

MACALESTER COLLEGE



ANNUAL FINANCIAL STATEMENTS
WITH AUDITORS' OPINION
FOR THE FISCAL YEAR ENDED MAY 31, 2011



CPAs, Consultants & Advisors
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Macalester College
St. Paul, Minnesota

We have audited the accompanying statement of financial position of Macalester College as of May 31, 2011, and the related statements of activities and cash flows for the year 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 audit. The financial statements of Macalester College as of May 31, 2010, were audited by other auditors whose report, dated November 3, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Macalester College as of May 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
October 6, 2011



MACALESTER COLLEGE
Statements of Financial Position
May 31, 2011 and 2010
(in thousands of dollars)

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 33,225	\$ 24,524
Construction account cash and cash equivalents	12,984	-
Accrued investment income	831	908
Prepaid expenses	1,850	1,827
Notes and accounts receivable, net of allowance for doubtful receivables of \$820 (and \$764 in 2010)	7,172	8,494
Contributions receivable, net	10,864	12,450
Long term investments	659,229	589,678
Real estate	11,237	10,402
Land, buildings and equipment, net of accumulated depreciation	169,487	167,607
Beneficial interest in perpetual trust	<u>27,134</u>	<u>23,344</u>
 Total assets	 <u>\$ 934,013</u>	 <u>\$ 839,234</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 12,110	\$ 10,252
Deferred revenue	998	801
Deposits	244	351
Interest rate swap agreement	1,482	1,277
Liabilities under planned giving agreements	8,196	7,208
Government grants refundable	4,545	4,536
Asset retirement obligation	779	897
Capital leases	371	-
Bonds and mortgages payable	<u>83,796</u>	<u>70,882</u>
Total liabilities	<u>112,521</u>	<u>96,204</u>
Net assets:		
Unrestricted		
Operations	11,483	11,752
Investments	51,656	41,938
Plant	<u>91,515</u>	<u>91,674</u>
Total unrestricted	<u>154,654</u>	<u>145,364</u>
Temporarily restricted		
Operations	10,310	8,667
Investments	288,759	232,720
Plant	<u>18,021</u>	<u>11,835</u>
Total temporarily restricted	<u>317,090</u>	<u>253,222</u>
Permanently restricted - Investments	<u>349,748</u>	<u>344,444</u>
Total net assets	<u>821,492</u>	<u>743,030</u>
Total liabilities and net assets	<u>\$ 934,013</u>	<u>\$ 839,234</u>

See accompanying notes to financial statements.

MACALESTER COLLEGE
Statements of Activities
May 31, 2011 and 2010
(in thousands of dollars)

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Activities:								
Revenues and other additions:								
Tuition and fees	\$ 78,676	-	-	78,676	\$ 74,097	-	-	74,097
Less: Student aid and scholarships	(37,819)	-	-	(37,819)	(33,945)	-	-	(33,945)
Net tuition and fees	40,857	-	-	40,857	40,152	-	-	40,152
Federal grants and contracts	2,398	-	-	2,398	3,463	-	-	3,463
State grants and contracts	230	-	-	230	330	-	-	330
Private gifts and grants	3,339	2,947	-	6,286	4,616	1,710	-	6,326
Sales and service of auxiliary enterprises	13,611	-	-	13,611	12,950	-	-	12,950
Other sources	1,013	43	-	1,056	1,040	36	-	1,076
Endowment payout	3,402	28,285	-	31,687	3,383	28,132	-	31,515
Realized and unrealized gains on investments	9	-	-	9	123	-	-	123
Net assets released from restrictions	33,514	(33,514)	-	-	29,529	(29,529)	-	-
Total operating revenues and other additions	98,373	(2,239)	-	96,134	95,586	349	-	95,935
Expenses:								
Program								
Instruction	32,772	-	-	32,772	32,311	-	-	32,311
Research	1,506	-	-	1,506	1,142	-	-	1,142
Public service	902	-	-	902	730	-	-	730
Academic support	8,459	-	-	8,459	8,142	-	-	8,142
Student services	21,796	-	-	21,796	21,011	-	-	21,011
Auxiliary enterprises	9,426	-	-	9,426	9,001	-	-	9,001
Institutional support	19,205	-	-	19,205	18,258	-	-	18,258
Total expenses	94,066	-	-	94,066	90,595	-	-	90,595
Change in net assets from operating activities	4,307	(2,239)	-	2,068	4,991	349	-	5,340
Nonoperating Activities:								
Investment-related:								
Realized and unrealized gains on investments	\$ 13,823	84,788	357	98,968	\$ 7,489	70,882	411	78,782
Less: Endowment payout for operations	(3,402)	(28,285)	-	(31,687)	(3,383)	(28,132)	-	(31,515)
Net realized and unrealized gains	10,421	56,503	357	67,281	4,106	42,750	411	47,267
Investment income	108	-	-	108	98	-	-	98
Change in beneficial interest in perpetual trust	-	-	3,790	3,790	-	-	2,303	2,303
Change in value of planned giving agreements	24	557	785	1,366	27	526	951	1,504
Gift-related:								
Private gifts and grants restricted for long term investment	19	950	512	1,481	18	1,944	389	2,351
Private gifts and grants restricted for capital projects	376	6,303	-	6,679	-	2,017	-	2,017
Other:								
Loss on disposal of fixed assets	(1,441)	-	-	(1,441)	-	-	-	-
Change in value of interest rate swap	(205)	-	-	(205)	(183)	-	-	(183)
Net assets released from restrictions	(1,654)	1,794	(140)	-	168	(168)	-	-
Total nonoperating revenues and other additions	7,648	66,107	5,304	79,059	4,234	47,069	4,054	55,357
Reclassification of net assets	-	-	-	-	(3,100)	3,270	(170)	-
Effect of change in accounting treatment	(2,665)	-	-	(2,665)	-	-	-	-
Change in net assets from nonoperating activities	4,983	66,107	5,304	76,394	1,134	50,339	3,884	55,357
Change in net assets	9,290	63,868	5,304	78,462	6,125	50,688	3,884	60,697
Net assets beginning of year	145,364	253,222	344,444	743,030	139,239	202,534	340,560	682,333
Net assets end of year	\$ 154,654	317,090	349,748	821,492	\$ 145,364	253,222	344,444	743,030

See accompanying notes to financial statements.

MACALESTER COLLEGE
Statements of Cash Flows
May 31, 2011 and 2010
(in thousands of dollars)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in total net assets	\$ 78,462	\$ 60,697
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	6,828	7,098
Realized and unrealized gain on investments	(90,423)	(74,327)
Loss on disposal of fixed assets	1,441	-
Unrealized loss on interest rate swap	205	183
Private gifts and other income restricted for long term investments	(7,765)	(2,406)
Adjustment of actuarial liabilities for planned giving agreements	1,721	2,026
Change in assets and liabilities:		
Accrued investment income	77	(122)
Prepaid expenses	(23)	19
Notes and accounts receivable	1,322	(2,051)
Contributions receivable	(537)	2,106
Receivable for investments with settlements pending	-	1,517
Accounts payable and accrued expenses	694	449
Deferred revenue	197	123
Deposits	(107)	60
Net cash used in operating activities	<u>(7,908)</u>	<u>(4,628)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	90,632	100,036
Purchase of investments	(70,595)	(74,812)
Purchase of land, building and equipment	(9,210)	(6,882)
Net cash provided by investing activities	<u>10,827</u>	<u>18,342</u>
Cash flows from financing activities:		
Proceeds from issuance of bonds payable	16,000	-
Deposits to construction account, net	(12,984)	-
Bond premium from issuance of bonds payable	249	-
Principal payments on bonds payable	(3,228)	(2,744)
Additions to capital leases, net	371	-
Payments made to beneficiaries of planned giving agreements	(733)	(598)
Change in government grant refundable	9	23
Change in value of beneficial interest in perpetual trust	(3,790)	(2,303)
Private gifts, grants and other income restricted for long term investment	9,888	4,454
Net cash provided by (used in) financing activities	<u>5,782</u>	<u>(1,168)</u>
Increase in cash and cash equivalents	8,701	12,546
Cash and cash equivalents at beginning of the year	24,524	11,978
Cash and cash equivalents at end of the year	<u>\$ 33,225</u>	<u>\$ 24,524</u>
Supplemental disclosure - cash paid for interest, including interest capitalized of \$328	<u>\$ 3,022</u>	<u>\$ 2,769</u>
Noncash investing and financing activities:		
Purchases of land, building and equipment funded by accounts payable	<u>\$ 1,370</u>	<u>\$ 206</u>

See accompanying notes to financial statements.

1) Background and Organization

Macalester College (the College or Macalester) is a four year, coeducational, private liberal arts college. Founded in 1874, the College is located in the urban setting of Saint Paul, Minnesota. The College offers a liberal arts program and is accredited by the North Central Association of Colleges and Secondary Schools.

2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting. To ensure the observance of limitations and restrictions placed on the use of available resources, the College maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes into funds that are maintained in accordance with activities or objectives of the College. For external reporting purposes, however, the College's financial statements have been prepared to focus on the organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets -- Net assets subject to donor imposed stipulations that they be maintained permanently by the College. Generally the donor of these assets permits the College to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Temporarily restricted net assets -- Net assets subject to donor imposed stipulations that restrict their use to a specific purpose and/or the passage of time.

Unrestricted net assets -- Net assets not subject to donor imposed stipulations. Certain of these amounts have been designated by the board for investment purposes as indicated in the presentation.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. Donor restricted contributions whose restrictions are met in the same year as the gift is made are reported as temporarily restricted contributions in the current year. 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. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations.

Contributions, including unconditional promises to give, are recognized as revenue in the period received and reported in their appropriate net asset group, subject to the existence or absence of donor imposed stipulations. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a discount rate consistent with the general principles for present value measurement. Amortization of discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, on the contributions.

Cash and Cash Equivalents

Cash and cash equivalents include interest bearing money market accounts and short term investments with an original maturity of less than three months, except those held for investment purposes. The balances are insured by the Federal Deposit Insurance Corporation up to certain limits. At times, cash in the bank may exceed FDIC insurable limits.

Notes and Accounts Receivable

Notes and accounts receivable include grants receivable, student loan receivables, student accounts receivable and various other receivables. An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of receivables at the end of each year. Bad debts are written off when deemed uncollectible. Receivables are generally unsecured.

Short Term Investments

Short term investments consist of investments held in short term funds that may be used for the daily operations of the College.

Long Term Investments

Long term investments include the endowment pool, investments related to split interest agreements, loan fund investments, and intermediate term funds.

Land, Buildings and Equipment

Constructed and purchased property and equipment are carried at cost. Land, buildings and equipment donated to the College are stated at fair value at date of donation. Long-lived assets, with the exception of land and artwork, are depreciated using the straight-line method over their estimated useful lives. Useful lives for equipment range from 3 to 6 years. Useful lives for the majority of the buildings and improvements range from 20 to 40 years.

Interest is capitalized in connection with the construction of facilities. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's useful life.

Bond Issue Costs

Bond issue costs are amortized using the straight-line method over the life of the associated bond issue. Bond issue costs are reported as prepaid expenses on the statements of financial position.

Asset Retirement Obligation

The College accrues for costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. The obligation to perform asset retirement activity is not conditional even though the timing or method may be conditional. The College has identified asbestos abatement as an asset retirement obligation. Asbestos abatement costs were estimated using site surveys and per square foot or per linear foot costs. The College has recorded a liability and an increase to the associated assets. The assets are depreciated over their remaining useful lives. Annually, the asset retirement obligation is adjusted for accretion and payments made, if any.

Tax Status

The College has received a determination letter from the Internal Revenue Service indicating it is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is subject to federal income tax only on net unrelated business income. No provision has been made for income taxes in the accompanying financial statements as the College has had no significant unrelated business income.

The College's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on technical merits. The College has no uncertain tax positions resulting in an accrual of tax expense or benefit.

The College's tax returns are open to examination for the years 2007 through 2009.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accrued investment income, notes and accounts receivable, accounts payable and accrued expenses, deposits, and deferred revenue approximate fair value because of the short maturity of these financial instruments. Contributions receivable are recorded at the present value of estimated future cash flows using discount rates consistent with the general principles of present value measurement, which approximate fair value.

Short and long term investments in securities traded on national or international securities exchanges are carried at fair value, based upon values provided by external investment managers or quoted market values. Fair values for certain investments held in alternative structures including partnerships, commingled funds, and limited liability corporations are stated at net asset value as a practical expedient to estimated fair value. The estimated values may differ from the values that would have been used had ready markets for the investments existed, and the differences could be significantly higher or lower for any specific holding. Real estate is reported at estimated fair value based on knowledge of local market conditions and periodic independent appraisal. The beneficial interest in perpetual trust is reported at fair value of the trust assets.

An estimate of the fair value of the grants refundable to government for student loans could not be made because they are not saleable and can only be assigned to the US government or its designees.

The estimated fair value of the College's revenue bonds was calculated by discounting future cash flows through estimated maturity using the borrowing rate currently available to the College for debt of similar original maturity. The carrying value of the College bonds was \$82,618 and \$69,531 at May 31, 2011 and 2010, respectively, and the fair value was approximately \$85,832 and \$72,342, respectively. The carrying value approximates the fair value of the Series 1994 and 2003 bonds as the interest rate varies weekly. The College records the value of the outstanding debt at carrying value.

Derivative Financial Instruments

In accordance with Accounting Standards Codification (ASC) 815, *Accounting for Derivative Instruments and Hedging Activities*, Macalester accounts for derivative instruments, including derivative instruments embedded in other contracts. ASC No. 815 requires that derivative instruments be measured at fair value and reported as assets or liabilities in the statements of financial position. Changes in the fair value of derivatives during the year are reported in the statements of activities. Macalester's interest rate swap agreement is considered a derivative financial instrument and has been reported in the statements of financial position at fair value. The change in the fair value of the agreement during the year is reported in the statements of activities. The net cash received or paid under the terms of the interest rate swap agreement over its term is reported as a component of interest expense.

Planned Giving Agreements

The College's planned giving agreements consist primarily of charitable gift annuities, charitable remainder unitrust contracts and pooled life income funds. For those trusts for which the College is the trustee, the assets are reported as long term investments at their fair value. Contribution revenue is recognized at the dates the trusts are established after recording a liability for the present value of the estimated future payments to be made to the beneficiaries using discount rates and assumptions established upon initial recognition of the liability and the use of the appropriate mortality tables. Discount rates range from 3% to 7%. The obligation is adjusted during the term of the agreement for changes in the value of the assets, amortization of the discount and other changes in the estimates of future benefits.

For those irrevocable trusts for which the College does not serve as trustee, contribution revenue and a receivable are recognized at the date the trust is established for the present value of the estimated future payments to be received.

The College is also the beneficiary of a perpetual trust held and administered by others. The estimated fair value of the trust was recognized as an asset and as revenue on the date the College was notified of the establishment of the trust. Distributions from the trust are recorded as investment income.

Use of Estimates

The preparation of financial statements in conformity with US generally accepted accounting principles (GAAP) 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 these estimates.

Related Party

Pledges from certain Board of Trustees members and Officers are included in the financial statements. The pledges outstanding totaled \$4,244 and \$6,982 at May 31, 2011 and 2010, respectively. The College has a conflict of interest policy in place that is reviewed by each Board member and Officer annually.

Effect of change in accounting treatment

The College changed its method of grant revenue recognition in 2011. The effect is considered insignificant.

Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 presentation.

MACALESTER COLLEGE
Notes to Financial Statements
May 31, 2011 and 2010
(in thousands of dollars)

3) Long Term Investments

Long term investments include funds traditionally considered the endowment of the College as well as assets of funds for planned giving agreements and loan funds totaling \$17,336 and \$15,109 as of May 31, 2011 and 2010, respectively. The allocations shown at fair value are as follows:

	<u>2011</u>	<u>2010</u>
Long term investments:		
Cash and cash equivalents	\$ 27,007	\$ 41,897
Publicly traded securities:		
Domestic equities	22,307	19,851
Foreign equities held in collective trusts	109,325	86,348
Fixed income – TIPS and Treasuries	87,574	83,282
Futures	4,260	6,704
Mutual funds	52,774	43,374
Alternative strategies in illiquid structures:		
Domestic equities	102,990	87,106
Private equities	101,865	83,335
Hedge funds	64,565	68,428
Real estate	34,545	29,829
Natural resources	<u>52,017</u>	<u>39,524</u>
Total fair value	<u>\$ 659,229</u>	<u>\$ 589,678</u>
Total cost	<u>\$ 550,938</u>	<u>\$ 561,334</u>

4) Fair Value Measurements

The College applies the provisions of ASC No. 820, which established a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC No. 820 are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

- Level 2 Pricing inputs other than identical quoted prices in active markets that are observable for the financial instrument, such as similar instruments, interest rates, and yield curves that are observable at commonly quoted intervals.

- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Level 3 inputs include situations where there is little, if any, market activity for the financial instrument.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

MACALESTER COLLEGE
Notes to Financial Statements
May 31, 2011 and 2010
(in thousands of dollars)

The following tables summarize the College's fair value hierarchy for those assets and liabilities that were measured at fair value on a recurring basis as of May 31, 2011 and 2010:

	2011			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets:				
<u>Long term investments:</u>				
Cash and short term investments	\$ 27,007	\$ -	\$ -	\$ 27,007
Publicly traded securities:				
Domestic equities	22,307	-	-	22,307
Foreign equities held in collective trusts	-	109,325	-	109,325
Fixed income – TIPS and Treasuries	81,474	6,100	-	87,574
Futures	4,260	-	-	4,260
Mutual funds	52,774	-	-	52,774
Alternative strategies in illiquid structures:				
Domestic equities	-	-	102,990	102,990
Private equities	-	-	101,865	101,865
Hedge funds	-	-	64,565	64,565
Real estate	-	-	34,545	34,545
Natural resources	-	-	52,017	52,017
Total long term investments	<u>\$ 187,822</u>	<u>\$ 115,425</u>	<u>\$ 355,982</u>	<u>\$ 659,229</u>
High Winds real estate	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,237</u>	<u>\$ 11,237</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,134</u>	<u>\$ 27,134</u>
Financial Liabilities:				
Interest rate swap agreement	<u>\$ -</u>	<u>\$ 1,482</u>	<u>\$ -</u>	<u>\$ 1,482</u>

MACALESTER COLLEGE
Notes to Financial Statements
May 31, 2011 and 2010
(in thousands of dollars)

	2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets:				
<u>Long term investments:</u>				
Cash and short term investments	\$ 41,897	\$ -	\$ -	\$ 41,897
Publicly traded securities:				
Domestic equities	19,851	-	-	19,851
Foreign equities held in collective trusts	-	86,348	-	86,348
Fixed income – TIPS and Treasuries	78,065	5,217	-	83,282
Futures	6,704	-	-	6,704
Mutual funds	43,374	-	-	43,374
Alternative strategies in illiquid structures:				
Domestic equities	-	-	87,106	87,106
Private equities	-	-	83,335	83,335
Hedge funds	-	-	68,428	68,428
Real estate	-	-	29,829	29,829
Natural resources	-	-	39,524	39,524
Total long term investments	<u>\$ 189,891</u>	<u>\$ 91,565</u>	<u>\$ 308,222</u>	<u>\$ 589,678</u>
High Winds real estate	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,402</u>	<u>\$ 10,402</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,344</u>	<u>\$ 23,344</u>
Financial Liabilities:				
Interest rate swap agreement	<u>\$ -</u>	<u>\$ 1,277</u>	<u>\$ -</u>	<u>\$ 1,277</u>

MACALESTER COLLEGE
Notes to Financial Statements
May 31, 2011 and 2010
(in thousands of dollars)

The following tables are roll-forwards of the Level 3 financial assets during the fiscal years ended May 31, 2011 and 2010:

Long Term Investments 2011						
	Domestic Equities	Private Equities	Hedge Funds	Real Estate	Natural Resources	Total
Beginning balance	\$ 87,106	\$ 83,335	\$ 68,428	\$ 29,829	\$ 39,524	\$ 308,222
Unreal. gain (loss), net	23,884	9,814	4,564	(523)	5,828	43,567
Real. gain, net	-	4,779	1,888	1,448	2,056	10,171
Purchases, sales, issuances and settlements, net	<u>(8,000)</u>	<u>3,937</u>	<u>(10,315)</u>	<u>3,791</u>	<u>4,609</u>	<u>(5,978)</u>
Ending balance at May 31, 2011	<u>\$ 102,990</u>	<u>\$ 101,865</u>	<u>\$ 64,565</u>	<u>\$ 34,545</u>	<u>\$ 52,017</u>	<u>\$ 355,982</u>
Net unrealized gains (losses) included in change in net assets for the period relating to investments held at May 31, 2011	<u>\$ 23,844</u>	<u>\$ 9,814</u>	<u>\$ 4,564</u>	<u>\$ (523)</u>	<u>\$ 5,828</u>	<u>\$ 43,567</u>

Beneficial Interest in Perpetual Trust – 2011	
Beginning balance	\$ 23,344
Unrealized gain (loss), net	2,306
Realized gain, net	2,408
Purchases, sales, issuances and settlements, net	<u>(924)</u>
Ending balance at May 31, 2011	<u>\$ 27,134</u>
Net unrealized gains (losses) included in change in net assets for the period relating to investments held at May 31, 2011	<u>\$ 2,306</u>

Long Term Investments – 2010							
	Fixed Income	Domestic Equities	Private Equities	Hedge Funds	Real Estate	Natural Resources	Total
Beginning balance	\$ 5,128	\$ 68,164	\$ 72,614	\$ 67,820	\$ 35,291	\$ 32,048	\$ 281,065
Unreal. loss, net	-	18,942	5,093	9,032	(6,666)	344	26,745
Real. gain, net	57	-	2,278	3,145	-	755	6,235
Purchases, sales, issuances and settlements, net	<u>(5,185)</u>	<u>-</u>	<u>3,350</u>	<u>(11,569)</u>	<u>1,204</u>	<u>6,377</u>	<u>(5,823)</u>
Ending balance at May 31, 2010	<u>\$ -</u>	<u>\$ 87,106</u>	<u>\$ 83,335</u>	<u>\$ 68,428</u>	<u>\$ 29,829</u>	<u>\$ 39,524</u>	<u>\$ 308,222</u>
Net unrealized losses included in change in net assets for the period relating to investments held at May 31, 2010	<u>\$ -</u>	<u>\$ 18,942</u>	<u>\$ 5,093</u>	<u>\$ 9,032</u>	<u>\$ (6,666)</u>	<u>\$ 344</u>	<u>\$ 26,745</u>

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Beneficial Interest in Perpetual Trust - 2010

Beginning balance	\$ 21,041
Unrealized gain (loss), net	2,296
Realized gain, net	904
Purchases, sales, issuances and settlements, net	<u>(897)</u>
Ending balance at May 31, 2010	<u>\$ 23,334</u>
Net unrealized gains (losses) included in change in net assets for the period relating to investments held at May 31, 2010	<u>\$ 2,296</u>

At May 31, 2011, the College had \$355,982 of Level 3 long term investments and \$109,325 of foreign equity held in collective trusts that are reported at fair value and has concluded that the net asset value (NAV) reported by the underlying fund approximates the fair value of the investments and serves as the practical expedient for fair value.

High Winds real estate is also a Level 3 asset. The change in value from May 31, 2010 to May 31, 2011 resulted from the purchase and renovation of a building for \$835. The change in value from May 31, 2009 to May 31, 2010 resulted from the purchase of a house for \$405. Real estate values are based on independent appraisals.

Due to the nature of the investments held by the funds, changes in market conditions and economic environment may significantly impact the net asset value of the funds, and consequently, the fair value of the College's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that if the College was to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant. The College has no plans to sell any of these assets on the secondary market.

The College's alternative investments have strategies and redemption terms as summarized in the table below:

Investment Category	Fair Value	Unfunded Commitments	Redemption Frequency*	Notice Period (in Days)*
Foreign equity held in collective trusts (a)	\$ 109,325	None	Monthly	30 days
Domestic equities - alternative structures (b)	102,990	None	Quarterly	30 - 60 days
Hedge funds (c)	64,565	None	Monthly - Annual	30 - 90 days
Private investments (d)	188,427	\$ 83,810	Not applicable	Not applicable
Totals	\$ 465,307	\$ 83,810		

*The information summarized in the table above represents the general terms for the specified asset class. Individual investment funds may have terms that are more or less restrictive than those terms indicated for the asset class as a whole. In addition, most investment funds have the flexibility, as provided for in their constituent documents, to modify and waive such terms.

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Foreign equities held in collective trusts (a) are actively managed investment funds focused on the equity markets of non-US developed market countries. These funds have the ability to invest a portion of the funds in equities of emerging market countries. The fair values of these investments have been estimated using NAV.

Domestic equities - alternative structures (b) are actively managed and designed to give the College exposure to the movements of the US equity market. The fair values of these investments have been estimated using NAV.

Hedge funds (c) consist of funds in which the College has invested to potentially benefit from the skill of fund managers or to access unconventional assets. Typically, the underlying investments in these funds are publicly traded.

At May 31, 2011, the College had no funds invested in a fund for which a lock-up period exists.

The College's hedge fund investments have redemption terms as summarized in the following table:

	<u>Fair Value</u>
Hedge fund strategies	\$ <u>64,565</u>
0-30 days notice	\$ 5,475
31-60 days notice	28,946
61-90 days notice	<u>30,144</u>
Total	\$ <u>64,565</u>
Monthly redemption	\$ 5,475
Quarterly redemption	9,210
Annual redemption	<u>49,880</u>
Total	\$ <u>64,565</u>

Private investments (d) include a variety of investment strategies, including buyout, distressed debt, energy, real estate, timber and venture capital. These investments are of a long term nature and generally serve to drive the returns of the portfolio or to hedge inflation. The College receives proceeds from these funds as the holdings of the funds produce income or are sold. The College invests in funds with a life of 5 to 15 years, and does not have redemption rights.

Securities denominated in foreign currencies are translated into US dollars at the closing rate of exchange. Foreign currency amounts related to the purchase or sale of securities and income and expenses are translated at the exchange rate on the transaction date. For financial reporting purposes, the realized and unrealized gain (loss) on investments reflects changes in exchange rates, as well as changes in the market value of investments.

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The College employs an external service provider to assist in hedging the foreign currency risks of the portfolio and to manage the College's equity and fixed income exposures close to policy targets. On the College's behalf, this service provider has entered into foreign currency exchange contracts and other futures contracts. These derivatives are marked to market daily and exchange traded. In the Statements of Activities, net realized and unrealized gains or losses on investments include gains or losses from the use of derivatives for hedging or rebalancing activities.

As of May 31, 2011, the College had exposure to \$22,244 of long positions in equity index futures, \$8,812 of short positions in equity index futures, and \$120,829 in short positions in currency futures. As of May 31, 2010, the college had exposure to \$39,298 of equity index futures, and \$108,934 in short positions in currency futures. The College's derivative portfolio consists of contracts with maturities of 90 days or less and is adjusted as the exposures of the underlying portfolio change. The contracts are sold prior to contract maturity.

5) Funds Held in Trust by Others

The College's beneficial interest in the fair value of assets in a perpetual trust was \$27,134 and \$23,344 as of May 31, 2011 and 2010, respectively. For the years ended May 31, 2011 and 2010, the College received \$1,344 and \$1,423 from this trust, respectively.

The College is the income beneficiary of a revocable trust with an estimated value of \$10,397 and \$9,444 as of May 31, 2011 and 2010, respectively, which is controlled by independent trustees. For the year ended May 31, 2011 and 2010, the College received \$600 and \$607 from this trust, respectively. These assets are not recorded on the financial statements of the College.

6) Contributions Receivable

Contributions receivable consists of the following:

	<u>2011</u>	<u>2010</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 3,295	\$ 5,714
One year to five years	7,973	7,080
Greater than five years	130	190
Less: Discount to present value (3% - 5%)	<u>(534)</u>	<u>(534)</u>
	<u>\$ 10,864</u>	<u>\$ 12,450</u>

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7) Land, Buildings and Equipment

The following is a summary of the College's land, buildings and equipment:

	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 1,614	\$ 1,414
Buildings and building improvements	219,820	223,308
Equipment	11,420	10,126
Construction in progress	<u>11,730</u>	<u>4,869</u>
	244,584	239,717
Less: Accumulated depreciation	<u>(75,097)</u>	<u>(72,110)</u>
	<u>\$ 169,487</u>	<u>\$ 167,607</u>

8) Revolving Loan Agreement

In February 2010, the College extended an already-existing unsecured revolving loan agreement for operating purposes from a bank in the amount of \$5,000 through April 2011. The agreement was not extended after it expired. Interest on the loan agreement was at the one-month LIBOR rate plus 2%.

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9) Bonds and Mortgages Payable

Bonds and mortgages payable consist of the following:

	<u>2011</u>	<u>2010</u>
College Housing Program Mortgages at 3%, paid in full during fiscal year 2011 (original amount \$880)	\$ -	\$ 314
Minnesota Higher Education Facilities Authority (MHEFA) variable rate demand revenue bonds of 1994, weekly maturity and rate reset, 0.30% average for current fiscal year, total principal due 2024 (original amount \$6,660)	6,660	6,660
Minnesota Higher Education Facilities Authority variable rate demand revenue bonds of 2003, weekly rate reset as well as a weekly tender option, 0.27% average for current fiscal year, total principal due 2033 (original amount \$15,300)	15,300	15,300
Minnesota Higher Education Facilities Authority revenue bonds of 2004, 4.73% average, final series due 2017 (original amount \$14,995)	8,180	9,460
Minnesota Higher Education Facilities Authority revenue notes of 2005, 4.08% average, final series due 2014 (original amount \$3,000)	1,298	1,636
Minnesota Higher Education Facilities Authority revenue bonds of 2007, 4.42% average, final series due 2032 (original amount \$39,490)	35,180	36,475
Minnesota Higher Education Facilities Authority revenue bonds of 2010, 4.76% average, final series due 2035 (original amount \$16,000)	<u>16,000</u>	<u>-</u>
	82,618	69,845
Plus: Unamortized bond premium	<u>1,178</u>	<u>1,037</u>
	<u>\$ 83,796</u>	<u>\$ 70,882</u>

The College was involved in the College Housing Program of the US Department of Housing and Urban Development. The funds received under this program were used to rehabilitate student dormitories and dining areas. The mortgages under this program were secured by a lien on the College's stadium carried at original acquisition cost and improvements of \$781 at May 31, 2011 and 2010, and by pledges of gross stadium and tuition revenues. The mortgages were paid in full during fiscal year 2011.

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In September of 1994, \$6,660 of variable rate demand revenue bonds were issued on behalf of the College by MHEFA. The bonds were initially issued with a weekly maturity and rate reset, but longer maturities are optional as well as a fixed rate. Proceeds of the issue were used to finance various campus improvements and an athletic field expansion. Loan repayments associated with the bonds are general obligations of the College, with interest payable monthly (semi-annual if converted to fixed), and principal payable at maturity, on March 1, 2024.

In February of 2003, \$15,300 of variable rate demand revenue bonds were issued on behalf of the College by MHEFA. The bonds were issued with a weekly rate reset, as well as a weekly tender option. In the event of a tender and unsuccessful remarketing, self liquidity is provided through treasury securities held as long term investments. Proceeds of the issue were used to finance various dormitory improvements. Loan repayments associated with the bonds are general obligations of the College, with interest payable monthly and principal payable at maturity, on March 1, 2033.

In December of 2004, \$14,995 of revenue bonds were issued on behalf of the College by MHEFA. The average interest rate of the bonds is 4.73%. Proceeds of this issue were used to fund the March 1, 2005 redemption of the MHEFA Bonds of 1995, to secure the release of the obligation under the MHEFA Bonds of 1997, and to pay certain issuance costs.

In July of 2005, \$3,000 of revenue notes were issued on behalf of the College by MHEFA. The average interest rate of the bonds is 4.08%. Proceeds of this issue were used for the acquisition and installation of a replacement administrative computing system, which included new hardware, software licenses, and costs of converting data, training and testing.

In March of 2007, \$39,490 of revenue bonds were issued on behalf of the College by MHEFA. The average interest rate of the bonds is 4.42%. A portion of the proceeds were used, together with other funds of the College, for construction of a new athletics and recreation center. The remaining portion was used to repay the 1998 bond issue.

In December of 2010, \$16,000 of revenue bonds were issued on behalf of the College by MHEFA. The average interest rate of the bonds is 4.76%. Proceeds of this issue were used to partially fund the renovation of the Janet Wallace Fine Arts building.

In direct connection with the variable rate demand revenue bonds issued in 2003, the College entered into an interest rate swap agreement that obligates it to pay a fixed rate of 3.33% annually to the counterparty in exchange for the receipt of a floating payment equal to 67% of the three-month London Interbank offered rate (LIBOR). The net difference between the amounts paid to and received from the counterparty is recorded as interest expense. Payments under the swap contract are based on a notional amount of \$15,000. The contract expires on May 31, 2016. As of May 31, 2011 and 2010, the estimated fair value of the swap contract was \$(1,483) and \$(1,277), respectively. In the Statements of Activities, net gains or losses from the interest rate swap agreement result from fluctuations in the variable interest rate to which the swap is tied. Included in the Statements of Activities for the years ended May 31, 2011 and 2010 are interest rate swap losses of \$206 and \$183, respectively.

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Annual debt commitments (principal) at May 31, 2011, are as follows:

<u>Fiscal year ending May 31,</u>	<u>Amount</u>
2012	\$ 3,147
2013	3,602
2014	3,852
2015	3,932
2016	3,980
After 2016	<u>64,105</u>
	<u>\$ 82,618</u>

Total interest expensed on debt aggregated \$2,962 and \$2,738 during the years ended May 31, 2011 and 2010, respectively.

10) Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets are available for the following purposes at May 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
The portion of unexpended investment return generated from donor-restricted endowment funds subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) consists of:		
Scholarships	\$ 39,967	\$ 35,496
Prizes and awards	388	215
Library support	2,887	2,334
Program support	210,594	165,293
Faculty support	28,583	23,941
Research	<u>2,828</u>	<u>2,413</u>
	285,247	229,692
Gifts and other unexpended revenues and gains available for:		
Scholarships	570	2,405
Prizes and awards	137	221
Library support	30	58
Program support	2,304	2,110
Faculty support	1,853	1,828
Research	163	153
Contributions receivable for plant projects	3,866	3,556
Contributions receivable for scholarships, program support and operations	2,662	2,195
Split interest agreements for scholarships, program support and operations	2,876	2,319
Private grants	3,008	-
Plant projects	14,155	8,279
Other	<u>219</u>	<u>406</u>
	<u>\$ 317,090</u>	<u>\$ 253,222</u>

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Permanently restricted net assets and the purposes the income is expendable to support are as follows at May 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Endowment funds for:		
Scholarships	\$ 31,495	\$ 31,247
Prizes and awards	297	279
Library support	3,079	3,107
Program support	242,538	242,098
Faculty support	22,713	22,618
Research	<u>2,060</u>	<u>2,061</u>
	302,182	301,410
Beneficial interest in outside managed trusts restricted for scholarships	27,054	23,342
Contributions receivable for scholarships and program support	164	364
High Winds Fund	13,179	12,739
Loan funds	3,628	3,629
Split interest agreements for scholarships and program support	<u>3,541</u>	<u>2,960</u>
	<u>\$ 349,748</u>	<u>\$ 344,444</u>

11) Endowment Funds

Overview

The College's endowment consists of 572 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, 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 College's Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 the following 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 appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.

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In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: a) the duration and preservation of the funds; b) the purposes of the College and the donor-restricted endowment funds; c) general economic conditions; d) the possible effect of inflation and deflation; e) the expected total return from income and the appreciation of investments; f) other resources of the College; and g) the investment policies of the College.

Endowment Funds Restrictions and Designations

The College's endowment net assets were classified as follows at May 31, 2011 and 2010:

	2011			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 285,247	\$ 302,182	\$ 587,429
Board-designated endowment funds	<u>51,021</u>	<u>-</u>	<u>-</u>	<u>51,021</u>
Total funds	<u>\$ 51,021</u>	<u>\$ 285,247</u>	<u>\$ 302,182</u>	<u>\$ 638,450</u>
	2010			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (485)	\$ 229,692	\$ 301,410	\$ 530,617
Board-designated endowment funds	<u>41,843</u>	<u>-</u>	<u>-</u>	<u>41,843</u>
Total funds	<u>\$ 41,358</u>	<u>\$ 229,692</u>	<u>\$ 301,410</u>	<u>\$ 572,460</u>

Included in temporarily restricted endowment net assets at May 31, 2011 and 2010 is \$47,866 and \$44,671, respectively, of gift corpus temporarily restricted by donors but managed by the College as endowment funds.

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The College's endowment net assets changed as follows for the years ended May 31, 2011 and 2010:

	2011			
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beg. of year	\$ 41,358	\$ 229,692	\$ 301,410	\$ 572,460
Investment return:				
Investment income	1,866	7,159	-	9,025
Realized and unrealized gains	<u>13,626</u>	<u>74,573</u>	<u>-</u>	<u>88,199</u>
Total investment return	15,492	81,732	-	97,224
Fees and other expenses	(401)	(1,539)	-	(1,940)
Contributions	-	1,021	181	1,202
Other transfers in (out)	759	(1,941)	591	(591)
Amounts appropriated for expenditure	<u>(6,187)</u>	<u>(23,718)</u>	<u>-</u>	<u>(29,905)</u>
Endowment net assets, end of year	<u>\$ 51,021</u>	<u>\$ 285,247</u>	<u>\$ 302,182</u>	<u>\$ 638,450</u>
	2010			
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beg. of year	\$ 38,921	\$ 184,696	\$ 299,537	\$ 523,154
Investment return:				
Investment income	1,630	5,773	-	7,403
Realized and unrealized gains	<u>8,099</u>	<u>61,512</u>	<u>-</u>	<u>69,611</u>
Total investment return	9,729	67,285	-	77,014
Fees and other expenses	(407)	(1,439)	-	(1,846)
Contributions	-	2,095	569	2,664
Other transfers in (out)	-	-	1,474	1,474
Amounts appropriated for expenditure	(6,885)	(23,115)	-	(30,000)
Reclassification of net assets	<u>-</u>	<u>170</u>	<u>(170)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 41,358</u>	<u>\$ 229,692</u>	<u>\$ 301,410</u>	<u>\$ 572,460</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$485 as of May 31, 2010. There were no such deficiencies as of May 31, 2011. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriations for certain programs that were deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment funds to the required level will be classified as an increase in unrestricted net assets.

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 organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed endowment spending plus inflation with real growth as a secondary goal. The College expects its endowment funds, over three to five years, to provide an average annual real rate of return of approximately 6.5% annually. Actual returns in any given year may vary from this amount.

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 emphasis on investments in equities, alternative assets, and fixed income assets in a 45-40-15 percent ratio to achieve its long term return objectives within prudent risk constraints.

The majority of the assets of the endowment funds have been placed in an investment pool, on a fair value basis, with each individual fund within the pool subscribing to or disposing of units on the basis of the market value per unit at the beginning of the month within which the transaction takes place.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has a policy of appropriating for distribution each year a percentage of its endowment funds' sixteen-quarter trailing average of investment fair value. This percentage for 2011 and 2010 was 5.0% and 5.1%, respectively. In establishing this policy, the College considered the expected return on its endowment. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment returns. If yield (interest and dividend income) is not sufficient to support the calculated spending, the balance is allocated from gains of the endowment assets.

12) High Winds Fund

Included in the permanently restricted net assets are resources related to the High Winds Fund. The Fund is subject to the provisions of an agreement between the College and a major benefactor which provides, among other things, for physical segregation and administration of such funds in accordance with the provisions of such agreement. The purpose of the High Winds Fund is to maintain and improve the beauty, serenity and security of the area surrounding the College campus. As of May 31, 2011, the High Winds Fund owned 13 properties surrounding the College campus. The total value of the assets of the Fund as of May 31, 2011 and 2010 was \$15,895 and \$15,241, respectively.

13) Retirement Plans

The College provides retirement benefits to substantially all employees. Certain academic and non academic personnel are covered under defined contribution plans with Teachers Insurance and Annuity Association and College Retirement Equities Fund, and Vanguard Fiduciary Trust Company. A plan covering union employees is funded by deposits with trustees based on a fixed rate of contribution per hour worked. The College has no liability for these pension plans once deposits are made to the administrators. Total benefit expense for the years ended May 31, 2011 and 2010 was \$3,717 and \$3,502, respectively.

14) Fundraising Expenses

Fundraising expenses for the College totaled \$4,541 and \$4,818 for the years ended May 31, 2011 and 2010, respectively.

15) Commitments

In December 2010, the College entered into a contract with a local construction company to renovate the Janet Wallace Fine Arts Center. The contract is primarily for labor. The total outstanding contract commitment at May 31, 2011 was \$15,503. No formal contract exists for the majority of the materials required to complete the project. Construction on the project began in January 2011 and is expected to be completed in the summer of 2012 for a total estimated cost of \$39,800.

The College is subject to certain claims arising out of the ordinary course of business. Although it is not possible to predict the outcome of these claims, management believes they will not have a material effect on the financial condition of the College.

16) Subsequent Event

In connection with the preparation of the financial statements and in accordance with the recently issued ASC Topic 855, *Subsequent Events*, the College has evaluated subsequent events after the Statement of Financial Position date of May 31, 2011 through October 6, 2011, which is the date the financial statements were available to be issued and determined there were no additional items to disclose.