Vassar College

Financial Statements
(and Report of Independent Auditors)
June 30, 2010 and 2009

Vassar College
Index
June 30, 2010 and 2009

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

To the Board of Trustees
of Vassar College

In our opinion, the accompanying statements of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of Vassar College ("Vassar") at June 30, 2010 and 2009, 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. These financial statements are the responsibility of Vassar's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 15, 2010

Vassar College
Statements of Financial Position
June 30, 2010 and 2009

	2010	2009
Assets		
Cash and cash equivalents	$ 15,525,258	$ 3,806,243
Accounts receivable, net		
Student accounts receivable	320,693	436,582
Student loans receivable	3,529,944	3,323,708
Grants receivable	329,583	362,935
Contributions receivable	19,324,578	26,649,774
Accrued investment income	1,146,383	1,048,290
Inventories	682,346	733,834
Prepaid and other assets	6,310,522	5,496,706
Deposits held by trustee	54,558,719	12,166,603
Investments	737,850,359	704,327,354
Land, buildings and equipment, net	352,379,899	346,221,923
Total assets	$ 1,191,958,284	$ 1,104,573,952
Liabilities		
Accounts payable and accrued expenses	$ 20,275,614	$ 18,441,681
Deferred revenue and students' deposits	3,504,188	3,990,857
Refundable government loan funds	2,802,034	2,836,715
Present value of beneficiary payments	13,140,039	10,570,744
Deposits held for others	3,475,968	3,568,664
Long-term debt	172,480,000	123,995,000
Accrued pension obligation	11,867,272	8,509,318
Asset retirement obligation	8,120,627	8,601,654
Accrued post retirement benefit obligation	33,799,000	28,002,000
Total liabilities	269,464,742	208,516,633
Net Assets		
Unrestricted	616,767,358	596,990,565
Temporarily restricted	63,655,766	66,707,583
Permanently restricted	242,070,418	232,359,171
Total net assets	922,493,542	896,057,319
Total liabilities and net assets	$ 1,191,958,284	$ 1,104,573,952

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

Vassar College
Statement of Activities
Year Ended June 30, 2010, with Comparative Totals for 2009

	2010				2009
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenues					
Tuition and fees	$ 106,088,932	$ -	$ -	$ 106,088,932	$ 101,921,210
Room and board	19,753,493			19,753,493	18,600,085
	125,842,425	-	-	125,842,425	120,521,295
Less: Scholarships	(43,394,795)			(43,394,795)	(36,881,374)
Net tuition, fees, room and board	82,447,630	-	-	82,447,630	83,639,921
Investment return					
Interest and dividends	4,195,270	3,002,626		7,197,896	6,184,936
Realized accumulated gains used to meet spending policy	41,859,580			41,859,580	44,430,591
Government grants	2,542,372			2,542,372	2,200,778
Private gifts and grants	10,930,354	1,913,150		12,843,504	13,609,655
Other revenue	2,691,210			2,691,210	3,587,498
Auxiliary enterprises	4,875,598			4,875,598	4,687,474
Net assets released from restrictions	9,230,876	(9,230,876)		-	-
Total operating revenues	158,772,890	(4,315,100)	-	154,457,790	158,340,853
Operating expenses					
Instruction	71,554,851			71,554,851	72,183,069
Research	3,400,398			3,400,398	3,048,395
Academic support	18,091,400			18,091,400	18,098,615
Student services	16,462,640			16,462,640	16,169,219
Institutional support	34,005,193			34,005,193	34,315,181
Auxiliary enterprises	20,889,476			20,889,476	20,142,752
Total operating expenses	164,403,958	-	-	164,403,958	163,957,231
Change in net assets from operations	(5,631,068)	(4,315,100)	-	(9,946,168)	(5,616,378)
Non-operating activities					
Private gifts	948,106	4,844,102	9,196,345	14,988,553	30,158,554
Interest and dividends		338,901		338,901	1,401,211
Realized and unrealized gain (losses)	65,889,532	7,716,118	424,180	74,029,830	(164,883,351)
Realized gains used to meet spending policy	(41,859,580)			(41,859,580)	(44,430,591)
Terminated deferred gifts	117,146	(98,425)	(18,721)	-	-
Gain (loss) on disposal of fixed assets	365,853			365,853	(336,864)
Changes in value of deferred gifts	(245,432)	(2,741,921)	(418,888)	(3,406,241)	1,018,999
Other non-operating revenue (expense)	330,997			330,997	(150,845)
Adjustment for pension benefits liabilities other than periodic benefit cost	(2,040,922)			(2,040,922)	(7,296,142)
Adjustment for postretirement benefits liabilities other than periodic benefit cost	(6,365,000)			(6,365,000)	(5,033,000)
Recovery of underwater funds	2,278,335	(2,278,335)			
Net assets released from restrictions	5,988,826	(6,517,157)	528,331	-	-
Change in net assets from non-operating activities	25,407,861	1,263,283	9,711,247	36,382,391	(189,552,029)
Change in net assets	19,776,793	(3,051,817)	9,711,247	26,436,223	(195,168,407)
Net assets at beginning of year	596,990,565	66,707,583	232,359,171	896,057,319	1,091,225,726
Net assets at end of year	$ 616,767,358	$ 63,655,766	$ 242,070,418	$ 922,493,542	$ 896,057,319

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

Vassar College
Statement of Activities
Year Ended June 30, 2009

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues				
Tuition and fees	$ 101,921,210	$ -	$ -	$ 101,921,210
Room and board	18,600,085			18,600,085
	120,521,295	-	-	120,521,295
Less: Scholarships	(36,881,374)			(36,881,374)
Net tuition, fees, room and board	83,639,921	-	-	83,639,921
Investment return				
Interest and dividends	3,377,288	2,807,648		6,184,936
Realized accumulated gains used to meet spending policy	44,430,591			44,430,591
Government grants	2,200,778			2,200,778
Private gifts and grants	11,355,342	2,254,313		13,609,655
Other revenue	3,587,498			3,587,498
Auxiliary enterprises	4,687,474			4,687,474
Net assets released from restrictions	3,969,827	(4,247,084)	277,257	-
Total operating revenues	157,248,719	814,877	277,257	158,340,853
Operating expenses				
Instruction	72,183,069			72,183,069
Research	3,048,395			3,048,395
Academic support	18,098,615			18,098,615
Student services	16,169,219			16,169,219
Institutional support	34,315,181			34,315,181
Auxiliary enterprises	20,142,752			20,142,752
Total operating expenses	163,957,231	-	-	163,957,231
Change in net assets from operations	(6,708,512)	814,877	277,257	(5,616,378)
Non-operating activities				
Private gifts	2,140,965	18,044,183	9,973,406	30,158,554
Interest and dividends		1,401,211		1,401,211
Realized and unrealized losses	(144,651,643)	(19,599,626)	(632,082)	(164,883,351)
Realized gains used to meet spending policy	(44,430,591)			(44,430,591)
Terminated deferred gifts	261,270	(134,011)	(127,259)	-
Loss on disposal of fixed assets	(336,864)			(336,864)
Changes in value of deferred gifts	(221,803)	1,214,398	26,404	1,018,999
Other non-operating expense	(150,845)			(150,845)
Adjustment for pension benefits liabilities other than periodic benefit cost	(7,296,142)			(7,296,142)
Adjustment for postretirement benefits liabilities other than periodic benefit cost	(5,033,000)			(5,033,000)
Replenishment of underwater funds	(5,402,205)	5,402,205		
Net assets released from restrictions	9,036,426	(9,086,691)	50,265	-
Change in net assets from				-
non-operating activities	(196,084,432)	(2,758,331)	9,290,734	(189,552,029)
Change in net assets	(202,792,944)	(1,943,454)	9,567,991	(195,168,407)
Net assets at beginning of year	799,783,509	68,651,037	222,791,180	1,091,225,726
Net assets at end of year	$ 596,990,565	$ 66,707,583	$ 232,359,171	$ 896,057,319

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

Vassar College
Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Change in net assets	$ 26,436,223	$ (195,168,407)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	19,092,902	17,781,373
Accretion on asset retirement obligation	430,083	436,991
Loss (gain) on disposal of fixed assets	(365,853)	336,864
Investment income on life income and annuity agreements	(476,920)	(797,307)
Payments to beneficiaries	1,068,434	1,650,373
Non-operating contributions	(15,953,597)	(20,276,231)
Gifts in kind	(492,299)	(1,947,762)
Realized and unrealized losses (gains) on investments	(74,029,830)	164,883,351
Changes in assets and liabilities that provide (use) cash:		
Accounts and grants receivable	175,982	(286,774)
Contributions receivable	6,146,896	(9,307,376)
Accrued investment income receivable	(98,093)	238,396
Inventories	51,488	(78,440)
Prepaid and other assets	(51,314)	(905,912)
Accounts payable and accrued expenses	1,630,235	(3,674,875)
Deferred revenue and students' deposits	(486,669)	276,718
Present value of beneficiary payments	2,569,295	(1,872,066)
Deposits held for others	(92,696)	(188,170)
Asset retirement obligation	(911,110)	(575,164)
Accrued pension obligation	3,357,954	7,089,182
Accrued post retirement benefit obligation	7,363,000	5,322,000
Net cash used in operating activities	(24,635,889)	(37,063,236)
Cash flows from investing activities		
Purchases of land, buildings and equipment	(26,162,259)	(45,835,418)
Use of deposits held by trustee	7,607,884	18,948,490
Deposits with bond trustee	(50,000,000)	-
Proceeds from sale of land, buildings and equipment	407,229	1,689,464
Proceeds from student loans collections	403,029	387,919
Student loans issued	(636,006)	(478,797)
Purchases of investments	(345,910,387)	(254,098,944)
Proceeds from sales and maturities of investments	395,814,941	277,672,310
Net cash used by investing activities	(18,475,569)	(1,714,976)
Cash flows from financing activities		
Investment in endowment	3,103,010	9,697,449
Investment in long-lived assets	4,548,937	8,692,714
Investment in life income agreements	82,222	107,021
Investment income on life income and annuity agreements	476,920	797,307
Payments to beneficiaries	(1,068,434)	(1,650,373)
(Decrease) increase in refundable government loan funds	(34,681)	1,407
Issuance of long-term debt	50,000,000	-
Payments on long-term debt	(1,515,000)	(1,460,000)
Debt issuance cost	(762,501)	-
Net cash provided by financing activities	54,830,473	16,185,525
Net increase (decrease) in cash and cash equivalents	11,719,015	(22,592,687)
Cash and cash equivalents, beginning of year	3,806,243	26,398,930
Cash and cash equivalents, end of year	$ 15,525,258	$ 3,806,243
Supplemental data		
Interest paid	$ 5,691,946	$ 5,780,646
Noncash investing activities		
Purchases of capital assets included in accounts payable	$ 1,427,560	$ 2,789,862
Contributed securities		
Contributions for endowment	$ 809,812	$ 617,272
Contributions for long lived assets	$ 6,890,599	$ 924,343
Contributions for life income agreements	$ 519,018	$ 237,432
Contributions for unrestricted use	$ 1,178,300	$ 1,190,390

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

1. Summary of Significant Accounting Policies

Organization
Vassar College (the "College") was founded in 1861 and is a coeducational, independent, liberal arts college located in Poughkeepsie, New York.

Basis of Presentation
The financial statements of the College have been prepared on the accrual basis of accounting.

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into the following categories:

- *Permanently Restricted* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets. Such assets primarily include the College's permanent endowment funds.

- *Temporarily Restricted* – Net assets whose use by the College is subject to donor imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

- *Unrestricted* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Unconditional contributions are recognized as contributions receivable at their estimated net present value when pledged. Contributions and investment return with donor-imposed restrictions are reported as permanently or temporarily restricted revenues. Temporarily restricted net assets are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction. Temporarily restricted contributions and investment return received and expended for the restricted purpose in the same fiscal year are recorded as unrestricted revenues. Expenses are generally reported as decreases in unrestricted revenues.

Contributions restricted for the acquisition of land, buildings and equipment are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets upon acquisition of the assets or when the assets are placed in service.

Non-operating activities include contributions to be used for facilities and equipment or to be invested by the College to generate a return that will support operations. Non-operating activities also include the realized and unrealized gains or losses net of amounts appropriated for operations for the year, the adjustment for pension and postretirement benefit liabilities other than periodic benefit cost, changes in deferred gifts as well as investment income on deferred gifts and gifts to support land, buildings and equipment.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. The College's significant estimates include the valuation of its investments, its valuation of contributions receivable and recognition of its pension and postretirement benefit obligations. Actual results could differ from those estimates.

Cash and Cash Equivalents
Cash and cash equivalents include operating funds that are short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash and cash equivalents are reported at cost which approximates fair value.

Investments
Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with realized and unrealized gains and losses included in the statement of activities. Realized gains and losses on the sale of the College's investments are based upon the average cost of the investment. All investment transactions are recorded on a trade date basis.

Risks and Uncertainties
Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect the amounts reported in the statement of financial position and the statement of activities.

Plan contributions and the actuarial present value of accumulated plan benefits for the pension and postretirement obligations are estimated based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

Valuation
The College adopted Accounting Standards Codification 820 (ASC 820), "Fair Value Measurements and Disclosures", formerly known as Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157) in the preparation of its financial statements as of June 30, 2009. ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset, or paid to transfer a liability (an exit price), in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

In September 2009, the FASB issued FASB Accounting Standards Update No. 2009-12, "Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)" (ASU 2009-12). The standard amends existing guidance by enhancing disclosures and providing guidance for estimating the fair value of investments in funds that calculate net asset value per share, allowing the Net Asset Value per Share (NAV) to be used as a practical expedient for fair value where such funds follow the American Institute of Certified Public Accountants (AICPA) Guide in arriving at their reported NAV. The College adopted the practical expedient provisions of the standard in the preparation of its 2009 financial statements and the disclosure provisions of the standard in its 2010 financial statements.

Receivables

The College extends credit to students in the form of accounts receivable and loans for educational purposes.

At June 30, 2010 and 2009, student accounts receivable are net of an allowance for doubtful accounts of $80,182 and $109,146, and student loans receivable are net of an allowance for doubtful accounts of $283,556 and $256,815, respectively.

It is not practicable to determine the fair value of student loan receivables because they are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms, and are subject to significant restrictions as to their transfer or disposition.

Contributions Receivable

Contributions receivable are as follows:

	2010	2009
Due within one year	$ 5,168,573	$ 183,762
Due in one to five years	15,595,882	29,091,707
Due in over five years	234,499	193,300
	20,998,954	29,468,769
Less: Present value discount	(1,492,961)	(2,494,670)
Allowance for uncollectable pledges	(181,415)	(324,325)
	$ 19,324,578	$ 26,649,774

Conditional pledges and bequest intentions totaling approximately $50,000,000 have been excluded from these amounts and are not recorded in the financial statements.

Inventories

Inventories are valued at the lower of cost, based upon the first-in, first-out method, or market. Inventories consist primarily of items used in food preparation, health services, computer related items for sale on campus, and fuel oil stores.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost, or if donated, at estimated fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Land improvements	10 years
Buildings	50 years
Buildings improvements	10 years
Equipment	7 years
Computer equipment	4 years
Library books	10 years

Works of art, historical treasures and similar assets have been recognized at their estimated fair value based upon appraisals or similar valuations at the date of acquisition or donation.

Depreciation is partially funded each year by the College through the budget process. Remaining depreciation expense is unfunded.

When an asset retirement obligation is identified, the College records the fair value of the obligation as a liability. The fair value of the obligation is also capitalized as part of land, buildings, and equipment and then amortized over the estimated remaining useful life of the associated asset.

Deferred Gift Arrangements

The College's deferred gift arrangements with donors consist of irrevocable charitable remainder trusts, charitable gift annuities and pooled income funds for which the College is the remainder beneficiary. Assets held in these trusts are included in investments and recorded at their fair value when received. The fair value of these assets included in investments at June 30, 2010 and 2009 was approximately $23,752,000 and $23,822,000, respectively. Contribution revenues are recognized at the dates the trusts are established, net of the liabilities recorded for the present value of beneficiary payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount and other changes in the estimates of future benefits. The liability for the present value of deferred gifts is based upon actuarial estimates and assumptions regarding the duration of the arrangements and the assumed discount rate. Discount rates range from 2.76% to 6.0% as of the date of the gift. Circumstances affecting these assumptions can change the estimate of this liability in future periods.

Workers Compensation

The College recognizes a workers compensation liability for future payments for current and prior years' claims. The liability is based on estimated future payments discounted to present value at 5.0%.

Endowment and Similar Funds

Included in investments are assets of the College's endowment and similar funds. These institutional funds are invested in perpetuity to produce income to support the operations of the College. Investment guidelines are set under the direction of the Investments Committee of the Board of Trustees with the objective to enhance the real market value of the portfolio while providing a relatively predictable and growing stream of revenue to the College's operating budget. The majority of the endowment and similar funds are unitized and invested in a consolidated pool. Non-consolidated endowed funds are invested separately. Consolidated funds are added to or withdrawn from the pool at the unit fair value of the fund at the beginning of the quarter in which the transaction occurred.

Following is information for the College's endowment and similar funds at June 30:

	2010	2009
Fair value of investments	$ 713,062,555	$ 680,153,562
Income utilized for operations	49,057,476	50,615,527
Number of units	10,040,924	10,050,404
Fair value per unit	69.66	65.49
Spending rate per unit	3.76	3.76
Yield per unit	0.67	0.57
Realized gains used to meet spending policy	41,859,580	44,430,591

Spending from Endowment Funds

The College utilizes a "total return" policy for endowment spending. This approach considers current yield (primarily interest and dividends) as well as the net appreciation in the fair value of investments when determining a spending amount. Under this policy, the Board of Trustees establishes a spending rate which is then applied to the average fair value of investments. Current yield is recorded as revenue and the difference between currently yield and the spending rate resulted in the use of realized gains spent under the total return formula.

Annually, as part of the College's operating and capital budget plans, the Board approves a spending rate for endowment units. The guideline is to increase per unit spending annually based on the consumer price index, lagged one year, plus 1% provided that the resulting rate does not exceed 5.5% nor fall below 4.5% for the trailing 12-quarter average market value of the fund, lagged one year. For fiscal year 2009/10 the Board approved total endowment spending of up to $51,600,000. $49,057,476 was spent from endowment income of which $11,239,414 represents a supplemental draw above per unit spending.

Internal Revenue Code status

The College has been granted tax-exempt status as a nonprofit organization under Section 501(c) (3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been recorded in the financial statements.

Asset Retirement Obligation

The College accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its estimated settlement value. Upon settlement of the liability, the College will recognize a gain or loss for any difference between the settlement amount and the liability recorded.

Recent Accounting Pronouncements
In June 2009, FASB ASC 105 was issued, which established the FASB Accounting Standards Codification as the source of authoritative U.S. generally accepted accounting principles to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. The College has applied ASC 105 in the preparation of its 2010 financial statements.

Implementation of Accounting Standards
In September 2010, the State of New York enacted its Uniform Prudent Management of Institutional Funds Act (UPMIFA) statute. With the enactment of New York's statute, the College will be required to apply accounting guidance related to net asset classification of funds subject to an enacted version of UPMIFA. Management is currently evaluating the impact of the enactment and the related accounting treatment, including the amount of a reclassification of unrestricted to temporarily restricted net assets.

2. Financial Instruments

Investments
Investments consist of the following as of June 30:

	2010	2009
Short-term investments (a)	$ 17,940,696	$ 16,797,181
Fixed income-bonds	74,562,435	71,759,322
Marketable real estate (b)	2,971,438	2,597,534
Equity investments:		
U.S. stocks	164,420,133	160,135,258
International stocks	162,475,132	143,415,254
Hedge funds (c)	172,660,359	179,567,483
Real estate, oil and gas partnerships	68,163,534	71,287,354
Venture capital/private placements	59,230,524	48,718,180
Institutional mutual fund (d)	13,761,529	8,383,806
Balanced accounts (e)	1,664,579	1,665,982
Total	$ 737,850,359	$ 704,327,354

(a) Amounts temporarily invested in money market instruments, commercial paper, and cash management funds.

(b) Real estate investment trusts and other real estate investments.

(c) Investments in limited partnerships with managers of long and short positions in U.S. and international stocks and bonds, often through offshore fund companies.

(d) A fund investing in commodities, including derivative securities related to commodities, and fixed income.

(e) Amounts invested in equity and fixed income mutual funds.

Short-term investments are intended to provide liquidity for operating and non-operating activities. Fixed income investments are intended to provide income, liquidity, and diversification benefits. Equity investments, real estate, oil and gas partnerships, venture capital/private placements, institutional mutual funds, and balanced funds are intended to provide growth, income, and diversification benefits.

Total dividends, interest and realized and unrealized gains and losses reflected in operating and non-operating activities are as follows for the years ended June 30:

	2010	2009
Dividends and interest	$ 7,536,797	$ 7,586,147
Realized gains (losses)	34,203,026	(27,728,053)
Unrealized gains (losses)	39,826,804	(137,155,298)
Total return	$ 81,566,627	$ (157,297,204)

The fair value of the College's investments has been determined in the following manner:

Investments	Fair Value
Short-term investments consisting principally of money market instruments, commercial paper, and cash management funds	At quoted market value
Equity securities, debt securities, mutual funds, shares in real estate investment trusts and other publicly traded securities	At quoted market value
Privately held partnerships, including alternative investments such as private equity and hedge fund limited partnerships	Net asset value as determined by the general partner

The investments portfolio is shown below at fair value by investment asset class and hierarchy, for the years ended June 30, 2010 and 2009:

June 30, 2010:	Level 1	Level 2	Level 3	Total
Short-term investments	$ 17,940,696	$ -	$ -	$ 17,940,696
Fixed income-bonds	62,609,197	-	11,953,238	74,562,435
Marketable real estate	2,738,711	-	232,727	2,971,438
Equity investments:				
U.S. stocks	94,247,908	35,046,818	35,125,407	164,420,133
International stocks	40,073,353	122,401,779	-	162,475,132
Hedge funds	-	-	172,660,359	172,660,359
Real estate, oil and gas partnerships	-	-	68,163,534	68,163,534
Venture capital/private placements	-	-	59,230,524	59,230,524
Institutional mutual fund	-	-	13,761,529	13,761,529
Balanced accounts	1,664,579	-	-	1,664,579
Total	$ 219,274,444	$ 157,448,597	$ 361,127,318	$ 737,850,359

June 30, 2009:	Level 1	Level 2	Level 3	Total
Short-term investments	$ 16,797,181	$ -	$ -	$ 16,797,181
Fixed income-bonds	57,143,358	-	14,615,964	71,759,322
Marketable real estate	2,364,807	-	232,727	2,597,534
Equity investments:				
U.S. stocks	83,835,761	46,070,530	30,228,967	160,135,258
International stocks	33,988,738	109,426,516	-	143,415,254
Hedge funds	-	-	179,567,483	179,567,483
Real estate, oil and gas partnerships	-	-	71,287,354	71,287,354
Venture capital/private placements	-	-	48,718,180	48,718,180
Institutional mutual fund	-	-	8,383,806	8,383,806
Balanced accounts	1,665,982	-	-	1,665,982
Total	$ 195,795,827	$ 155,497,046	$ 353,034,481	$ 704,327,354

Fair value for Level 1 is based upon quoted prices in active markets that the College has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets.

Fair value for Level 2 is based on quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers. These assets consist of commingled fund investments that the College can enter and exit regularly, with underlying fund assets that are priced in exchange or in dealer markets. Approximately 99.3% of the underlying investments held by these funds consist of securities with quoted market prices.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all. Investments included in Level 3 consist of the College's ownership in alternative investments, principally limited partnership interests in hedge, private equity, real estate, and other similar funds. The value of certain alternative investments represents the ownership interest in the net asset value (“NAV”) of the respective partnership. Approximately 40.6% of investments held by the partnerships consist of securities with quoted market prices and 59.4% are securities that do not have readily determinable fair values. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner taking into consideration, among other things, the cost of the securities appraisals, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

The methods described above may produce a fair value determination that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with methods used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following tables summarize the change in value of investments within Level 3 as defined in the fair value hierarchy above. It also identifies as net transfers the capital added and withdrawn from Level 3 investments, which represents capital calls and distributions and portfolio rebalancing:

	July 1, 2009	Net Purchases Sales, Settlements	Realized Gain	Unrealized Gain (Loss)	Net Transfers	June 30, 2010
Short-term investments	$ -	$ -	$ -	$ -	$ -	$ -
Fixed income-bonds	14,615,964	(15,389,562)	3,114,651	(387,815)	10,000,000	11,953,238
Marketable real estate	232,727	-	-	-	-	232,727
Equity investments:						
U.S. stocks	30,228,967	-	-	4,896,440	-	35,125,407
International stocks	-	-	-	-	-	-
Hedge funds	179,567,483	(5,225,349)	26,403,517	(4,451,269)	(23,634,023)	172,660,359
Real estate, oil and gas partnerships	71,287,354	551,969	1,932,629	(8,608,418)	3,000,000	68,163,534
Venture capital/private placements	48,718,180	2,992,487	3,253,599	4,266,258	-	59,230,524
Institutional mutual fund	8,383,806	-	-	377,723	5,000,000	13,761,529
Balanced accounts	-	-	-	-	-	-
Total	$ 353,034,481	$ (17,070,455)	$ 34,704,396	$ (3,907,081)	$ (5,634,023)	$ 361,127,318

	July 1, 2008	Net Purchases Sales, Settlements	Realized Gain (Loss)	Unrealized Gain (Loss)	Net Transfers	June 30, 2009
Short-term investments	$ -	$ -	$ -	$ -	$ -	$ -
Fixed income-bonds	-	155,952	286,284	1,673,728	12,500,000	14,615,964
Marketable real estate	232,727	-	-	-	-	232,727
Equity investments:						
U.S. stocks	37,500,000	-	-	(7,271,033)	-	30,228,967
International stocks	-	-	-	-	-	-
Hedge funds	203,034,049	(60,377)	(654,733)	(14,551,456)	(8,200,000)	179,567,483
Real estate, oil and gas partnerships	78,786,807	(813,000)	1,650,065	(11,836,518)	3,500,000	71,287,354
Venture capital/private placements	60,112,148	55,686	1,471,960	(17,421,614)	4,500,000	48,718,180
Institutional mutual fund	22,607,381	-	-	(8,923,575)	(5,300,000)	8,383,806
Balanced accounts	-	-	-	-	-	-
Total	$ 402,273,112	$ (661,739)	$ 2,753,576	$ (58,330,468)	$ 7,000,000	$ 353,034,481

The following table provides additional disclosures related to funds whose fair value is not readily determinable:

Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Liquidity Restrictions
Fixed income-bonds	11,953,238	-	Monthly	10 days	none
Marketable real estate	232,727	-	not applicable		
Equity Investments					
U.S. Stocks	35,125,407	-	Quarterly	60 days	10% gate
Hedge funds					
No lock-ups; quarterly liquidity	88,180,075	-	Quarterly	30-90 Days	Gates from 0-20%; full redemption hold-backs of 5-10%; two funds limit redemptions to 25% per quarter
No lock-ups; annual liquidity	54,753,770	-	Annual	45-90 Days	Gates from 0-10%; full redemption hold-backs of 5-10%; redemptions on anniversary dates of initial investments
With lock-ups	29,726,514	-	Quarterly-Annual	45-65 Days	Lock-ups expire by 3/31/11; full redemption hold-backs of 10% per fund
Real assets			not redeemable	not redeemable	
Natural resources	37,480,272	24,126,011			
Real estate	30,683,262	15,790,017			
Venture capital/private placements			not redeemable	not redeemable	
Buyouts	32,282,790	36,336,294			
Venture Capital	26,947,734	19,044,369			
Institutional mutual fund	13,761,529	-	Monthly	10 days	none
Total	361,127,318	95,296,691			

The estimated life of the real assets funds ranges from 7 to 15 years and the venture capital/private placements funds ranges from 7 to 15 years.

3. Land, Buildings and Equipment

Land, buildings and equipment consist of the following as of June 30:

	2010	2009
Land	$ 2,125,873	$ 2,054,487
Land improvements	24,700,209	22,921,768
Buildings and improvements	373,520,171	342,523,397
Equipment (including computers)	72,303,764	68,186,836
Library books	45,350,927	42,862,217
Art works and collectibles	44,459,959	43,996,763
Construction in progress	16,081,765	30,799,459
	578,542,668	553,344,927
Less: Accumulated depreciation	(226,162,769)	(207,123,004)
	$ 352,379,899	$ 346,221,923

Depreciation expense for the years ended June 30, 2010 and 2009 was $19,092,902 and $17,781,373, respectively.

The Board of Trustees approved a capital budget of $17,160,000 for construction projects in fiscal year 2011. These figures include project completion costs and retainage that will be paid in the 2011-12 fiscal year.

4. Long-Term Debt

On April 18, 2007, the College entered into an agreement with the Dormitory Authority of the State of New York, which provided for the issuance of $125,455,000 Vassar College Revenue Bonds, Series 2007. A portion of the proceeds, were deposited into trustee escrow accounts to defease the Vassar College Revenue Series 1995 and 2001 Bonds. A portion was received by the College to pay certain costs associated with the issuance and the remaining amount was deposited into a trustee escrow account to be used for capital renovations and improvements to various facilities throughout the College's campus. The funds are invested in United States Treasury obligations, which will provide for future payments of all interest, principal and call premiums on the defeased bonds. In order to meet these future obligations, the amount deposited in escrow was greater than the par value of the defeased bonds. Neither the assets of the trustee escrow account nor the outstanding defeased issues are included in the accompanying statement of financial position. The decision to defease both prior year bonds was based on current market conditions and the future savings over the life of the bonds for the College.

On March 31, 2010, the College entered into an agreement with the Dormitory Authority of the State of New York, which provided for the issuance of $50,000,000 Vassar College Revenue Bonds, Series 2010. A portion of the proceeds was received by the College to pay certain costs associated with the issuance and the remaining amount was deposited into a trustee escrow account to be used for capital renovations and improvements to various facilities throughout the College's campus. The funds are invested in United States Treasury obligations.

The Dormitory Authority of the State of New York requires the College to establish certain reserve funds. As of June 30, included in the caption “deposits held by trustee”, are the following:

	2010	2009
Dormitory Authority of the State of New York (Series 2007):		
Construction Fund	$ 315,966	$ 7,673,973
Debt Service Reserve	4,405,906	4,376,330
Debt Issuance Reserve	116,395	116,300
	$ 4,838,267	$ 12,166,603
Dormitory Authority of the State of New York (Series 2010):		
Construction Fund	$ 46,626,711	$ -
Debt Issuance Reserve	169,697	-
Capitalized Interest Reserve	2,924,044	-
	$ 49,720,452	$ -
	$ 54,558,719	$ 12,166,603

In addition, the Dormitory Authority of the State of New York requires the College to maintain certain liquidity ratios.

Long-term debt consists of the following as of June 30:

	2010	2009
Dormitory Authority of the State of New York Revenue Bonds, Series 2007, maturing in 2046, with interest ranging from 4% to 5%. The Bonds are general obligations of the College.	$ 122,480,000	$ 123,995,000
Dormitory Authority of the State of New York Revenue Bonds, Series 2010, maturing in 2049, with interest of 5%. The bonds are general obligations of the College.	50,000,000	-
	$ 172,480,000	$ 123,995,000

Principal maturities on the long-term debt are as follows as of June 30, 2010:

2011	$ 1,575,000
2012	1,645,000
2013	1,730,000
2014	1,815,000
2015	1,905,000
Thereafter	163,810,000
	$ 172,480,000

Interest expense for the years ended June 30, 2010 and 2009 was $6,092,202 and $5,751,446, respectively.

Management's estimate of the fair value of the College's long-term debt at June 30, 2010 and 2009 approximates $176,900,000 and $123,780,000, respectively.

Line of Credit
The College maintains a line of credit for $10,000,000 which was unused as of June 30, 2010 and 2009. As of June 30, 2010 and 2009, $949,000 in standby letters of credit was outstanding.

5. Employee Benefits – Pension Plan

Retirement benefits for substantially all full-time employees are provided under a defined contribution plan with Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments. The College makes monthly contributions to TIAA-CREF and Fidelity based on eligible employees' earnings and age. Contributions for the years ended June 30, 2010 and 2009 totaled approximately $7,090,000 and $7,093,000, respectively.

Retirement benefits for secretarial, clerical and technical employees were provided under a defined benefit plan until December 31, 1983. Since 1984, these employees have participated in the defined contribution plan through TIAA-CREF and Fidelity.

Retirement benefits for service, auxiliary and security employees are provided under a defined benefit plan. The College's contribution for the years ended June 30, 2010 and 2009 was $539,000 and $1,000,000, respectively. Based on the current funding level, the College anticipates making a contribution of at least $1,100,000 in 2011.

The following table sets forth information related to the College's defined benefit pension plan:

	2010	2009
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 23,531,357	$ 21,177,667
Service cost	672,357	569,999
Interest cost	1,418,515	1,389,551
Plan amendment	-	891,824
Benefits paid	(1,230,423)	(1,082,227)
Actuarial loss	4,478,745	584,543
Benefit obligation at end of year	$ 28,870,551	$ 23,531,357
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 15,022,039	$ 19,757,531
Actual return on plan assets	2,672,663	(4,653,265)
Employer contributions	539,000	1,000,000
Benefits paid	(1,230,423)	(1,082,227)
Fair value of plan assets at end of year	17,003,279	15,022,039
Funded status at June 30-amount recognized in statement of financial position	$ (11,867,272)	$ (8,509,318)
Amounts recognized in unrestricted net assets:		
Net prior service cost	$ 2,297,755	$ 2,640,386
Net actuarial loss	$ 13,859,337	$ 11,475,784

The estimated net prior service cost and net actuarial loss for the defined benefit pension plan that will be amortized into net periodic benefit costs over the next fiscal year are $303,831 and $806,193, respectively.

The accumulated benefit obligation for the defined benefit pension plan was $28,870,551 and $23,531,357 as of June 30, 2010 and 2009, respectively.

Components of net periodic benefit cost for the years ended June 30 are as follows:

	2010	2009
Service cost	$ 672,357	$ 569,999
Interest cost	1,418,515	1,389,551
Expected return on plan assets	(1,237,576)	(1,626,031)
Amortization of prior service cost	342,631	342,630
Recognized actuarial loss	660,105	116,891
Net periodic pension cost	$ 1,856,032	$ 793,040

The weighted average rates forming the basis of net periodic benefit cost and amounts recognized in the College's statement of financial position at June 30 are as follows:

	2010	2009
Year end benefit obligations		
Discount rate	5.30%	6.20%
Rate of compensation increase	4.00%	4.00%
Net periodic benefit cost		
Discount rate	6.20%	6.80%
Expected return on plan assets	8.50%	8.50%
Rate of compensation increase	4.00%	4.00%

Other changes in plan assets and benefit obligations recognized in unrestricted net assets for the years ended June 30 are as follows:

	2010	2009
Prior service cost arising during period	$ -	$ (891,824)
Net actuarial loss	(3,043,658)	(6,863,839)
Amortization of prior service cost	342,631	342,630
Amortization of loss	660,105	116,891
Total recognized in non-operating activities	$ (2,040,922)	$ (7,296,142)

The discount rate as of June 30, 2009 was used to estimate the benefit obligation as of that date, and the periodic benefit cost expense for 2010. The discount rate as of June 30, 2010 was used to estimate the benefit obligation as of that date, and will be used to estimate the annual expense for 2011.

The expected long-term rate of return assumption represents the expected average rate of return or earnings on funds invested or to be invested to provide for the benefits included in the benefit obligations. This assumption is based on a number of factors, including historical market index returns, the anticipated long-term asset allocation of the plan, historical plan return data, plan expenses and the potential to out-perform market index returns.

The estimated future benefit payments from the Plan are as follows:

June 30, 2011	$ 1,349,000
June 30, 2012	1,432,000
June 30, 2013	1,514,000
June 30, 2014	1,575,000
June 30, 2015	1,628,000
Succeeding 5 years	9,138,000

Defined Benefit Plan Investment Policy

The Committee on Investments of the Board of Trustees directs the investment of the Plan's assets. The Committee has established a formal investment policy for the Plan the goal of which is to generate a long-term real rate of return of 5.5%- 6.0% while sustaining moderate levels of risk. Target weightings for asset classes in the investment policy have been established based upon long-term expected real rates of return and correlation of returns as developed by the College's investment consultant and staff. These target weightings, bounded by allowable ranges, are expected to allow the Plan assets to meet its objectives over the long-term with respect to investment return, volatility, and liquidity.

Target and actual weightings for each asset class in the Plan are as follows:

		Actual June 30	
Asset Mix	**2010 Target**	**2010**	**2009**
Equities	60%	57%	60%
Fixed income	30%	32%	29%
Real estate	10%	9%	9%
Other	0%	2%	2%
	100%	100%	100%

The Plan's investments by asset class and fair value hierarchy, for the years ended June 30, 2010 and 2009 are as follows:

June 30, 2010:	**Level 1**	**Level 2**	**Level 3**	**Total**
Common/Collective Trusts	$ -	$ 16,751,564	$ -	$ 16,751,564
Real estate, oil and gas partnerships	-	-	104,289	104,289
Venture capital/private placements	-	-	147,426	147,426
Total	$ -	$ 16,751,564	$ 251,715	$ 17,003,279

June 30, 2009:	Level 1	Level 2	Level 3	Total
Common/Collective Trusts	$ -	$ 14,750,926	$ -	$ 14,750,926
Real estate, oil and gas partnerships	-	-	118,858	118,858
Venture capital/private placements	-	-	152,255	152,255
Total	$ -	$ 14,750,926	$ 271,113	$ 15,022,039

The following table summarizes the change in value of the Plan's investments within Level 3 as defined in the fair value hierarchy above. It also identifies as net transfers the capital added and withdrawn from Level 3 investments, which represents capital calls and distributions and portfolio rebalancing:

	Beginning	Net Purchases Sales, Settlements	Realized Gain (Loss)	Unrealized Gain (Loss)	Net Transfers	Ending
Real estate, oil and gas partnerships	$ 118,858	$ -	$ 35,508	$ (50,077)	$ -	104,289
Venture capital/private placements	152,255	-	30,391	(37,220)	2,000	147,426
Total	$ 271,113	$ -	$ 65,899	$ (87,297)	$ 2,000	$ 251,715

The College uses the Net Asset Value (NAV) as determined by each general partner as the fair value of all Plan fund investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of .an investment company. The following table provides additional disclosures related to these funds:

Category	Value	Commitments	Frequency	Period	Restrictions
Real assets					
Natural resources	$ 104,289	$ 27,600	not redeemable	not redeemable	
Venture capital/private placements					
Venture Capital	147,426	11,000	not redeemable	not redeemable	
Total	$ 251,715	$ 38,600			

6. Employee Benefits – Postretirement Health Insurance

The College provides postretirement medical benefits for certain retirees and employees. The cost of postretirement benefits is accrued as earned during an employee's service with the College.

The following table presents the postretirement medical plan's funded status and amounts recognized in the financial statements. The calculations were based upon data as of July 1, 2010 and 2009, the latest available actuarial valuation date.

	Postretirement Benefits	
	2010	**2009**
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 28,002,000	$ 22,680,000
Service cost	1,519,000	1,256,000
Interest cost	1,705,000	1,612,000
Plan participants' contributions	238,000	181,000
Retiree drug subsidy receipts	105,000	(195,000)
Benefits paid	(1,602,000)	(1,447,000)
Actuarial (gain) loss	5,398,000	3,915,000
Benefit obligation at end of year	$ 35,365,000	$ 28,002,000
Change in plan assets:		
Fair value of plan assets at beginning of year	$ -	$ -
Retiree drug subsidy receipts	105,000	(195,000)
Employer contributions	1,259,000	1,461,000
Plan participants' contributions	238,000	181,000
Benefits paid	(1,602,000)	(1,447,000)
Fair value of plan assets at end of year	$ -	$ -
Funded status at June 30 - amount recognized in statement of financial position	$ 35,365,000	$ 28,002,000
Amounts recognized in unrestricted net assets		
Net prior service cost	$ 4,173,000	$ 6,097,000
Net actuarial loss	14,899,000	10,456,000

The estimated net prior service credit and net actuarial loss for the postretirement plan that will be amortized into net periodic benefit costs over the next fiscal year are $1,924,000 and $1,475,000, respectively.

The College funds its postretirement medical benefits on a cash basis. The College's contributions in the next fiscal year are anticipated to be $1,400,000.

	2010	**2009**
Components of net periodic benefit cost		
Service cost	$ 1,519,000	$ 1,256,000
Interest cost	1,705,000	1,612,000
Amortization of prior service cost	(1,924,000)	(1,924,000)
Recognized actuarial loss	957,000	806,000
Total postretirement benefit cost	2,257,000	1,750,000

Other changes in plan assets and benefit obligations recognized in unrestricted net assets for the years ended June 30 are as follows:

	2010	2009
Net prior service credit	$ -	$ -
Net actuarial loss	(5,398,000)	(3,915,000)
Amortization of:		
prior service credit	(1,924,000)	(1,924,000)
actuarial loss	957,000	806,000
Prior service credit recognized due to curtailment	-	-
Total recognized in non-operating activities	$ (6,365,000)	$ (5,033,000)

The estimated future benefit payments are as follows:

	Gross	Medicare Subsidy	Net
June 30, 2011	$ 1,566,000	$ 217,000	$ 1,349,000
June 30, 2012	1,684,000	242,000	1,442,000
June 30, 2013	1,802,000	269,000	1,533,000
June 30, 2014	1,931,000	295,000	1,636,000
June 30, 2015	2,088,000	321,000	1,767,000
Succeeding 5 years	13,147,000	2,045,000	11,102,000

Assumed health care cost rates have a significant effect on the amounts reported for the postretirement benefit plan. Assumed health care cost trends for the years ended June 30, 2010 and 2009 were 9.0% in 2008-09, decreasing by 0.75% per year to 7.50% in 2011-12, decreasing by 0.5% per year to 6.0% in 2014-15, and then decreasing by 0.25% per year to an ultimate rate of 5.0% in 2018-19.

A one-percentage-point change in the assumed health care cost trend rates would have the following effects at June 30:

	2010	2009
Effect of 1% increase in health care cost trend rate		
Change in aggregate of current service cost and interest cost	$ 566,000	$ 485,000
Change in accumulated postretirement benefit obligation	5,350,000	3,825,000
Effect of 1% decrease in health care cost trend rate		
Change in aggregate of current service cost and interest cost	(462,000)	(398,000)
Change in accumulated postretirement benefit obligation	(4,441,000)	(3,222,000)

The subsidy related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Act”) has been recognized assuming that the College will continue to provide a prescription drug benefit to retirees in the PPO plan that is at least actuarially equivalent to Medicare Part D and that the College will receive the federal subsidy. The liabilities shown reflect the employer subsidy.

The weighted average rates forming the basis of net periodic benefit cost and amounts recognized in the College's statement of financial position were as follows:

	2010	**2009**
Year end benefit obligation		
Discount rate	5.30%	6.30%
Net periodic benefit cost		
Discount rate	6.30%	6.80%

7. Endowment

The College endowment consists of approximately 900 individual donor-restricted endowment funds and 100 board-designated endowment funds (for a variety of purposes. Pledges receivable and split interest agreements that have been designated for endowment are not considered to be part of the endowment until the funds are received. The net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted New York's Uniform Management of Institutional Funds Act ("UMIFA") statute as requiring the preservation of the original gift value as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) income reinvested at the direction of the donor. 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, for endowments that are purpose restricted, until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UMIFA, or as unrestricted net assets for expenditures that have no spending restrictions. The College considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the College and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the College

(7) The investment policies of the College.

The College's endowment net asset composition by type of fund as of June 30, 2010 is:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 236,143,285	$ 36,214,695	$ 234,868,425	$ 507,226,405
Funds functioning as endowment	192,266,065	-	-	192,266,065
Cumulative underwater funds	(3,298,785)	3,298,785	-	-
Total endowment funds	$ 425,110,565	$ 39,513,480	$ 234,868,425	$ 699,492,470

The College's changes in endowment net assets for the year ended June 30, 2010 are:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net endowment assets, June 30, 2009	$ 398,496,798	$ 34,879,888	$ 224,862,306	$ 658,238,992
Gifts and transfers				
Gifts received	338,432	-	9,173,033	9,511,465
Transfers and gifts further designated	121,441	-	765,008	886,449
Investment return				
Net gains (losses)	65,682,382	6,911,927	-	72,594,309
Amounts appropriated for spending	(41,859,580)	-	-	(41,859,580)
Income reinvested	52,757	-	68,078	120,835
Underwater endowment				-
Current year appropriation of funds to cover permanent endowments where fair value is less than historic dollar value	2,278,335	(2,278,335)	-	-
Net endowment assets, June 30, 2010	$ 425,110,565	$ 39,513,480	$ 234,868,425	$ 699,492,470

The components of permanently and temporarily restricted endowment net assets as of June 30, 2010 are as follows:

	Permanently Restricted	Temporarily Restricted	Total
Instruction	$ 73,079,066	$ 14,341,352	$ 87,420,418
Academic support	19,856,528	3,426,382	23,282,910
Student services	2,267,364	1,354,262	3,621,626
Institutional support	4,475,903	111,496	4,587,399
Operations and maintenance	4,161,173	1,179,057	5,340,230
Scholarships and fellowships	76,827,431	15,695,097	92,522,528
Other	54,200,960	107,049	54,308,009
Underwater endowment recovery	-	3,298,785	3,298,785
Total	$ 234,868,425	$ 39,513,480	$ 274,381,905

The College's endowment net asset composition by type of fund as of June 30, 2009 is:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 220,442,784	$ 29,302,768	$ 224,862,306	$ 474,607,858
Funds functioning as endowment	183,631,134			183,631,134
Cumulative underwater funds	(5,577,120)	5,577,120		-
Total endowment funds	$ 398,496,798	$ 34,879,888	$ 224,862,306	$ 658,238,992

The College's changes in endowment net assets for the year ended June 30, 2009 are:

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net endowment assets, June 30, 2008	$ 589,834,181	$ 44,489,713	$ 214,038,952	$ 848,362,846
Gifts and transfers				
Gifts received	160,909	-	10,153,813	10,314,722
Transfers and gifts further designated	2,060,563	-	619,276	2,679,839
Investment return				
Net losses	(143,769,939)	(15,012,030)	-	(158,781,969)
Amounts appropriated for spending	(44,430,591)	-	-	(44,430,591)
Income reinvested	43,880	-	50,265	94,145
Underwater endowment				
Current year appropriation of funds to cover permanent endowments where fair value is less than historic dollar value	(5,402,205)	5,402,205	-	-
Net endowment assets, June 30, 2009	$ 398,496,798	$ 34,879,888	$ 224,862,306	$ 658,238,992

The components of permanently and temporarily restricted endowment net assets as of June 30, 2009 are as follows:

	Permanently Restricted	Temporarily Restricted	Total
Instruction	$ 72,935,914	$ 12,271,792	$ 85,207,706
Academic support	20,289,624	2,942,488	23,232,112
Student services	2,269,951	1,171,675	3,441,626
Institutional support	4,403,324	96,464	4,499,788
Operations and maintenance	4,314,217	970,754	5,284,971
Scholarships and fellowships	76,057,484	11,758,271	87,815,755
Other	44,591,792	91,324	44,683,116
Underwater endowment coverage	-	5,577,120	5,577,120
Total	$ 224,862,306	$ 34,879,888	$ 259,742,194

Endowment Funds with Deficits
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts. When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were $3,298,785 and $5,577,120 as of June 30, 2010 and 2009, respectively. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation that was deemed prudent.

8. Commitments and Contingencies

Operating Leases
At June 30, 2010, minimum annual commitments under operating leases for office equipment and buildings are as follows:

June 30, 2011	$ 159,000
June 30, 2012	144,000
June 30, 2013	144,000
June 30, 2014	153,000
June 30, 2015	162,000
Years thereafter	29,255,000
Total	$ 30,017,000

Litigation
In the normal course of business, the College has been named a defendant in various claims. Although there can be no assurance as to the eventual outcome of litigation in which the College has been named, in the opinion of management, such litigation will not, individually or in the aggregate, have a material adverse effect on the College's financial position, statement of activities, or cash flows.

9. Subsequent Events

The College has performed an evaluation of subsequent events through October 15, 2010, the date on which the financial statements were issued.