements</td>
<td>8</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS’ OPINION

The Board of Trustees
Pitzer College
Claremont, California

We have audited the accompanying statements of financial position of Pitzer College (the “College”) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College’s management. Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pitzer College as of June 30, 2007 and 2006, and the 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, CA
October 5, 2007
Pitzer College
Consolidated Statements of Financial Position

June 30, 2007 and 2006

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$522,629</td>
<td>$1,200,621</td>
</tr>
<tr>
<td>Short term investments (Note 5)</td>
<td>$10,486,957</td>
<td>$9,150,770</td>
</tr>
<tr>
<td>Prepaid expenses and deposits</td>
<td>$1,394,705</td>
<td>$1,336,587</td>
</tr>
<tr>
<td>Accounts receivable, net (Note 3)</td>
<td>$1,769,460</td>
<td>$2,274,348</td>
</tr>
<tr>
<td>Notes receivable, net (Note 3)</td>
<td>$3,874,146</td>
<td>$3,811,425</td>
</tr>
<tr>
<td>Contributions receivable (Note 4)</td>
<td>$4,729,940</td>
<td>$5,968,013</td>
</tr>
<tr>
<td>Beneficial interest in trusts (Note 4)</td>
<td>$2,277,456</td>
<td>$2,182,758</td>
</tr>
<tr>
<td>Investments (Note 5)</td>
<td>$133,410,351</td>
<td>$122,963,328</td>
</tr>
<tr>
<td>Plant facilities, net (Note 6)</td>
<td>$40,891,750</td>
<td>$25,919,256</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$199,357,394</strong></td>
<td><strong>$174,807,106</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$8,258,890</td>
<td>$4,678,270</td>
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<tr>
<td>Liability for early retirement plan (Note 8)</td>
<td>$1,487,692</td>
<td>$1,676,927</td>
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<tr>
<td>Deposits and deferred revenues</td>
<td>$1,577,226</td>
<td>$1,834,398</td>
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<tr>
<td>Life income and annuities payable</td>
<td>$299,391</td>
<td>$286,166</td>
</tr>
<tr>
<td>Capital lease obligation (Note 7)</td>
<td>$318,975</td>
<td>$82,973</td>
</tr>
<tr>
<td>Bonds payable (Note 9)</td>
<td>$45,216,869</td>
<td>$46,830,928</td>
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<tr>
<td>Government advances for student loans</td>
<td>$3,130,849</td>
<td>$3,100,333</td>
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<tr>
<td>Asset retirement obligation (Note 6)</td>
<td>$1,051,164</td>
<td>$1,004,839</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>61,341,056</strong></td>
<td><strong>59,494,834</strong></td>
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</tbody>
</table>

Net Assets (Note 10):

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporarily restricted</td>
<td>105,277,336</td>
<td>80,373,208</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>5,430,778</td>
<td>8,159,370</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>138,016,338</strong></td>
<td><strong>115,312,272</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Total liabilities and net assets</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>$199,357,394</strong></td>
<td><strong>$174,807,106</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
PITZER COLLEGE
CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net student revenues (Note 11)</td>
<td>$ 32,937,211</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 32,937,211</td>
</tr>
<tr>
<td>Contributions</td>
<td>3,123,272</td>
<td>502,776</td>
<td>407,695</td>
<td>4,033,743</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>844,911</td>
<td></td>
<td></td>
<td>844,911</td>
</tr>
<tr>
<td>Spending policy income (Note 5)</td>
<td>3,223,355</td>
<td>17,327</td>
<td>264</td>
<td>3,240,946</td>
</tr>
<tr>
<td>Other investment income (Note 5)</td>
<td>2,908,193</td>
<td>2,060</td>
<td>34,557</td>
<td>2,944,810</td>
</tr>
<tr>
<td>Summer conference revenue</td>
<td>959,200</td>
<td></td>
<td></td>
<td>959,200</td>
</tr>
<tr>
<td>Other revenues</td>
<td>211,561</td>
<td></td>
<td></td>
<td>211,561</td>
</tr>
<tr>
<td>Release of temporarily restricted net assets and reclassifications</td>
<td>3,279,551</td>
<td>(3,281,362)</td>
<td>1,811</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>47,487,254</td>
<td>(2,759,199)</td>
<td>444,327</td>
<td>45,172,382</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Academic program</td>
<td>18,487,015</td>
<td></td>
<td></td>
<td>18,487,015</td>
</tr>
<tr>
<td>Co-curricular program</td>
<td>9,707,902</td>
<td></td>
<td></td>
<td>9,707,902</td>
</tr>
<tr>
<td>Public service</td>
<td>807,509</td>
<td></td>
<td></td>
<td>807,509</td>
</tr>
<tr>
<td>Marketing</td>
<td>4,171,343</td>
<td></td>
<td></td>
<td>4,171,343</td>
</tr>
<tr>
<td>General and administrative</td>
<td>3,957,178</td>
<td></td>
<td></td>
<td>3,957,178</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>37,130,947</td>
<td></td>
<td></td>
<td>37,130,947</td>
</tr>
<tr>
<td>Excess of revenues over (under) expenses</td>
<td>10,356,307</td>
<td>(2,759,199)</td>
<td>444,327</td>
<td>8,041,435</td>
</tr>
<tr>
<td>Other changes in net assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized and unrealized gains (losses), net of spending allocation (Note 5)</td>
<td>14,678,256</td>
<td>9,188</td>
<td>875</td>
<td>14,688,319</td>
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<tr>
<td>Matured annuity and life income agreements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial adjustment</td>
<td>-</td>
<td>21,419</td>
<td>83,328</td>
<td>104,747</td>
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<tr>
<td>Staff retirement plan comprehensive gain (loss)</td>
<td>(130,435)</td>
<td>-</td>
<td>-</td>
<td>(130,435)</td>
</tr>
<tr>
<td><strong>Change in net assets before cumulative effect of change in accounting principle</strong></td>
<td>24,904,128</td>
<td>(2,728,592)</td>
<td>528,530</td>
<td>22,704,066</td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>24,904,128</td>
<td>(2,728,592)</td>
<td>528,530</td>
<td>22,704,066</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>80,373,208</td>
<td>8,159,370</td>
<td>26,779,694</td>
<td>115,312,272</td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>$ 105,277,336</td>
<td>$ 5,430,778</td>
<td>$ 27,308,224</td>
<td>$ 138,016,338</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
PITZER COLLEGE
CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2006

<table>
<thead>
<tr>
<th>Description</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net student revenues (Note 11)</td>
<td>31,093,303</td>
<td>-</td>
<td>-</td>
<td>31,093,303</td>
</tr>
<tr>
<td>Contributions</td>
<td>4,975,168</td>
<td>1,189,132</td>
<td>2,145,405</td>
<td>8,309,705</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>902,001</td>
<td>-</td>
<td>-</td>
<td>902,001</td>
</tr>
<tr>
<td>Spending policy income (Note 5)</td>
<td>2,820,175</td>
<td>16,439</td>
<td>240</td>
<td>2,836,854</td>
</tr>
<tr>
<td>Other investment income (Note 5)</td>
<td>2,003,072</td>
<td>5,577</td>
<td>48,151</td>
<td>2,056,800</td>
</tr>
<tr>
<td>Summer conference revenue</td>
<td>983,993</td>
<td>-</td>
<td>-</td>
<td>983,993</td>
</tr>
<tr>
<td>Other revenues</td>
<td>170,348</td>
<td>-</td>
<td>-</td>
<td>170,348</td>
</tr>
<tr>
<td>Release of temporarily restricted net assets and reclassifications</td>
<td>2,523,469</td>
<td>(2,612,633)</td>
<td>89,164</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>45,471,529</td>
<td>(1,401,485)</td>
<td>2,282,960</td>
<td>46,353,004</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Academic program</td>
<td>18,388,503</td>
<td>-</td>
<td>-</td>
<td>18,388,503</td>
</tr>
<tr>
<td>Co-curricular program</td>
<td>9,364,082</td>
<td>-</td>
<td>-</td>
<td>9,364,082</td>
</tr>
<tr>
<td>Public service</td>
<td>922,576</td>
<td>-</td>
<td>-</td>
<td>922,576</td>
</tr>
<tr>
<td>Marketing</td>
<td>4,008,656</td>
<td>-</td>
<td>-</td>
<td>4,008,656</td>
</tr>
<tr>
<td>General and administrative</td>
<td>3,636,510</td>
<td>-</td>
<td>-</td>
<td>3,636,510</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>36,320,327</td>
<td>-</td>
<td>-</td>
<td>36,320,327</td>
</tr>
<tr>
<td><strong>Excess of revenues over (under) expenses</strong></td>
<td>9,151,202</td>
<td>(1,401,485)</td>
<td>2,282,960</td>
<td>10,032,677</td>
</tr>
<tr>
<td><strong>Other changes in net assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized and unrealized gains (losses), net of spending allocation (Note 5)</td>
<td>10,380,270</td>
<td>7,875,866</td>
<td>(992)</td>
<td>18,255,144</td>
</tr>
<tr>
<td>Matured annuity and life income agreements</td>
<td>8,038,000</td>
<td>(8,038,000)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial adjustment</td>
<td>-</td>
<td>9,354</td>
<td>4,401</td>
<td>13,755</td>
</tr>
<tr>
<td>Staff retirement plan comprehensive gain (loss)</td>
<td>275,223</td>
<td>-</td>
<td>-</td>
<td>275,223</td>
</tr>
<tr>
<td><strong>Change in net assets before cumulative effect of change in accounting principle</strong></td>
<td>27,844,695</td>
<td>(1,554,265)</td>
<td>2,286,369</td>
<td>28,576,799</td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle</td>
<td>(880,407)</td>
<td>-</td>
<td>-</td>
<td>(880,407)</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>26,964,288</td>
<td>(1,554,265)</td>
<td>2,286,369</td>
<td>27,696,392</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>53,408,920</td>
<td>9,713,635</td>
<td>24,493,325</td>
<td>87,615,880</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$ 80,373,208</td>
<td>$ 8,159,370</td>
<td>$ 26,779,694</td>
<td>$ 115,312,272</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
PITZER COLLEGE  
CONSOLIDATED STATEMENTS OF CASH FLOWS  

For the years ended June 30, 2007 and June 30, 2006

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student fees, net of financial aid</td>
<td>$ 33,254,176</td>
<td>$ 31,475,574</td>
</tr>
<tr>
<td>Gift, grant and contract revenue</td>
<td>3,427,210</td>
<td>4,066,432</td>
</tr>
<tr>
<td>Investment income</td>
<td>4,976,400</td>
<td>3,546,716</td>
</tr>
<tr>
<td>Other revenues</td>
<td>1,170,761</td>
<td>1,080,147</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(1,884,307)</td>
<td>(1,636,000)</td>
</tr>
<tr>
<td>Payments to employees and suppliers</td>
<td>(30,878,100)</td>
<td>(32,257,506)</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by operating activities</strong></td>
<td>10,066,140</td>
<td>6,275,363</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of plant facilities</td>
<td>(15,769,858)</td>
<td>(7,408,869)</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(295,563,028)</td>
<td>48,211,153</td>
</tr>
<tr>
<td>Proceeds from sales of investments</td>
<td>300,087,570</td>
<td>(46,589,390)</td>
</tr>
<tr>
<td>Loans made to students and employees</td>
<td>(955,633)</td>
<td>(755,682)</td>
</tr>
<tr>
<td>Collection of student and employee loans</td>
<td>823,663</td>
<td>851,172</td>
</tr>
<tr>
<td><strong>Net cash provided (used) in investing activities</strong></td>
<td>(11,377,286)</td>
<td>(5,691,616)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to life income beneficiaries</td>
<td>(31,520)</td>
<td>(32,224)</td>
</tr>
<tr>
<td>Investment income and gains on life income investments</td>
<td>13,487</td>
<td>9,404</td>
</tr>
<tr>
<td>Principal payments for borrowings</td>
<td>(1,700,076)</td>
<td>(600,664)</td>
</tr>
<tr>
<td>Contributions receivable payments received</td>
<td>2,141,922</td>
<td>-</td>
</tr>
<tr>
<td>Contributions restricted for endowment</td>
<td>175,438</td>
<td>98,909</td>
</tr>
<tr>
<td>Contributions restricted for plant expenditures</td>
<td>3,387</td>
<td>825,027</td>
</tr>
<tr>
<td>Change in government advances for student loans</td>
<td>30,516</td>
<td>29,668</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by financing activities</strong></td>
<td>633,154</td>
<td>270,120</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash</strong></td>
<td>(677,992)</td>
<td>853,867</td>
</tr>
<tr>
<td>Cash at beginning of year</td>
<td>1,200,621</td>
<td>346,754</td>
</tr>
<tr>
<td>Cash at end of year</td>
<td>$ 522,629</td>
<td>$ 1,200,621</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
For the years ended June 30, 2007 and June 30, 2006

**Reconciliation of change in net assets to cash flows from operating activities:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$22,704,066</td>
<td>$27,696,392</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>1,123,442</td>
<td>1,095,931</td>
</tr>
<tr>
<td>Amortization and accretion expense</td>
<td>69,717</td>
<td>66,808</td>
</tr>
<tr>
<td>Comprehensive (gain) loss on staff retirement plan</td>
<td>130,435</td>
<td>(275,223)</td>
</tr>
<tr>
<td>Realized gains on investments</td>
<td>(12,867,347)</td>
<td>(13,266,617)</td>
</tr>
<tr>
<td>Unrealized gains on investments</td>
<td>(3,030,328)</td>
<td>(6,572,000)</td>
</tr>
<tr>
<td>Non-cash gifts</td>
<td>(963,770)</td>
<td>(3,929,279)</td>
</tr>
<tr>
<td>Adjustment of actuarial liability for life income agreements</td>
<td>(104,747)</td>
<td>(13,755)</td>
</tr>
<tr>
<td>Provision for losses on accounts and notes receivable</td>
<td>69,249</td>
<td>-</td>
</tr>
<tr>
<td>Decrease (increase) in accounts receivable</td>
<td>504,888</td>
<td>(374,560)</td>
</tr>
<tr>
<td>Decrease (increase) in contributions receivable</td>
<td>(308,849)</td>
<td>1,923,803</td>
</tr>
<tr>
<td>Decrease (increase) in prepaid expenses and deposits</td>
<td>(85,569)</td>
<td>8,916</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable and accrued liabilities</td>
<td>3,551,660</td>
<td>1,625,412</td>
</tr>
<tr>
<td>Increase (decrease) in liability for early retirement plan</td>
<td>(189,235)</td>
<td>51,920</td>
</tr>
<tr>
<td>Increase (decrease) in deposits and deferred revenues</td>
<td>(257,172)</td>
<td>463,269</td>
</tr>
<tr>
<td>Contributions for long-term investments</td>
<td>(178,825)</td>
<td>(923,936)</td>
</tr>
<tr>
<td>Contributions of beneficial interest in trusts</td>
<td>-</td>
<td>(2,182,758)</td>
</tr>
<tr>
<td>Defined benefit plan contributions under (over) expense</td>
<td>(101,475)</td>
<td>633</td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle</td>
<td>-</td>
<td>880,407</td>
</tr>
<tr>
<td><strong>Net cash and cash equivalents provided (used) by operating activities</strong></td>
<td>10,066,140</td>
<td>6,275,363</td>
</tr>
</tbody>
</table>

Non-cash investing and financing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment acquired under capital lease</td>
<td>$326,078</td>
<td>$100,368</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these financial statements.*
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 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. The objective of the College is to maintain and conduct a 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.

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 Organizations.”

Consolidated Financial Statements:
The activities of Pitzer College Costa Rica are consolidated in the College’s consolidated financial statements, as required by Statement of Financial Position 94-3, “Reporting of Related Entities by Not-for-Profit Organizations, issued by the American Institute of Certified Public Accountants.

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. Funds functioning as endowment include gains earned on pooled investments that are available for appropriation under the spending policy adopted by the Board of Trustees (Note 2, Management of Pooled Investments). Plant facilities and other net assets include all long-lived assets, net of related long-term debt, and other support.

• Temporarily Restricted Net Assets
  Temporarily restricted net assets include gifts of cash and securities, and income from endowments that are subject to donor-imposed restrictions that either lapse or can be satisfied. When a donor restriction expires, temporarily restricted net assets are released or reclassified to unrestricted net assets (Note 2, Expiration of Donor-Imposed Restrictions).
NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

- 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.

Collectibility 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 and a credit to accounts receivable.

- Grants and Contracts:
  Revenues from grants and contracts are reported as increases in unrestricted net assets, as 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 are discounted at an appropriate discount rate.

- 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. 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 such as Admission/Financial Aid, Public Relations, Alumni Relations and the Advancement Office. General and Administrative includes expenses such as administrative computing, planning, institutional research, human resources, liability insurance, legal and audit fees, and the President and Treasurer’s Offices.

Depreciation and operation and maintenance of plant expense is 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.
NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

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 that any such investments managed as part of the investment pool are classified as investments.

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, except for real estate investments, trust deed loans, and certain other miscellaneous assets, which are stated at cost. 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, 2007 and 2006. 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. Because non-marketable alternative investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material.

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. The date of record for investments is the trade date.

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. The amount of investment return available for current operations is determined by applying 4.7% to a twelve-quarter average market value of pooled investments ending December 31 of the previous year, plus $391,000 of annual debt service costs through 2022. If the ordinary income portion of pooled investments return is insufficient to provide the full amount of investment return specified, the balance may be appropriated from realized gains of the pooled investments. Cumulative net realized gains and transfers of ordinary income in excess of the spending policy (“cumulative gains”) are held in unrestricted net assets and are available for appropriation under the College’s spending policy. At June 30, 2007 and 2006, these cumulative gains totaled $23,763,870 and $18,587,929, respectively.

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 the gift, 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 five years or more and a cost equal to or greater than $100,000 for land improvements and buildings and $25,000 for equipment 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.
NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

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) Series 1997, 1999 and 2005 bond agreements. See Note 18 for additional information.

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.

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 credited with investment income and gains and is charged with investment losses and payments to beneficiaries. Periodic adjustments are made between the liability account and the net asset account for actuarial gains and losses. The actuarial liability is based on the present value of future payments discounted at rates ranging from 6.0% to 7.5% and over estimated lives according to 1994 Group Annuity Mortality Joint-Life Gender-Based Tables.

The College is subject to additional legally mandated annuity reserve requirements by the State of California on its California gift annuity contracts. On December 2, 1998 the Insurance Commission Chief Counsel granted the College permission to invest its reserves for California annuities pursuant to Insurance Code Section 11521.2(b). This approval is subject to the following conditions: (1) maintain a nationally recognized statistical rating organization bond rating of “A” or better and (2) maintain an endowment to gift annuity ratio of at least 10:1. As of June 30, 2007 and 2006 the College has elected to maintain its reserves in separate investment accounts.

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 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, is not practical because such a determination cannot be made without incurring excessive costs.

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.

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

Redesignations:
Certain amounts previously received from donors have been transferred among net asset classes due to changes in donor designations.
NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

Accounting Change:
The College implemented Financial Accounting Standards Board Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No 143” (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 reasonably estimated. Upon implementation of FIN 47, the College recorded a cumulative effect of change in accounting principle of $880,407.

The pro forma effect of retroactively applying FIN 47 (as if it had been applied during all years reported) was a decrease in net assets for the year ended June 30, 2005 of $45,927.

NOTE 3 - ACCOUNTS AND NOTES RECEIVABLE:

Accounts receivable at June 30, 2007 and 2006 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student accounts</td>
<td>$ 598,779</td>
<td>$ 679,824</td>
</tr>
<tr>
<td>Federal grants and contracts</td>
<td>259,012</td>
<td>377,864</td>
</tr>
<tr>
<td>Investment receivables</td>
<td>496,177</td>
<td>481,793</td>
</tr>
<tr>
<td>Other Claremont Colleges</td>
<td>338,341</td>
<td>636,343</td>
</tr>
<tr>
<td>Other</td>
<td>139,828</td>
<td>201,418</td>
</tr>
<tr>
<td></td>
<td>1,832,137</td>
<td>2,377,242</td>
</tr>
<tr>
<td>Less allowance for doubtful accounts</td>
<td>(62,677)</td>
<td>(102,894)</td>
</tr>
<tr>
<td>Net accounts receivable</td>
<td>$ 1,769,460</td>
<td>$ 2,274,348</td>
</tr>
</tbody>
</table>

Notes receivable to the College at June 30, 2007 and 2006 were $3,874,146 and $3,811,425, and consisted primarily of loans receivable from students of $4,199,785 and $4,066,930, less an allowance for doubtful loans of $411,624 and $342,375, respectively.

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 1.7% to 6.4%

Unconditional promises to give at June 30, 2007 and 2006 were expected to be realized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>$ 2,243,946</td>
<td>$ 2,052,296</td>
</tr>
<tr>
<td>Between one year and five years</td>
<td>2,617,212</td>
<td>4,355,785</td>
</tr>
<tr>
<td>More than five years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>4,861,158</td>
<td>6,408,081</td>
</tr>
<tr>
<td>Less discount</td>
<td>(131,218)</td>
<td>(440,068)</td>
</tr>
<tr>
<td>Net contributions receivable</td>
<td>$ 4,729,940</td>
<td>$ 5,968,013</td>
</tr>
</tbody>
</table>
NOTE 4 - CONTRIBUTIONS RECEIVABLE AND BENEFICIAL INTEREST IN TRUSTS: Continued

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

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment</td>
<td>$350,142</td>
<td>$120,040</td>
</tr>
<tr>
<td>Plant</td>
<td>2,500</td>
<td>4,745</td>
</tr>
<tr>
<td>Other</td>
<td>4,377,298</td>
<td>5,843,228</td>
</tr>
<tr>
<td>Net contributions receivable</td>
<td>$4,729,940</td>
<td>$5,968,013</td>
</tr>
</tbody>
</table>

Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. At June 30, 2007 and 2006 the College had knowledge of $750,000 and $300,000, respectively, of conditional promises to give that are contingent upon receiving matching funds from other sources.

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, 2007 and 2006:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit market value at end of year</td>
<td>$308.09</td>
<td>$259.16</td>
</tr>
<tr>
<td>Net ordinary investment income per weighted average unit</td>
<td>$7.39</td>
<td>$5.05</td>
</tr>
<tr>
<td>Units owned:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds functioning as endowment</td>
<td>191,017</td>
<td>123,533</td>
</tr>
<tr>
<td>Permanently restricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment</td>
<td>142,382</td>
<td>140,792</td>
</tr>
<tr>
<td>Total units</td>
<td>333,399</td>
<td>264,325</td>
</tr>
<tr>
<td>Weighted average units</td>
<td>269,181</td>
<td>248,194</td>
</tr>
</tbody>
</table>
NOTE 5 - INVESTMENTS: Continued

Investment income related to College investments for the years ended June 30, 2007 and 2006, net of management and custody fees of $199,498 and $175,000, respectively, was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net pooled investment income</td>
<td>$1,990,286</td>
<td>$1,253,382</td>
</tr>
<tr>
<td>Pooled investment gains appropriated</td>
<td>1,250,660</td>
<td>1,583,472</td>
</tr>
<tr>
<td>Total spending policy income</td>
<td>$3,240,946</td>
<td>$2,836,854</td>
</tr>
<tr>
<td>Other investment income</td>
<td>2,954,873</td>
<td>2,066,204</td>
</tr>
<tr>
<td>Less amounts allocated to annuity and life income contracts and agreements</td>
<td>(10,063)</td>
<td>(9,404)</td>
</tr>
<tr>
<td>Total other investment income</td>
<td>$2,944,810</td>
<td>$2,056,800</td>
</tr>
<tr>
<td>Realized and unrealized gains, net of pooled investment gains appropriated</td>
<td>14,688,319</td>
<td>18,255,144</td>
</tr>
<tr>
<td>Total investment returns</td>
<td>$20,874,075</td>
<td>$23,148,798</td>
</tr>
</tbody>
</table>

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, 2007 and 2006. The carrying values of investments are estimates based on quoted market prices where available, and are considered fair values.

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Carrying Value</th>
<th>Cost</th>
<th>Carrying Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pooled investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>$9,228,866</td>
<td>$9,228,866</td>
<td>$4,194,666</td>
<td>$4,194,666</td>
</tr>
<tr>
<td>Fixed income funds</td>
<td>12,241,089</td>
<td>11,636,008</td>
<td>9,707,115</td>
<td>9,174,018</td>
</tr>
<tr>
<td>Equity index funds</td>
<td>36,360,237</td>
<td>38,613,222</td>
<td>32,564,880</td>
<td>32,073,458</td>
</tr>
<tr>
<td>Common stocks</td>
<td>18,720,819</td>
<td>28,029,154</td>
<td>15,851,015</td>
<td>21,216,393</td>
</tr>
<tr>
<td>Limited partnerships</td>
<td>12,322,081</td>
<td>15,208,099</td>
<td>1,520,090</td>
<td>1,842,853</td>
</tr>
<tr>
<td>Total pooled investments</td>
<td>$88,873,092</td>
<td>$102,715,349</td>
<td>$63,837,766</td>
<td>$68,501,388</td>
</tr>
<tr>
<td>Separate investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment and funds functioning as endowment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>$506,958</td>
<td>$506,959</td>
<td>$943,913</td>
<td>$943,913</td>
</tr>
<tr>
<td>U.S. Government securities</td>
<td>991,083</td>
<td>996,060</td>
<td>492,890</td>
<td>496,816</td>
</tr>
<tr>
<td>Common stocks</td>
<td>27,463</td>
<td>37,074</td>
<td>26,583</td>
<td>31,311</td>
</tr>
<tr>
<td>Real property</td>
<td>-</td>
<td>-</td>
<td>133,951</td>
<td>14,326,601</td>
</tr>
<tr>
<td>Total</td>
<td>$1,525,504</td>
<td>$1,540,093</td>
<td>$1,597,337</td>
<td>$15,798,641</td>
</tr>
<tr>
<td>Annuity and life income contracts and agreements:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>$12,344</td>
<td>$12,344</td>
<td>$40,534</td>
<td>$40,534</td>
</tr>
<tr>
<td>U.S. Government securities</td>
<td>130,763</td>
<td>130,232</td>
<td>120,665</td>
<td>119,836</td>
</tr>
<tr>
<td>Common stocks</td>
<td>201,367</td>
<td>275,917</td>
<td>201,310</td>
<td>234,851</td>
</tr>
<tr>
<td>Total</td>
<td>$344,474</td>
<td>$418,493</td>
<td>$362,509</td>
<td>$395,221</td>
</tr>
</tbody>
</table>

* Cost
NOTE 5 - INVESTMENTS: Continued

<table>
<thead>
<tr>
<th>Plant:</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Carrying Value</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>$442,952</td>
<td>$442,952</td>
</tr>
<tr>
<td>Fixed income funds</td>
<td>1,648,115</td>
<td>1,554,539</td>
</tr>
<tr>
<td>Equity index funds</td>
<td>2,063,632</td>
<td>1,937,822</td>
</tr>
<tr>
<td>Assets whose use is limited</td>
<td>23,494,673</td>
<td>23,494,673 *</td>
</tr>
<tr>
<td></td>
<td><strong>$27,649,372</strong></td>
<td><strong>$27,429,986</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other:</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term investments-operating</td>
<td>$10,486,957</td>
<td>$10,486,957</td>
</tr>
<tr>
<td>Cash equivalents-Weingart advances</td>
<td>1,291,866</td>
<td>1,291,866</td>
</tr>
<tr>
<td>Common stocks and other</td>
<td>14,564</td>
<td>14,564</td>
</tr>
<tr>
<td></td>
<td><strong>$11,793,387</strong></td>
<td><strong>$11,793,387</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By investment category:</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pooled investments</td>
<td>$88,873,092</td>
<td>$102,715,349</td>
</tr>
<tr>
<td>Separately invested</td>
<td>41,312,737</td>
<td>41,181,959</td>
</tr>
<tr>
<td>Total by investment category</td>
<td><strong>$130,185,829</strong></td>
<td><strong>$143,897,308</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By asset type:</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash equivalents</td>
<td>$21,969,943</td>
<td>$21,969,944</td>
</tr>
<tr>
<td>Fixed income funds</td>
<td>13,889,204</td>
<td>13,190,547</td>
</tr>
<tr>
<td>Equity index funds</td>
<td>38,423,869</td>
<td>40,551,044</td>
</tr>
<tr>
<td>U.S. Government securities</td>
<td>1,121,846</td>
<td>1,126,292</td>
</tr>
<tr>
<td>Common stocks</td>
<td>18,964,213</td>
<td>28,356,709</td>
</tr>
<tr>
<td>Real property</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Limited partnerships</td>
<td>12,322,081</td>
<td>15,208,099</td>
</tr>
<tr>
<td>Assets whose use is limited</td>
<td>23,494,673</td>
<td>23,494,673 *</td>
</tr>
<tr>
<td>Total by asset type</td>
<td><strong>$130,185,829</strong></td>
<td><strong>$143,897,308</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By category:</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment and funds functioning as endowment</td>
<td>$90,398,596</td>
<td>$104,255,442</td>
</tr>
<tr>
<td>Annuity and life income contracts and agreements</td>
<td>344,474</td>
<td>418,493</td>
</tr>
<tr>
<td>Plant</td>
<td>27,649,372</td>
<td>27,429,986</td>
</tr>
<tr>
<td>Other</td>
<td>11,793,387</td>
<td>11,793,387</td>
</tr>
<tr>
<td>Total by category</td>
<td><strong>$130,185,829</strong></td>
<td><strong>$143,897,308</strong></td>
</tr>
</tbody>
</table>

* Cost
NOTE 6 - PLANT FACILITIES:

Plant facilities are recorded at cost or estimated fair value at the date of donation, and at June 30, 2007 and 2006 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and land improvements</td>
<td>$4,674,821</td>
<td>$4,674,821</td>
</tr>
<tr>
<td>Buildings</td>
<td>$31,136,966</td>
<td>$31,136,964</td>
</tr>
<tr>
<td>Equipment</td>
<td>$4,726,910</td>
<td>$4,726,909</td>
</tr>
<tr>
<td>Equipment under capital lease</td>
<td>$426,446</td>
<td>$368,464</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>$22,016,302</td>
<td>$6,246,444</td>
</tr>
<tr>
<td></td>
<td>$62,981,445</td>
<td>$47,153,602</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>$(22,089,695)</td>
<td>$(21,234,346)</td>
</tr>
<tr>
<td>Net plant facilities</td>
<td>$40,891,750</td>
<td>$25,919,256</td>
</tr>
</tbody>
</table>

The College has recorded asset retirement obligations under Statement of Financial Accounting Standards No. 143 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, 2007 and 2006:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligations incurred</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Obligations settled</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accretion expense</td>
<td>$46,325</td>
<td>$44,270</td>
</tr>
<tr>
<td>Revisions in estimated cash flows</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$1,004,839</td>
<td>$960,569</td>
</tr>
<tr>
<td>Ending balance</td>
<td>$1,051,164</td>
<td>$1,004,839</td>
</tr>
</tbody>
</table>

NOTE 7 - 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 2010.

The annual lease obligation at June 30, 2007 was as follows:

<table>
<thead>
<tr>
<th>Fiscal Years Ending June 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$113,767</td>
</tr>
<tr>
<td>2009</td>
<td>114,613</td>
</tr>
<tr>
<td>2010</td>
<td>93,907</td>
</tr>
<tr>
<td>2011</td>
<td>7,239</td>
</tr>
<tr>
<td>Total payments</td>
<td>329,526</td>
</tr>
<tr>
<td>Less interest</td>
<td>(10,551)</td>
</tr>
<tr>
<td>Total capital lease obligation</td>
<td>318,975</td>
</tr>
</tbody>
</table>
NOTE 8 - 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. Plan assets are combined with the general assets of the College.

Certain financial information pertaining to the Plan as of June 30, 2007 and 2006 is summarized below:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated post retirement benefit obligation</td>
<td>$(2,478,762)</td>
<td>$(2,019,128)</td>
</tr>
<tr>
<td>Unrecognized net transition obligation</td>
<td>438,596</td>
<td>493,420</td>
</tr>
<tr>
<td>Unrecognized prior service cost</td>
<td>227,507</td>
<td>-</td>
</tr>
<tr>
<td>Unrecognized gain</td>
<td>324,967</td>
<td>(151,219)</td>
</tr>
<tr>
<td>Accrued benefit cost</td>
<td>$(1,487,692)</td>
<td>$(1,676,927)</td>
</tr>
<tr>
<td>Service cost</td>
<td>$ 90,498</td>
<td>$ 67,927</td>
</tr>
<tr>
<td>Interest cost</td>
<td>142,201</td>
<td>113,411</td>
</tr>
<tr>
<td>Amortization of transition obligation</td>
<td>54,824</td>
<td>54,824</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>12,803</td>
<td>-</td>
</tr>
<tr>
<td>Amortization of net (gain) loss</td>
<td>6,240</td>
<td>-</td>
</tr>
<tr>
<td>Net plan cost</td>
<td>$ 306,566</td>
<td>$ 236,162</td>
</tr>
</tbody>
</table>

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 6.05%, 7.0% and 4.5%, respectively, at June 30, 2007.

NOTE 9 - BONDS PAYABLE:

At June 30, 2007 and 2006, bonds payable were comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds issued through California Educational Facilities Authority (&quot;CEFA&quot;):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 1997 A</td>
<td>$ 1,375,000</td>
<td>$ 1,640,000</td>
</tr>
<tr>
<td>Series 1999 A</td>
<td>8,060,000</td>
<td>8,395,000</td>
</tr>
<tr>
<td>Series 2005 A</td>
<td>16,085,000</td>
<td>16,085,000</td>
</tr>
<tr>
<td>Series 2005 B</td>
<td>19,565,000</td>
<td>20,575,000</td>
</tr>
<tr>
<td></td>
<td>45,085,000</td>
<td>46,695,000</td>
</tr>
<tr>
<td>Less unamortized net premium</td>
<td>131,869</td>
<td>135,928</td>
</tr>
<tr>
<td>Total bonds payable</td>
<td>$ 45,216,869</td>
<td>$ 46,830,928</td>
</tr>
</tbody>
</table>
NOTE 9 - BONDS PAYABLE: Continued

The CEFA Series 1997 A bonds are due in 2013. Annual installments range from $160,000 in 2011 to $305,000 in 2010. Interest is payable semi-annually at rates ranging from 5.35% to 5.45%. Bonds maturing after April 1, 2007 with principal balances totaling $1,640,000 are subject to mandatory redemption at prices ranging from 102% to 100% of the outstanding principal balance.

The CEFA Series 1999 A bonds are due in 2023. Annual installments range from $345,000 in 2008 to $710,000 in 2023. Interest is payable semi-annually at rates ranging from 4.2% to 5.1%. Bonds maturing after April 1, 2009 with principal balances totaling $7,355,000 are subject to mandatory redemption prices ranging from 101% to 100% of the outstanding principal balance.

The CEFA Series 2005 A bonds were issued in April 2005. The bond proceeds will fund the acquisition, construction, rehabilitation, remodeling, renovation and equipping of certain educational facilities. The CEFA Series 2005 A bonds are due in 2035. Annual installments range from $110,000 in 2014 to $1,580,000 in 2035. 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 2005 B bonds were issued in April 2005. The bond proceeds will fund the acquisition, construction, rehabilitation, remodeling, renovation and equipping of certain educational facilities. The CEFA Series 2005 B bonds are due in 2045. Annual installments range from $1,734,000 in 2036 to $2,199,000 in 2045. Interest is payable monthly at a variable rate determined on a weekly basis. Interest rates ranged from 3.23% to 3.93% and 1.93% to 3.93% during the periods ended June 30, 2007 and 2006, respectively. Bonds maturing after April 1, 2006 with principal balances totaling $20,575,000 are subject to mandatory redemption prices ranging from 102% to 100% of the outstanding principal balance.

The CEFA Series 1997 A, 1999 A and 2005 A bonds are not collateralized. The Series 2005 B bonds are guaranteed by an irrevocable letter of credit in the amount of $18,853,914 which expires in 2010 or earlier under certain conditions. Total interest expense was $1,918,274 and $2,006,104, net of capitalized interest of $176,699 and $269,753, for the years ended June 30, 2007 and 2006, respectively.

The maturity of bonds payable at June 30, 2007, was as follows:

<table>
<thead>
<tr>
<th>Fiscal Years Ending June 30,</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$ 625,000</td>
</tr>
<tr>
<td>2009</td>
<td>650,000</td>
</tr>
<tr>
<td>2010</td>
<td>685,000</td>
</tr>
<tr>
<td>2011</td>
<td>555,000</td>
</tr>
<tr>
<td>2012</td>
<td>585,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>41,985,000</td>
</tr>
<tr>
<td></td>
<td>$ 45,085,000</td>
</tr>
</tbody>
</table>

The CEFA Series 2007, 2003, 1999 and 1995 A bond agreements contain various restrictive covenants which include maintenance of certain financial ratios, as defined in the agreements. At June 30, 2007 and 2006, the College was in compliance with all bond covenants.
NOTE 9 - BONDS PAYABLE: Continued

The estimated fair value of the College's bonds payable was $46,307,201 and $46,723,000 at June 30, 2007 and 2006, 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 $1,500,000 line of credit with a bank. Any borrowings on the line would bear interest at the bank’s prime rate, which was 8.25% at June 30, 2007. There were no borrowings outstanding on the line at June 30, 2007 and 2006.

NOTE 10 - NET ASSETS:

At June 30, 2007 and 2006, net assets consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available for operations</td>
<td>$774,727</td>
<td>$604,152</td>
</tr>
<tr>
<td>For designated purposes</td>
<td>$225,698</td>
<td>$326,382</td>
</tr>
<tr>
<td>Funds functioning as endowment</td>
<td>$82,068,303</td>
<td>$62,312,788</td>
</tr>
<tr>
<td>Plant facilities</td>
<td>$22,208,608</td>
<td>$17,129,886</td>
</tr>
<tr>
<td>Total unrestricted</td>
<td>$105,277,336</td>
<td>$80,373,208</td>
</tr>
<tr>
<td>Temporarily restricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant facilities</td>
<td>$610,804</td>
<td>$1,599,437</td>
</tr>
<tr>
<td>Annuity and life income contracts and agreements</td>
<td>$177,481</td>
<td>$156,000</td>
</tr>
<tr>
<td>Other</td>
<td>$4,642,493</td>
<td>$6,403,933</td>
</tr>
<tr>
<td>Total temporarily restricted</td>
<td>$5,430,778</td>
<td>$8,159,370</td>
</tr>
<tr>
<td>Permanently restricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student loans</td>
<td>$2,548,327</td>
<td>$2,534,848</td>
</tr>
<tr>
<td>Annuity and life income contracts and agreements</td>
<td>$110,519</td>
<td>$262,020</td>
</tr>
<tr>
<td>Endowment</td>
<td>$24,649,378</td>
<td>$23,982,826</td>
</tr>
<tr>
<td>Total permanently restricted</td>
<td>$27,308,224</td>
<td>$26,779,694</td>
</tr>
</tbody>
</table>

At June 30, 2007 and 2006, respectively, there are no deficiencies resulting from declines in fair value from the original gift amount. The allocation of deficiencies is recorded in accordance with Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations."
NOTE 11 - NET STUDENT REVENUES:

Student revenues for the years ended June 30, 2007 and 2006 consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tuition:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition - regular students</td>
<td>$25,498,977</td>
<td>$24,326,637</td>
</tr>
<tr>
<td>Tuition - new resource students</td>
<td>1,224,496</td>
<td>1,213,088</td>
</tr>
<tr>
<td>Campus activities fees</td>
<td>554,487</td>
<td>532,074</td>
</tr>
<tr>
<td><strong>Gross student revenue</strong></td>
<td><strong>27,277,960</strong></td>
<td><strong>26,071,799</strong></td>
</tr>
<tr>
<td>Less: College funded grant aid</td>
<td>(7,767,700)</td>
<td>(7,497,614)</td>
</tr>
<tr>
<td><strong>Tuition revenue net of College funded grant aid</strong></td>
<td><strong>19,510,260</strong></td>
<td><strong>18,574,185</strong></td>
</tr>
<tr>
<td>Less: Federally funded grant aid</td>
<td>(173,351)</td>
<td>(173,801)</td>
</tr>
<tr>
<td><strong>Tuition revenue net of grant aid</strong></td>
<td><strong>19,336,909</strong></td>
<td><strong>18,400,384</strong></td>
</tr>
<tr>
<td><strong>Other student revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External studies programs</td>
<td>3,613,084</td>
<td>3,670,680</td>
</tr>
<tr>
<td>Room fees</td>
<td>4,041,970</td>
<td>3,529,950</td>
</tr>
<tr>
<td>Board fees</td>
<td>2,422,752</td>
<td>2,167,450</td>
</tr>
<tr>
<td>Facility fees</td>
<td>1,812,033</td>
<td>2,251,071</td>
</tr>
<tr>
<td>Summer sessions</td>
<td>443,513</td>
<td>241,920</td>
</tr>
<tr>
<td>PACE program</td>
<td>788,265</td>
<td>546,088</td>
</tr>
<tr>
<td>Other student fees</td>
<td>478,685</td>
<td>285,760</td>
</tr>
<tr>
<td><strong>Total other student revenues</strong></td>
<td><strong>13,600,302</strong></td>
<td><strong>12,692,919</strong></td>
</tr>
<tr>
<td><strong>Net student revenues</strong></td>
<td><strong>$32,937,211</strong></td>
<td><strong>$31,093,303</strong></td>
</tr>
</tbody>
</table>

NOTE 12 - FUND RAISING EXPENSE:

Included in Marketing expenses for the years ended June 30, 2007 and 2006 are $954,019 and $1,047,000, respectively, of expenditures related to fundraising.

NOTE 13 - 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 in perpetuity that the principal be invested and the income only be utilized as provided under the California Uniform 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.
NOTE 13 - ENDOWMENT: Continued

Changes in the College's endowment for the years ended June 30, 2007 and 2006 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment returns:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earned income</td>
<td>$ 2,041,025</td>
<td>$ 1,302,060</td>
</tr>
<tr>
<td>Change in realized and unrealized net appreciation of investments</td>
<td>15,559,630</td>
<td>11,936,053</td>
</tr>
<tr>
<td><strong>Net investment gain</strong></td>
<td>17,600,655</td>
<td>13,238,113</td>
</tr>
<tr>
<td><strong>Endowment returns used for operations</strong></td>
<td>(3,240,682)</td>
<td>(2,706,045)</td>
</tr>
<tr>
<td><strong>Net investment returns</strong></td>
<td>14,359,973</td>
<td>10,532,068</td>
</tr>
<tr>
<td><strong>Other changes in endowed equity:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifts</td>
<td>407,695</td>
<td>2,145,405</td>
</tr>
<tr>
<td>Actuarial adjustment</td>
<td>71,843</td>
<td>-</td>
</tr>
<tr>
<td>Transfers</td>
<td>5,419,626</td>
<td>13,313,232</td>
</tr>
<tr>
<td><strong>Net change in endowed equity</strong></td>
<td>20,259,137</td>
<td>25,990,705</td>
</tr>
<tr>
<td><strong>Endowed equity, beginning of year</strong></td>
<td>86,458,549</td>
<td>60,467,844</td>
</tr>
<tr>
<td><strong>Endowed equity, end of year</strong></td>
<td>$ 106,717,686</td>
<td>$ 86,458,549</td>
</tr>
</tbody>
</table>

At June 30, 2007 and 2006, endowed equity consists of the following assets:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>104,255,442</td>
<td>84,300,029</td>
</tr>
<tr>
<td>Due from broker</td>
<td>3,543</td>
<td>1,764</td>
</tr>
<tr>
<td>Beneficial interest in trusts</td>
<td>2,108,559</td>
<td>2,036,716</td>
</tr>
<tr>
<td>Contributions receivable, net of discount</td>
<td>350,142</td>
<td>120,040</td>
</tr>
<tr>
<td><strong>Total endowed equity</strong></td>
<td>$ 106,717,686</td>
<td>$ 86,458,549</td>
</tr>
</tbody>
</table>

NOTE 14 - EMPLOYEE BENEFIT PLANS:

The College participates with other members of The Claremont Colleges (Note 16), 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, 2007 and 2006 totaled $1,439,642 and $1,389,920, respectively.
NOTE 14 - EMPLOYEE BENEFIT PLANS:  Continued

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, 2007 and 2006 was ($17,006) and $52,000, 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 15 - 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, 2007 and 2006 totaled $3,117,477 and $2,973,074, respectively.

NOTE 16 - RELATED PARTIES:

The College receives contributions and promises to give from members of the Board of Trustees. For the years ended June 30, 2007 and 2006, the College received approximately 25% and 17%, respectively, of total contribution revenue from members of the Board of Trustees. As of June 30, 2007 and 2006, contributions receivable from members of the Board of Trustees totaled approximately 84% and 92% of total contributions receivable.

NOTE 17 - COMMITMENTS AND CONTINGENCIES:

At June 30, 2007 and 2006 the College had investment commitments in limited partnerships as follows:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original commitments</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Commitments paid</td>
<td>(1,019,481)</td>
<td>-</td>
</tr>
<tr>
<td>Remaining commitments</td>
<td>$980,519</td>
<td>$2,000,000</td>
</tr>
</tbody>
</table>

During 2005, the College entered into a construction contract related to the construction of three residence halls. The outstanding commitment under the construction contract was $7,005,948 and $21,341,000 for the years ended June 30, 2007 and 2006, 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.
NOTE 17 - COMMITMENTS AND CONTINGENCIES:  Continued

The College is a defendant in various legal actions incident to the conduct of its operations. The College's management does not expect that liabilities related to these legal actions would have a material effect on the financial position or results of operations of the College.

NOTE 18 - ASSETS WHOSE USE IS LIMITED:

Indenture requirements of bond financing (see Note 9, "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 cost, which approximates fair value. Assets whose use is limited totaled $23,494,674 and $33,656,536, respectively, as of June 30, 2007 and 2006, and are included in investments in the statement of financial position.