Vassar College

Financial Statements
(and Report of Independent Auditors)
June 30, 2008 and 2007

Vassar College
Index
June 30, 2008 and 2007

Report of Independent Auditors

To the Board of Trustees
Vassar College

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Vassar College ("Vassar") at June 30, 2008 and 2007, 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.

As discussed in Note 8 to the financial statements, Vassar changed the manner in which it accounts for defined benefit pension and other post-retirement plans in 2007.

PricewaterhouseCoopers LLP

November 25, 2008

Vassar College
Statements of Financial Position
June 30, 2008 and 2007

	2008	2007
Assets		
Cash and cash equivalents	$ 26,398,930	$ 17,105,928
Accounts receivable, net		
Student accounts receivable	257,804	190,580
Student loans receivable	3,199,721	2,827,107
Grants receivable	288,048	227,451
Contributions receivable	18,532,788	21,620,526
Accrued investment income receivable	1,286,686	2,244,316
Inventories	655,393	721,115
Prepaid and other assets	4,590,794	4,869,975
Deposits held by trustee	31,115,093	42,126,080
Prepaid pension obligation	-	1,361,430
Investments	889,814,634	929,298,491
Land, buildings and equipment, net	315,456,583	292,887,005
Total assets	$ 1,291,596,474	$ 1,315,480,004
Liabilities		
Accounts payable and accrued expenses	$ 19,326,694	$ 18,555,746
Deferred revenue and students' deposits	3,714,139	4,051,749
Refundable government loan funds	2,835,308	2,852,673
Present value of beneficiary payments	12,442,810	13,491,108
Deposits held for others	3,756,834	4,168,682
Long-term debt	125,455,000	125,455,000
Accrued pension obligation	1,420,136	-
Asset retirement obligation	8,739,827	8,947,608
Accrued post retirement benefit obligation	22,680,000	29,007,922
Total liabilities	200,370,748	206,530,488
Net Assets		
Unrestricted	799,783,509	817,153,885
Temporarily restricted	68,651,037	75,466,657
Permanently restricted	222,791,180	216,328,974
Total net assets	1,091,225,726	1,108,949,516
Total liabilities and net assets	$ 1,291,596,474	$ 1,315,480,004

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

Vassar College
Statements of Activities
Year Ended June 30, 2008 and Comparative Totals for 2007

	2008				2007
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenues					
Tuition and fees	$ 97,597,661	$ -	$ -	$ 97,597,661	$ 91,634,547
Room and board	18,458,189			18,458,189	17,275,533
	116,055,850	-	-	116,055,850	108,910,080
Less: Scholarships	(31,023,340)			(31,023,340)	(26,776,283)
Net tuition, fees, room and board	85,032,510	-	-	85,032,510	82,133,797
Investment return					
Interest and dividends	9,356,402	2,604,486		11,960,888	16,691,142
Realized accumulated gains used to meet spending policy	31,362,040			31,362,040	20,999,233
Government grants	2,121,060			2,121,060	1,609,954
Private gifts and grants	11,440,933	2,967,266		14,408,199	13,000,279
Other revenue	4,312,891			4,312,891	4,535,736
Auxiliary enterprises	5,165,130			5,165,130	4,648,916
Net assets released from restrictions	2,861,782	(2,790,508)	(71,274)	-	-
Total operating revenues	151,652,748	2,781,244	(71,274)	154,362,718	143,619,057
Operating expenses					
Instruction	67,400,712			67,400,712	65,598,703
Research	3,059,303			3,059,303	3,145,095
Academic support	17,915,942			17,915,942	16,557,442
Student services	15,810,364			15,810,364	15,288,647
Institutional support	32,304,378			32,304,378	30,298,407
Auxiliary enterprises	19,171,574			19,171,574	18,192,773
Total operating expenses	155,662,273	-	-	155,662,273	149,081,067
Change in net assets from operations	(4,009,525)	2,781,244	(71,274)	(1,299,555)	(5,462,010)
Non-operating activities					
Private gifts	1,278,116	4,405,536	5,753,144	11,436,796	16,202,498
Interest and dividends		1,866,123		1,866,123	459,872
Realized and unrealized gains (losses)	(551,743)	(1,760,576)	(320,208)	(2,632,527)	142,680,866
Realized gains used to meet spending policy	(31,362,040)			(31,362,040)	(20,999,233)
Terminated deferred gifts	1,046,349	(1,419,557)	373,208	-	-
Loss on dispoal of fixed assets	(370,806)			(370,806)	(470,946)
Loss on extinguishment of debt				-	(3,594,621)
Changes in value of deferred gifts	(139,320)	(142,872)	704,866	422,674	(2,221,946)
Non-operating rental expense	(474,907)			(474,907)	
Adjustment for pension liability	(2,455,548)			(2,455,548)	4,340,233
Post retirement benefits changes other than net periodic benefits cost	7,146,000			7,146,000	
Net assets released from restrictions	12,523,048	(12,545,518)	22,470	-	-
Change in net assets from non-operating activities	(13,360,851)	(9,596,864)	6,533,480	(16,424,235)	136,396,723
Change in net assets before effect of a change in accounting principle	(17,370,376)	(6,815,620)	6,462,206	(17,723,790)	130,934,713
Cumulative effect of a change in accounting principle FAS 158					(10,836,844)
(Decrease) increase in net assets after cumulative effect of a change in accounting principle	(17,370,376)	(6,815,620)	6,462,206	(17,723,790)	120,097,869
Net assets at beginning of year	817,153,885	75,466,657	216,328,974	1,108,949,516	988,851,647
Net assets at end of year	$ 799,783,509	$ 68,651,037	$ 222,791,180	$ 1,091,225,726	$ 1,108,949,516

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

Vassar College
Statements of Activities
Year Ended June 30, 2007

	2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues				
Tuition and fees	$ 91,634,547	$ -	$ -	$ 91,634,547
Room and board	17,275,533			17,275,533
	108,910,080	-	-	108,910,080
Less: Scholarships	(26,776,283)			(26,776,283)
Net tuition, fees, room and board	82,133,797	-	-	82,133,797
Investment return				
Interest and dividends	14,321,957	2,369,185		16,691,142
Realized accumulated gains used to meet spending policy	20,999,233			20,999,233
Government grants	1,609,954			1,609,954
Private gifts and grants	11,920,666	1,079,613		13,000,279
Other revenue	4,535,736			4,535,736
Auxiliary enterprises	4,648,916			4,648,916
Net assets released from restrictions	3,716,951	(3,716,951)		-
Total operating revenues	143,887,210	(268,153)	-	143,619,057
Operating expenses				
Instruction	65,598,703			65,598,703
Research	3,145,095			3,145,095
Academic support	16,557,442			16,557,442
Student services	15,288,647			15,288,647
Institutional support	30,298,407			30,298,407
Auxiliary enterprises	18,192,773			18,192,773
Total operating expenses	149,081,067	-	-	149,081,067
Change in net assets from operations	(5,193,857)	(268,153)	-	(5,462,010)
Non-operating activities				
Private gifts	2,715,871	5,409,700	8,076,927	16,202,498
Interest and dividends		459,872		459,872
Adjustment for minimum pension liability	4,340,233			4,340,233
Realized and unrealized gains	129,429,474	12,712,909	538,483	142,680,866
Realized gains used to meet spending policy	(20,999,233)			(20,999,233)
Terminated deferred gifts	2,302,411	(2,330,850)	28,439	-
Loss on disposal of fixed assets	(470,946)			(470,946)
Loss on extinguishment of debt	(3,594,621)			(3,594,621)
Changes in value of deferred gifts	(16,580)	(1,671,218)	(534,148)	(2,221,946)
Net assets released from restrictions	13,684,784	(14,097,080)	412,296	-
Change in net assets from non-operating activities	127,391,393	483,333	8,521,997	136,396,723
Change in net assets before effect of a change in accounting principle	122,197,536	215,180	8,521,997	130,934,713
Cumulative effect of a change in accounting principle FAS 158	(10,836,844)			(10,836,844)
Increase in net assets after cumulative effect of a change in accounting principle	111,360,692	215,180	8,521,997	120,097,869
Net assets at beginning of year	705,793,193	75,251,477	207,806,977	988,851,647
Net assets at end of year	$ 817,153,885	$ 75,466,657	$ 216,328,974	$ 1,108,949,516

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

Vassar College
Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Change in net assets	$ (17,723,790)	$ 120,097,869
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	15,313,948	14,193,627
Accretion on asset retirement obligations	447,380	450,598
Bad debt expense	16,451	(32,000)
Student loan allowance	(81,821)	(100,546)
Loss on disposal of fixed assets	370,806	470,946
Government loan cancellations	5,058	6,298
Present value of beneficiary payments	(1,048,298)	1,651,929
Investment income on life income and annuity agreements	(1,072,978)	(1,508,826)
Payment to beneficiaries	1,698,603	2,078,844
Non-operating contributions	(15,885,139)	(15,833,372)
Gifts in kind	(295,562)	(1,711,266)
Realized and unrealized gains on investments	2,632,527	(142,680,867)
Cumulative effect of change in accounting principle	-	10,836,844
Changes in assets and liabilities that provide (use) cash:		
Accounts receivable	2,943,466	2,126,927
Accrued investment income receivable	957,630	256,339
Inventories	65,722	(75,079)
Prepaid and other assets	279,181	4,242,580
Accounts payable and accrued expenses	(3,032,036)	(1,864,937)
Deferred revenue and students' deposits	(337,610)	(200,120)
Deposits held for others	(411,848)	6,842
Asset retirement obligation	(655,161)	(514,954)
Accrued pension obligation	2,781,566	(9,087,444)
Accrued post retirement benefit obligation	(6,327,922)	2,748,866
Net cash used in operating activities	(19,359,827)	(14,440,902)
Cash flows from investing activities		
Purchases of land, buildings and equipment	(35,236,918)	(21,868,307)
Proceeds from sale of land, buildings and equipment	1,081,133	243,867
Deposits held by trustee	11,010,987	10,345,612
Proceeds from student loans collections	437,787	595,736
Student loans issued	(733,639)	(722,557)
Purchases of investments	(519,947,711)	(528,208,588)
Proceeds from sales and maturities of investments	556,799,041	539,778,438
Net cash provided by investing activities	13,410,680	164,201
Cash flows from financing activities		
Contribution for investment in endowment	7,353,668	6,265,444
Contribution for investment in long-lived assets	7,067,609	7,333,577
Contribution for investment in life income agreements	1,463,862	2,234,352
Investment income on life income and annuity agreements	1,072,978	1,508,826
Payments to beneficiaries	(1,698,603)	(2,078,844)
Decrease in refundable government loan funds	(17,365)	(20,196)
Proceeds from the issuance of long-term debt	-	3,359,324
Payments on long-term debt	-	(1,325,000)
Net cash provided by financing activities	15,242,149	17,277,483
Net increase in cash and cash equivalents	9,293,002	3,000,782
Cash and cash equivalents, beginning of year	17,105,928	14,105,146
Cash and cash equivalents, end of year	$ 26,398,930	$ 17,105,928
Supplemental data		
Interest paid	$ 4,062,510	$ 3,826,999
Noncash investing activities		
Gifts in kind	$ 295,562	$ 1,711,266
Purchases of capital assets included in account payable	$ 3,802,984	$ 6,141,681
Deposits held by trustee	$ -	$ (46,470,676)
Contributed securities	$ 6,233,356	$ 7,095,428
Noncash financing activities		
Issuance of long-term debt	$ -	$ 125,455,000
Extinguishment of long-term debt	$ -	$ (75,625,000)

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 similar categories as follows:

- *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 and net assets. 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 net assets. Expenses are generally reported as decreases in unrestricted net assets.

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.

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/losses net of spending policy for the year, adjustment for minimum pension liability, loss on extinguishment of debt, 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. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents representing operating funds include 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.

The estimated fair value of venture capital, real estate and similar investments is based on valuations provided by the external investment managers as of March 31, adjusted for cash receipts, cash disbursements and securities distributions through June 30. The estimated fair value of hedge fund investments is based on valuations provided by the external managers as of June 30. Valuations of non-marketable investments in partnerships are based on reports from the general partners and subject to due diligence and various monitoring activities undertaken by the College and its investment consultants. The College believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because these investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

Receivables

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

At June 30, 2008 and 2007, student accounts receivable are net of an allowance for doubtful accounts of $64,500 and $48,000, and student loans receivable are net of an allowance for doubtful accounts of $290,000 and $372,000, respectively.

It is not practical 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

At June 30, contributions receivable are estimated to be collectible as follows:

	2008	2007
Within one year	$ 2,831,732	$ 4,817,353
One to five years	15,529,302	17,252,424
Over five years	2,787,329	2,999,799
	21,148,363	25,069,576
Less: Present value discount	(2,372,742)	(2,964,871)
Allowance for uncollectable pledges	(242,833)	(484,179)
	$ 18,532,788	$ 21,620,526

Conditional pledges and bequest intentions totaling approximately $48,000,000 have been excluded from these amounts and are not recorded in the financial statements due to the fact that these are conditional.

Inventories
Inventories are valued at the lower of cost or market, based upon the first-in, first-out method. Inventory consists 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 market 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
Building improvements	10 years
Equipment	7 years
Personal computers	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 Vassar through the budget process. Remaining depreciation expense is funded through existing net assets.

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 property, plant 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 value of these assets included in investments at June 30, 2008 and 2007 was $35,819,082 and $37,984,427, respectively. Contribution revenues are recognized at the dates the trusts are established net of the liabilities for the present value of the estimated future 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 3.6% to 13.92% 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 year claims. The liability is based on estimated future payments discounted to present value.

Spending from Endowment Funds
The College has adopted a "total return" policy for endowment spending. This approach considers current yield (primarily interest and dividends) as well as the net appreciation in the market 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 market value of investments. Current yield is recorded as revenue and the difference between current yield and the spending rate produces the use of realized gains spent under the total return formula.

Endowment and Similar Funds

Included in the Statement of Financial Position under the caption of Investments are assets of the College's Endowment and Similar funds. These institutional funds are invested in perpetuity to produce income to support operations of the College. Investment guidelines are set under the direction of the Committee on Investments 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 investments are invested separately. Consolidated funds are added to or withdrawn from the fund at the unit market value of the fund at the beginning of the quarter in which the transaction occurred. Annually, as part of the College's operating and capital budget plans, the Board approves a regular spending rate for endowment units. Per unit spending is increased 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% of the trailing 12-quarter average market value of the fund, lagged one year. In addition, the Board may approve supplemental spending from the endowment to meet the operating or capital requirements of the College. During 2008 and 2007, the Board approved supplemental spending in the amount of $6,841,000 and $3,370,000, respectively, to support plant renewal, special fundraising expense for a comprehensive campaign and other operating needs. The following information is pertinent to the College's endowment and similar funds at June 30:

	2008	2007
Fair value of investments	$ 853,643,854	$ 869,122,000
Income for operations	43,322,928	37,690,375
Number of units	10,044,461	9,838,515
Market value per unit	84.99	86.87
Spending rate per unit	3.63	3.45
Yield per unit	1.14	1.59
Realized gains used to meet spending policy	31,362,040	20,999,233
Investment return	0.50%	19.1%

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.

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 would materially affect the amounts reported in the statement of financial position and the statement of activities.

Plan contributions and actuarial present value of accumulated plan benefits for the postretirement liability are prepared 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 estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Conditional Asset Retirement Obligations

The College accounts for asset retirement obligations in accordance with SFAS No. 143, *Accounting for Asset Retirement Obligations*, and FAS Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligations – An Interpretation of FASB Statement No. 143*. 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 settlement value. Upon settlement of the liability, the College will recognize a gain or loss for any difference between the settlement amount and liability recorded.

New Authoritative Pronouncements

In September 2006, the FASB issued SFAS No. 157 ("SFAS 157") *Fair Value Measurements*. The standard defines fair value, outlines a framework for measuring fair value, and details the required disclosures about fair value measurements. The standard is effective for fiscal years beginning after November 15, 2007 except for certain provisions, which were deferred for an additional year. Management is presently evaluating the impact of this pronouncement but does not believe the adoption of SFAS 157 will have a material impact on the financial statements.

In February 2007, the FASB issued SFAS No. 159 ("SFAS 159") *The Fair Value Option for Financial Assets and Financial Liabilities*. The standard permits entities to choose to measure many financial instruments and certain other items at fair value. The standard is effective for fiscal years beginning after November 15, 2007. Management is presently evaluating the impact of this pronouncement but does not believe adoption of SFAS 159 will have a material impact on the financial statements.

In August 2008, the FASB issued FASB Staff Position FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act" ("UPMIFA"). This FSP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA and enhanced disclosures for all endowment funds, and is effective for fiscal years ending after December 15, 2008.

2. Financial Instruments

Investments

Investments consist of the following as of June 30:

	2008	2007
Short-term investments (a)	$ 19,079,076	$ 25,545,309
Fixed income-bonds	63,108,970	114,130,862
Marketable real estate (b)	4,279,843	5,285,899
Equity investments:		
U.S. stocks	272,708,563	311,921,531
International stocks	164,081,483	190,942,199
Hedge funds (c)	203,034,049	147,126,298
Real estate, oil and gas partnerships (d)	54,580,442	48,504,211
Venture capital/private placements (e)	84,318,514	68,617,250
Institutional mutual fund (f)	22,607,381	14,892,466
Balanced accounts (g)	2,016,313	2,332,466
Total	$ 889,814,634	$ 929,298,491

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

(b) Consists of marketable real estate investments.

(c) Consists of investments in various securities, including U.S. and international stocks and bonds, often through offshore fund companies.

(d) The College is committed to advance an additional $21,481,519 for real estate, oil, and gas investments over a 5 year period. The majority of the investment valuation in 2008 and 2007 is based upon March 31, 2008 and March 31, 2007 valuation estimates from the general partner (Note 1), respectively.

(e) The College is committed to advance an additional $56,556,604 for venture capital and private placement investments over a 5 year period. The investment valuation in 2008 and 2007 is based upon March 31, 2008 and March 31, 2007 valuation estimates from the general partner (Note 1), respectively.

(f) Consists of a fund investing in commodities, including derivative securities related to commodities, and fixed income.

(g) Consists of amounts invested in equity and fixed income mutual funds.

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

	2008	2007
Dividends and interest	$ 13,827,011	$ 17,151,014
Realized gains	94,788,479	86,016,388
Unrealized gains (losses)	(97,421,006)	56,664,478
Total return	11,194,484	159,831,880
Less: Amounts allocated for spending	(31,362,040)	(20,999,233)
Net realized, unrealized (losses) gains and interest earnings	$ (20,167,556)	$ 138,832,647

The College has reviewed unrealized losses on its investments and has concluded that none represent other than temporary losses from market activities.

Long-Term Debt

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

	2008	2007
Dormitory Authority of the State of New York Revenue Bonds, Series 2007, maturing in 2046, with interest of 4% to 5%. Bonds are general unsecured obligations of the College.	$ 125,455,000	$ 125,455,000

Principal maturities on all long-term debt are as follows as of June 30, 2008:

2009	$ 1,460,000
2010	1,515,000
2011	1,575,000
2012	1,645,000
2013	1,730,000
Thereafter	117,530,000
	$ 125,455,000

Interest expense for the years ended June 30, 2008 and 2007 was $5,780,646 and $4,999,186, respectively.

Management believes that the fair value of the College's long-term debt at June 30, 2008 and 2007 approximates $116,463,000 and $121,477,000, respectively, based on prevailing rates available.

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.

The Dormitory Authority of the State of New York requires the College to establish certain reserve funds which are invested in government bonds and cash equivalents. As of June 30, included in the caption "Deposits held by trustee", are the following:

	2008	2007
Dormitory Authority of the State of New York:		
Construction Fund	26,599,979	40,722,502
Debt Service Reserve	4,400,036	1,188,718
Debt Issuance Reserve	115,078	214,860
	$ 31,115,093	$ 42,126,080

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

Line of Credit
The College maintains a line of credit for $10,000,000 which was unused as of June 30, 2008 and 2007. As of June 30, 2008 and 2007, $949,000 in standby letters of credit was outstanding.

3. Land, Buildings and Equipment

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

	2008	2007
Land	$ 2,087,427	$ 2,007,427
Land improvements	17,952,036	8,977,551
Buildings and improvements	327,501,429	307,269,582
Equipment (including personal computers)	65,072,996	61,383,406
Library books	40,460,781	38,152,582
Art works and collectibles	42,077,399	41,791,346
Construction in progress	9,764,816	7,852,260
	504,916,884	467,434,154
Less: Accumulated depreciation	(189,460,301)	(174,547,149)
	$ 315,456,583	$ 292,887,005

Depreciation expense for the years ended June 30, 2008 and 2007 was $15,313,948 and $14,193,627, respectively.

The Board of Trustees approved a capital budget of $43,900,000 for construction projects in fiscal year 2009. This amount may include project completion costs and retainage that will be paid in the 2009 fiscal year.

4. Employee Benefits – Pension Plan

Retirement benefits for substantially all full-time employees are provided under a defined contribution program with the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF). The College makes annual contributions to TIAA-CREF based on eligible employees' earnings and age. Contributions for the years ended June 30, 2008 and 2007 totaled $6,610,033 and $6,201,501, respectively.

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

Retirement benefits for service, auxiliary and security employees are provided under a defined benefit plan. The College's contribution for the year ended June 30, 2007 was $2,900,000. No contribution was made during the year ended June 30, 2008 due to the overfunded status of the plan. Based on the current funding level, the College anticipates a contribution of approximately $1,100,000 in the next fiscal year.

The following table sets forth information related to the College's defined benefit pension plan at June 30:

	2008	2007
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 21,509,775	$ 21,430,370
Service cost	634,372	686,488
Interest cost	1,307,590	1,251,635
Benefits paid	(1,085,047)	(1,073,481)
Actuarial gain	(1,189,023)	(785,237)
Benefit obligation at end of year	$ 21,177,667	$ 21,509,775
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 22,871,205	$ 18,068,836
Actual return on plan assets	(2,028,627)	2,975,850
Employer contributions	-	2,900,000
Benefits paid	(1,085,047)	(1,073,481)
Fair value of plan assets at end of year	19,757,531	22,871,205
Funded status at June 30	$ (1,420,136)	$ 1,361,430
Net amounts recognized in statement of financial position:		
Net amount recognized	$ (1,420,136)	$ 1,361,430
Amounts recognized in unrestricted net assets:		
Net prior service costs	$ 2,091,192	$ 2,369,291
Net actuarial loss	$ 4,728,836	$ 1,995,189

The estimated net prior service costs 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 $278,099 and $189,691, respectively.

The accumulated benefit obligation for defined benefit pension plan was $21,177,667 and $21,509,775 as of June 30, 2008 and 2007, respectively.

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

	2008	2007
Service cost	$ 634,372	$ 686,488
Interest cost	1,307,590	1,251,635
Expected return on plan assets	(1,894,043)	(1,569,586)
Amortization of prior service cost	278,099	278,099
Amortization of actuarial loss	-	153,543
Net periodic pension cost	$ 326,018	$ 800,179

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:

	2008	2007
Benefit obligations		
Discount rate	6.80%	6.25%
Rate of compensation increase	4.00%	4.00%
Net periodic benefit cost		
Discount rate	6.25%	6.00%
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:

	2008	2007
Net actuarial loss	$ 2,733,647	$ -
Amortization of prior service (cost) credit	(278,099)	-
Total recognized in non-operating activities	$ 2,455,548	$ -
FAS 158 change in accounting principle	$ -	$ (4,364,480)

The discount rate as of June 30, 2007 was used to estimate the benefit obligation as of that date, and the annual expense for the 2008 fiscal year. The discount rate as of June 30, 2008 was used to estimate the benefit obligation as of that date, and will be used to estimate the annual expense for the 2009 fiscal year.

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 data, plan expenses and the potential to out perform market index returns.

The expected benefit payments from the plan are as follows:

June 30, 2009	$ 1,232,300
June 30, 2010	1,293,300
June 30, 2011	1,341,300
June 30, 2012	1,413,000
June 30, 2013	1,488,700
Succeeding 5 years	8,212,300

Defined Benefit Plan Investment Policy

The Committee on Investments of the Board of Trustees directs the investment of Plan assets. The Committee has established a formal investment policy for the Plan which the goal is to generate a long-term 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 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	**2008 Target**	**2008**	**2007**
Equities	60%	66%	66%
Fixed income	40%	23%	23%
Real estate	-	9%	9%
Other	-	2%	2%
	100%	100%	100%

5. Employee Benefits – Post Retirement Health Insurance

The College also provides post retirement medical benefits for certain retirees and employees. The cost of post retirement benefits is accrued as earned during an employees' service with the College.

In January 2007, the College made several changes to the post retirement plan, including changes to the in-network co-payment, out-of-network deductible and prescription drug co-payment. These changes resulted in a decrease of benefit obligation of $3,090,020.

The plan was further amended effective June 30, 2008 as follows:

- Faculty and administrators hired after July 1, 2008, with the exception of clerical staff, will not be covered by the current plan. A new plan design for these individuals is being developed for approval by the Board of Trustees.

- Faculty and administrators age 65 or older who retired on or after January 1, 2000 and before January 1, 2010, with the exception of clerical staff, and participate in the current post retirement medical plan will pay 10% of the premium beginning January 1, 2010.

- All faculty and administrators who retire on or after January 1, 2010 will pay 15% of the premium at age 65 or older. By existing policy, those retiring prior to age 65 must pay 100% of the premium until their enrollment in Medicare.

- The eligibility for medical benefits will change for retirements on or after January 1, 2010 from age 55 with 10 years of service earned after age 45 to age 60 with 10 years of service earned after age 50.

These changes resulted in a decrease of benefit obligation of $6,903,000. In addition, the change in eligibility described above triggered a curtailment which resulted in $1,456,000 of prior service cost in unrestricted net assets to be recognized as part of operating expenses for the year ended June 30, 2008.

The following tables represent the post retirement medical plan's funded status and amounts recognized in the financial statements. The calculations were based upon data as of July 1, 2008 and 2007, the latest available actuarial valuation date.

	2008	**2007**
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 29,008,000	$ 30,253,344
Service cost	1,511,000	1,584,262
Interest cost	1,778,000	1,710,418
Plan participants' contributions	196,000	163,406
Plan amendments	(6,903,000)	(3,090,020)
Retiree drug subsidy receipts	177,000	161,846
Special termination benefits	148,000	92,619
Benefits paid	(1,336,000)	(1,221,771)
Actuarial (gain) loss	(1,899,000)	(646,182)
Benefit obligation at end of year	$ 22,680,000	$ 29,007,922
Change in plan assets:		
Fair value of plan assets at beginning of year	$ -	$ -
Retiree drug subsidy receipts	177,000	161,846
Employer contributions	963,000	896,519
Plan participants' contributions	196,000	163,406
Benefits paid	(1,336,000)	(1,221,771)
Fair value of plan assets at end of year	$ -	$ -
Funded status at June 30	$ (22,680,000)	$ (29,007,922)
Amounts recognized in statement of financial position:		
Net amount recognized	$ (22,680,000)	$ (29,007,922)
Amounts recognized in unrestricted net assets		
Net prior service credit	$ 8,021,000	$ 3,438,011
Net actuarial (loss)	$ (7,347,000)	$ (9,910,375)

The estimated net prior service credit and net actuarial loss for the post retirement plan that will be amortized into net periodic benefit costs over the next fiscal year are $2,059,000 and $627,000, respectively.

The College funds on a cash basis, therefore, the College's contributions in the next fiscal year are anticipated to be $1,350,000.

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

	2008	2007
Service cost	$ 1,511,000	$ 1,584,262
Interest cost	1,778,000	1,710,418
Amortization of prior service cost	(864,000)	(587,838)
Recognized actuarial loss	664,000	845,924
Cost of special/contractual termination benefits	148,000	92,619
Curtailment	(1,456,000)	-
Total post retirement benefit cost	$ 1,781,000	$ 3,645,385

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

	2008	2007
Net prior service credit	$ (6,903,000)	$ -
Net actuarial gain	(1,899,000)	-
Amortization of:		-
prior service credit	864,000	-
actuarial gain	(664,000)	-
Prior service credit recognized due to curtailment	1,456,000	-
Total recognized in non-operating activities	$ (7,146,000)	$ -
FAS 158 change in accounting principle	$ -	$ (6,472,364)

The estimated future benefit payments and expected contributions are as follows:

	Gross	Medicare Subsidy	Net
June 30, 2009	$ 1,285,000	$ 202,000	$ 1,083,000
June 30, 2010	1,404,000	225,000	1,179,000
June 30, 2011	1,522,000	250,000	1,272,000
June 30, 2012	1,618,000	272,000	1,346,000
June 30, 2013	1,733,000	297,000	1,436,000
Succeeding 5 years	10,738,000	1,878,000	8,860,000

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement benefit plan. Assumed health care trends for the year ended June 30, 2008 were 9.5% in 2007-08, decreasing by 0.75% per year to 6.5% in 2011-12, and then decreasing by 0.5% per year to an ultimate rate of 5.0% in 2014-15. Assumed health care trend rates for the year ended June 30, 2007 were 9.5% grading down to 5% over seven years.

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

	2008	2007
Effect of 1% increase in health care cost trend rate		
Change in aggregate of current service cost and interest cost	$ 680,000	$ 692,014
Change in accumulated postretirement benefit obligation	2,952,000	4,797,013
Effect of 1% decrease in health care cost trend rate		
Change in aggregate of current service cost and interest cost	(539,000)	(546,314)
Change in accumulated postretirement benefit obligation	(2,556,000)	(3,928,373)

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was reflected on December 8, 2003 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 at June 30 were as follows:

	2008	2007
Benefit obligations		
Discount rate	6.80%	6.25%
Net periodic benefit cost		
Discount rate	6.25%	5.75%

6. Commitments and Contingencies

Operating Leases

At June 30, 2008, minimum annual commitments under operating leases for office equipment and buildings are as follows:

June 30, 2009	$ 212,000
June 30, 2010	204,000
June 30, 2011	171,000
June 30, 2012	140,000
June 30, 2013	153,243
Years thereafter	16,967,112
	$ 17,847,355

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, in the aggregate, have a material adverse effect on the College's financial position.

7. KEYSOP Program

Effective July 1, 2001, the College implemented the Vassar College Key Employee Share Option Plan, which is a nonqualified stock option plan to provide deferred compensation to certain key employees. Eligibility, vesting periods, and all other terms of the plan were determined by the Personnel and Compensation Committee of the Board of Trustees of Vassar College. In July 2001, the College purchased shares in mutual funds to match the level of options granted. No additional options have been granted since that date. The amounts representing the annual expense for vesting and the cumulative vested liability are deminimus to the financial statements.

As a result of IRS regulations issued in 2002, no further options will be issued from this plan.

8. Recently Adopted Accounting Pronouncements

Accounting for Uncertainty in Income Taxes
In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN48), which is an Interpretation of FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 addresses the accounting for uncertainties in income taxes recognized in an organization's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties and disclosures. There was no material impact to the College's financial statements as a result of the adoption of FIN 48 in 2008.

Employee Benefits – Pension Plan and Post Retirement Health Insurance
In September 2006, the FASB issued the Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (FAS 158). FAS 158 requires employers that sponsor defined benefit plans to recognize the funded status of a benefit plan, recognize the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost, measure defined benefit plan assets and obligations as of the date of the employer's fiscal year end statement of financial position, and disclose in notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year.

The College adopted the recognition provisions of FAS 158 for the year ended June 30, 2007. See Notes 4 and 5 for the effect of the adoption.