BARNARD COLLEGE

Financial Statements

June 30, 2007

(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, 2007, 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 2006 financial statements and, in our report dated October 12, 2006, 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, 2007, 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 7 to the financial statements, the College adopted the provisions of Financial Accounting Standards Board Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, as of June 30, 2007.

KPMG LLP

November 5, 2007

BARNARD COLLEGE

Balance Sheet

June 30, 2007
(with comparative amounts as of June 30, 2006)

Assets		**2007**	**2006**
Cash and cash equivalents	$	19,140,692	6,731,481
Short-term investments		3,989,680	11,252,022
Student accounts receivable (net of allowance of $10,200 in 2007 and $12,500 in 2006)		94,947	170,699
Student notes receivable (net of allowance of $485,500 in 2007 and $399,400 in 2006)		3,828,026	3,938,581
Grants, bequests, and other receivables		4,070,522	3,966,839
Pledges receivable, net (note 3)		25,584,867	29,380,347
Other assets		3,878,440	3,095,128
Investments – long-term (note 4)		215,849,389	181,236,482
Funds held by bond trustee (note 8)		6,021,286	4,188,934
Property, plant, and equipment, net (note 5)		95,595,930	92,815,710
Total assets	$	378,053,779	336,776,223
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	13,020,200	8,666,815
Deferred revenues		3,955,912	3,190,309
Liability under split-interest agreements		5,696,561	5,541,260
Refundable government loan program		2,266,258	2,355,961
Postretirement benefits obligation (note 7)		8,188,857	5,905,559
Asset retirement obligation (note 6)		1,588,870	1,501,791
Long-term obligations (note 8)		53,249,740	53,808,189
Total liabilities		87,966,398	80,969,884
Net assets (note 11):			
Unrestricted		75,028,993	69,041,525
Temporarily restricted		108,229,145	87,279,855
Permanently restricted		106,829,243	99,484,959
Total net assets		290,087,381	255,806,339
Total liabilities and net assets	$	378,053,779	336,776,223

See accompanying notes to financial statements.

BARNARD COLLEGE

Statement of Activities

Year ended June 30, 2007
(with summarized financial information for the year ended June 30, 2006)

	2007				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**2006 Total**
Operating revenue:					
Tuition and fees	$ 74,195,809	—	—	74,195,809	68,892,790
Less financial aid allowance	(22,558,115)	—	—	(22,558,115)	(19,836,135)
Net tuition and fees	51,637,694	—	—	51,637,694	49,056,655
State appropriations	264,646	—	—	264,646	238,911
Investment return designated for current operations (note 4)	3,653,187	5,423,813	—	9,077,000	9,077,000
Other investment income	1,817,631	388,059	—	2,205,690	1,393,876
Federal grants and contracts	3,320,950	—	—	3,320,950	2,664,005
State grants	916,382	—	—	916,382	703,745
Private gifts and grants	6,416,909	4,018,454	—	10,435,363	18,547,234
Auxiliary enterprises	24,500,721	—	—	24,500,721	23,265,006
Other sources	620,999	67,177	—	688,176	672,647
Net assets released from restrictions (note 12)	8,482,627	(8,482,627)	—	—	—
Total operating revenue	101,631,746	1,414,876	—	103,046,622	105,619,079
Operating expenses:					
Instruction	37,798,946	—	—	37,798,946	37,046,656
Research	3,884,271	—	—	3,884,271	3,277,206
Public service	1,065,102	—	—	1,065,102	910,429
Academic administration	6,609,948	—	—	6,609,948	6,248,037
Student services	11,698,277	—	—	11,698,277	10,387,891
Institutional support	18,788,145	—	—	18,788,145	18,786,574
Auxiliary enterprises	26,078,469	—	—	26,078,469	23,894,163
Total operating expenses	105,923,158	—	—	105,923,158	100,550,956
(Deficiency) excess of operating revenue over operating expenses	(4,291,412)	1,414,876	—	(2,876,536)	5,068,123
Nonoperating activities:					
Investment return in excess of amount appropriated for operations (note 4)	9,620,312	16,550,356	—	26,170,668	10,020,238
Contributions for endowment and split-interest agreements	—	631,643	7,234,139	7,865,782	5,432,455
Contributions for plant improvements	—	5,249,892	—	5,249,892	6,831,993
Net assets released for plant improvements	2,363,751	(2,363,751)	—	—	—
Change in donor designations	—	(110,145)	110,145	—	—
Changes in value of split-interest agreements	—	(423,581)	—	(423,581)	(79,468)
Total nonoperating activities	11,984,063	19,534,414	7,344,284	38,862,761	22,205,218
Increase in net assets before effect of adoption of SFAS No. 158 and cumulative effect of change in accounting principle	7,692,651	20,949,290	7,344,284	35,986,225	27,273,341
Effect of adoption of SFAS No. 158 (note 7)	(1,705,183)	—	—	(1,705,183)	—
Cumulative effect of change in accounting principle (note 6)	—	—	—	—	(1,215,231)
Increase in net assets	5,987,468	20,949,290	7,344,284	34,281,042	26,058,110
Net assets – beginning of year	69,041,525	87,279,855	99,484,959	255,806,339	229,748,229
Net assets – end of year	$ 75,028,993	108,229,145	106,829,243	290,087,381	255,806,339

See accompanying notes to financial statements.

BARNARD COLLEGE

Statement of Cash Flows

Year ended June 30, 2007
(with comparative amounts for the year ended June 30, 2006)

		2007	2006
Cash flows from operating activities:			
Increase in net assets	$	34,281,042	26,058,110
Adjustments to reconcile increase in net assets:			
Net cash provided by (used in) operating activities:			
Effect of adoption of SFAS No. 158		1,705,183	—
Cumulative effective of change in accounting principle		—	1,215,231
Contributions for endowment and split-interest agreements		(7,865,782)	(5,432,455)
Contributions for plant improvements		(5,249,892)	(6,831,993)
Net gain on investments – long-term		(32,839,845)	(16,293,698)
Accretion of asset retirement obligation		87,079	88,342
Depreciation and amortization		8,725,923	6,723,615
Changes in assets and liabilities:			
Student accounts receivable		75,752	(57,226)
Other receivables		(103,683)	(1,855,232)
Pledges receivable		1,634,688	(5,420,453)
Other assets		(841,884)	421,869
Accounts payable and accrued expenses		1,718,589	(3,074,309)
Refundable government loan program		40,712	55,717
Deferred revenue		765,603	497,277
Postretirement benefits payable		578,115	559,969
Net cash provided by (used in) operating activities		2,711,600	(3,345,236)
Cash flows from investing activities:			
Purchase of investments		(230,327,175)	(164,639,581)
Proceeds from the sale of investments		236,206,924	153,933,489
Building renovations and purchase of equipment		(11,391,845)	(32,986,645)
Increase in accounts payable and accrued expenses related to purchase of property, plant, and equipment		2,244,327	—
Student loans granted		(598,814)	(710,874)
Student loans repaid		578,954	519,512
Net cash used in investing activities		(3,287,629)	(43,884,099)
Cash flows from financing activities:			
(Increase) decrease in funds held by bond trustees		(1,832,352)	25,168,032
Payment of principal notes and bonds payable		(1,114,175)	(934,113)
Deposit from bond underwriter		500,000	—
Increase in liability under split-interest agreements		155,301	54,316
Contributions for endowment and split-interest agreements		7,686,285	6,534,939
Contributions for plant improvements		7,590,181	8,245,955
Net cash provided by financing activities		12,985,240	39,069,129
Net change in cash and cash equivalents		12,409,211	(8,160,206)
Cash and cash equivalents – beginning of year		6,731,481	14,891,687
Cash and cash equivalents – end of year	$	19,140,692	6,731,481
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	1,940,136	2,542,196
Assets under capital leases		—	880,125

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. Such debt instruments are held by the College for operating and capital funding purposes.

(Continued)

(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 reflected at fair value as reported by the investment managers or general partners, which 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 follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. SFAS Nos. 133 and 149 require that all derivative financial instruments be 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 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.

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.

(Continued)

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 debt is included in auxiliary enterprises as the debt has 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. 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, 2006 from which the summarized information was derived.

(3) Pledges Receivable

Pledges receivable at June 30, 2007 and 2006 are as follows:

		2007	2006
Amounts expected to be collected in:			
Less than one year	$	2,530,206	1,115,783
One to five years		21,703,507	26,740,416
Greater than five years		5,815,152	6,627,258
		30,048,865	34,483,457
Less:			
Discount to present value (using rate of 2.7% – 6.1%)		(3,273,153)	(3,897,376)
Allowance for uncollectible pledges		(1,190,845)	(1,205,734)
Net pledges receivable	$	25,584,867	29,380,347

(Continued)

As of June 30, 2007 and 2006, 53% and 55%, respectively, of gross pledges receivable were due from six donors.

(4) Investments – Long-Term

At June 30, 2007 and 2006, investments long-term are composed of the following:

		2007	2006
Domestic equity – stocks and mutual funds	$	24,634,347	51,848,232
International equity funds		40,985,434	36,393,860
Fixed income – direct holdings and funds		17,954,077	33,132,947
Alternative investments		126,639,029	57,444,319
Cash and cash equivalents		5,636,502	2,417,124
Total	$	215,849,389	181,236,482

Investments long-term are held in the following funds:

		2007	2006
Trust and pooled life income funds	$	11,056,449	10,095,426
Endowment and designated as endowment funds		204,792,940	171,141,056
Total	$	215,849,389	181,236,482

Alternative investments include limited partnerships, hedge funds, private equity/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, 2007, included in alternative investments are Standard & Poor’s 500 Index (S&P) put options with a notional amount of $100,289,631, and a fair value of $ 4.4 million.

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 following table summarizes the investment return of endowment and funds designated for endowment for the years ended June 30, 2007 and 2006:

		2007		2006
	Unrestricted	Temporarily restricted	Total	Total
Interest and dividends (net of expenses of $765,000 in 2007 and $825,720 in 2006)	$ 504,675	1,903,148	2,407,823	2,803,540
Net realized gain	9,212,414	13,041,670	22,254,084	14,767,376
Unrealized gain	3,556,410	7,029,351	10,585,761	1,526,322
Return on investments	13,273,499	21,974,169	35,247,668	19,097,238
Investment return designated for operations	(3,653,187)	(5,423,813)	(9,077,000)	(9,077,000)
Investment return in excess of amounts designated for operations	$ 9,620,312	16,550,356	26,170,668	10,020,238

(5) Property, Plant, and Equipment

Property, plant, and equipment consists of the following at June 30, 2007 and 2006:

	2007	2006
Land	$ 1,233,967	1,233,967
Buildings and building improvements	162,446,588	158,722,208
Furniture, fixtures, and equipment	24,140,957	22,810,101
Construction in progress	11,055,592	4,718,983
	198,877,104	187,485,259
Less accumulated depreciation	(103,281,174)	(94,669,549)
Total	$ 95,595,930	92,815,710

(6) Asset Retirement Obligation

In March 2005, the Financial Accounting Standards Board (FASB) issued Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligations*, which the College adopted as of July 1, 2005. Under FIN 47, costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets are required to be accrued. The College identified asbestos abatement and lead paint exposure as conditional asset retirement obligations. Asbestos abatement costs and lead paint exposure were estimated using a per square foot estimate.

(Continued)

Using a discount rate of 6.25%, the present value of the initial obligation amounted to $1,413,450. As of July 1, 2005, the College recorded asset retirement costs of $404,666, related accumulated depreciation of $206,447, and a cumulative effect of change in accounting principle of $1,215,231.

(7) Retirement Plans

Most full-time employees of the College are covered under two defined contribution pension plans established with Teachers Insurance and Annuity Association. 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, 2007 and 2006 was $4,815,000 and $4,479,000, 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. In addition, effective June 30, 2007, the College adopted the recognition and disclosure provisions of FASB Statement No. 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS No. 158). SFAS No. 158 requires that the full funded status of defined benefit pension and other postretirement plans be recognized as an asset or liability on the balance sheet. The effect of adopting SFAS No. 158 at June 30, 2007 was a decrease in unrestricted net assets of $1,705,183.

		2007	2006
Change in benefit obligation:			
Benefit obligation at beginning of year	$	7,709,250	8,026,396
Service cost		278,733	344,311
Interest cost		473,809	392,056
Plan participants' contributions		15,233	80,753
Amendments		—	(437,148)
Actuarial gain		(13,968)	(245,815)
Benefits paid		(274,200)	(451,303)
Benefit obligation at end of year		8,188,857	7,709,250
Unrecognized actuarial loss		—	(2,199,840)
Unrecognized prior service credit		—	396,149
Accrued postretirement benefit obligation	$	8,188,857	5,905,559

In June 2006, the College amended the postretirement medical benefits for its nonunion employees. The amendment changed the plan to include enhanced Medicare Part D drugs. The effect of the plan amendment was to decrease the overall obligation by $437,000.

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

		2007	2006
Service cost	$	278,733	344,311
Interest cost		473,809	392,056
Amortization of prior service (credit) cost		(46,938)	43,000
Recognized actuarial loss		131,478	151,152
Net periodic postretirement medical benefit cost	$	837,082	930,519
Weighted average discount rate used to determine benefit obligations at June 30		6.25%	6.25%
Weighted average discount rate used to determine net periodic benefit cost for the fiscal years ended June 30		6.25	5.00

Assumed healthcare cost trend rates:

	2007	2006
	(Union/Nonunion)	
Healthcare cost trend rate	9%/10%	10%/11%
Healthcare cost trend assumed to decline	5%/5%	5%/5%
Ultimate trend rate achieved	2012	2012

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	$	67,115	(55,757)
Effect on postretirement benefit obligation		593,739	(502,484)

At June 30, 2007, the items not yet recognized as a component of net periodic benefit cost are as follows:

Net actuarial loss	$	2,054,394
Prior service credit		(349,211)
Total	$	1,705,183

The $1,705,183 appears on the statement of activities as the effect of adoption of SFAS No. 158, decreasing unrestricted net assets at June 30, 2007. The net loss and the prior service credit that will be amortized into net periodic benefit cost during fiscal year 2008 are $112,524 and ($46,937), respectively.

The effects of applying SFAS No. 158 on the College's financial position as of June 30, 2007 were as follows:

	Before SFAS No. 158	After SFAS No. 158
Accrued postretirement benefit obligation	$ 6,483,674	8,188,857
Total liabilities	86,261,215	87,966,398
Total net assets	288,382,198	290,087,381

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, 2008 through June 30, 2017, the College expects to make contributions to and benefit payments from the plans as follows:

2008	$ 338,799
2009	388,722
2010	448,872
2011	498,441
2012	525,788
2013 through 2017	3,259,726

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.

(8) Long-Term Obligations

Long-term obligations consist of the following:

		2007	2006
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	$	28,915,000	28,915,000
Dormitory Authority of the State of New York Barnard College Insured Revenue Bonds, Series 1996 Interest at 5.00% to 5.25%, due serially to 2026		23,715,000	24,555,000
Capital lease obligation		715,675	867,931
Other		40,639	162,558
Total		53,386,314	54,500,489
Good Faith Deposit related to Dormitory Authority of the State of New York Barnard College Insured Revenue Bonds, Series 2007		500,000	—
Less unamortized bond discount		(636,574)	(692,300)
Total long-term obligations	$	53,249,740	53,808,189

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 were $2,421,040 and $1,208,288 at June 30, 2007 and June 30, 2006, respectively, and were held in cash and U.S. government securities at June 30, 2007 and 2006.

In December 1996, the College entered into a loan agreement with the Dormitory Authority of the State of New York to issue $30,000,000 Dormitory Authority of the State of New York Barnard College Insured Revenue Bonds, Series 1996. The loan agreement is a general obligation of the College. As security under the loan agreement, the College has pledged tuition and fee revenues of $2,125,000 annually, has granted a mortgage on certain buildings and properties, and has a security interest in certain furnishings, fixtures, and equipment now or hereafter located therein. In accordance with the provision of the loan agreement, the College is required to deposit reserve funds with the trustee. These funds, which totaled $3,100,246 at June 30, 2007 and $2,980,646 at June 30, 2006, were invested in cash and U.S. government securities.

In May 2006, the College entered into a long-term capital lease obligation expiring May 2011 for a new dormitory phone system in the amount of $880,125. Interest on the lease is 7.3%.

Projected debt service payments on the long-term obligations as of June 30, 2007, for five years subsequent to June 30, 2007 and thereafter, are as follows:

		Principal	Interest	Total
2008	$	1,644,411	2,499,520	4,143,931
2009		1,671,160	2,424,429	4,095,589
2010		1,749,484	2,338,982	4,088,466
2011		1,821,259	2,247,017	4,068,276
2012		1,720,000	2,161,631	3,881,631
Thereafter		44,780,000	24,837,294	69,617,294
	$	53,386,314	36,508,873	89,895,187

Interest expense for the years ended June 30, 2007 and 2006 amounted to $2,539,000 and $2,528,000, respectively.

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

In July 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 (Series 2007A)and $32,580,000 Dormitory Authority of the State of New York Barnard College Insured Revenue Bonds, Series 2007B (Series 2007B). The loan will be a general and unsecured obligation of the College. The Series 2007A bonds refunded the $23,715,000 Dormitory Authority of the State of New York Barnard College Insured Revenue Bonds, Series 1996, noted above. In accordance with the provisions of the loan agreement, the College is required to deposit construction and reserve funds with a trustee. The Series 2007A bonds were issued at fixed interest rates of 4.00% to 5.00% and are due serially to 2025. The Series 2007B bonds are variable rate bonds. In anticipation of the closing of the Series 2007A and Series 2007B bonds, a good faith deposit of $500,000 was deposited with the bond trustee by the underwriter for the bond issuance on behalf of the College. The underwriter was repaid the deposit from the bond proceeds. In September 2007, the College entered into an interest rate swap agreement on the Series 2007B bonds at a rate of 3.55%. The swap agreement covers the full $32,580,000 of the variable rate debt and will be for a term of seven years.

(9) Allocation of Depreciation Expense

Depreciation expense is allocated to functions as follows:

		2007	2006
Instruction	$	1,681,462	1,332,924
Research		418,720	477,006
Public services		—	3,227
Academic support		879,707	711,142
Student services		1,246,020	310,056
Institutional support		595,364	449,966
Auxiliary enterprises		3,790,352	3,315,045
	$	8,611,625	6,599,366

(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, library services, faculty exchange, and certain special services and support costs.

The statement of activities includes expenses in the amount of approximately $2,877,000 and $2,223,000 for the years ended June 30, 2007 and 2006, respectively, for services provided under the terms of the agreement.

(11) Net Assets

Unrestricted net assets are as follows at June 30, 2007 and 2006:

		2007	2006
Endowment funds	$	56,189,983	45,909,989
Invested in plant, net of debt		8,916,142	13,942,029
Other		9,922,868	9,189,507
	$	75,028,993	69,041,525

Temporarily restricted net assets are available for the following purposes at June 30, 2007 and 2006:

		2007	2006
Program services:			
Instruction, research, and library	$	41,636,485	31,712,333
Financial aid		30,367,167	20,926,359
Plant improvements		29,977,441	27,091,301
Gifts to be designated		6,248,052	7,549,862
	$	108,229,145	87,279,855

Permanently restricted net assets are restricted to at June 30, 2007 and 2006:

		2007	2006
Investments to be held in perpetuity, the earnings from which are expendable to support:			
Financial aid	$	59,246,920	56,394,962
Instructional and other programs		47,582,323	43,089,997
	$	106,829,243	99,484,959

(12) 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, 2007:

Expenses:		
Financial aid	$	5,268,170
Instruction		1,531,951
Research		535,776
Public service		40,585
Academic support		224,586
Student services		451,999
Institutional support		428,527
Auxiliary enterprises		1,033
Total	$	8,482,627

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

(13) Commitments and Contingencies

(a) Investments

Certain of the College's alternative investments require future cash commitments. Such commitments amount to approximately $40,039,000 at June 30, 2007 and $12,056,000 at June 30, 2006. All commitments will be funded from other endowment investments.

(b) 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.