KPMG

BARNARD COLLEGE

Financial Statements

June 30, 2009

(With Independent Auditors' Report Thereon)

BARNARD COLLEGE

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KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
Barnard College:

We have audited the accompanying balance sheet of Barnard College (the College) as of June 30, 2009, 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 prior year's summarized comparative information has been derived from the College's 2008 financial statements and, in our report dated October 27, 2008, we 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 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 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 Barnard College as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 to the financial statements, effective July 1, 2008, the College adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, and in connection with the adoption of SFAS No. 157, elected to early adopt the measurement provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*.

KPMG LLP

December 9, 2009

BARNARD COLLEGE

Balance Sheet

June 30, 2009
(with comparative financial information as of June 30, 2008)

Assets		**2009**	**2008**
Cash and cash equivalents	$	30,358,076	14,791,422
Short-term investments		—	14,944,650
Student accounts receivable (net of allowance of $14,200 in 2009 and $48,100 in 2008)		78,834	218,449
Student notes receivable (net of allowance of $613,000 in 2009 and $622,000 in 2008)		4,067,709	3,918,053
Grants, bequests, and other receivables		3,077,378	3,281,381
Pledges receivable, net (note 3)		23,772,432	26,437,298
Other assets		4,115,499	5,443,538
Investments – long-term (notes 4 and 15)		172,654,722	221,377,740
Funds held by bond trustee (notes 9 and 15)		23,383,561	44,442,592
Property, plant, and equipment, net (note 6)		138,058,106	113,584,380
Total assets	$	399,566,317	448,439,503
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	15,558,025	16,337,907
Deferred revenues		3,738,441	3,047,094
Liability under split-interest agreements		4,643,555	4,722,045
Refundable government loan program		2,255,229	2,229,180
Postretirement benefits obligation (note 8)		10,132,332	8,623,977
Asset retirement obligations (note 7)		1,793,685	1,688,174
Obligation under derivative instrument (notes 9 and 15)		1,113,676	529,116
Long-term obligations (note 9)		106,823,575	107,042,436
Total liabilities		146,058,518	144,219,929
Net assets (note 5):			
Unrestricted		52,197,174	71,971,005
Temporarily restricted (note 12)		88,908,382	120,438,717
Permanently restricted (note 12)		112,402,243	111,809,852
Total net assets		253,507,799	304,219,574
Total liabilities and net assets	$	399,566,317	448,439,503

See accompanying notes to financial statements.

BARNARD COLLEGE

Statement of Activities

Year ended June 30, 2009
(with summarized financial information for the year ended June 30, 2008)

	2009				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**2008 Total**
Operating revenue:					
Tuition and fees	$ 85,450,795	—	—	85,450,795	79,142,309
Less financial aid allowance	(27,411,142)	—	—	(27,411,142)	(24,263,926)
Net tuition and fees	58,039,653	—	—	58,039,653	54,878,383
State appropriations	230,486	—	—	230,486	252,354
Investment return designated for current operations (note 5)	3,311,683	6,037,316	—	9,348,999	9,077,000
Other investment income	415,333	60,648	—	475,981	1,233,835
Federal grants and contracts	3,373,154	—	—	3,373,154	3,303,524
State grants	872,404	—	—	872,404	948,601
Private gifts and grants	7,827,368	4,364,690	—	12,192,058	14,577,730
Auxiliary enterprises	26,482,032	—	—	26,482,032	25,323,469
Other sources	727,442	88,450	—	815,892	703,218
Net assets released from restrictions (note 13)	8,465,561	(8,465,561)	—	—	—
Total operating revenue	109,745,116	2,085,543	—	111,830,659	110,298,114
Operating expenses:					
Instruction	43,627,751	—	—	43,627,751	41,183,304
Research	4,345,371	—	—	4,345,371	3,747,630
Public service	1,174,106	—	—	1,174,106	1,143,779
Academic administration	7,404,422	—	—	7,404,422	6,842,004
Student services	10,392,266	—	—	10,392,266	9,921,061
Institutional support	19,965,990	—	—	19,965,990	20,134,606
Auxiliary enterprises	28,400,640	—	—	28,400,640	26,036,414
Total operating expenses	115,310,546	—	—	115,310,546	109,008,798
(Deficiency) excess of operating revenue over operating expenses	(5,565,430)	2,085,543	—	(3,479,887)	1,289,316
Nonoperating activities:					
Investment (loss) return in excess of amount appropriated for operations (note 5)	(17,310,674)	(32,025,178)	—	(49,335,852)	1,898,571
Contributions for endowment and split-interest agreements	—	604,214	877,617	1,481,831	4,691,323
Contributions for plant improvements	—	4,103,194	—	4,103,194	8,538,615
Net assets released for plant improvements and reclassifications	4,655,705	(4,655,705)	—	—	—
Changes in value of split-interest agreements	—	(1,642,403)	(285,226)	(1,927,629)	497,490
Loss on refunding of debt (note 9)	—	—	—	—	(2,097,277)
Change in value of obligation under derivative instrument (note 9)	(584,560)	—	—	(584,560)	(529,116)
Postretirement benefit cost other than net periodic benefit cost (note 8)	(968,872)	—	—	(968,872)	(156,729)
Total nonoperating activities	(14,208,401)	(33,615,878)	592,391	(47,231,888)	12,842,877
Changes in net assets	(19,773,831)	(31,530,335)	592,391	(50,711,775)	14,132,193
Net assets – beginning of year	71,971,005	120,438,717	111,809,852	304,219,574	290,087,381
Net assets – end of year	$ 52,197,174	88,908,382	112,402,243	253,507,799	304,219,574

See accompanying notes to financial statements.

BARNARD COLLEGE

Statement of Cash Flows

Year ended June 30, 2009
(with comparative financial information for the year ended June 30, 2008)

	2009	2008
Cash flows from operating activities:		
Changes in net assets	$ (50,711,775)	14,132,193
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Loss on refunding of debt	—	2,097,277
Change in value of obligation under derivative instrument	584,560	529,116
Change in value of split-interest agreements	1,927,629	(497,490)
Postretirement benefits cost other than net periodic benefit cost	968,872	156,729
Contributions for endowment and split-interest agreements	(1,481,831)	(4,691,323)
Contributions for plant improvements	(4,103,194)	(8,538,615)
Net depreciation (appreciation) in fair value of investments	40,596,751	(10,518,223)
Accretion of asset retirement obligations	105,511	99,304
Depreciation and amortization	7,554,784	7,333,031
Changes in operating assets and liabilities:		
Student accounts receivable	139,615	(123,502)
Grants, bequests, and other receivables	204,003	789,141
Pledges receivable	1,694,189	(482,720)
Other assets	1,218,904	(111,715)
Accounts payable and accrued expenses	(407,476)	744,562
Refundable government loan program	45,271	54,705
Deferred revenue	691,347	(908,818)
Postretirement benefits payable	539,483	278,391
Net cash (used in) provided by operating activities	(433,357)	342,043
Cash flows from investing activities:		
Purchase of investments	(121,816,918)	(137,893,091)
Proceeds from the sale of investments	143,345,703	130,847,900
Building renovations and purchase of equipment	(31,977,076)	(22,244,006)
Decrease in accounts payable for capital assets	(372,406)	—
Student loans granted	(583,718)	(700,390)
Student loans repaid	414,840	518,580
Net cash used in investing activities	(10,989,575)	(29,471,007)
Cash flows from financing activities:		
Decrease (increase) in funds held by bond trustees	21,059,031	(38,421,306)
Payment of principal notes and bond payables	(1,161,160)	(1,644,412)
Proceeds from issuance of principal notes and bond payables	1,000,000	110,804,096
Refund of principal notes and bond payables	—	(55,643,350)
Increase in bond issue costs	—	(2,855,265)
Deposit from bond underwriter	—	(500,000)
(Decrease) increase in liability under split-interest agreements, net	(259,696)	179,704
Contributions for endowment and split-interest agreements	2,514,405	4,691,603
Contributions for plant improvements	3,837,006	8,168,624
Net cash provided by financing activities	26,989,586	24,779,694
Net change in cash and cash equivalents	15,566,654	(4,349,270)
Cash and cash equivalents – beginning of year	14,791,422	19,140,692
Cash and cash equivalents – end of year	$ 30,358,076	14,791,422
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 3,973,291	5,090,045
Increase in accounts payable and accrued expenses for purchase of property, plant, and equipment	—	2,996,507

See accompanying notes to financial statements.

(1) Organization

Barnard College (the College) is a not-for-profit independent liberal arts college for women. The College is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets of the College and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by actions of the College and/or the passage of time.

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

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets, that is, the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as net assets released from restrictions.

(b) Contributions

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Pledges, less an allowance for uncollectible amounts, are recorded as receivables at the net present value, determined using a discount rate commensurate with the rate on U.S. Treasury securities, whose maturities correspond to the maturities of the pledges. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any. Restricted pledges are reported as additions to the appropriate restricted net assets class. Contributions of cash or other assets that must be used to acquire or construct long-lived assets are reported as temporarily restricted net assets until the assets are placed in service.

(c) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid debt instruments with original maturities of 90 days or less other than those cash and cash equivalents held by external investment managers as part of their long-term investment strategies. Cash and cash equivalents are held by the College for operating and capital funding purposes.

(d) Short-Term Investments

Short-term investments include debt instruments with original maturities greater than 90 days, which are used for operating activities. These investments are reported at fair value based on quoted market prices.

(e) Investments – Long-Term

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon quoted market prices. Alternative investments are reported by the investment managers or general partners, at net asset value, as a practical expedient to fair value. Net asset value may differ significantly from the values that would have been reported had a ready market for these investments existed. The College reviews and evaluates the values provided by the investment managers or general partners and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments.

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

Derivative financial instruments are recognized in the financial statements and measured at fair value regardless of the purpose or the intent for holding them. From time to time, investment managers may invest in derivative instruments, such as futures, forwards, options, and swaps. The fair value of the derivatives held is based upon values provided by a third-party financial institution, which is reviewed by management for reasonableness.

All investment transactions are recorded on a trade-date basis.

(f) Student Accounts Receivable

Student accounts receivable are reported at the estimated net realizable amount.

(g) Student Notes Receivable

Student notes receivable are loans to students, which are made from the College’s restricted loan funds and the Federal Perkins Loan Program. The notes are reported at the estimated net realizable value. A reasonable estimate of the fair value of student notes receivable could not be made because the loans are not saleable and can only be assigned to the U.S. government or its designees.

(h) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost or, in the case of gifts, at fair value at the date of the gift. Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings	60 years
Building improvements	20 to 30 years
Furniture, fixtures, and equipment	5 to 10 years

(i) Deferred Revenues

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

(j) Split-Interest Agreements

The College is the beneficiary of trusts, annuities, and pooled income funds. The College's interest in these split-interest agreements is reported as a contribution in the year received and is calculated as the difference between the fair value of the assets contributed to the College and the estimated liability to the beneficiary. This liability is computed using actuarially determined rates and is adjusted annually. The assets held by the College under these arrangements are recorded at fair value as determined by quoted market price and are included as a component of investments – long-term in the accompanying financial statements.

(k) Operating and Nonoperating Activities

The statement of activities distinguishes between operating and nonoperating activities. Nonoperating activities consist of investment return in excess of or less than the amount appropriated for operations by the board of trustees, the change in value of split-interest agreements, contributions for endowment, split-interest agreements and plant improvements, and postretirement benefit costs other than net periodic benefit cost, and nonrecurring items.

(l) Categories of Expense

Expenses are reported in functional categories. Each category includes salaries and benefits, supplies, and other expenses, including operation and maintenance of physical plant, interest, and depreciation expense related to the function.

a. *Instruction* – includes expenses for all activities that are part of the College's instruction program.

b. *Research* – includes all expenses for governmental and privately sponsored research.

c. *Public Service* – includes activities established to provide noninstructional services such as the Women's Center, the New York State Science and Technology Entry Program (STEP), and Liberty Partnership Program.

(Continued)

d. *Academic Administration* – includes expenses incurred to provide administrative support to the instructional program. This category includes the offices of the Provost, Library, Academic Computing, and Media Services.

e. *Student Services* – includes expenses incurred for the offices of Dean of the College, Admissions, Registrar, Financial Aid Administration, Career Development, Disability Services, and the New York State Higher Education Opportunity Program (HEOP). In addition, it includes expenses for student-related activities outside the context of the formal instructional program such as intramural and intercollegiate athletics.

f. *Institutional Support* – includes expenses for collegewide activities such as the offices of the President, Finance and Planning, Institutional Advancement, Administration, Administrative Computing, General Counsel, and Communications.

g. *Auxiliary Enterprises* – provides services to students for a fee that is directly related to, although not necessarily equal to, the cost of the services. This category includes Housing, Dining Services, Health and Counseling Services, and the Summer and Precollege Programs.

(m) Allocation of Certain Expenses

The College allocates operation and maintenance of plant and depreciation of buildings in the statement of activities based upon building square footage. Interest expense on outstanding long-term obligations is included in auxiliary enterprises as the obligations have funded residential hall expansions.

(n) 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. Significant estimates made in the preparation of the financial statements include the valuation of investments at fair value, valuation of interest rate swap agreement at fair value, postretirement benefits obligation, and estimated net realizable value of receivables. Actual results could differ from those estimates.

(o) Prior Period Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2008 from which the summarized information was derived.

(Continued)

(p) Accounting for Uncertainty in Income Taxes

The College recognizes only those tax positions for which it has more-likely-than-not tax positions taken or expected to be taken in a tax return.

(q) Recently Adopted Accounting Standards

Effective July 1, 2008, the College adopted FASB Statement (SFAS) No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, requires expanded disclosures about fair value measurements, and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

In connection with the adoption of SFAS 157, the College elected to early adopt the measurement provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. This guidance amends SFAS 157 and allows for the estimation of the fair value of investments in alternative investments for which the investment does not have a readily determinable fair value using the net asset value per share or its equivalent as provided by the investment manager.

Effective July 1, 2008, the College adopted FASB Staff Position No. 117-1, *Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), and requires disclosures about endowment funds. As of June 30, 2009, New York State had not enacted the provisions of UPMIFA, and accordingly, the impact of FSP 117-1 has been limited to additional disclosures regarding the College’s endowment funds.

Effective June 30, 2009, the College adopted SFAS No. 165, *Subsequent Events* (SFAS 165). SFAS 165 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The College evaluated subsequent events after the balance sheet date of June 30, 2009 through December 9, 2009, which was the date the financial statements were issued.

(r) Fair Value Hierarchy

Fair value is defined in SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

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

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

(3) Pledges Receivable

Pledges receivable at June 30, 2009 and 2008 are as follows:

		2009	2008
Amounts expected to be collected in:			
Less than one year	$	9,303,751	9,143,095
One to five years		13,421,878	15,771,497
Greater than five years		4,245,867	5,258,226
		26,971,496	30,172,818
Less:			
Discount to present value (using rate of .56% – 6.1%)		(2,064,174)	(2,866,474)
Allowance for uncollectible pledges		(1,134,890)	(869,046)
Net pledges receivable	$	23,772,432	26,437,298

As of June 30, 2009 and 2008, 62% and 56%, respectively, of gross pledges receivable were due from six donors.

(4) Investments–Long–Term

A summary of the College's investments at June 30, 2009 and 2008, reported at fair value, is as follows:

		2009	2008
Domestic equity – stocks and mutual funds	$	6,977,217	20,111,862
International equity funds		328,463	12,818,838
Fixed income – direct holdings and funds		6,083,058	5,521,292
Alternative investments		155,124,686	170,881,112
S&P 500 Index put options, net		—	3,894,938
Cash and cash equivalents		4,141,298	8,149,698
Total	$	172,654,722	221,377,740

Investments–long–term are held in the following funds:

		2009	2008
Trust and pooled life income funds	$	7,980,936	9,248,781
Endowment and designated as endowment funds		164,673,786	212,128,959
Total	$	172,654,722	221,377,740

Alternative investments include private equity partnerships, hedge funds, venture capital funds, and derivatives. Underlying securities owned by the alternative investments include certain publicly traded securities that have readily available market values and other investments that are not readily marketable. The agreements underlying participation in those investments may limit the College's ability to liquidate its interests in such investments for a period of time.

At June 30, 2009, the College's remaining outstanding commitments to private equity partnerships approximated $35,700,000. The projected capital call amounts for the next five fiscal years and thereafter are summarized in the table below:

Fiscal year		Projected capital calls
2010	$	13,000,000
2011		12,100,000
2012		5,500,000
2013		2,400,000
2014		1,000,000
Thereafter		1,700,000
Total	$	35,700,000

The private equity partnerships have 3 to 12 year terms remaining, with extensions of 1 to 3 years. As of June 30, 2009, the average remaining life of the private equity partnerships ($36,708,272) is approximately 5 years.

At June 30, 2009 and 2008, the College had alternative investments of $83,503,591 and $113,624,346, respectively, which are restricted from redemption for lock-up periods. Some of these investments with redemption restrictions allow early redemption for specified fees. The terms and conditions upon which an investor may redeem an investment vary with the majority requiring 30 to 180 days' notice after the initial lock-up period.

At June 30, 2009, the expirations of redemption lock-up periods are summarized in the table below:

Fiscal year		Amount
Less than one year	$	51,048,874
Between one and three years		19,760,854
Greater than three years		12,693,863
Total	$	83,503,591

(5) Endowment Funds

The Board of Trustees of the College has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, when applicable. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets to the extent the donor-restricted income earned on such endowment to a particular purpose or time, and in all other cases is classified as unrestricted net assets. Such amounts recorded as temporarily restricted net assets are released from restriction when the donor-stipulated purpose has been fulfilled and/or the required time period has elapsed.

The College's endowment consists of 748 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the College to function as endowments (quasi-endowments).

The College has outsourced its investment office. This outsourced investment office has established limited partnership vehicles to assist in the management of its client's accounts. These limited partnership investments represent 68% and 43% of the College's endowment investments at June 30, 2009 and June 30, 2008, respectively.

The College manages the endowment to maximize annualized returns, net of all costs over rolling 10-year periods while adhering to stated risk parameters that seek to avoid 25% peak-to-trough declines in the inflation adjusted endowment unit value. Asset allocation parameters are established that allow for diversification across asset classes and managers. The College compares the performance of its investments against several benchmarks.

In fiscal 2003, the College established an endowment spending policy for spending from the endowment for current operations. The policy's goal is to achieve an average 5% spending rate over time. Until the College reached that goal, endowment spending was frozen at $9,077,000, the same dollar amount as was expended in 2003. This freeze was implemented as a way to smooth the effects of the transition on the operating budget. The policy has now been fully implemented, effective with the start of the 2008 – 09 fiscal year. Annual spending from the endowment is set at 5% of the rolling three-year average of the endowment's market value as of December 31 of the previous year and is approved annually by the Board of Trustees.

The College has a total return policy of utilizing its endowment resources. To the extent that the total return requirement for the current year is not achieved by income from investments, the College utilizes prior year's cumulative appreciation of its pooled investment funds.

As a result of market declines, the fair value of certain donor-restricted endowments may fall below the original contributed value. At June 30, 2009, this shortfall amounted to $3.8 million. Spending has been suspended for these affected accounts until their fair value is equal to or in excess of the original contributed value.

Endowment funds consisted of the following at June 30, 2009 and 2008, excluding perpetual trusts and pledges of $1,563,531 and $2,861,331, respectively:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Fiscal 2009:				
Donor-restricted	$ 16,519,347	13,733,233	110,838,712	141,091,292
Board designated	24,214,657	—	—	24,214,657
Total	$ 40,734,004	13,733,233	110,838,712	165,305,949

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Fiscal 2008:				
Donor-restricted	$ 26,484,767	45,758,411	108,948,521	181,191,699
Board designated	31,520,001	—	—	31,520,001
Total	$ 58,004,768	45,758,411	108,948,521	212,711,700

Changes in the endowment funds for the fiscal years ended June 30, 2009 and 2008 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Fiscal 2009:				
Balance at June 30, 2008	$ 58,004,768	45,758,411	108,948,521	212,711,700
Interest and dividends, net	212,142	397,756	—	609,898
Net depreciation in fair value	(14,211,133)	(26,385,618)	—	(40,596,751)
Contributions	39,910	—	1,890,191	1,930,101
Distributions	(3,311,683)	(6,037,316)	—	(9,348,999)
Balance at June 30, 2009	$ 40,734,004	13,733,233	110,838,712	165,305,949

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Fiscal 2008:				
Balance at June 30, 2007	$ 57,006,038	44,634,921	103,383,812	205,024,771
Interest and dividends, net	165,687	291,661	—	457,348
Net appreciation in fair value	3,853,706	6,664,517	—	10,518,223
Contributions	223,649	—	5,564,709	5,788,358
Distributions	(3,244,312)	(5,832,688)	—	(9,077,000)
Balance at June 30, 2008	$ 58,004,768	45,758,411	108,948,521	212,711,700

(6) Property, Plant, and Equipment

Property, plant, and equipment consist of the following at June 30, 2009 and 2008:

	2009	2008
Land	$ 1,233,967	1,233,967
Buildings and building improvements	168,644,998	164,591,563
Furniture, fixtures, and equipment	26,406,473	25,366,069
Construction in progress	57,169,255	30,286,018
	253,454,693	221,477,617
Less accumulated depreciation	(115,396,587)	(107,893,237)
Total	$ 138,058,106	113,584,380

The construction in progress balance is primarily comprised of costs associated with the construction of a new, approximately 100,000 square foot multipurpose facility, as well as other campuswide renovations and maintenance projects.

(7) 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 College has identified asbestos abatement and lead paint exposure as conditional asset retirement obligations. Asbestos and lead paint abatement costs are estimated using a per-square-foot estimate.

Using a discount rate of 6.25%, the present value of the initial obligation amounted to $1,413,450. As of June 30, 2009 and 2008, the obligation amounted to $1,793,685 and $1,688,174, respectively.

(8) Retirement Plans

Most full-time employees of the College are covered under two defined contribution pension plans established with Teachers Insurance and Annuity Association and Fidelity Investments. The College's contributions to the pension plans are based on specified percentages, ranging from 8% to 15%, of each employee's annual salary. Total pension expense for the years ended June 30, 2009 and 2008 was $5,415,000 and $4,962,000, respectively.

In addition to providing pension benefits, the College sponsors unfunded defined benefit postretirement medical plans. For nonunion employees to be eligible for the medical benefits, the employee must be at least 62 years old with at least 10 years of continuous service immediately prior to retirement or a total of age and years of service equal to 80 with a minimum of 15 years of service. To be eligible, union employees must be 62 years old and employed by the College for at least 10 years.

The following tables identify the accumulated postretirement medical benefit obligation, the postretirement benefit payable recognized in the accompanying balance sheet, the net periodic postretirement medical benefit cost recognized in the accompanying statement of activities, and the related assumptions.

		2009	2008
Change in benefit obligation:			
Benefit obligation at beginning of year	$	8,623,977	8,188,857
Service cost		251,935	296,153
Interest cost		568,874	501,170
Plan participants' contributions		28,277	36,701
Actuarial loss (gain)		1,011,947	(91,203)
Benefits paid		(352,678)	(307,701)
Accrued postretirement benefit obligation	$	10,132,332	8,623,977

Net periodic benefit cost reported as operating expense included the following components:

		2009	2008
Service cost	$	251,935	296,153
Interest cost		568,674	501,170
Amortization of prior service credit		(46,937)	(46,937)
Recognized actuarial loss		90,012	112,463
Net periodic postretirement medical benefit cost	$	863,684	862,849
Weighted average discount rate used to determine benefit obligations at June 30		6.25%	6.75%
Weighted average discount rate used to determine net periodic benefit cost for the fiscal years ended June 30		6.75	6.25

	2009	2008
	(Union/Nonunion)	
Assumed healthcare cost trend rates:		
Healthcare cost trend rate	8.5%/8.5%	9%/9%
Healthcare cost trend assumed to decline	4.5%/4.5%	4.5%/4.5%
Ultimate trend rate achieved	2030	2030

The effect of a 1% increase (decrease) in trend rates on total service, interest cost, and the postretirement benefit obligation is as follows:

		1% increase	1% decrease
Effect on total service and interest cost component	$	77,234	(64,153)
Effect on postretirement benefit obligation		691,149	(577,731)

The items not yet recognized as a component of net periodic benefit cost are as follows:

		2009	2008
Net actuarial loss	$	2,772,663	1,850,728
Prior service credit		(255,337)	(302,274)
Total	$	2,517,326	1,548,454

(Continued)

The estimated amount that will be amortized into net periodic postretirement medical benefit cost in 2010 is $123,056.

The Medicare Modernization Act of 2003 (the Act) was signed into law on December 8, 2003. The Act created a new prescription drug program under Part D of Medicare and also provided a subsidy to employers who provide prescription drug coverage, which is at least equivalent to the Part D program provided by Medicare. The College has obtained an actuarial attestation confirming that the College's postretirement medical benefit is equivalent to Part D of Medicare.

The College makes contributions to the postretirement medical plans equal to the benefits paid on a pay-as-you-go basis. For the years ending June 30, 2010 through June 30, 2019, the College expects to make contributions to and benefit payments from the plans, net of Medicare subsidy, as follows:

2010	$	439,197
2011		514,643
2012		561,467
2013		603,242
2014		650,625
2015 through 2019		4,025,555

For a 45-day period from June 1, 2009 to July 15, 2009, the College offered a Voluntary Retirement Incentive Program to eligible Administrative and Confidential Employees (Administrator Plan). The retirees in the Administrator Plan will receive severance payments based on years of service and health insurance benefits. Ten employees entered into agreement with the College for the Administrator Plan as of July 15, 2009. The severance payments for the participants in the Administrator Plan will amount to approximately $615,000 and will be recognized in fiscal 2010.

In addition, for a 61-day period from August 1, 2009 to September 30, 2009, the College offered a Voluntary Retirement Incentive Program to eligible full-time and part-time employees who are members of United Auto Workers (UAW), Local 2110 (Union Plan). Nine employees entered into agreements with the College for the Union Plan as of September 30, 2009. The severance payments for the participants in the Union Plan will amount to approximately $216,000 and will be recognized in fiscal 2010.

(9) Long-Term Obligations

Long-term obligations consist of the following:

		2009	2008
Dormitory Authority of the State of New York Barnard College Insured Revenue Bonds, Series 2007A Interest at 4.00% to 5.00%, due serially to 2037	$	48,005,000	48,420,000
Dormitory Authority of the State of New York Barnard College Revenue Bonds, Series 2008 Interest at variable rates due serially to 2037		28,040,000	28,040,000
Dormitory Authority of the State of New York Barnard College Insured Revenue Bonds, Series 2004 Interest at 2.00% to 4.75%, due serially to 2035		27,785,000	28,355,000
Note Payable		1,000,000	—
Other		375,742	551,902
Total		105,205,742	105,366,902
Add unamortized bond premium		1,646,490	1,705,293
Less unamortized bond discount		(28,657)	(29,759)
Total long-term obligations	$	106,823,575	107,042,436

On July 11, 2007, the College entered into a loan agreement with the Dormitory Authority of the State of New York to issue $48,420,000 Dormitory Authority of the State of New York Barnard College Insured Revenue Bonds, Series 2007A (DASNY 2007A Bonds). The loan is a general and unsecured obligation of the College. The DASNY 2007A Bonds were issued to refund and defease the $23,715,000 Dormitory Authority of the State of New York Barnard College Insured Revenue Bonds, Series 1996 (DASNY 1996 Bonds), to pay for a portion of the costs of the construction of a new approximately 100,000 square foot multipurpose facility, and to pay for other campuswide renovations and maintenance projects (the Diana Center and other projects). The DASNY 2007A Bonds were issued at fixed interest rates of 4.00% to 5.00% and are due serially to 2037. On August 17, 2007, the DASNY 1996 Bonds were fully refunded with a portion of the proceeds of the DASNY 2007A Bonds. The College recorded a loss of $1,263,179 on the refunding of the DASNY 1996 Bonds, which was comprised of the write-off of unamortized bond discount and bond issue costs, as well as a premium paid on the redemption. In accordance with the provisions of the loan agreement, the College is required to deposit construction and reserve funds with a trustee. These funds at fair value were $12,471,921 and $27,526,010 at June 30, 2009 and 2008, respectively, and were held in cash and U.S. government securities.

On July 11, 2007, the College also entered into a separate loan agreement with the Dormitory Authority of the State of New York to issue $32,580,000 Dormitory Authority of the State of New York Barnard College Insured Revenue Bonds, Series 2007B (DASNY 2007B Bonds) to pay for a portion of the costs of the construction of the Diana Center and other projects. The loan was a general and unsecured obligation of the College. The DASNY 2007B Bonds were insured variable rate bonds. On April 30, 2008, due to the downgrading of the bond insurer, the College elected to enter into a loan agreement with the Dormitory Authority of the State of New York to issue $28,040,000 Dormitory Authority of the State of New York Barnard College Revenue Bonds, Series 2008 (DASNY 2008 Bonds). Proceeds from the DASNY 2008 Bonds along with approximately $5,500,000 from the College was used to refund and defease the outstanding DASNY 2007B Bonds. The College recorded a loss on the refunding of the debt of $834,098, which was comprised of the write-off of unamortized bond discount and bond issue costs. The DASNY 2008 Bonds are a general and unsecured obligation of the College. The DASNY 2008 Bonds are variable rate bonds secured by an $28,362,653 irrevocable direct pay letter of credit with RBS Citizens, N.A., which expires April 23, 2011 (see below). In accordance with the provisions of the loan agreement, the College is required to deposit construction and reserve funds with a trustee. These funds at fair value were $9,710,513 and $15,186,296 at June 30, 2009 and 2008, respectively, and were held in cash and U.S. government securities. The average interest rates on the DASNY 2008 Bonds were approximately 2% and 5% in fiscal years 2009 and 2008, respectively.

In September 2007, the College entered into a seven-year interest rate swap agreement on the notional amount of $32,580,000, the outstanding amount of the DASNY 2007B Bonds, to effectively fix the rate at 3.55%. As a result of the refunding of the DASNY 2007B Bonds, the swap agreement was modified to the notional amount of $28,040,000, the outstanding amount of the DASNY 2008 Bonds. At June 30, 2009 and 2008, the fair value of the swap agreement was a liability of $1,113,676 and $529,116, respectively, and is reported as an obligation under derivative instrument on the balance sheet at June 30, 2009 and 2008, respectively. The College has evaluated the valuation methodologies used to develop the fair values in order to determine whether such valuations are representative of an exit price. The College considered both its credit risk and counterparty credit risk in determining fair value and appropriate adjustments.

On October 1, 2009, the College entered into a Bond Purchase and Continuing Covenants Agreement (Purchase Agreement) with RBS Citizens N.A., whereby RBS Citizens N.A. purchased the $27,540,000 outstanding DASNY 2008 Bonds. In addition, the letter of credit provided by RBS Citizens N.A. was canceled. Under the terms of the Purchase Agreement, the interest payments are now based on a combination of weekly LIBOR rates and affixed fee from RBS Citizens N.A. The original underlying interest rate swap remains in place.

In February 2004, the College entered into a loan agreement with the Dormitory Authority of the State of New York to issue $28,915,000 Dormitory Authority of the State of New York Barnard College Insured Revenue Bonds, Series 2004. The loan agreement is a general and unsecured obligation of the College. In accordance with the provisions of the loan agreement, the College is required to deposit construction and reserve funds with a trustee. These funds at fair value were $1,201,127 and $1,730,286 at June 30, 2009 and 2008, respectively, and were held in cash at June 30, 2009 and cash and U.S. government securities at June 30, 2008.

On December 15, 2008, the College entered into a loan agreement with the Leon Lowenstein Foundation for $1,000,000. The loan is unsecured and noninterest bearing. The loan is payable in full on January 9, 2012. The proceeds of the loan are to be used to pilot a three-pronged strategy to maximize persistence in the sciences by targeting specific obstacles in a student's career. The funds are to be used to support summer workshops in the sciences, internship opportunities for rising juniors and seniors, and financial assistance for specialized preparation courses for standardized examinations.

Projected debt service payments on the long-term obligations as of June 30, 2009, for five years subsequent to June 30, 2009 and thereafter, are as follows:

		Principal	Interest	Total
2010	$	2,314,484	4,654,162	6,968,646
2011		2,846,258	4,542,092	7,388,350
2012		2,780,000	4,429,304	7,209,304
2013		3,885,000	4,310,334	8,195,334
2014		2,710,000	4,189,250	6,899,250
Thereafter		90,670,000	50,615,105	141,285,105
	$	105,205,742	72,740,247	177,945,989

Interest payments included in the above chart for the DASNY 2008 Bonds were calculated on the basis of an assumed interest rate of 4% per annum.

Interest expense for the years ended June 30, 2009 and 2008 amounted to $3,928,000 and $5,169,000, respectively. The College capitalized $1,654,000 and $2,517,000 of interest costs, and $265,000 and $1,829,000 of interest income related to the construction of the Diana Center and other projects for the years ended June 30, 2009 and 2008, respectively.

The carrying amount of long-term obligations approximates fair value.

(10) Allocation of Depreciation Expense

Depreciation expense is allocated to functions as follows:

		2009	2008
Instruction	$	1,815,262	1,735,183
Research		480,452	437,434
Academic administration		872,542	888,628
Student services		174,353	173,752
Institutional support		538,353	531,856
Auxiliary enterprises		3,622,388	3,485,210
	$	7,503,350	7,252,063

(11) Intercorporate Agreement

An intercorporate agreement between the College and Columbia University provides for payment for the exchange of certain services between the two institutions. These services include cross-registration for students, library services, faculty exchange, athletics, and certain special services and support costs.

The statement of activities includes expenses in the amount of approximately $4,485,000 and $4,340,000 for the years ended June 30, 2009 and 2008, respectively, for services provided under the terms of the agreement.

(12) Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2009 and 2008:

		2009	2008
Instruction, research, and library	$	22,168,964	45,640,575
Financial aid		18,238,980	31,648,810
Plant improvements		41,767,074	37,225,564
Gifts to be designated		6,733,364	5,923,768
	$	88,908,382	120,438,717

Permanently restricted net assets are as follows at June 30, 2009 and 2008:

		2009	2008
Investments to be held in perpetuity, the earnings from which are expendable to support:			
Financial aid	$	61,715,685	60,689,117
Instructional and other programs		50,686,558	51,120,735
	$	112,402,243	111,809,852

(13) Released from Restrictions for Operations

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors.

Purpose restrictions accomplished were as follows for the year ended June 30, 2009:

Expenses:		
Financial aid	$	3,668,242
Instruction		1,991,821
Research		970,667
Public service		67,017
Academic administration		767,554
Student services		475,651
Institutional support		432,801
Auxiliary enterprises		91,808
Total	$	8,465,561

(Continued)

Net assets released from restriction for plant improvements and reclassifications are reflected in the accompanying statement of activities as a component of nonoperating activities.

(14) Commitments and Contingencies

(a) Legal Matters

The College is a defendant in various lawsuits. Management of the College is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the College's financial position.

(15) Fair Value

At June 30, 2009 and 2008, the carrying values of the College's cash and cash equivalents, short-term investments, receivables, and accounts payable approximated their fair values.

The following table presents the College's fair value hierarchy for those assets and liabilities measured at fair value as of June 30, 2009. At June 30, 2009, Level 3 assets comprised approximately 87% of the College's total investments' fair value.

	Fair value	Level 1	Level 2	Level 3
Financial assets:				
Investments – long-term:				
Cash and cash equivalents	$ 4,141,298	4,141,298	—	—
Domestic equities	6,977,217	6,977,217	—	—
International equities	328,463	328,463	—	—
Fixed income	6,083,058	491,134	5,591,924	—
Alternative investments	155,124,686	—	4,859,803	150,264,883
Total	172,654,722	11,938,112	10,451,727	150,264,883
Other assets:				
Funds held by bond trustee	23,383,561	23,383,561	—	—
Total assets	$ 196,038,283	35,321,673	10,451,727	150,264,883
Liabilities:				
Obligation under derivative instrument	$ 1,113,676	—	1,113,676	—

The following table presents a reconciliation for all Level 3 assets measured at fair value for the period July 1, 2008 to June 30, 2009.

		Level 3 assets
Beginning balance July 1, 2008	$	176,567,402
Net depreciation		(35,822,785)
Purchases		44,490,076
Dispositions		(34,969,810)
Ending balance June 30, 2009	$	150,264,883