Pomona College

Financial Statements
For the Year Ended June 30, 2010

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Report of Independent Auditors

To the Board of Trustees of
Pomona College

In our opinion, the accompanying statement of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Pomona College (the "College") at June 30, 2010, and the changes in its net assets and its cash flows for

Pomona College
Statement of Financial Position
As of June 30, 2010
(With Summarized Financial Information as of Year Ended June 30, 2009)
(In Thousands of Dollars)

		2010		2009
Assets				
Cash and cash equivalents	$	3,148	$	2,113
Accounts and other receivables, net of allowance		2,608		2,631
Prepaid expenses and deposits		1,666		1,674
Short-term investments		92,753		72,098
Contributions receivable, net		46,484		39,511
Notes receivable, net of allowance		16,402		

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

Pomona College

Statement of Activities

For the Year Ended June 30, 2010

(With Summarized Financial Information
for the Year Ended June 30, 2009)
(In Thousands of Dollars)

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

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Pomona College
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

The College maintains cash in various financial institutions, which periodically exceeds federally insured limits.

Investments

Investments are stated at fair value, as defined by ASC 820, *"Fair Value Measurements and*

1. Summary of Significant Accounting Policies (Continued)

The College uses the actuarial method of recording life income and annuity contracts and agreements. Under this method, when a gift is received, the present value of the aggregate annuity payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as a contribution in the appropriate net asset category. The liability account is credited with investment income and gains and is charged with investment losses and payments to beneficiaries. Periodic adjustments are made between the liability account and the net asset account for actuarial gains and losses. The actuarial liability is based on

1. Summary of Significant Accounting Policies (Continued)

Estates and Trusts

The College is named beneficiary of various estates in probate. Unless the ultimate amount available for distribution can be determined before the close of the probate proceedings, the College does not record these amounts until the time of asset distribution. Trusts in which the College is named as irrevocable beneficiary, but is not a trustee, are recorded when the College is notified by the trustee and the ownership percentage and valuation are determined.

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 disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues, expenses and other changes in net assets during the year. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (Continued)

Share (NAV) to be used as a practical expedient for fair value where investment companies follow the American Institute of Certified Public Accountants (AICPA) Guide in arriving at their reported

5. Contributions Receivable

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Promises to give are recorded after discounting, at rates ranging from 2.0% to 6.6%, to the present value of the future cash flows. Unconditional promises to give received during the year ended June 30, 2010 have been discounted at credit-adjusted rates in accordance with ASC 820.

The College has been named remainderman in certain split-interest agreements. These trust agreements require that the trustee make annual or more frequent payments to the beneficiaries. Upon the death of the beneficiaries or other termination of the trusts, the remaining trust assets will be distributed to the College and other remaindermen as stipulated in the trust agreements. The College has recorded its beneficial interest in these split-interest agreements based on the present value of future cash flows using a discount rate of 5.50%. The actuarial assumption used in this calculation is based on the expected return on assets in effect at the date of the valuation. The underlying trust assets are valued at fair value and consist primarily of securities that are traded on the ready market.

At June 30, 2010, unconditional promises to give, in thousands of dollars, are expected to be realized in the following periods:

In one year or less	$ 22,362
Between one year and five years	8,636
More than five years	1,558
	32,556
Less: Discount	(1,583)
Pledged contributions	30,973
Split-interest agreements	15,511
Contributions receivable, net	$ 46,484

Unconditional promises to give and split-interest agreements at June 30, 2010, in thousands of dollars, have the following restrictions:

Endowment for programs, activities and scholarships	$ 7,846
Building construction	20,946
Education and general	19,275
	48,067
Less Discount	(1,583)
Contributions receivable, net	$ 46,484

6. Investments

Fair Value Measurement

The College carries all investments at fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures.* Under this standard, fair value is defined as the price that would be received to sell an asset (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

The fair value of investments at June 30, 2010, in thousands of dollars, is as follows:

Pooled Investments	
Cash and cash equivalents	$ 29,855
U.S. equities	187,020
Non – U.S. equities	142,351
Emerging markets	82,798
Fixed income	190,485
Venture capital	147,822
Private equity	144,689
Absolute return	362,535
Real assets[1]	213,067
Total long-term investments - pooled	$ 1,500,622
Separately Invested	
Cash and cash equivalents	21,065
U.S. equities	22,392
Non – U.S. equities	1,744
Fixed income	34,543
Real assets[1]	5,021
Other	8,020
Total long-term investments – separately invested	92,785
Short-term investments (cash and cash equivalents)	92,753
Assets held for property, plant and equipment (cash and fixed income)	36,438
	$ 1,722,598

[1] Real assets include marketable hard assets, private real estate/timber, and private oil and gas/energy

Investment income related to all investments for the year ended June 30, 2010 was $10,393,000, which is net of related expenses of $3,913,000.

Absolute Return Strategies

Investments utilizing an absolute return strategy are less liquid than the College's other investments. These investments typically include certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased,

6. Investments (Continued)

intended to hedge against changes in the market value of investments. These financial instruments may result in loss due to changes in the market (market risk). The following table summarizes these investments by investment strategy type at June 30, 2010, in thousands of dollars.

Pending Purchases and Sales

At June 30, 2010, the College had pending security purchases and sales of approximately $574,000 and $790,000, respectively, included in separately invested assets on the Statement of Financial Position.

Pooled Fund

Where permitted by gift agreements and/or applicable government regulations, investments are pooled. Pooled investments and allocations of pooled investment income are accounted for on a unit-fair value method. The following schedule summarizes data pertaining to this method for the year ended June 30, 2010:

Unit-fair value at end of year	$ 742.12
Units owned:	
Unrestricted:	
Funds functioning as endowment	831,360
Designated for annuity and life income funds	55,303
Total unrestricted	886,663

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6. Investments (Continued)

6. Investments (Continued)

The general partners of the underlying investment partnerships generally value their investments at

6. Investments (Continued)

The following is a reconciliation of Level 3 assets for which unobservable inputs were used to determine fair value. The table represents the activity of Level 3 securities held at the beginning and the end of the period, in thousands of dollars.

	Beginning Balance at June 30, 2009	Realized Gains (Losses)	Changes in Unrealized Gains (Losses)	Net Purchases (Sales and Settlements)	Net Transfers In (Out) of Level 3	Ending Balance at June 30, 2010
Pooled investments:						
U.S. equities	$ 121,412	$ 5,084	$ 18,328	$ (25,000)	$ -	$ 119,824
Non – U.S. equities	3,470	90	322	(46)	(1,706)	2,130
Emerging markets	8,761	480	1,582	(1,025)	(220)	9,578
Fixed income	1,235	233	1,722	23,710	(81)	26,819
Venture capital	130,791	1,089	7,692	8,250	-	147,822
Private equity	120,806	5,002	19,014	(133)	-	144,689
Absolute return	336,326	8,097	24,969	(6,857)	-	362,535
Real assets[1]	163,249	7,751	(14,550)	8,668	(24,486)	140,632
Total pooled investments	886,050	27,826	59,079	7,567	(26,493)	954,029
Separately invested assets:						
U.S. equities	185	-	36	-	-	221
Fixed income	324	(89)	71	(177)	(109)	20
Real assets[1]	4,553	(102)	(368)	(542)	-	3,541
Other	6	-	-	-	-	6
Total separately invested assets	5,068	(191)	(261)	(719)	(109)	3,788
Total Level 3 assets	$ 891,118	$ 27,635	$ 58,818	$ 6,848	$ (26,602)	$ 957,817

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6. Investments (Continued)

7. Property, Plant and Equipment

Property, plant and equipment at June 30, 2010, in thousands of dollars, are as follows:

Land	$ 3,486
Land improvements	15,210
Buildings	332,428
Equipment	38,521
Construction-in-progress	56,525
	446,170
Less: Accumulated depreciation	(133,763)
Property, plant and equipment, net of accumulated depreciation	$ 312,407

Outstanding commitments for construction contracts amounted to approximately $36,123,000 as of June 30, 2010.

8. CEFA Bonds Payable

Bonds payable, in thousands of dollars, issued through the California Educational Facilities Authority ("CEFA"), and associated interest rates and maturities at June 30, 2010 are as follows:

	Interest Rates	Maturity Dates	Principal Amount
Series 2009A	5.0%	2019, 2024	$ 62,290
Series 2008A	4.4%-5.0%	2018	59,475
Series 2005A	4.4%-5.2%	2018-2045	41,880
Series 2001	4.0%-5.0%	2010-2017	8,800
Series 1999A	4.0%-4.4%	2010-2017	3,710
			176,155
Plus: Unamortized premium			9,370
CEFA bonds payable			$ 185,525

Schedule of Maturities

Years Ending June 30,	
2011	$ 2,285
2012	2,375
2013	2,490
2014	1,250
2015	1,305
2016-2045	166,450
	$ 176,155

At June 30, 2010, the College had $36,438,000 of unspent proceeds from the California Educational Facilities Authority 2009A and 2008A held in trust accounts by US Bank (the "Trustee"), and whose use is limited to capital expenditures.

8. CEFA Bonds Payable (Continued)

The proceeds from the Series 2009A bonds, appro

11. Employee Benefit Plans

Retirement Plans

The College participates with other members of The Claremont Colleges in two retirement plans administered by the Claremont University Consortium – a defined contribution plan and a defined benefit plan. These plans cover all of the College's eligible employees.

The defined contribution plan provides retirement benefits for all employees through Teachers

12. Endowment (Continued)

The College's endowment consists of approximately 1,700 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. 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.

Interpretation of Relevant Law

The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA" or "the Act") as permitting the preservation of the original gift 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) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are

12. Endowment (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has a policy of appropriating for distribution each year 4.5% to 5.5% of its endowment funds' average fair value over the prior 12 quarters through September 30 of the preceding fiscal year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate at least equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. For the year ended June 30, 2010, the Board of Trustees authorized appropriations of $66,044,000, based on an approved spending rate of 4.5%, for current operations from the realized investment gains of pooled investments.

Endowment net assets consist of the following at June 30, 2010, in thousands of dollars:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 265,478	$ 265,478
Board-designated endowment funds	176,762	-	-	176,762
Accumulated unappropriated gains	410,656	606,078	-	1,016,734
Total endowment net assets	$ 587,418	$ 606,078	$ 265,478	$ 1,458,974

12. Endowment (Continued)

Changes in endowment net assets for the year ended June 30, 2010 are as follows, in thousands of dollars:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2009	$ 544,016	$ 552,832	$ 247,694	$ 1,344,542
Pooled investment returns:				
Earned income	11,635	-	-	11,635
Net realized and unrealized gains on investments during the year				
Net realized gains	14,973	24,554	-	39,527
Net unrealized gains	48,150	66,365	-	5(Continued 30er152.-

13. Related Parties

In the opinion of management, there were no material related-party transactions.

14. Commitments and Contingencies

Line of Credit

At June 30, 2010, the College had a $50,000,000 line of credit which expires on November 30, 2010. Any borrowings on the line would bear interest at a rate set by the bank (2.25% per annum at June 30, 2010) and is subject to change from time to time. There were no borrowings outstanding on the line at June 30, 2010.

Litigation

The College is involved in claims, including those for self-insurance, and occasional lawsuits arising in the ordinary course of its operations. In the opinion of management, the ultimate resolution of these claims and lawsuits are not expected to have a material effect on the College's financial position or change in net assets.

Federal Funding

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

Pomona College
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