MARYMOUNT MANHATTAN COLLEGE

Financial Statements

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
Marymount Manhattan College:

We have audited the accompanying balance sheets of Marymount Manhattan College (the College) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marymount Manhattan College as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

December 7, 2010

MARYMOUNT MANHATTAN COLLEGE

Balance Sheets

June 30, 2010 and 2009

Assets		2010	2009
Cash and cash equivalents	$	15,323,476	17,889,679
Student receivables, net (note 4)		1,045,275	950,482
Contributions receivable, net (note 5)		6,428,455	8,396,645
Investments, at fair value (note 3)		14,017,145	12,447,660
Other assets		1,273,865	1,040,993
Funds held by trustees (notes 3 and 6)		6,266,174	8,350,167
Bond issuance costs (note 6)		2,018,061	2,051,487
Plant assets, net (note 7)		64,893,834	62,349,356
Total assets	$	111,266,285	113,476,469
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	2,837,489	5,203,291
Interest payable		1,247,538	1,541,446
Deferred revenue		1,409,474	1,289,826
Asset retirement obligation		483,947	455,415
Long-term debt (note 6)		49,275,000	49,895,000
Total liabilities		55,253,448	58,384,978
Commitments and contingencies (note 12)			
Net assets:			
Unrestricted		35,444,476	33,347,569
Temporarily restricted (note 8)		9,455,747	11,440,801
Permanently restricted (note 8)		11,112,614	10,303,121
Total net assets		56,012,837	55,091,491
Total liabilities and net assets	$	111,266,285	113,476,469

See accompanying notes to financial statements.

MARYMOUNT MANHATTAN COLLEGE

Statements of Activities

Years ended June 30, 2010 and 2009

	2010			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Revenue, gains, and other support:				
Tuition and fees	$ 43,637,509	—	—	43,637,509
Less student aid	(9,117,792)	—	—	(9,117,792)
	34,519,717	—	—	34,519,717
State grants/appropriations	337,565	—	—	337,565
Federal grants	148,911	—	—	148,911
Investment return, net (note 3)	1,350,587	—	—	1,350,587
Contributions	2,527,522	974,728	809,493	4,311,743
Auxiliary enterprises	8,429,469	—	—	8,429,469
Other	180,990	—	—	180,990
Net assets released from restrictions (note 8)	2,959,782	(2,959,782)	—	—
Total revenue, gains, and other support	50,454,543	(1,985,054)	809,493	49,278,982
Expenses and losses (note 9):				
Expenses:				
Instruction	16,137,385	—	—	16,137,385
Academic support	3,711,433	—	—	3,711,433
Student services	7,692,581	—	—	7,692,581
Institutional support	10,190,642	—	—	10,190,642
Auxiliary enterprises	8,624,144	—	—	8,624,144
Total expenses	46,356,185	—	—	46,356,185
Losses:				
Write-off of bond issuance costs (note 6)	(2,001,451)	—	—	(2,001,451)
Increase (decrease) in net assets	2,096,907	(1,985,054)	809,493	921,346
Net assets at beginning of year	33,347,569	11,440,801	10,303,121	55,091,491
Net assets at end of year	$ 35,444,476	9,455,747	11,112,614	56,012,837

See accompanying notes to financial statements.

2009			
Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
41,372,375	—	—	41,372,375
(8,133,414)	—	—	(8,133,414)
33,238,961	—	—	33,238,961
1,136,571	—	—	1,136,571
226,489	231,547	—	458,036
(1,727,360)	11,284	—	(1,716,076)
1,027,178	2,605,465	1,076,554	4,709,197
8,481,320	—	—	8,481,320
115,680	—	—	115,680
2,501,135	(2,501,135)	—	—
44,999,974	347,161	1,076,554	46,423,689
14,815,900	—	—	14,815,900
3,950,280	—	—	3,950,280
6,303,895	—	—	6,303,895
10,544,783	—	—	10,544,783
8,756,720	—	—	8,756,720
44,371,578	—	—	44,371,578
—	—	—	—
628,396	347,161	1,076,554	2,052,111
32,719,173	11,093,640	9,226,567	53,039,380
33,347,569	11,440,801	10,303,121	55,091,491

MARYMOUNT MANHATTAN COLLEGE

Statements of Cash Flows

Years ended June 30, 2010 and 2009

		2010	2009
Cash flows from operating activities:			
Increase in net assets	$	921,346	2,052,111
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Contributions restricted for long-term investment		(809,493)	(1,076,554)
Contributions restricted for construction of plant		—	(217,500)
State grants/appropriations restricted for long-term investments		—	(758,357)
(Appreciation) depreciation in fair value of investments		(1,073,773)	2,272,969
Depreciation in fair value of funds held by trustee		16,652	63,317
Depreciation and amortization		2,915,063	2,857,066
Amortization of bond issuance costs		104,582	100,072
Write-off of bond issuance costs		2,001,451	—
Changes in assets and liabilities:			
Student receivables, net		(94,793)	254,004
Contributions receivable		1,051,198	834,736
Other assets		(232,872)	97,041
Accounts payable and accrued expenses		(863,610)	949,973
Interest payable		(293,908)	(33,288)
Deferred revenue		119,648	150,983
Asset retirement obligation		28,532	(17,568)
Net cash provided by operating activities		3,790,023	7,529,005
Cash flows from investing activities:			
Purchase of plant assets		(5,459,541)	(5,278,336)
(Decrease) increase in construction costs payable		(1,502,192)	1,628,743
Proceeds from sale of investments		15,659,598	1,184,706
Purchase of investments		(16,155,310)	(1,568,850)
Decrease in funds held by trustees		2,067,341	83,346
Net cash used in investing activities		(5,390,104)	(3,950,391)
Cash flows from financing activities:			
Contributions restricted for long-term investment		809,493	1,076,554
Contributions restricted for construction of plant		—	217,500
Proceeds from State grants restricted for construction of plant		—	758,357
Decrease (increase) in permanently restricted contributions receivable		916,992	(968,357)
Payments on long-term debt		(620,000)	(1,270,000)
Payment of bond issuance costs		(2,072,607)	—
Net cash used in financing activities		(966,122)	(185,946)
Net (decrease) increase in cash and cash equivalents		(2,566,203)	3,392,668
Cash and cash equivalents at beginning of year		17,889,679	14,497,011
Cash and cash equivalents at end of year	$	15,323,476	17,889,679
Supplemental disclosure:			
Interest paid	$	3,256,887	3,116,131

See accompanying notes to financial statements.

(1) Nature of Operations

Marymount Manhattan College (the College) is an urban, independent, undergraduate liberal arts college. The mission of the College is to educate a socially and economically diverse population by fostering intellectual achievement and personal growth and by providing opportunities for career development. The College is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

(2) Summary of Significant Accounting Policies

The significant accounting policies followed by the College are described below:

(a) Financial Statement Presentation

The College prepares its financial statements on the accrual basis of accounting. Net assets of the College and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that will be met either by actions of the College and/or by the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that stipulate that they be maintained permanently by the College, but permit the College to expend all or part of the income derived therefrom.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, except for those restrictions met in the same year as received, which are reported as revenues of the unrestricted net assets, are reported as net assets released from restrictions.

(b) Revenue Recognition

Contributions, which include unconditional promises to give, are recognized as revenues in the period received at their net present value discounted using a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contribution. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

(c) Depreciation and Amortization of Plant Assets

Depreciation is recorded using the straight-line method over the estimated useful lives ranging from 40 to 50 years for buildings, 20 years for building renovations/improvements, 7 years for furniture, 3 years for equipment, and 10 years for library books. Maintenance and repair expenditures are charged to expense as incurred.

(d) Bond Issuance Costs

Costs incurred for the issuance of bonds are deferred and amortized over the life of the related debt.

(e) Cash Equivalents

The College considers all highly liquid debt instruments purchased with initial maturities of three months or less to be cash equivalents, with the exception of those, which are held as part of the College's long-term investment portfolio. Cash equivalents primarily consist of money market funds at June 30, 2010 and 2009, respectively.

(f) Investments

Investments are reported at fair value based upon quoted market prices. Investment transactions are recorded on a trade-date basis.

(g) Deferred Revenues

Deferred revenues consist primarily of student tuition and fee payments that are received for academic periods subsequent to the fiscal year-end.

(h) Fair Value Hierarchy

Fair value is defined 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. Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements*, also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

(i) Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of the financial statements include the valuation of investments at fair value and estimated net realizable value of receivables. Actual results could differ from those estimates.

(j) Recently Adopted Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) issues the Accounting Standards Update 2009-1, *Accounting Standards Codification* (Codification or ASC). The Codification does not change GAAP, but combines all authoritative standards issued by organizations, such as the FASB, American Institute of Certified Public Accountants, and Emerging Issues Task Force, into a comprehensive, topic organized single source of GAAP. The Codification became effective for reporting periods that end or after September 15, 2009 and authoritative standards in the College's financial statements have been identified by ASC references.

Effective July 1, 2008, the College adopted ASC 820-10, *Fair Value Measurements*. ASC 820-10 defines fair value, requires expanded disclosures about fair value measurements, and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability as of the measurement date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Effective July 1, 2008, the College adopted ASC 958, *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, and Enhanced Disclosures for All Endowment Funds*. ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), and requires disclosures about endowment funds. The State of New York enacted its version of UPMIFA in September 2010. Once UPMIFA is adopted, ASC 958 requires that the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets be classified as temporarily restricted net assets until appropriated for expenditure. Management does not believe that any resulting net asset reclassifications will be operationally significant to the College.

Effective June 30, 2009, the College adopted ASC 855-10, *Subsequent Events*. ASC 855-10 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable GAAP. The College evaluated subsequent events after the balance sheet date of June 30, 2010 through December 7, 2010, which was the date the financial statements were available to be issued and concluded no additional disclosures are required.

(3) Investments

The College's investments consist of the following at June 30, 2010 and 2009:

	2010		2009	
	Cost	Fair value	Cost	Fair value
Cash equivalents	$ 1,863,031	1,863,031	753,397	753,397
Common stocks:				
U.S. equity	7,147,114	5,645,256	4,184,123	3,103,354
International equity	1,370,043	1,237,787	2,322,798	1,584,833
Mutual funds – U.S. fixed income	5,294,036	5,271,071	8,102,125	7,006,076
Total	$ 15,674,224	14,017,145	15,362,443	12,447,660

Funds held by trustees at June 30, 2010 and 2009 consist of the following:

	2010		2009	
	Cost	Fair value	Cost	Fair value
Cash equivalents	$ 1,694,246	1,694,258	2,759,805	2,780,521
Common stocks:				
U.S. equity	—	—	83,240	66,848
International equity	—	—	11,850	9,018
Mutual funds – U.S. fixed income	4,573,495	4,571,916	5,514,133	5,493,780
Total	$ 6,267,741	6,266,174	8,369,028	8,350,167

At June 30, 2010 and 2009, the majority of funds held by trustees were in the debt service reserve fund.

Return on investments, cash and cash equivalents, and funds held by trustee for the years ended June 30, 2010 and 2009 consist of the following:

	2010	2009
Dividends and interest (net of investment management fees of $40,745 and $19,990 for 2010 and 2009, respectively)	$ 293,466	620,210
Appreciation (depreciation) in fair value of investments	1,073,773	(2,272,969)
Depreciation in fair value of funds held by trustee	(16,652)	(63,317)
Total investment return, net	$ 1,350,587	(1,716,076)

The College invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

At June 30, 2010, the fair value of the investments and funds held by trustees are classified as Level 1 in the fair value hierarchy.

(4) Student Receivables

Student receivables comprise the following at June 30, 2010 and 2009:

		2010	2009
Student accounts receivable	$	1,395,426	1,316,810
Allowance		(350,151)	(366,328)
		1,045,275	950,482
Student loans receivable		153,519	153,519
Allowance		(153,519)	(153,519)
Total student receivables, net	$	1,045,275	950,482

(5) Contributions Receivable

Contributions receivable at June 30, 2010 and 2009 are expected to be collected as follows:

		2010	2009
Less than one year	$	4,817,671	5,552,185
One to five years		2,232,881	3,718,189
More than five years		103,500	100,000
		7,154,052	9,370,374
Less discount to present value (at rates ranging from 1.00% – 6.75%)		(725,597)	(973,729)
Contributions receivable, net	$	6,428,455	8,396,645

Included in gross contributions receivable at June 30, 2010 and 2009 is approximately $4 million and $3.2 million, due from six and five donors, respectively.

(6) Long-Term Debt

Long-term debt at June 30, 2009 consisted of Dormitory Authority of the State of New York (DASNY) Insured Revenue Bonds (the Series 1999 Bonds), with interest rates ranging from 4.100% to 6.375% per annum, originally payable semiannually through 2029.

On December 22, 2009, tax-exempt Insured Revenue Bonds for $49,275,000 (the Series 2009 Bonds) were issued by the DASNY. The bond proceeds were used to refund the Series 1999 Bonds, make a deposit to the Debt Service Reserve Fund, and pay the costs of issuance of the Series 2009 Bonds. The Series 1999 Bonds were used to acquire and construct a condominium unit consisting of a mezzanine and the first 33 floors of a 46-story residential condominium located in midtown Manhattan for use as a student dormitory.

(Continued)

The Series 2009 Bonds have interest rates ranging from 3.00% to 5.25%, payable semiannually through 2029. In connection with the refunding, bond issuance costs of $2,001,451 were written off and are shown as a loss in the accompanying statements of activities.

The Series 2009 Bonds are secured by a pledge of tuition and fee revenue of the College as defined in the Loan Agreement dated as of August 11, 1999, as amended and restated on December 22, 2009.

The fair value of the Series 2009 Bonds was approximately $50,245,000 at June 30, 2010.

Interest expense was $2,962,979 and $3,082,844 for the years ended June 30, 2010 and 2009, respectively.

The Loan Agreement contains certain financial covenants. The College is in compliance with these covenants at June 30, 2010.

Maturities and interest for the next five fiscal years and thereafter are as follows for the Series 2009 Bonds:

		Principal	Interest	Total debt service
Fiscal year:				
2011	$	400,000	1,247,538	1,647,538
2012		1,500,000	2,364,263	3,864,263
2013		1,400,000	2,319,263	3,719,263
2014		1,500,000	2,277,263	3,777,263
2015		2,065,000	2,232,263	4,297,263
Thereafter		42,410,000	18,592,763	61,002,763
	$	49,275,000	29,033,353	78,308,353

(7) Plant Assets

Plant assets at June 30, 2010 and 2009 are stated at cost or, if acquired through gift, at fair value at date of gift and consist of the following:

		2010	2009
Buildings and building improvements	$	72,557,221	65,039,320
Equipment		8,933,964	8,366,032
Library books		1,757,670	1,644,928
		83,248,855	75,050,280
Less accumulated depreciation		33,481,057	30,565,992
		49,767,798	44,484,288
Construction in progress		700,205	3,439,237
Land		14,425,831	14,425,831
	$	64,893,834	62,349,356

The College completed two significant construction projects. In May 2009, the College began construction on a new, two-tiered dining facility and lounge, The Commons, which opened September 2009. The Commons consists of a fourth floor servery and a third floor dining and lounge area. The Commons is 5,000 square feet and is adjacent to The Lowerre Family Terrace. The Lowerre Family Terrace is a 5,000 square-foot outdoor, urban quadrangle that was unveiled September 2008. Both spaces foster community interaction essential to student-centered learning.

(8) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2010 and 2009 are available for the following purposes:

		2010	2009
Time-restricted contributions	$	40,921	1,006,583
Academic program support		1,771,309	2,180,055
Scholarships		6,248,670	6,659,316
Acquisition of plant assets		1,394,847	1,594,847
	$	9,455,747	11,440,801

Net assets were released from restrictions during 2010 and 2009 by incurring expenses satisfying the restricted purposes as follows:

		2010	2009
Academic program support	$	300,381	291,831
Scholarships		1,253,651	393,054
Time restricted		1,100,000	1,000,000
Acquisition of plant assets		305,750	816,250
	$	2,959,782	2,501,135

Permanently restricted net assets at June 30, 2010 and 2009 are restricted to investment in perpetuity, with investment return available primarily to support scholarships.

(9) Expenses

The statements of activities present expenses in the functional categories of instruction, academic support, student services, institutional support, and auxiliary enterprises, as recommended by the National Association of College and University Business Officers. Institutional support includes $2,057,595 and $2,087,105 of fund-raising expenses in 2010 and 2009, respectively. The following table presents the allocation of operations and maintenance, depreciation and amortization, and interest expense among the functional expense categories based on management's best estimate of each function's proportionate share. As indicated in note 7, the College completed two significant construction projects in fiscal year 2010, which has changed the expense allocation in fiscal year 2010.

	Instruction	Academic support	Student services	Institutional support	Auxiliary enterprises	Total
2010:						
Direct expenses	$ 12,031,311	3,575,862	6,373,034	9,904,579	2,990,253	34,875,039
Operations and maintenance	2,458,111	81,160	789,950	171,252	1,998,050	5,498,523
Depreciation and amortization	1,414,284	46,696	454,502	98,531	1,005,632	3,019,645
Interest	233,679	7,715	75,095	16,280	2,630,209	2,962,978
	$ 16,137,385	3,711,433	7,692,581	10,190,642	8,624,144	46,356,185
2009:						
Direct expenses	$ 11,358,023	3,373,967	6,015,739	9,392,157	3,082,166	33,222,052
Operations and maintenance	2,009,233	334,872	167,436	669,744	1,928,259	5,109,544
Depreciation and amortization	1,228,037	204,673	102,336	409,346	1,012,746	2,957,138
Interest	220,607	36,768	18,384	73,536	2,733,549	3,082,844
	$ 14,815,900	3,950,280	6,303,895	10,544,783	8,756,720	44,371,578

(10) Retirement Plan

Employees of the College are covered under a defined contribution money-purchase retirement plan whereby the contributions are made directly to each individual participant's annuity accounts maintained by Teachers Insurance and Annuity Association – College Retirement Equities Fund. The cost of the plan is funded as accrued. Effective July 1, 2000, the College made contributions equal to 10% of eligible employees' gross earnings. Employees become eligible after one year of service. The College's contributions to the plan for the years ended June 30, 2010 and 2009 amounted to approximately $1,351,000 and $1,358,000, respectively.

(11) Air Rights Sale

The air rights associated with the College's facilities were sold in December 1986 under an agreement that provided for receipt of $2,100,000 at the time of the sale and contingent payments of amounts based upon subsequent sales of condominium units by the purchaser. The College is entitled to a percentage of the proceeds from sales of units equal to 10%. No units have been sold as of June 30, 2010.

(12) Lease Commitments

The College entered into operating leases in connection with student housing, which it sublets to students with no commitments beyond one year. The rental revenues and expenses relating to these operating leases amounted to $2,478,782 and $2,548,922, respectively, in 2010, and $2,633,709 and $2,688,183, respectively, in 2009 and are included in auxiliary enterprises in the accompanying statements of activities.

In August 2008, the College entered into 35 individual apartment leases on Roosevelt Island for student housing. The individual lease terms are for four years with an option to renew for four additional years. Lease increases are linked to the New York City Rent Control Guidelines for two-bedroom apartments after the second year of the first four-year term of the lease. The four-year value of the apartment leases amounts to $5,027,098.

(13) Interpretation of Relevant Law

The Board of Trustees (the Board) of the College has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value 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 the gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment return to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, when applicable. 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 to the extent the donor-restricted income earned on such endowments to a particular purpose or time, and in all other cases is classified as unrestricted net assets. Such amounts recorded as temporarily restricted net assets are released from restriction when the donor-stipulated purpose has been fulfilled and/or the required time period has elapsed.

The College has no Board-designated endowments. The following represents the net assets classes and changes in endowment funds for the years ended June 30, 2010 and 2009:

		Unrestricted	Permanently restricted	Total
Endowment net assets at June 30, 2008	$	3,720,310	9,226,567	12,946,877
Investment income, net		349,143	—	349,143
Net depreciation (realized and unrealized)		(2,054,981)	—	(2,054,981)
Contributions		—	1,076,554	1,076,554
Appropriation of endowment assets for expenditure/net assets released from restriction		(541,739)	—	(541,739)
Endowment net assets at June 30, 2009		1,472,733	10,303,121	11,775,854
Investment income, net		237,622	—	237,622
Net appreciation (realized and unrealized)		1,002,652	—	1,002,652
Contributions		—	809,493	809,493
Appropriation of endowment assets for expenditure/net assets released from restriction		(303,641)	—	(303,641)
Endowment net assets at June 30, 2010	$	2,409,366	11,112,614	13,521,980

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowments funds may fall below the level that the donor or UMIFA requires the College to retain as a fund for perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature would be reported in temporarily restricted net assets to the extent there are accumulated gains available to absorb such loss, or otherwise unrestricted net assets. There was a deficiency as of June 30, 2010 of $64,438.

(b) Return Objectives and Risk Parameters

The College has adopted investment and spending polices for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to protect the original value of the gift. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that match the price and yield results of a blended benchmark consisting of 40% Lehman Brothers Aggregate Intermediate, 38% S&P 500, 7% Russell Mid Cap, 7% Russell 2000, and 8% EAFE Performance.

(c) Spending Policy

The College has a spending policy of 5% appropriating investment return on the endowment funds for spending unless otherwise explicitly stipulated by the donor.