KPMG

COLLEGE OF THE HOLY CROSS

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Trustees
College of the Holy Cross:

We have audited the accompanying statements of financial position of the College of the Holy Cross (the College) as of June 30, 2011 and 2010, 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 the College as of June 30, 2011 and 2010 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

September 28, 2011

COLLEGE OF THE HOLY CROSS

Statements of Financial Position

June 30, 2011 and 2010

(In thousands)

Assets		**2011**	**2010**
Cash and cash equivalents	$	33,818	33,621
Short-term investments		7,683	16,775
Contributions receivable, net		6,123	7,466
Accounts and loans receivable		8,122	7,493
Deposits with bond trustees		—	455
Long-term investments		616,551	534,964
Land, buildings and equipment, net		208,372	195,712
Other assets		2,818	2,297
Total assets	$	883,487	798,783
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	26,466	29,370
Deferred revenue and student deposits		5,310	6,920
U.S. Government refundable advances		5,079	5,116
Split-interest obligations		5,107	5,104
Interest rate swap		6,698	8,214
Long-term debt		162,560	168,290
Total liabilities		211,220	223,014
Net assets:			
Unrestricted		341,590	290,871
Temporarily restricted		177,385	135,446
Permanently restricted		153,292	149,452
Total net assets		672,267	575,769
Total liabilities and net assets	$	883,487	798,783

See accompanying notes to financial statements.

COLLEGE OF THE HOLY CROSS

Statement of Activities

Year ended June 30, 2011

(In thousands)

	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues:				
Tuition and fees	$ 114,473	—	—	114,473
Auxiliary enterprises – residence and dining fees	26,318	—	—	26,318
Less scholarship aid to students	(37,849)	—	—	(37,849)
Net student fees	102,942	—	—	102,942
Contributions – annual fund	7,298	—	—	7,298
Other auxiliary enterprises	11,063	—	—	11,063
Other revenues	4,597	—	—	4,597
Operating revenues before nonoperating net assets used in operations	125,900	—	—	125,900
Nonoperating net assets used in operations:				
Long-term investment income used in operations	21,642	—	—	21,642
Restricted and designated net assets used in operations	4,165	—	—	4,165
Total operating revenues	151,707	—	—	151,707
Operating expenses:				
Instruction	53,877	—	—	53,877
Research	1,744	—	—	1,744
Academic support	11,460	—	—	11,460
Student services	23,832	—	—	23,832
Institutional support	22,885	—	—	22,885
Auxiliary enterprises	30,411	—	—	30,411
Total operating expenses	144,209	—	—	144,209
Increase in net assets from operations	7,498	—	—	7,498
Nonoperating:				
Contributions	289	5,809	3,396	9,494
Long-term investment income, net gains and other	48,621	50,250	383	99,254
Net gain on interest rate swap agreement	1,516	—	—	1,516
Nonoperating net assets used in operations	(25,807)	—	—	(25,807)
Net assets released from restrictions	13,717	(13,717)	—	—
Pension related changes, other than net periodic benefit cost	4,433	—	—	4,433
Other changes, net	452	(403)	61	110
Increase in net assets from nonoperating activities	43,221	41,939	3,840	89,000
Increase in net assets	50,719	41,939	3,840	96,498
Net assets, beginning of year	290,871	135,446	149,452	575,769
Net assets, end of year	$ 341,590	177,385	153,292	672,267

See accompanying notes to financial statements.

COLLEGE OF THE HOLY CROSS

Statement of Activities

Year ended June 30, 2010

(In thousands)

	2010			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Operating revenues:				
Tuition and fees	$ 113,076	—	—	113,076
Auxiliary enterprises – residence and dining fees	25,283	—	—	25,283
Less scholarship aid to students	(36,116)	—	—	(36,116)
Net student fees	102,243	—	—	102,243
Contributions – annual fund	6,832	—	—	6,832
Other auxiliary enterprises	10,567	—	—	10,567
Other revenues	4,928	—	—	4,928
Operating revenues before nonoperating net assets used in operations	124,570	—	—	124,570
Nonoperating net assets used in operations:				
Long-term investment income used in operations	20,751	—	—	20,751
Restricted and designated net assets used in operations	3,968	—	—	3,968
Total operating revenues	149,289	—	—	149,289
Operating expenses:				
Instruction	51,962	—	—	51,962
Research	1,612	—	—	1,612
Academic support	10,763	—	—	10,763
Student services	24,026	—	—	24,026
Institutional support	21,872	—	—	21,872
Auxiliary enterprises	30,529	—	—	30,529
Total operating expenses	140,764	—	—	140,764
Increase in net assets from operations	8,525	—	—	8,525
Nonoperating:				
Contributions	526	7,531	3,928	11,985
Long-term investment income, net gains and other	27,432	18,567	417	46,416
Net loss on interest rate swap agreements	(2,054)	—	—	(2,054)
Nonoperating net assets used in operations	(24,719)	—	—	(24,719)
Net assets released from restrictions	14,493	(14,493)	—	—
Pension related changes, other than net periodic benefit cost	(5,526)	—	—	(5,526)
Other changes, net	1,077	100	(162)	1,015
Increase in net assets from nonoperating activities	11,229	11,705	4,183	27,117
Increase in net assets	19,754	11,705	4,183	35,642
Net assets, beginning of year	271,117	123,741	145,269	540,127
Net assets, end of year	$ 290,871	135,446	149,452	575,769

See accompanying notes to financial statements.

COLLEGE OF THE HOLY CROSS

Statements of Cash Flows

Years ended June 30, 2011 and 2010

(In thousands)

		2011	2010
Cash flows from operating activities:			
Change in net assets	$	96,498	35,642
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and accretion		12,238	12,875
Net realized and unrealized gains on investments		(97,642)	(46,268)
Contributions for long-term investment		(3,989)	(5,972)
Change in value of interest rate swap		(1,516)	2,054
Decrease in other operating assets, net		700	630
(Decrease) increase in other operating liabilities, net		(6,598)	1,842
Net cash (used) provided by operating activities		(309)	803
Cash flows from investing activities:			
Decrease (increase) in deposits with bond trustees, net		455	(3)
Net loans advanced to students and others		(507)	(127)
Purchase of land, buildings, and equipment		(23,403)	(26,407)
Proceeds from sale of short-term investments		9,092	4,265
Proceeds from sale of long-term investments		175,969	249,902
Purchase of long-term investments		(159,914)	(238,220)
Net cash provided (used) by investing activities		1,692	(10,590)
Cash flows from financing activities:			
Payments on long-term debt		(5,340)	(4,925)
Decrease in U.S. Government refundable advances		(37)	(60)
Proceeds from contributions for long-term investment		3,842	4,719
Proceeds from grants and contributions for equipment		349	1,284
Net cash (used) provided by financing activities		(1,186)	1,018
Net increase (decrease) in cash and cash equivalents		197	(8,769)
Cash and cash equivalents, beginning of year		33,621	42,390
Cash and cash equivalents, end of year	$	33,818	33,621
Supplemental data:			
Interest paid	$	7,368	7,568

See accompanying notes to financial statements.

(1) Background

College of the Holy Cross (the College or Holy Cross) is a not-for-profit educational institution committed to the principle of educating men and women for others. As a Jesuit college, Holy Cross takes its place in a 450-year tradition of Catholic education that has distinguished itself for intellectual rigor, high academic standards, and religious and moral sensitivity. Top-ranked nationally, Holy Cross is a coeducational liberal arts college with a community of 2,700 students, situated on a 174-acre campus. Holy Cross was founded in 1843 by the second bishop of Boston, Benedict Joseph Fenwick, S. J., making it the oldest Catholic college in New England.

(2) Summary of Significant Accounting Policies

(a) Basis of Statement Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

(b) Classification of Net Assets

Unrestricted net assets – Net assets not subject to donor-imposed stipulations and available for the general operations of the College. Such net assets may be designated by the Board of Trustees for specific purposes, including to function as endowment funds.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations as to the timing of their availability or use for a particular purpose. Investment returns on donor-restricted endowment funds are classified as changes in temporarily restricted net assets and are generally available for appropriation to support operational needs subject to the College's endowment spending policy and any restrictions on use imposed by donors.

Permanently restricted net assets **–** Net assets subject to donor-imposed stipulations requiring they be maintained in perpetuity by the College. The College classifies the following portions of donor-restricted endowment funds as permanently restricted net assets: (a) the original value of assets contributed to permanent endowment funds, (b) subsequent contributions to such funds valued at the date of contribution, and (c) reinvested earnings on permanent endowment when specified by the donor.

(c) Statements of Activities

The statements of activities report the change in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the College's undergraduate education program, grants for research conducted by the academic departments, contributions to the annual fund and auxiliary enterprise activities. Nonoperating net assets used in operations includes endowment income appropriated by the College to support operating activities and nonoperating contributions expended in support of operations or made available for operations by virtue of the expiration of a time restriction.

Nonoperating activities includes investment return in excess of or less than the amount distributed for operations under the spending policy, contributions received other than for the annual fund, grant income to fund capital acquisitions, any gains or losses on debt-related derivative instruments, pension adjustments other than net periodic benefit cost and miscellaneous items not related to the College's academic or research activities. To the extent nonoperating contributions, investment income and gains are used for operations, they are reclassified as "nonoperating net assets used in operations" on the statements of activities.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions as follows:

- Student fees are recorded at established rates, net of financial aid and scholarships provided directly to students.

- Contributions, including unconditional promises to give reported as contributions receivable, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions on the statement of activities. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

- Contributions of land, buildings, or equipment are reported as unrestricted nonoperating support unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as increases in temporarily restricted net assets until the assets are acquired and placed into service.

- Auxiliary enterprises include a variety of services that enhance the quality of student life on campus. Revenues are displayed in two sections. Fees for housing and dining services are displayed along with tuition and fees net of scholarship aid to arrive at net student fee revenue. Other auxiliary service enterprise revenues, which include college retail operations, cash dining, catering, intercollegiate athletics and graphic arts, are displayed separately. Expenses associated with auxiliary enterprise activities are reported as a single total and include an allocated portion of the operation and maintenance of College plant assets, interest and depreciation expense.

- Dividends, interest, and net gains on investments of endowments are reported as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund; as increases in temporarily restricted net assets if the terms of the gift imposes restrictions on the current use of the income or net gains; and as increases in unrestricted net assets in all other cases.

Expenses are reported as decreases in unrestricted net assets. Expenses associated with the operation and maintenance of the College's plant assets, including interest and depreciation expense are allocated on the basis of square footage utilized by the functional categories. Expenses associated with fundraising activities of the College were $6,242 and $5,842 in 2011 and 2010, respectively, and are included in institutional support in the statements of activities.

(d) Cash Equivalents

For the purpose of the statements of cash flows, the College considers cash equivalents as investments with maturities at date of purchase of three months or less, except that any such investments purchased by external investment managers are classified as long-term investments.

(e) Fair Value Measurements

Short-term and long-term investments and the interest rate swap are reported at their respective fair values. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments are measured and reported at fair value using a hierarchy that prioritizes inputs used to measure fair value into one of the following three categories:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities as of the measurement date;

Level 2 –inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – unobservable inputs for assets or liabilities are used in situations in which little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The College utilizes valuation techniques that maximizes the use of observable inputs and minimizes the use of unobservable inputs to the extent possible. Transfers between categories occur when there is an event that changes the inputs used to measure the fair value of an asset or liability. Transfers between fair value categories are recognized at the end of the reporting period.

(f) Accounts and Loans Receivable

Accounts and loans receivable include amounts primarily due from students, employees and reimbursements due from sponsors of externally funded research.

(g) Land, Buildings, and Equipment

Constructed and purchased property and equipment are carried at cost or at estimated fair value if acquired by gift, less accumulated depreciation. Expenditures for library books are charged to operations in the period acquired. Long-lived fixed assets, with the exception of land and artwork, are depreciated using the straight-line method over the assets' estimated useful lives.

(h) Other Assets

Other assets consist of prepaid expenses, inventories, and investments held in a nonqualified deferred compensation plan.

(i) Refundable Advances

The College holds certain amounts advanced by the U.S. government under the Federal Perkins Loan Program (the Program). Such amounts may be re-loaned by the College after collection; however, in the event that the College no longer participates in the Program, the amounts are generally refunded to the U.S. Government.

(j) Split-Interest Obligations

The College's split-interest obligations consist principally of charitable gift annuities and irrevocable charitable remainder trusts for which the College serves as trustee. Contribution revenue is recognized at the date a gift annuity or trust is established after recording a liability at fair value of the estimated future payments to be made to the beneficiaries. Liabilities are adjusted during the terms of the agreements to reflect payments to beneficiaries, returns on trust assets, accretion of discounts and other considerations that affect the estimates of future payments.

(k) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A difficult economic environment increases the uncertainty of those estimates.

(l) Tax Status

The College is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from federal and state income taxes under Section 501(a) of the Code and applicable state laws. The College believes it has taken no significant uncertain tax positions.

(m) Reclassifications

Certain 2010 items previously reported have been reclassified to conform to the reporting practices adopted in 2011.

(In thousands)

(3) Contributions Receivable

Contributions receivable consist of the following at June 30:

		2011	2010
Unconditional promises expected to be collected in:			
Less than one year	$	7,151	7,913
One to five years		4,158	4,892
Less allowances for uncollectible pledges and pledge discounts (0.5% - 5%)		(5,186)	(5,339)
	$	6,123	7,466

(4) Investments

Strategy

The investment objective of the College is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The College's investment strategy incorporates a diversified asset allocation approach that maintains, within defined limits, exposure to global equity, fixed income, real estate, commodities, and private equity markets. Hedge funds invest in a broad range of investments that are less correlated with broad equities markets. This includes credit-oriented strategies, multi-strategy funds where the manager has a broad mandate to invest opportunistically, and event driven funds where managers seek opportunity in various forms of arbitrage strategies as well as in corporate activities such as mergers and acquisitions. Hedge funds may employ the use of leverage and derivatives to achieve their return. Private equity strategies include buyout and venture capital as well as distressed investments which includes entities involved in financial reorganizations or workout situations. The real asset classification includes investments in public and private real estate, energy, and commodities.

The majority of the College's investments are managed in a pooled fund that consists primarily of endowment assets. Other investments are managed separately from the pool. These investments consist primarily of fixed-income securities, principally government securities and money market funds held for the College's working capital needs, and various fixed income, equity and real asset holdings associated with split-interest agreements.

Reporting Basis

Investments are reported at estimated fair value. The values of publicly traded fixed income and equity securities are based upon quoted market prices at the close of business on the last day of the fiscal year. Investments in units of non-publicly traded pooled funds are valued at the unit value determined by the fund's administrator based on quoted market values of the underlying securities. Alternative investments which consist of hedge funds, private equities and real assets strategies are valued using current estimates of fair value based upon the net asset value (NAV) of the funds determined by the general partner or investment manager for the respective funds. These valuations consider variables such as financial performance of investments, including comparison of comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, and other pertinent information. NAV is used as a practical expedient to estimate the fair value of the College's interest in these funds, unless it is probable that all or a portion of the investment will be sold for an amount different than NAV. The College has assessed the NAV provided by the external managers and believes the amounts reported represent a reasonable estimate of fair value.

(In thousands)

Substantially all of the investments classified as Level 2 and 3 have been valued using NAV as the practical expedient and consist of shares or units in nonregistered investment funds as opposed to direct interests in the funds' underlying securities, which may be readily marketable or not difficult to value. Because of the use of NAV as a practical expedient to estimate fair value, the level in the fair value hierarchy in which each fund's fair value measurement is classified is based primarily on the College's ability to redeem its interest in the fund at or near the date of the statement of financial position. If the interest can be redeemed in the near term, the investment is classified as Level 2. Accordingly, the inputs used or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of each fund's underlying assets or liabilities. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material.

The College utilizes various investment strategies in its hedge funds and private equity investments. Hedge funds of $233,233 noted in the following table are comprised of the following strategies 35% multi-strategy, 29% long/short, 23% portable alpha, 7% global macro and 6% commodities at June 30, 2011. Private equity strategies of $130,263 include 27% buyout, 19% diversified, 22% venture capital, 24% distressed and 8% energy at June 30, 2011.

The following table summarizes the valuation of the College's cash and investments under the fair value hierarchy levels as of June 30, 2011:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 33,818	—	—	33,818
Short-term investments	—	7,683	—	7,683
Long-term investments:				
Cash equivalents	46,848	—	—	46,848
Fixed income	—	20,865	369	21,234
Global equities	8,799	124,258	—	133,057
Hedge funds	—	106,890	126,343	233,233
Private equities	—	—	130,263	130,263
Real assets	—	16,284	25,524	41,808
Split-interest agreements	5,190	2,118	2,800	10,108
Total long-term investments	60,837	270,415	285,299	616,551
Total	$ 94,655	278,098	285,299	658,052

(Continued)

(In thousands)

Hedge funds of $255,254 noted in the following table are comprised of the following strategies 35% multi-strategy, 32% long/short, 18% portable alpha, 7% real estate, 6% global macro and 2% commodities at June 30, 2010. Private equity strategies of $102,331 include 30% buyout, 24% diversified, 20% venture capital, 18% distressed and 8% energy at June 30, 2010.

The following table summarizes the valuation of the College's cash and investments under the fair value hierarchy levels as of June 30, 2010:

		Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$	33,621	—	—	33,621
Short-term investments		—	16,775	—	16,775
Long-term investments:					
Cash equivalents		5,892	—	—	5,892
Fixed income		—	34,253	345	34,598
Global equities		6,221	98,110	—	104,331
Hedge funds		—	122,463	132,791	255,254
Private equities		—	—	102,331	102,331
Real assets		—	4,932	18,249	23,181
Split-interest agreements		4,727	1,951	2,699	9,377
Total long-term investments		16,840	261,709	256,415	534,964
Total	$	50,461	278,484	256,415	585,360

The following table presents additional information about investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30:

		2011				
		Hedge funds	Private equity	Real assets	Fixed income and split-interest agreements	Total
Fair value at June 30, 2010	$	132,791	102,331	18,249	3,044	256,415
Acquisitions		10,000	13,312	6,481	—	29,793
Dispositions		(29,672)	(16,199)	(2,495)	(587)	(48,953)
Investment return		—	2,568	164	33	2,765
Net realized and unrealized gains		13,224	28,251	3,125	679	45,279
Fair value at June 30, 2011	$	126,343	130,263	25,524	3,169	285,299

(In thousands)

	2010				
	Hedge funds	Private equity	Real assets	Fixed income and split-interest agreements	Total
Fair value at June 30, 2009	$ 95,732	85,479	23,993	2,687	207,891
Acquisitions	38,436	14,853	1,591	—	54,880
Dispositions	(34,328)	(7,666)	(365)	(55)	(42,414)
Investment return	13,152	1,664	81	429	15,326
Net realized and unrealized gains (losses)	413	8,001	(7,051)	(17)	1,346
Transfers from Level 2	19,386	—	—	—	19,386
Fair value at June 30, 2010	$ 132,791	102,331	18,249	3,044	256,415

In 2010 transfers from Level 2 to Level 3 are the result of a change in the redemption provisions for three investments.

Net return on long-term investment activities consists of the following for the years ended June 30:

	2011	2010
Interest and dividends	$ 4,619	3,383
Unrealized gains, net	65,276	30,690
Realized gains, net	32,366	15,578
Direct management fees and other	(3,007)	(3,235)
Net return on investments	$ 99,254	46,416

Commitments

Private equity and real asset investments are generally made through limited partnerships. Under the terms of these agreements, the College is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the manager. These partnerships have a limited existence, generally between ten and fifteen years, and provide for annual one year extensions for the purpose of disposing portfolio positions and returning capital to the investors. However, depending on market conditions, the inability to execute the fund’s strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. As a result, the timing and amount of future capital or liquidity calls expected to be exercised in any particular future year is uncertain. The aggregate amount of unfunded commitments associated with private equity and real asset investments as of June 30, 2011 was $47,995 and $17,630, respectively.

Liquidity

Hedge fund and certain global equity and fixed income investments are redeemable with the funds or limited partnerships at net asset value under the terms of the subscription agreement and/or partnership

(Continued)

(In thousands)

agreements. Investments with daily liquidity generally do not require any notice prior to withdrawal. Investments with monthly or quarterly redemption frequency typically require notice periods ranging from 30 to 90 days. The long-term investments' fair values are broken out below by their redemption frequency as of June 30, 2011.

	Daily	Monthly	Quarterly	Illiquid	Total
Cash equivalents	$ 46,848	—	—	—	46,848
Fixed income	—	20,865	—	369	21,234
Global equities	41,052	92,005	—	—	133,057
Hedge funds	—	—	169,272	63,961	233,233
Private equities	—	—	—	130,263	130,263
Real assets	16,284	—	—	25,524	41,808
Split-interest agreements	—	—	—	10,108	10,108
Total	$ 104,184	112,870	169,272	230,225	616,551

There is $62,382 invested in hedge funds with a quarterly redemption frequency that limits the amount of the withdrawal to one-third of the invested balance per quarter. Investments with a redemption frequency of illiquid includes lock ups with definite expiration dates, restricted shares, side pockets, gates or funds in liquidation which have suspended normal liquidity terms as well as private equity and real assets funds where the College has no liquidity terms until the investments are sold by the fund manager. The College is in the process of liquidating $11,344 of investments at June 30, 2011 for which it has not received cash. Split-interest agreements consist principally of charitable gift annuities and irrevocable charitable remainder trust for which the College serves as trustee and are not considered available to support operations. Investments with redemption lock ups totaling $15,455 are expected to expire in fiscal year 2012.

(5) Endowment

The College's endowment consists of approximately 800 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 endowment. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Relevant Law

The Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) permits the Board of Trustees to exercise its discretion in determining the appropriate level of expenditure from a donor-restricted endowment fund in accordance with a set of guidelines about what constitutes prudent spending. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. UPMIFA permits the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Seven criteria are to be used to guide the College in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the College and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the College; and, 7) the investment policy of the College.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. The accounting standards define permanently restricted funds as those that must be held in perpetuity even though the historic-dollar-value may be appropriated on a temporary basis. In accordance with appropriate accounting standards, 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 as permanently restricted net assets is classified as temporarily restricted net assets, until appropriated for spending by the Board of Trustees.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. Deficiencies of this nature are reported in unrestricted net assets. These deficiencies generally are the result of unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the original contributed value are classified as an increase in unrestricted net assets. There were no deficiencies of this nature as of June 30, 2011 and 2010.

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period as well as board-designated funds. The primary investment objective of the endowment fund is to maintain and grow the fund’s real value by generating average annual real returns that meet or exceed the spending rate, after inflation, management fees and administrative costs. Consistent with this goal, the Board of Trustees and the Investment Committee, a standing Committee of the Board of Trustees, intend that the endowment fund be managed with an intention to maximize total returns consistent with prudent levels of risk and to reduce portfolio risk through asset allocation and diversification.

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 Investment Committee is responsible for establishing an asset allocation policy. The asset allocation policy is designed to attempt to achieve diversity among capital markets and within capital markets, by investment discipline and management style. The Committee designs a policy portfolio in light of the endowment's needs for liquidity, preservation of purchasing power and risk tolerances. There is no limitation on the types of investments in which the endowment fund may be invested, and it is intended that the Board of Trustees and the Committee have the broadest flexibility as to the selection of investments for the endowment fund.

The College targets a diversified asset allocation that places emphasis on investments in global equities, fixed income, real assets, private equity and hedge funds strategies to achieve its long-term return objectives within prudent risk constraints. The Investment Committee reviews the policy portfolio asset allocation, exposures and risk profile on an ongoing basis.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College's spending policy is 4.5% of the endowment's fair value applied to a three year moving average with a one year lag. The amount appropriated for operations is $21,642 and $20,751 for the years ending June 30, 2011 and 2010, respectively.

In establishing these policies, the College considers the expected return on its endowment and its programming needs. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power and to provide a predictable and stable source of revenue to the annual operating budget. Additional real growth will be provided through new gifts, any excess investment return or additions designated by the Board of Trustees.

(Continued)

(In thousands)

Changes in endowment net assets and net asset composition, not including pledges, consists of the following at June 30:

		2011			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Changes in endowment net assets:					
Endowment net assets, June 30, 2010	$	260,090	116,442	145,962	522,494
Investment return:					
Investment income, net		997	997	—	1,994
Net gains		47,226	48,985	—	96,211
Total investment return		48,223	49,982	—	98,205
Contributions		205	84	3,190	3,479
Clarification of donor intent		45	(37)	638	646
Transfer from operations		4,530	—	—	4,530
Appropriated for expenditure		(12,919)	(8,723)	—	(21,642)
Endowment net assets, June 30, 2011	$	300,174	157,748	149,790	607,712
Composition of endowment net assets:					
Donor-restricted endowment funds	$	—	157,748	149,790	307,538
Board-designated endowment funds		300,174	—	—	300,174
Total endowment net assets	$	300,174	157,748	149,790	607,712

		2010			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Changes in endowment net assets:					
Endowment net assets, June 30, 2009	$	245,380	106,082	141,218	492,680
Investment return:					
Investment income, net		268	238	19	525
Net gains		27,086	18,164	—	45,250
Total investment return		27,354	18,402	19	45,775
Contributions		479	13	4,625	5,117
Clarification of donor intent		80	(507)	100	(327)
Appropriated for expenditure		(13,203)	(7,548)	—	(20,751)
Endowment net assets, June 30, 2010	$	260,090	116,442	145,962	522,494
Composition of endowment net assets:					
Donor-restricted endowment funds	$	—	116,442	145,962	262,404
Board-designated endowment funds		260,090	—	—	260,090
Total endowment net assets	$	260,090	116,442	145,962	522,494

(In thousands)

(6) Land, Buildings, and Equipment

The following is a summary of the College's property and equipment as of June 30:

	Estimated lives	2011	2010
Land	—	$ 3,709	3,549
Land improvements	20 – 30	33,528	32,848
Buildings	5 – 55	279,945	273,350
Equipment and furniture	5 – 20	50,158	47,951
Construction in progress	—	22,403	6,810
Artwork	—	669	669
		390,412	365,177
Less accumulated depreciation		(182,040)	(169,465)
		$ 208,372	195,712

(7) Retirement Plans

The College's contributory retirement plan covers exempt employees. Participating employees contribute a minimum of 2% to a maximum of 5% of their base salary. The College makes a matching contribution equal to 10% of compensation up to the taxable wage base and 12% of compensation in excess of the taxable wage base. The College contributed $4,070 and $3,890, respectively, for the years ended June 30, 2011 and 2010, respectively.

The College's noncontributory retirement plan covers nonexempt employees. The College recognizes the funded status, the difference between the fair value of the plan assets and the projected benefit obligation, of its defined benefit pension plan as an asset or liability in its statement of financial position and recognizes the change in that funded status in the year in which the change occurred through changes in nonoperating unrestricted net assets.

The benefit obligation is determined by using a cash flow matching methodology that determines a single rate based on discounted projected cash flows for the plan. Each year the projected cash flow is discounted at a spot rate that is appropriate for that maturity; the discount rate is the single equivalent rate that produces the same discounted present value.

(In thousands)

The following table sets forth the defined benefit pension plan's obligations, fair value of plan assets and funded status for the years ended June 30:

	2011	2010
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 41,900	32,709
Service cost	1,524	1,065
Interest cost	2,218	2,222
Benefits paid	(1,605)	(1,560)
Actuarial loss	30	7,464
Benefit obligation at end of year	44,067	41,900
Change in plan assets:		
Fair value of plan assets at beginning of year	36,669	32,430
Actual return on plan assets	6,130	3,629
Employer contribution	2,170	2,170
Benefits paid	(1,605)	(1,560)
Fair value of plan assets at end of year	43,364	36,669
Funded status at end of year, included in accounts payable and accrued expenses	$ (703)	(5,231)
Weighted average assumptions used to determine benefit obligations at June 30:		
Discount rate	5.55%	5.46%
Rate of compensation increase	4.00	4.00
Weighted average assumptions used to determine net periodic benefit cost for year ending June 30:		
Discount rate	5.46	6.84
Expected long-term rate of return on plan assets	7.00	7.00
Rate of compensation increase	4.00	4.00

The accumulated benefit obligation was $40,807 at June 30, 2011 and $38,871 at June 30, 2010. The benefits expected to be paid after June 30, 2011 are as follows; $1,838 in 2012, $1,968 in 2013, $2,096 in 2014, $2,230 in 2015, $2,385 in 2016 and aggregate benefits for years 2017 through 2021 are expected to be $14,025. The College plans to make a nonmandatory employer contribution of $2,170 for fiscal year 2012. The measurement date used to determine pension assets and benefit obligations was June 30, 2011.

(In thousands)

The following table sets forth the components of net periodic benefit cost and the nonoperating (credit) cost reported in the statements of activities for the years ended June 30:

		2011	**2010**
Components of net periodic benefit cost:			
Service cost – benefits earned	$	1,524	1,065
Interest cost on projected benefit obligation		2,218	2,222
Expected return on plan assets		(2,513)	(2,217)
Amortization of prior service cost		449	449
Recognized actuarial loss		397	77
Net periodic benefit cost		2,075	1,596
Changes recognized in nonoperating:			
Net (gain) loss arising during the year		(3,587)	6,052
Amortization of prior service cost		(449)	(449)
Recognized actuarial loss		(397)	(77)
Total recognized as nonoperating		(4,433)	5,526
Total recognized in the statements of activities	$	(2,358)	7,122

Amounts not yet reflected in net periodic benefit cost and included in the statement of financial position are as follows:

		2011	**2010**
Accumulated net loss	$	(5,733)	(9,717)
Prior service costs		(1,848)	(2,297)
Accumulated other nonoperating loss		(7,581)	(12,014)
Accumulated contributions in excess of net periodic benefit cost		6,878	6,783
Net obligation recognized in the statement of financial position	$	(703)	(5,231)

The estimated amounts that will be amortized from unrestricted net assets into net periodic benefit cost in 2012 are unrecognized prior service cost of $449 and a net loss of $102.

(Continued)

(In thousands)

The retirement plan's investment policy includes the following asset allocation guidelines:

	Plan assets at June 30, 2011	Policy range
Cash and fixed income	48%	20 – 45%
Domestic equities	20%	7.5 – 35%
International equities	20%	5 – 25%
Hedge funds	12%	5 – 20%
Real assets	0%	5 – 15%
Multi-asset	0%	5 – 20%

The investment strategy of the noncontributory retirement plan is to allocate assets among investment classes that will provide for stability and growth of plan assets in varying market environments. To that end, the plan has adopted policies that require each asset class to be diversified and that multiple managers with differing styles of management are employed. On a quarterly basis the plan reviews progress toward achieving its and individual managers' performance objectives.

The fair value of the College's defined benefit pension plan assets by asset class are as follows at June 30:

	2011		
	Level 1	Level 2	Total
Cash and fixed income	$ 20,708	—	20,708
Domestic equities	8,551	—	8,551
International equities	—	8,782	8,782
Hedge funds	—	5,323	5,323
	$ 29,259	14,105	43,364

	2010		
	Level 1	Level 2	Total
Cash and fixed income	$ 12,890	45	12,935
Domestic equities	8,508	—	8,508
International equities	—	6,953	6,953
Hedge funds	—	4,941	4,941
Real assets	—	3,332	3,332
	$ 21,398	15,271	36,669

(In thousands)

(8) Long-Term Debt

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

	2011	2010
U.S. Department of Housing and Urban Development Bonds:		
3.625% Series C	$ —	300
Massachusetts Development Finance Agency Revenue Bonds:		
5.25%, 2002 Issue maturing in 2032	26,175	26,175
4% – 5%, 2007 Issue, Series B maturing serially through 2023	25,880	27,315
Floating Rate Revenue Bonds, 2008 Issue, Series A maturing serially through 2037	42,910	43,780
4% – 5%, 2008 Issue, Series B maturing serially through 2026	61,125	63,860
	156,090	161,430
Unamortized premium	6,470	6,860
	$ 162,560	168,290

Maturities of bonds for the fiscal years after June 30, 2011 are as follows:

2012	$ 5,255
2013	5,465
2014	5,690
2015	6,620
2016	6,485
Thereafter	126,575

Interest expense charged to operations was $7,300 and $7,519 in 2011 and 2010, respectively.

The U.S. Department of Housing and Urban Development bonds were secured by mortgages on the buildings financed, a pledge of the net revenues derived from the buildings and first lien on certain general tuition fees for each six-month period ended March 15 and September 15. These bonds were called during 2011.

The Massachusetts Development Finance Agency Revenue Bonds are tax-exempt issues and are general obligations of the College. The floating or variable rate for the 2008 Series A Issue is determined on a daily basis by the Remarketing Agent for each rate period to be the lowest rate which in its judgment would permit the sale of the Series 2008A Bonds. In the event that the variable rate for the immediately preceding day was not determined by the Remarketing Agent, or in the event that the variable rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such day shall be equal the SIFMA Index made available for the week preceding the

(Continued)

date of determination, or if such index is no longer available, or no such index was so made available for the week preceding the date of determination, 75% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal. The interest rate on the Series 2008A Bonds may be converted to a fixed rate at the election of the College and upon the satisfaction of certain requirements. The average interest rate was .19% and 0.21% in 2011 and 2010, respectively.

In the event that the College receives notice of any optional tender on its variable-rate bonds, or if the bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the College will have a general obligation to purchase the bonds tendered. The College maintains standby credit facilities with a commercial bank to provide alternative liquidity to support the repurchase of tendered variable rate bonds in the event that the bonds are unable to be remarketed. Financing obtained through standby credit facilities to fund the repurchase of such bonds would bear interest rates different from those associated with the original bond issues. The standby credit facilities in effect at June 30, 2011 expire in December 2015.

The College entered into an interest rate swap agreement in connection with the issuance of the 2008A Series Revenue Bonds. The swap agreement notional amount amortizes at the same rate as the related debt principal. The swap provides for the College to pay a fixed rate of 3.881% in exchange for the financial institution paying a variable rate equal to 68% of 1-month USD-LIBOR on the notional amount. To the extent the College holds a swap through its expiration date, the swap's fair value will reach zero. Because the swap fair value is based predominantly on observable inputs that are corroborated by market data, it is categorized as Level 2 for purposes of valuation disclosure.

The College established an unsecured line of credit in the amount of $15,000 with a commercial bank available primarily for working capital purposes. The line of credit expires on May 15, 2012 and may be renewed. The line of credit was not utilized during the years ended June 30, 2011 or 2010 and has no outstanding balance as of June 30, 2011 or 2010.

The College determined that the estimated fair value of its total indebtedness was $162,977 and $167,419 as of June 30, 2011 and 2010, respectively. The College further determined that the differences between the carrying values and estimated fair values of its other financial assets and liabilities at June 30, 2011 were not material.

(In thousands)

(9) Restricted Net Assets and Net Assets Released from Restrictions

The College's restricted net assets consist of the following at June 30:

		2011		2010	
		Temporarily restricted	**Permanently restricted**	**Temporarily restricted**	**Permanently restricted**
Donor restricted:					
Instruction	$	57,251	67,343	40,700	65,529
Scholarships		97,884	65,755	76,076	64,917
Student services		5,312	6,876	3,701	6,659
Academic support		1,864	2,020	1,378	1,754
Other		9,079	7,796	6,780	7,103
Annuity agreements		1,346	2,041	1,119	1,971
Time restrictions-pledges		4,649	1,461	5,692	1,519
Total net assets	$	177,385	153,292	135,446	149,452

Net assets released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors are as follows for the years ended June 30:

		2011	2010
Purpose restrictions:			
Instruction	$	3,516	2,867
Scholarships		6,246	5,252
Student services		1,016	983
Academic support		171	119
Building renovations		867	2,801
Other		643	772
		12,459	12,794
Time restrictions:			
Contributions		1,258	1,699
	$	13,717	14,493

(In thousands)

(10) Related-Parties

Members of the College's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the College. The College's conflict of interest policy requires, among other things, that no member of the Board of Trustees or its committees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. For members of the Board of Trustees and senior management, the College requires an annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the College. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interests of the College and ensure compliance with relevant conflict of interest laws or policy.

The College has investments in funds where members of the Board of Trustees serve as a manager or director. These investments include a limited partnership that provides investment management services for a portion of the College's hedge fund portfolio and several funds for cash and cash equivalents. These investments were made in compliance with the College's conflict of interest policy. As of June 30, 2011, the College held $74,545 in these funds, which are included in the College's long-term investment portfolio and its cash and cash equivalents. The College has no commitment to contribute or invest any additional funds to these investments. The College took measures to mitigate any actual or perceived conflict, including requiring that these transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the College, and in accordance with applicable conflict of interest laws.

(11) Natural Classification of Expenses

Operating expenses presented by natural classification are as follows for the fiscal years ended June 30:

	2011	2010
Salaries	$ 63,127	61,024
Fringe benefits	24,136	21,684
Utilities	4,338	4,074
Depreciation	12,628	13,265
Cost of borrowing, principally interest	7,122	7,339
Other operating	32,858	33,378
	$ 144,209	140,764

(12) Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2011 and through September 28, 2011 the date on which the financial statements were issued.