KPMG

BARNARD COLLEGE

Financial Statements

June 30, 2011

(With Independent Auditors' Report Thereon)

BARNARD COLLEGE

Table of Contents

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, 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 prior year's summarized comparative information has been derived from the College's 2010 financial statements, and in our report dated December 8, 2010, 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, 2011, 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 5 to the financial statements, the College has adopted Accounting Standards Codification Topic 958-205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*, for classification of donor-restricted endowment funds in 2011.

KPMG LLP

November 30, 2011

BARNARD COLLEGE

Balance Sheet

June 30, 2011
(with comparative financial information as of June 30, 2010)

(Dollars in thousands)

Assets		**2011**	**2010**
Cash and cash equivalents	$	29,132	28,291
Student accounts receivable (net of allowance of $14 in 2011 and $9 in 2010)		67	68
Student notes receivable (net of allowance of $558 in 2011 and $516 in 2010)		3,557	3,977
Grants, bequests, and other receivables		3,133	5,186
Pledges receivable, net (note 3)		17,976	18,978
Other assets		4,728	4,003
Investments (notes 4 and 5)		224,152	191,886
Funds held by bond trustee (notes 4 and 9)		9,450	12,412
Property, plant, and equipment, net (note 6)		151,634	151,348
Total assets	$	443,829	416,149
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	13,020	14,621
Deferred revenues		3,571	3,868
Liability under split-interest agreements		4,277	4,263
Refundable government loan program		2,187	2,238
Postretirement benefit obligation (note 8)		12,562	11,998
Asset retirement obligations (note 7)		2,025	1,906
Obligation under derivative instrument (notes 4 and 9)		861	1,271
Long-term obligations (note 9)		101,548	104,451
Total liabilities		140,051	144,616
Commitments and contingencies (notes 4, 8, 9, and 12)			
Net assets (note 5):			
Unrestricted		72,223	87,280
Temporarily restricted (note 11)		112,584	70,335
Permanently restricted (note 11)		118,971	113,918
Total net assets		303,778	271,533
Total liabilities and net assets	$	443,829	416,149

See accompanying notes to financial statements.

BARNARD COLLEGE

Statement of Activities

Year ended June 30, 2011
(with summarized financial information for the year ended June 30, 2010)

(Dollars in thousands)

	2011				2010
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Total**
Operating revenue:					
Tuition and fees	$ 93,033	—	—	93,033	87,864
Less financial aid allowance	(28,436)	—	—	(28,436)	(26,315)
Net tuition and fees	64,597	—	—	64,597	61,549
State appropriations	210	—	—	210	227
Investment return appropriated for operations (note 5)	1,736	7,146	—	8,882	8,882
Other investment income	7	209	—	216	136
Federal grants and contracts	4,246	—	—	4,246	3,806
State grants	810	—	—	810	875
Private gifts and grants	6,887	4,271	—	11,158	14,688
Auxiliary enterprises	29,514	—	—	29,514	27,144
Other sources	631	139	—	770	775
Net assets released from restrictions	14,230	(14,230)	—	—	—
Total operating revenue	122,868	(2,465)	—	120,403	118,082
Operating expenses:					
Instruction	49,882	—	—	49,882	45,521
Research	4,779	—	—	4,779	4,522
Public service	1,170	—	—	1,170	1,175
Academic administration	8,079	—	—	8,079	7,811
Student services	9,406	—	—	9,406	8,895
Institutional support	22,733	—	—	22,733	20,944
Auxiliary enterprises	30,195	—	—	30,195	28,808
Total operating expenses	126,244	—	—	126,244	117,676
(Deficiency) excess of operating revenue (under) over operating expenses	(3,376)	(2,465)	—	(5,841)	406
Nonoperating activities:					
Investment return in excess of amount appropriated for operations (note 5)	3,123	24,714	—	27,837	16,146
Contributions for long-term purposes and split interest agreements	259	30	4,830	5,119	1,505
Contributions and grants for plant improvements	—	3,598	—	3,598	1,011
Net assets released from restrictions for plant improvements	4,067	(4,067)	—	—	—
Net assets reclassification based on the adoption of ASC 958-205-45 (note 5)	(19,748)	19,748	—	—	—
Changes in value of split-interest agreements	—	769	145	914	296
Change in value of obligation under derivative instrument (notes 4 and 9)	410	—	—	410	(158)
Change in donor designation	—	(78)	78	—	—
Postretirement benefit cost other than net periodic benefit cost (note 8)	208	—	—	208	(1,181)
Total nonoperating activities	(11,681)	44,714	5,053	38,086	17,619
Changes in net assets	(15,057)	42,249	5,053	32,245	18,025
Net assets – beginning of year	87,280	70,335	113,918	271,533	253,508
Net assets – end of year	$ 72,223	112,584	118,971	303,778	271,533

See accompanying notes to financial statements.

BARNARD COLLEGE

Statement of Cash Flows

Year ended June 30, 2011
(with comparative financial information for the year ended June 30, 2010)

(Dollars in thousands)

		2011	2010
Cash flows from operating activities:			
Changes in net assets	$	32,245	18,025
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:			
Change in value of obligation under derivative instrument		(410)	158
Change in value of split-interest agreements		(914)	(296)
Postretirement benefits cost other than net periodic benefit cost		(208)	1,182
Contributions for long-term purposes and split interest agreements		(5,119)	(1,505)
Contributions and grants for plant improvements		(3,598)	(1,011)
Net appreciation in fair value of investments		(36,200)	(22,654)
Accretion of asset retirement obligations		119	112
Depreciation and amortization		6,499	6,637
Changes in operating assets and liabilities:			
Student accounts receivable		1	11
Grants, bequests, and other receivables		2,053	(2,109)
Pledges receivable		1,601	480
Other assets		(580)	127
Accounts payable and accrued expenses		1,411	74
Deferred revenue		(297)	130
Refundable government loan program		57	(16)
Postretirement benefits obligation		772	683
Net cash (used in) provided by operating activities		(2,568)	28
Cash flows from investing activities:			
Purchase of investments		(46,107)	(48,470)
Proceeds from the sale of investments		51,282	52,890
Building renovations and purchase of equipment		(6,729)	(19,870)
Decrease in accounts payable for capital assets		(3,012)	(1,011)
Student loans granted		(241)	(373)
Student loans repaid		553	462
Net cash used in investing activities		(4,254)	(16,372)
Cash flows from financing activities:			
Decrease in funds held by bond trustees		2,962	10,972
Payment of principal notes and bond payables		(2,846)	(2,314)
Increase in bond issue costs		—	(128)
Decrease in liability under split-interest agreements		(531)	(1,162)
Contributions for long-term purposes and split interest agreements		3,197	2,461
Contributions and grants for plant improvements		4,881	4,448
Net cash provided by financing activities		7,663	14,277
Net change in cash and cash equivalents		841	(2,067)
Cash and cash equivalents – beginning of year		28,291	30,358
Cash and cash equivalents – end of year	$	29,132	28,291
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	4,024	4,123

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 risk-adjusted rate. 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) Investments

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 stated at estimated fair value based on the net asset value, as a practical expedient, reported by the investment managers or general partners. 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 has determined that the valuation methods and assumptions used in determining the fair value of the alternative investments are reasonable.

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.

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

(e) Student Accounts Receivable

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

(f) 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.

(g) 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

(h) Deferred Revenues

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

(i) 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 in the accompanying financial statements.

(j) 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 long-term purposes, split interest agreements and plant improvements, postretirement benefit costs other than net periodic benefit cost, and nonrecurring items.

(k) 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, and the New York State Science and Technology Entry Program (STEP).

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.

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.

(Continued)

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.

(l) Allocation of Certain Expenses

The College allocates operation and maintenance of plant, depreciation, and interest expense on outstanding long-term obligations in the statement of activities based upon campus square footage.

(m) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 alternative investments and interest rate swap agreement at fair value, valuation of liability under split-interest agreements, valuation of property plant and equipment, asset retirement obligations, postretirement benefits obligation, and estimated net realizable value of receivables. Actual results could differ from those estimates.

(n) 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. GAAP. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

(o) Accounting for Uncertainty in Income Taxes

The College follows the guidance of ASC 740-10, *Accounting for Uncertainty in Income Taxes*, which addresses the accounting for uncertainties in income taxes recognized in an enterprise's financial statements. The College utilizes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return.

(p) Subsequent Events

The College evaluated subsequent events after the balance sheet date of June 30, 2011 through November 30, 2011, which was the date the financial statements were issued and concluded that no additional disclosures are required.

(q) Fair Value Hierarchy

Fair value is defined in ASC 820-10 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. ASC 820-10 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 (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at the measurement date.

Level 2: Observable inputs, other than those included in Level 1, that are either directly or indirectly observable for the assets or liabilities.

Level 3: No observable quoted prices, reliance on assumptions market participants would use if a market existed for the assets or liabilities.

Investments classified as Levels 2 and 3 include shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate the fair value of the College's interest therein, its classification in Levels 2 or 3 is based on the College's ability to redeem its interest at or near the balance sheet date. If the interest can be redeemed in the near term, the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

(r) Reclassifications

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

(Dollars in thousands)

(3) Pledges Receivable

Pledges receivable at June 30, 2011 and 2010 are as follows:

		2011	2010
Amounts expected to be collected in:			
One year or less	$	8,144	7,938
Two to five years		9,471	11,549
Greater than five years		3,306	3,280
		20,921	22,767
Less:			
Discount to present value (using rate of 0.19% – 5.13%)		(1,164)	(1,644)
Allowance for uncollectible pledges		(1,781)	(2,145)
Net pledges receivable	$	17,976	18,978

As of June 30, 2011 and 2010, 56% and 53%, respectively, of gross pledges receivable were due from five donors.

(4) Investments and Fair Value

The College's investment objective is to invest its assets in a prudent manner in order to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value equal to or above inflation. The College uses a diversified investment approach incorporating multiple asset classes, strategies, and managers. The Committee on Investments of the College's Board of Trustees oversees the College's investments and authorizes investment decisions.

In addition to equity and fixed income investments, the College may also hold shares or units in institutional funds and alternative investment funds involving hedged, private equity and real estate strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments. Private equity funds generally employ buyout, venture capital, and debt-related strategies, often requiring the estimation of fair values by the fund managers in the absence of readily determinable market values. Real estate strategies involve funds whose managers invest primarily in commercial and residential real estate primarily located in the U.S.

(Dollars in thousands)

Investments are held in the following funds:

		2011	2010
Trust and pooled life income funds	$	8,663	7,871
Endowment and designated as endowment funds		215,489	184,015
Total	$	224,152	191,886

As of June 30, 2011 and 2010, the College had alternative investments of $208.3 million and $179.5 million, respectively. 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, 2011, the College's remaining outstanding commitments to private equity and real estate partnerships/funds approximated $32.3 million. The private equity partnerships have 1-to 6-year terms remaining. As of June 30, 2011, the average remaining life of the private equity partnerships is approximately 3 years.

At June 30, 2011 and 2010, the College had hedge funds of $24.4 million and $24.2 million, respectively, which are restricted from redemption for lockup 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 60 to 180 days' notice after the initial lockup period.

At June 30, 2011, the expirations of redemption lockup periods are summarized in the table below:

Fiscal year		Amount
Less than one year	$	20,043
Between one and three years		4,336
Total	$	24,379

(Dollars in thousands)

The following tables present the College's fair value hierarchy for those assets and liabilities measured at fair value at June 30, 2011 and 2010:

	June 30, 2011					
	Fair value	**Level 1**	**Level 2**	**Level 3**	**Redemption or liquidation**	**Days notice**
Financial assets:						
Investments:						
Cash and cash equivalents	$ 9,616	9,616	—	—	Daily	Daily
Domestic equities:						
Small cap	564	160	404	—	Daily/Monthly	0 to 30
Mid cap	123	123	—	—	Daily	Daily
Large cap	3,255	1,668	1,587	—	Daily	Daily
	3,942	1,951	1,991	—		
International equities:						
International equities	1,125	508	617	—	Daily	Daily
	1,125	508	617	—		
Fixed income:						
U.S. Treasuries	3,829	—	3,829	—	Daily	Daily
Other	3,194	—	3,194	—	Monthly	30
	7,023	—	7,023	—		
Hedge funds:						
Credit/event driven	12,355	—	—	12,355	Subject to lockup	180
Equity long/short	72,072	—	72,072	—	Daily/Monthly	10 to 120
Fixed income strategies	12,024	—	—	12,024	Subject to lockup	60 to 90
Multistrategy	44,498	—	44,498	—	Monthly	90
	140,949	—	116,570	24,379		
Other types:						
Private equity	57,441	—	—	57,441	Illiquid	Illiquid
Real estate	4,056	—	—	4,056	Illiquid	Illiquid
	61,497	—	—	61,497		
Total investments	224,152	12,075	126,201	85,876		
Other assets:						
Funds held by bond trustee	9,450	9,450	—	—		
Total assets	$ 233,602	21,525	126,201	85,876		
Liabilities:						
Obligation under derivative instrument	$ 861	—	861	—		

(Dollars in thousands)

	June 30, 2010				
	Fair value	Level 1	Level 2	Level 3	Redemption or liquidation
Financial assets:					
Investments:					
Cash and cash equivalents	$ 4,151	4,151	—	—	Daily
Domestic equities:					
Small cap	471	128	343	—	Daily/Monthly
Mid cap	109	109	—	—	Daily
Large cap	2,834	1,464	1,370	—	Daily
	3,414	1,701	1,713	—	
International equities:					
International equities	972	416	556	—	Daily
	972	416	556	—	
Fixed income:					
U.S. Treasuries	6,114	—	6,114	—	Daily
Other	3,066	—	3,066	—	Monthly
	9,180	—	9,180	—	
Hedge funds:					
Credit/event driven	11,155	—	—	11,155	Subject to lockup
Equity long/short	62,757	—	62,757	—	Monthly
Fixed income strategies	13,055	—	—	13,055	Subject to lockup
Multistrategy	40,716	—	40,716	—	Monthly
	127,683	—	103,473	24,210	
Other types:					
Private equity	41,750	—	—	41,750	Illiquid
Real estate	4,736	—	—	4,736	Illiquid
	46,486	—	—	46,486	
Total investments	191,886	6,268	114,922	70,696	
Other assets:					
Funds held by bond trustee	12,412	12,412	—	—	
Total assets	$ 204,298	18,680	114,922	70,696	
Liabilities:					
Obligation under derivative instrument	$ 1,271	—	1,271	—	

(Dollars in thousands)

The following tables present the College's activities for the years ended June 30, 2011 and 2010 for assets classified in Level 3:

		Hedge funds	Private equity	Real estate	Total
Beginning balance at July 1, 2010	$	24,210	41,750	4,736	70,696
Acquisitions		—	11,168	80	11,248
Dispositions		(2,720)	(6,800)	(1,819)	(11,339)
Net appreciation		2,889	11,323	1,059	15,271
Ending balance at June 30, 2011	$	24,379	57,441	4,056	85,876

		Hedge funds	Private equity	Real estate	Total
Beginning balance at July 1, 2009	$	113,207	30,001	7,057	150,265
Acquisitions		115	9,061	188	9,364
Dispositions		(6,660)	(5,050)	(609)	(12,319)
Transfers from Level 3 to Level 2		(86,216)	—	—	(86,216)
Net appreciation (depreciation)		3,764	7,738	(1,900)	9,602
Ending balance at June 30, 2010	$	24,210	41,750	4,736	70,696

At June 30, 2011 and 2010, the carrying values of the College's cash and cash equivalents, receivables, and accounts payable and accrued expenses approximated their fair values. A reasonable estimate of the fair value of loans to students under government loan programs cannot be made because loans are not saleable and can only be assigned to the U.S. government or its designees.

(5) Endowment Funds

The College's endowment consists of approximately 800 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the College to function as endowments (quasi-endowments).

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 for investments with lock-up periods. The strategy allows for a significant allocation to equity-oriented investments offering long-term capital appreciation, diversified across asset classes and managers. The College compares the performance of its investments against several benchmarks.

The College has established an endowment spending policy for spending from the endowment for current operations in a manner that maintains the purchasing power of the endowment. The policy's goal is to achieve an average 5% spending rate over time. 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. The College capped the endowment spending for 2011 to the prior year amount of $8.882 million.

(Dollars in thousands)

On September 17, 2010, New York State enacted its version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), referred to as "NYPMIFA," which imposes guidelines on the management and investment of endowment funds. The Board of Trustees of the College has interpreted NYPMIFA as allowing the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. As a result of this interpretation, the College continues to classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts donated to the permanent endowment; and (c) accumulations of income to the permanent endowment made in accordance with the direction of the applicable donor gift instruments. Accounting guidance associated with the enactment of NYPMIFA as set forth in Accounting Standards Codification Topic 958-205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA* (ASC 958-205-45), requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA. Accordingly, upon the adoption of ASC 958-205-45, the College reclassified $19.748 million of appreciation on donor-restricted endowment funds from unrestricted net assets to temporarily restricted net assets.

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 75% and 73% of the College's endowment investments at June 30, 2011 and 2010, respectively.

Endowment funds consisted of the following at June 30, 2011 and 2010, excluding perpetual trusts and pledges of approximately $3.1 million and $1.3 million, respectively:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Fiscal year 2011:					
Donor restricted	$	—	71,578	115,829	187,407
Board designated		28,082	—	—	28,082
Total	$	28,082	71,578	115,829	215,489

(Dollars in thousands)

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Fiscal year 2010:					
Donor restricted	$	19,748	27,113	112,610	159,471
Board designated		24,544	—	—	24,544
Total	$	44,292	27,113	112,610	184,015

Changes in the endowment funds for the fiscal years ended June 30, 2011 and 2010 were as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Fiscal year 2011:					
Balance at June 30, 2010	$	44,292	27,113	112,610	184,015
Interest and dividends, net		167	352	—	519
Net appreciation in fair value		4,692	31,508	—	36,200
Net assets reclassification based on adoption of ASC 958-205-45		(19,748)	19,748	—	—
Contributions		415	3	3,141	3,559
Change in donor designation		—	—	78	78
Distributions		(1,736)	(7,146)	—	(8,882)
Balance at June 30, 2011	$	28,082	71,578	115,829	215,489

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Fiscal year 2010:					
Balance at June 30, 2009	$	40,734	13,733	110,839	165,306
Interest and dividends, net		851	1,523	—	2,374
Net appreciation in fair value		7,727	14,927	—	22,654
Contributions		792	—	1,771	2,563
Distributions		(5,812)	(3,070)	—	(8,882)
Balance at June 30, 2010	$	44,292	27,113	112,610	184,015

(Continued)

(Dollars in thousands)

(6) Property, Plant, and Equipment

Property, plant, and equipment consist of the following at June 30, 2011 and 2010:

		2011	2010
Land	$	1,234	1,234
Buildings and building improvements		245,832	243,580
Furniture, fixtures, and equipment		29,194	27,756
Construction in progress		3,794	755
		280,054	273,325
Less accumulated depreciation		(128,420)	(121,977)
Total	$	151,634	151,348

The increase in the construction in progress balance was primarily due to the initiation of several campus-wide construction projects.

(7) Asset Retirement Obligations

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 $1.4 million. As of June 30, 2011 and 2010, the obligation amounted to $2.0 million and $1.9 million, 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, 2011 and 2010 was $5.9 million and $5.7 million, 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.

(Dollars in thousands)

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

		2011	2010
Change in benefit obligation:			
Benefit obligation at beginning of year	$	11,998	10,132
Service cost		417	346
Interest cost		619	620
Plan participants' contributions		38	24
Actuarial loss		10	1,305
Benefits paid		(520)	(429)
Accrued postretirement benefit obligation at end of year	$	12,562	11,998

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

		2011	2010
Service cost	$	417	346
Interest cost		619	619
Amortization of prior service credit		(47)	(47)
Recognized actuarial loss		265	170
Net periodic postretirement medical benefit cost	$	1,254	1,088
Weighted average discount rate used to determine benefit obligations at June 30		5.25%	5.25%
Weighted average discount rate used to determine net periodic benefit cost for the fiscal years ended June 30		5.25	6.25

	2011	2010
	(Union/Nonunion)	
Assumed healthcare cost trend rates:		
Healthcare cost trend rate	8.0%/8.0%	8.5%/8.5%
Healthcare cost trend assumed to decline	4.5%/4.5%	4.5%/4.5%
Ultimate trend rate achieved	2030	2030

(Dollars in thousands)

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	$	94	(78)
Effect on postretirement benefit obligation		857	(716)

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

		2011	2010
Net actuarial loss	$	3,652	3,907
Prior service credit		(161)	(208)
Total	$	3,491	3,699

The estimated amount that will be amortized into net periodic postretirement medical benefit cost in 2012 is $0.2 million.

As of June 30, 2011, the College has not identified any provisions of healthcare reform that would be expected to have a significant impact on the measured obligation.

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, 2012 through June 30, 2020, the College expects to make contributions to and benefit payments from the plans, net of Medicare subsidy, as follows:

2012	$	562
2013		603
2014		651
2015		708
2016		754
2017 through 2020		4,502

(Dollars in thousands)

(9) Long-Term Obligations

Long-term obligations consist of the following:

		2011	2010
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	$	45,450	46,970
Dormitory Authority of the State of New York, Barnard College Revenue Bonds, Series 2008. Interest at variable rates due serially to 2037		27,015	27,540
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		26,580	27,195
Note payable		1,000	1,000
Other		—	186
Total		100,045	102,891
Add unamortized bond premium		1,529	1,588
Less unamortized bond discount		(26)	(28)
Total long-term obligations	$	101,548	104,451

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 million 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 million 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 campus-wide 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. 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 $2.9 million at June 30, 2011 and 2010, 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 $32.6 million 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 $28.0 million 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 $5.5 million from the College were used to refund and defease the outstanding DASNY 2007B Bonds. The DASNY 2008 Bonds are a general and unsecured obligation of the College. The DASNY 2008 Bonds were secured by a $28.4 million irrevocable direct pay letter of credit with RBS Citizens, N.A., which was scheduled to expire on 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 $5.3 million and $8.3 million at June 30, 2011 and 2010, respectively, and were held in cash and U.S. government securities.

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 $27.5 million 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 LIBORs and a fixed fee from RBS Citizens, N.A. The average interest rate on the DASNY 2008 Bonds was approximately 2% in fiscal years 2011 and 2010, respectively.

In September 2007, the College entered into a seven-year interest rate swap agreement on the notional amount of $32.6 million, 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 $28.0 million, the outstanding amount of the DASNY 2008 Bonds at that time. At June 30, 2011 and 2010, the fair value of the swap agreement, which is based upon the value provided by a third-party financial institution, was a liability of $0.9 million and $1.3 million, respectively, and is reported as an obligation under derivative instrument on the accompanying balance sheets at June 30, 2011 and 2010, 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.

In August 2011, the College made a supplemental principal payment of $5.0 million on the DASNY 2008 debt.

In February 2004, the College entered into a loan agreement with the Dormitory Authority of the State of New York to issue $28.9 million 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 $1.2 million at June 30, 2011 and 2010, and were held in cash.

On December 15, 2008, the College entered into a loan agreement with the Leon Lowenstein Foundation for $1.0 million. 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.

(Dollars in thousands)

Projected debt service payments on the long-term obligations as of June 30, 2011, for five years subsequent to June 30, 2011 and thereafter, are as follows:

		Principal	Interest	Total
2012	$	3,780	4,429	8,209
2013		2,885	4,310	7,195
2014		2,710	4,189	6,899
2015		2,835	4,067	6,902
2016		2,965	3,927	6,892
Thereafter		84,870	42,621	127,491
	$	100,045	63,543	163,588

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, 2011 and 2010 amounted to approximately $4.0 million and $4.1 million, respectively. The College capitalized $0.8 million of interest costs related to the construction of the Diana Center and other projects for the year ended June 30, 2010.

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

(10) 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, College services, faculty exchange, athletics, and certain special services and support costs.

The statement of activities includes expenses in the amount of approximately $4.9 million and $4.6 million for the years ended June 30, 2011 and 2010, respectively, for services provided under the terms of the agreement.

(11) Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2011 and 2010:

		2011	2010
Instruction, research, and library	$	68,526	35,143
Financial aid		31,291	21,282
Plant improvements		8,264	8,733
Gifts to be designated		4,503	5,177
	$	112,584	70,335

(Dollars in thousands)

Permanently restricted net assets are as follows at June 30, 2011 and 2010:

		2011	2010
Investments to be held in perpetuity, the earning from which are expendable to support:			
Financial aid	$	64,832	62,523
Instructional and other programs		54,139	51,395
	$	118,971	113,918

(12) Commitments and Contingencies

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.