



BARNARD COLLEGE

Financial Statements

June 30, 2008

(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, 2008, 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 2007 financial statements and, in our report dated November 5, 2007, which included an explanatory paragraph relating to the College's adoption of 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, 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, 2008, 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.

KPMG LLP

October 27, 2008

BARNARD COLLEGE

Balance Sheet

June 30, 2008

(with comparative amounts as of June 30, 2007)

Assets	2008	2007
Cash and cash equivalents	\$ 14,791,422	19,140,692
Short-term investments	14,944,650	3,989,680
Student accounts receivable (net of allowance of \$48,100 in 2008 and \$10,200 in 2007)	218,449	94,947
Student notes receivable (net of allowance of \$622,000 in 2008 and \$613,000 in 2007)	3,918,053	3,828,026
Grants, bequests, and other receivables	3,281,381	4,070,522
Pledges receivable, net (note 3)	26,437,298	25,584,867
Other assets	5,443,538	3,878,440
Investments – long-term (note 4)	221,377,740	215,849,389
Funds held by bond trustee (note 8)	44,442,592	6,021,286
Property, plant, and equipment, net (note 5)	113,584,380	95,595,930
Total assets	\$ 448,439,503	378,053,779
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 16,337,907	13,020,200
Deferred revenues	3,047,094	3,955,912
Liability under split-interest agreements	4,722,045	5,696,561
Refundable government loan program	2,229,180	2,266,258
Postretirement benefits obligation (note 7)	8,623,977	8,188,857
Asset retirement obligations (note 6)	1,688,174	1,588,870
Obligation under derivative instrument (note 8)	529,116	—
Long-term obligations (note 8)	107,042,436	53,249,740
Total liabilities	144,219,929	87,966,398
Net assets:		
Unrestricted	71,971,005	75,028,993
Temporarily restricted (note 11)	120,438,717	108,229,145
Permanently restricted (note 11)	111,809,852	106,829,243
Total net assets	304,219,574	290,087,381
Total liabilities and net assets	\$ 448,439,503	378,053,779

See accompanying notes to financial statements.

BARNARD COLLEGE

Statement of Activities

Year ended June 30, 2008

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

	2008			2007 Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Operating revenue:				
Tuition and fees	\$ 79,142,309	—	—	79,142,309
Less financial aid allowance	(24,263,926)	—	—	(24,263,926)
Net tuition and fees	54,878,383	—	—	54,878,383
State appropriations	252,354	—	—	252,354
Investment return designated for current operations (note 4)	3,244,312	5,832,688	—	9,077,000
Other investment income	1,033,862	199,973	—	1,233,835
Federal grants and contracts	3,303,524	—	—	3,303,524
State grants	948,601	—	—	948,601
Private gifts and grants	8,923,988	5,653,742	—	14,577,730
Auxiliary enterprises	25,323,469	—	—	25,323,469
Other sources	625,950	77,268	—	703,218
Net assets released from restrictions (note 12)	8,761,672	(8,761,672)	—	—
Total operating revenue	107,296,115	3,001,999	—	110,298,114
Operating expenses:				
Instruction	41,183,304	—	—	41,183,304
Research	3,747,630	—	—	3,747,630
Public service	1,143,779	—	—	1,143,779
Academic administration	6,842,004	—	—	6,842,004
Student services	9,921,061	—	—	9,921,061
Institutional support	20,134,606	—	—	20,134,606
Auxiliary enterprises	26,036,414	—	—	26,036,414
Total operating expenses	109,008,798	—	—	109,008,798
(Deficiency) excess of operating revenue over operating expenses	(1,712,683)	3,001,999	—	1,289,316
Nonoperating activities:				
Investment return in excess of amount appropriated for operations (note 4)	775,081	1,123,490	—	1,898,571
Contributions for endowment and split-interest agreements	—	541,744	4,149,579	4,691,323
Contributions for plant improvements	—	8,538,615	—	8,538,615
Net assets released for plant improvements	662,736	(662,736)	—	—
Change in donor designations	—	(831,030)	831,030	—
Changes in value of split-interest agreements	—	497,490	—	497,490
Loss on refunding of debt (note 8)	(2,097,277)	—	—	(2,097,277)
Change in value of obligation under derivative instrument (note 8)	(529,116)	—	—	(529,116)
Postretirement benefit cost other than net periodic benefit cost (note 7)	(156,729)	—	—	(156,729)
Total nonoperating activities	(1,345,305)	9,207,573	4,980,609	12,842,877
(Decrease) increase in net assets before effect of adoption of SFAS No. 158	(3,057,988)	12,209,572	4,980,609	14,132,193
Effect of adoption of SFAS No. 158 (note 7)	—	—	—	(1,705,183)
Changes in net assets	(3,057,988)	12,209,572	4,980,609	14,132,193
Net assets – beginning of year	75,028,993	108,229,145	106,829,243	290,087,381
Net assets – end of year	\$ 71,971,005	120,438,717	111,809,852	290,087,381

See accompanying notes to financial statements.

BARNARD COLLEGE
Statement of Cash Flows
Year ended June 30, 2008
(with comparative amounts for the year ended June 30, 2007)

	2008	2007
Cash flows from operating activities:		
Changes in net assets	\$ 14,132,193	34,281,042
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Effect of adoption of SFAS No. 158	—	1,705,183
Loss on refunding of debt	2,097,277	—
Change in value of obligation under derivative instrument	529,116	—
Change in value of split-interest agreements	(497,490)	423,581
Postretirement benefits cost other than net periodic benefit cost	156,729	—
Contributions for endowment and split-interest agreements	(4,691,323)	(7,865,782)
Contributions for plant improvements	(8,538,615)	(5,249,892)
Net appreciation in fair value of investments	(10,518,223)	(32,839,845)
Accretion of asset retirement obligation	99,304	87,079
Depreciation and amortization	7,333,031	8,725,923
Changes in operating assets and liabilities:		
Student accounts receivable	(123,502)	75,752
Other receivables	789,141	(103,683)
Pledges receivable	(482,720)	1,634,688
Other assets	(111,715)	(841,884)
Accounts payable and accrued expenses	744,562	1,718,589
Refundable government loan program	54,705	40,712
Deferred revenue	(908,818)	765,603
Postretirement benefits payable	278,391	578,115
Net cash provided by operating activities	342,043	3,135,181
Cash flows from investing activities:		
Purchase of investments	(137,893,091)	(230,327,175)
Proceeds from the sale of investments	130,847,900	236,206,924
Building renovations and purchase of equipment	(22,244,006)	(9,147,518)
Student loans granted	(700,390)	(598,814)
Student loans repaid	518,580	578,954
Net cash used in investing activities	(29,471,007)	(3,287,629)
Cash flows from financing activities:		
Increase in funds held by bond trustees	(38,421,306)	(1,832,352)
Payment of principal notes and bonds payable	(1,644,412)	(1,114,175)
Proceeds from issuance of principal notes and bonds payable	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)	500,000
Increase (decrease) in liability under split-interest agreements, net	179,704	(268,280)
Contributions for endowment and split-interest agreements	4,691,603	7,686,285
Contributions for plant improvements	8,168,624	7,590,181
Net cash provided by financing activities	24,779,694	12,561,659
Net change in cash and cash equivalents	(4,349,270)	12,409,211
Cash and cash equivalents – beginning of year	19,140,692	6,731,481
Cash and cash equivalents – end of year	\$ 14,791,422	19,140,692
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 5,090,045	1,940,136
Increase in accounts payable and accrued expenses for purchase of property, plant, and equipment	2,996,507	2,244,327

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2008

(with comparative financial information as of June 30, 2007)

(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.

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Notes to Financial Statements

June 30, 2008

(with comparative financial information as of June 30, 2007)

(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 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.

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.

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Notes to Financial Statements

June 30, 2008

(with comparative financial information as of June 30, 2007)

(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.

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Notes to Financial Statements

June 30, 2008

(with comparative financial information as of June 30, 2007)

- 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. Actual results could differ from those estimates.

(o) *Reclassifications*

Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

(p) *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, 2007 from which the summarized information was derived.

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Notes to Financial Statements

June 30, 2008

(with comparative financial information as of June 30, 2007)

(q) *Recently Issued Accounting Standards*

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*. FIN 48 addresses the accounting for uncertainties in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosure. There was no significant impact to the College's financial statements as a result of the adoption of FIN 48.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements. SFAS 157 is effective for reporting periods beginning after November 15, 2007. The impact of the adoption of SFAS 157 is currently being evaluated by the College. However, the adoption of SFAS 157 will require additional disclosures regarding the inputs used to develop the fair value measurements, and the impacts of certain measurements on the statement of activities.

In September 2006, the FASB issued SFAS No. 159 (SFAS 159), *The Fair Value Option for Financial Assets and Liabilities*. SFAS 159 provides a fair value option election that allows entities to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities, with changes in fair value recognized in earnings as they occur. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007.

In August 2008, FASB Staff Position No. 117-1 (FSP), *Endowment of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds*, was issued, and its guidance is effective for fiscal years ending after December 15, 2008. A key component of that FSP is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. New York State has not yet adopted UPMIFA. However, for the year ending June 30, 2009, the College will have to adopt the disclosure requirements of the FSP.

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Notes to Financial Statements

June 30, 2008

(with comparative financial information as of June 30, 2007)

(3) Pledges Receivable

Pledges receivable at June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Amounts expected to be collected in:		
Less than one year	\$ 9,143,095	10,495,909
One to five years	15,771,497	14,611,041
Greater than five years	5,258,226	4,941,915
	<u>30,172,818</u>	<u>30,048,865</u>
Less:		
Discount to present value (using rate of 2.4% – 6.1%)	(2,866,474)	(3,273,153)
Allowance for uncollectible pledges	(869,046)	(1,190,845)
Net pledges receivable	<u>\$ 26,437,298</u>	<u>25,584,867</u>

As of June 30, 2008 and 2007, 56% and 53%, respectively, of gross pledges receivable were due from six donors.

(4) Investments – Long-Term

At June 30, 2008 and 2007, investments long-term are composed of the following:

	<u>2008</u>	<u>2007</u>
Domestic equity – stocks and mutual funds	\$ 20,111,862	22,666,782
International equity funds	12,818,838	24,671,624
Fixed income – direct holdings and funds	5,521,292	15,367,667
Alternative investments	170,881,112	143,141,411
S&P 500 Index put options, net	3,894,938	4,365,403
Cash and cash equivalents	8,149,698	5,636,502
Total	<u>\$ 221,377,740</u>	<u>215,849,389</u>

Investments long-term are held in the following funds:

	<u>2008</u>	<u>2007</u>
Trust and pooled life income funds	\$ 9,248,781	11,056,449
Endowment and designated as endowment funds	212,128,959	204,792,940
Total	<u>\$ 221,377,740</u>	<u>215,849,389</u>

As of September 30, 2008, the endowment and designated as endowment funds amounted to approximately \$192,000,000 (unaudited).

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June 30, 2008

(with comparative financial information as of June 30, 2007)

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.

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, 2008 and 2007:

	2008			2007 Total
	Unrestricted	Temporarily restricted	Total	
Interest and dividends (net of expenses of \$1,558,000 in 2008 and \$765,000 in 2007)	\$ 165,687	291,661	457,348	2,407,823
Net appreciation in fair value of investments	<u>3,853,706</u>	<u>6,664,517</u>	<u>10,518,223</u>	<u>32,839,845</u>
Return on investments	4,019,393	6,956,178	10,975,571	35,247,668
Investment return designated for operations	<u>(3,244,312)</u>	<u>(5,832,688)</u>	<u>(9,077,000)</u>	<u>(9,077,000)</u>
Investment return in excess of amounts designated for operations	<u>\$ 775,081</u>	<u>1,123,490</u>	<u>1,898,571</u>	<u>26,170,668</u>

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Notes to Financial Statements

June 30, 2008

(with comparative financial information as of June 30, 2007)

(5) Property, Plant, and Equipment

Property, plant, and equipment consist of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Land	\$ 1,233,967	1,233,967
Buildings and building improvements	164,591,563	162,446,588
Furniture, fixtures, and equipment	25,366,069	24,140,957
Construction in progress	30,286,018	11,055,592
	<u>221,477,617</u>	<u>198,877,104</u>
Less accumulated depreciation	<u>(107,893,237)</u>	<u>(103,281,174)</u>
Total	<u>\$ 113,584,380</u>	<u>95,595,930</u>

(6) 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 were 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, 2008 and 2007, the obligation amounted to \$1,688,174 and \$1,588,870, respectively.

(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 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, 2008 and 2007 was \$4,962,000 and \$4,815,000, 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 (SFAS 158), *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. SFAS 158 requires that the full funded status of defined benefit pension and other

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Notes to Financial Statements

June 30, 2008

(with comparative financial information as of June 30, 2007)

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.

	<u>2008</u>	<u>2007</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 8,188,857	7,709,250
Service cost	296,153	278,733
Interest cost	501,170	473,809
Plan participants' contributions	36,701	15,233
Actuarial gain	(91,203)	(13,968)
Benefits paid	<u>(307,701)</u>	<u>(274,200)</u>
Accrued postretirement benefit obligation	\$ <u>8,623,977</u>	<u>8,188,857</u>

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

	<u>2008</u>	<u>2007</u>
Service cost	\$ 296,153	278,733
Interest cost	501,170	473,809
Amortization of prior service credit	(46,937)	(46,938)
Recognized actuarial loss	<u>112,463</u>	<u>131,478</u>
Net periodic postretirement medical benefit cost	\$ <u>862,849</u>	<u>837,082</u>
Weighted average discount rate used to determine benefit obligations at June 30	6.75%	6.25%
Weighted average discount rate used to determine net periodic benefit cost for the fiscal years ended June 30	6.25	6.25

	<u>2008</u>	<u>2007</u>
	(Union/Nonunion)	
Assumed healthcare cost trend rates:		
Healthcare cost trend rate	9%/9%	9%/10%
Healthcare cost trend assumed to decline	4.5%/4.5%	5%/5%
Ultimate trend rate achieved	2030	2012

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

	<u>1% increase</u>	<u>1% decrease</u>
Effect on total service and interest cost component	\$ 70,269	(58,526)
Effect on postretirement benefit obligation	625,340	(529,226)

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

	<u>2008</u>	<u>2007</u>
Net actuarial loss	\$ 1,850,728	2,054,394
Prior service credit	(302,274)	(349,211)
Total	<u>\$ 1,548,454</u>	<u>1,705,183</u>

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 College expects to amortize \$90,012 and \$(46,937) of the net loss and the prior service credit, respectively, into net periodic benefit cost during fiscal year 2009.

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, 2009 through June 30, 2018, the College expects to make contributions to and benefit payments from the plans as follows:

2009	\$ 392,425
2010	454,862
2011	508,368
2012	541,414
2013	587,817
2014 through 2018	3,671,688

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.

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(8) Long-Term Obligations

Long-term obligations consist of the following:

	2008	2007
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	\$ 48,420,000	—
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	—
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	28,355,000	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
Other	551,902	756,314
Total	105,366,902	53,386,314
Good Faith Deposit related to Dormitory Authority of the State of New York Barnard College Insured Revenue Bonds, Series 2007	—	500,000
Add unamortized bond premium	1,705,293	—
Less unamortized bond discount	(29,759)	(636,574)
Total long-term obligations	\$ 107,042,436	53,249,740

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 (Nexus 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 anticipation of the closing of the DASNY 2007A Bonds, a good faith deposit of \$500,000 was made in June 2007 by the underwriter and was repaid from the bond proceeds in July 2007. 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

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is required to deposit construction and reserve funds with a trustee. These funds were \$27,526,010 at June 30, 2008 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 Nexus 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. 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 \$15,186,296 at June 30, 2008 and were held in cash and U.S. government securities.

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 DASNY 2008 Bonds. At June 30, 2008, the market value of the swap agreement was \$(529,116) and is reported as an obligation under derivative instrument on the balance sheet at June 30, 2008.

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 \$1,730,286 and \$2,421,040 at June 30, 2008 and 2007, respectively, and were held in cash at June 30, 2008 and cash and U.S. government securities at June 30, 2007.

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 (DASNY 1996 Bonds). The loan agreement was a general obligation of the College. In accordance with the provision of the loan agreement, the College was required to deposit reserve funds with the trustee. These funds totaled \$3,100,246 at June 30, 2007, and were invested in cash and U.S. government securities. As discussed above, this debt was fully refunded in August 2007.

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Projected debt service payments on the long-term obligations as of June 30, 2008, for five years subsequent to June 30, 2008 and thereafter, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,161,160	4,821,925	5,983,085
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	2,885,000	4,310,334	7,195,334
Thereafter	93,380,000	54,804,355	148,184,355
	<u>\$ 105,366,902</u>	<u>77,562,172</u>	<u>182,929,074</u>

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, 2008 and 2007 amounted to \$5,169,000 and \$2,539,000, respectively. Of such interest expense in 2008, the College capitalized \$2,517,000 of interest costs, and \$1,829,000 of interest income related to the construction of the Nexus and other projects.

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

(9) Allocation of Depreciation Expense

Depreciation expense is allocated to functions as follows:

	<u>2008</u>	<u>2007</u>
Instruction	\$ 1,735,183	1,681,462
Research	437,434	418,720
Academic administration	888,628	879,707
Student services	173,752	1,246,020
Institutional support	531,856	595,364
Auxiliary enterprises	3,485,210	3,790,352
	<u>\$ 7,252,063</u>	<u>8,611,625</u>

(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 \$2,840,000 and \$2,877,000 for the years ended June 30, 2008 and 2007, respectively, for services provided under the terms of the agreement.

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(11) Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Instruction, research, and library	\$ 45,640,575	41,636,485
Financial aid	31,648,810	30,367,167
Plant improvements	37,225,564	29,977,441
Gifts to be designated	5,923,768	6,248,052
	<u>\$ 120,438,717</u>	<u>108,229,145</u>

Permanently restricted net assets are as follows at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Investments to be held in perpetuity, the earnings from which are expendable to support:		
Financial aid	\$ 60,689,117	59,246,920
Instructional and other programs	51,120,735	47,582,323
	<u>\$ 111,809,852</u>	<u>106,829,243</u>

(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, 2008:

Expenses:		
Financial aid	\$ 3,390,794	
Instruction	1,472,637	
Research	546,413	
Public service	39,103	
Academic administration	396,523	
Student services	396,080	
Institutional support	2,037,041	
Auxiliary enterprises	483,081	
	<u>\$ 8,761,672</u>	
Total	<u>\$ 8,761,672</u>	

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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 \$47,665,000 at June 30, 2008. 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.