

Bowdoin College and Affiliates
Consolidated Financial Statements
June 30, 2010 and 2009

Bowdoin College and Affiliates
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June 30, 2010 and 2009

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Report of Independent Auditors

To the Board of Trustees of
Bowdoin College and Affiliates:

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of Bowdoin College and Affiliates (the "College") at June 30, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 summarized comparative information has been derived from the College's 2009 financial statements, and in our report dated October 6, 2009, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 1, 2010

Bowdoin College and Affiliates
Consolidated Statement of Financial Position
June 30, 2010 (With Summarized Information as of June 30, 2009)

<i>(in thousands)</i>	<u>2010</u>	<u>2009</u>
Assets		
Cash and Cash Equivalents	\$ 6,481	\$ 5,992
Inventories and Other Current Assets	1,514	1,642
Prepaid Expenses	2,431	2,819
Student and Other Receivables (less allowance of \$300 in 2010 and 2009)	2,699	1,939
Contributions Receivable, Net (Note 4)	21,253	32,492
Student Loans Receivable (less allowance of \$200 in 2010 and 2009)	7,062	7,641
Investments Held by Outside Trusts	4,131	3,585
Investments (Note 3)	826,100	755,423
Funds Held by Trustee (Note 7)	6,886	6,435
Land, Buildings and Equipment (Note 5)	251,617	252,805
Unamortized Bond Issuance Costs	467	504
Beneficial Interest in Perpetual Trusts	9,451	13,992
Total Assets	<u>\$ 1,140,092</u>	<u>\$ 1,085,269</u>
Liabilities		
Accounts Payable and Accrued Expenses	\$ 13,243	\$ 11,054
Student Deposits	915	967
Liability for Postretirement Benefits (Note 6)	10,840	9,275
Asset Retirement Obligation (Note 5)	1,172	1,157
Notes Payable (Note 8)	8,493	12,081
Bonds Payable (Note 7)	136,951	136,873
Liability for Present Value of Life Income and Outside Investments	12,022	11,611
Fair Value of Interest Rate Swap (Note 7)	4,929	3,656
U.S. Government Loan Advances	4,208	4,208
Total Liabilities	<u>192,773</u>	<u>190,882</u>
Net Assets		
Unrestricted Net Assets	171,876	159,740
Temporarily Restricted Net Assets (Note 2)	395,453	375,263
Permanently Restricted Net Assets (Note 2)	379,990	359,384
Total Net Assets	<u>947,319</u>	<u>894,387</u>
Total Liabilities and Net Assets	<u>\$ 1,140,092</u>	<u>\$ 1,085,269</u>

The accompanying notes are an integral part of these consolidated financial statements.

Bowdoin College and Affiliates
Consolidated Statement of Activities
For the Year Ended June 30, 2010
(With Summarized Information for the Year Ended June 30, 2009)

(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
Operating activity					
Revenue					
Tuition and Fees	\$ 69,870	\$ -	\$ -	\$ 69,870	\$ 64,967
Room and Board	17,880			17,880	16,596
Gross Tuition and Fees	87,750	-	-	87,750	81,563
Less: Student Aid	(23,920)			(23,920)	(21,937)
Net Student Charges	63,830	-	-	63,830	59,626
Auxiliary Enterprises	5,098			5,098	5,092
Contributions	10,994			10,994	8,035
Endowment Distribution (Unrestricted)	7,580			7,580	7,063
Other Investment Income	1,664			1,664	4,958
Government Grants and Contracts	543			543	756
Other Income	1,938			1,938	1,898
Net Assets Released from Restrictions	33,919			33,919	30,280
Total Operating Revenue	125,566	-	-	125,566	117,708
Expenses					
Instruction	41,314			41,314	41,758
Research	2,451			2,451	2,042
Academic Support	15,774			15,774	15,886
Student Services	20,961			20,961	20,131
Institutional Support	18,511			18,511	18,644
Auxiliary Enterprises	23,230			23,230	23,518
Total Operating Expenses	122,241	-	-	122,241	121,979
Increase (Decrease) in Net Assets from Operating Activity	3,325	-	-	3,325	(4,271)
Nonoperating Activity					
Contributions	172	2,951	15,064	18,187	39,892
Investment Return (Net of Endowment Distribution)	510	32,643	1,562	34,715	(186,207)
Endowment Distribution (Restricted)	-	29,906	-	29,906	25,296
Government Grants and Contracts	-	2,385	-	2,385	1,906
Other Income	37	881	80	998	1,002
Loss on Disposal of Property and Equipment	(971)	-	-	(971)	(1,690)
Loss on Extinguishment of Debt	-	-	-	-	(10,237)
Net Realized and Unrealized Loss on Interest Rate Swap	(2,012)	-	-	(2,012)	(1,687)
Postretirement-related Changes Other than Net Periodic Benefit Cost	(1,061)	-	-	(1,061)	(355)
Net Change in Annuity and Life Income Funds	-	118	1,261	1,379	(2,228)
Transfers Between Restriction Categories (Note 1)	1,809	(3,864)	2,055	-	-
Net Assets Released from Restrictions	10,327	(44,830)	584	(33,919)	(30,280)
Increase (Decrease) in Net Assets from Nonoperating Activity	8,811	20,190	20,606	49,607	(164,588)
Total Change in Net Assets	12,136	20,190	20,606	52,932	(168,859)
Net Assets, Beginning of Year	159,740	375,263	359,384	894,387	1,063,246
Net Assets, End of Year	\$ 171,876	\$ 395,453	\$ 379,990	\$ 947,319	\$ 894,387

The accompanying notes are an integral part of these consolidated financial statements.

Bowdoin College and Affiliates
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2010
(With Summarized Information for the Year Ended June 30, 2009)

(in thousands)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 52,932	\$ (168,859)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation, amortization and accretion	10,216	9,636
Loss on disposal of property and equipment	971	1,690
Loss on extinguishment of debt	-	10,237
Gifts of securities	(2,599)	(2,986)
Change in discounts and allowance on contributions receivable	(271)	(2,751)
Increase in provision for doubtful accounts	-	150
Net realized and unrealized (gains) losses on investments	(73,934)	148,552
Change in fair value of contributions receivable held in outside trusts	(452)	3,799
Change in fair value of interest rate swap	2,012	1,084
Cash paid for termination of interest rate swap agreement	-	(3,030)
Changes on certain assets and liabilities:		
Inventories, prepaids, student receivables and other assets	(244)	(763)
Change in value of beneficial interest in perpetual trusts	(543)	3,712
Change in value of investments held by outside trusts	(546)	1,103
Accounts payable and accrued expenses	2,870	(822)
Other liabilities	1,476	557
Increase in contributions receivable from new pledges and trust agreements	(5,187)	(25,811)
Cash received on contributions receivable used in operations	2,709	2,812
Contributions for endowment and other long-term purposes	(13,309)	(13,897)
(Increase) decrease in liability for life income and outside investments	411	(3,393)
Net cash used in operating activities	<u>(23,488)</u>	<u>(38,980)</u>
Cash flows from investing activities:		
Purchases of investments	(362,933)	(511,530)
Sales of investments	375,380	534,909
Cash received from terminated perpetual trust	5,083	-
Plant asset additions	(10,605)	(25,116)
Proceeds from sale of property	72	540
Increase in funds held by trustee from new borrowings	-	(3,359)
Decrease in funds held by trustee for plant purposes	1,618	6,292
(Increase) decrease in funds held by trustee for debt service	(2,069)	967
Loans to students	(446)	(405)
Payment on student loans	1,025	818
Net cash provided by investing activities	<u>7,125</u>	<u>3,116</u>
Cash flows from financing activities:		
Borrowings on bonds payable	-	116,246
Repayments on bonds payable	-	(112,066)
Borrowings on notes payable	7,318	2,069
Repayments on notes payable	(10,906)	(15,501)
Cash received from replacement of interest rate swap agreement	-	3,716
Cash paid for realized loss on interest rate swap agreement	(739)	-
Cash received on contributions receivable for endowment and other long-term purposes	7,849	31,136
Contributions for endowment and other long-term purposes	13,309	13,897
Bond issuance costs	21	(342)
Net cash provided by financing activities	<u>16,852</u>	<u>39,155</u>
Net increase in cash and cash equivalents	489	3,291
Cash and cash equivalents, beginning of year	5,992	2,701
Cash and cash equivalents, end of year	<u>\$ 6,481</u>	<u>\$ 5,992</u>

The accompanying notes are an integral part of these consolidated financial statements.

Bowdoin College and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

1. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements reflect the accounts of Bowdoin College and its affiliate, Polar Bear Investments L.L.C. (the "College"). Polar Bear L.L.C. was established to hold certain contracts and investments. Bowdoin College is the sole member of the L.L.C. The risk of loss on the contracts and investments, if any, is limited to the assets of Polar Bear Investments L.L.C. (Note 3).

The financial statements have been prepared on the accrual basis of accounting.

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 accounting principles generally accepted in the United States (US GAAP). Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Statement of Financial Position

Permanently Restricted Net Assets

Generally result from contributions and other inflows of assets whose use by the College is limited by donor-imposed restrictions which stipulate that assets be maintained permanently, but permit the organization to expend all or part of the return derived from the donated assets. Permanently restricted net assets are primarily the corpus of endowment funds.

Temporarily Restricted Net Assets

Generally result from contributions and other inflows of assets whose use by the College is limited by donor-imposed restrictions that permit the organization to use up or expend the donated assets. The restrictions are satisfied either by the passage of time or by actions of the organization (i.e., expend resources for the purpose specified by the donor). Examples of temporarily restricted net assets include but are not limited to unexpended endowment income, restricted gifts and realized and unrealized gains on endowment investments.

Unrestricted Net Assets

Represent all other net assets. Unrestricted net assets generally result from revenues derived from tuition and student fees, contributions not restricted by donors, and net assets designated as endowment by the Board of Trustees, less all expenses incurred in providing educational services, fund-raising activities, and administrative functions.

Cash and Cash Equivalents

Cash and cash equivalents consist of accounts with initial maturities of three months or less when purchased. Cash and cash equivalents consist principally of collateralized overnight deposit accounts stated at cost, which approximates market value. Certain balances meeting the definition of cash equivalents have been classified as investments as a result of the College's intent to segregate these designated funds from cash available for current operations.

Bowdoin College and Affiliates
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

Investments

Investments are stated at fair value in accordance with the *Fair Value Measurements* accounting standard, which was effective July 1, 2008 (see Note 9). In 2010, new guidance related to the *Fair Value Measurements* standard was issued for estimating the fair value of investments in investment companies that have a calculated net asset value (NAV) or its equivalent (such as ownership interest in the partners' capital to which a proportionate share of net assets is attributed i.e., capital account) in accordance with, or in a manner consistent with US GAAP. The College is permitted under US GAAP to estimate the fair value of an investment at the measurement date using the reported NAV or its equivalent without further adjustment unless the entity expects to sell the investment at a value other than NAV or its equivalent or if the NAV is not calculated in accordance with US GAAP. Due to the different liquidity and other characteristics associated with investment securities, and the level of uncertainty related to the changes in the value of these investments, it is reasonably possible that future changes in value could materially impact the amounts reported as the fair value of investments at June 30, 2010.

Investments of endowed funds are pooled on a market value basis. Each individual fund subscribes to or disposes of units on the basis of the market value per unit on the last business day of the prior quarter.

Split Interest Agreements

The College is party to various split interest agreements including charitable trusts, charitable gift annuities and pooled life income funds. Assets held in pooled life income funds and charitable gift annuities are included in Investments at the fair market value of the underlying assets. Charitable trusts where the College serves as trustee are reported as Investments Held by Outside Trusts at the College's share of the fair market value of the underlying assets. The present value of estimated future payments to beneficiaries is reported as a liability in the statement of financial position.

Charitable trusts where an outside party serves as trustee, with the exception of perpetual trusts, are included in Contributions Receivable at the College's share of the fair market value of underlying assets net of a discount for the present value of estimated future payments to beneficiaries. Perpetual trusts are reported as Beneficial Interest in Perpetual Trusts at the College's share of the fair market value of the underlying asset.

Donor contributions to split interest agreements are recorded as contribution revenue in the nonoperating section of the statement of activities in the year the gift is made. Subsequent changes in value are reported as Net Change in Annuity and Life Income Funds in the statement of activities. Discount rates used to calculate the present value of estimated future payments to beneficiaries range from 4.3 percent to 7.3 percent.

Inventories

Inventories are valued at the lower of cost or market with cost determined on a moving average basis.

Bond Issuance Costs

Certain costs related to the issuance of debt, such as accounting, legal and underwriting fees are recorded as assets and expensed over the lives of the respective debt issues.

Bowdoin College and Affiliates
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

Plant Assets

Land, buildings, fixtures, and equipment are stated at cost, or fair value at date of donation in the case of gifts.

Depreciation expense is computed on a straight-line basis over the estimated useful lives of the assets:

	Estimated Useful Lives
Land improvements	20 - 25
Buildings and building improvements	25 - 60
Furnishings and fixtures	5 - 15
Instructional equipment	3 - 15
Vehicles and machinery	5 - 15
Operational equipment	3 - 15

The cost of repairs and maintenance are charged to expense as incurred; major renovations and projects exceeding \$5,000 that prolong an asset's useful life are capitalized as plant assets. When assets are sold or disposed the cost of the asset and related accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

College Collections

The College does not capitalize collections, primarily art objects, as they are held for public exhibition and education rather than financial gain. Any proceeds from the sale of collection items are used to acquire other items for collection. The College estimates the value of the collection to be approximately \$109,000,000 at June 30, 2010.

Conditional Asset Retirement Obligations

The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with *Accounting for Asset Retirement Obligations*, and *Accounting for Conditional Asset Retirement Obligations*.

Reclassifications

Certain 2009 balances have been reclassified to conform with the 2010 presentation.

Statement of Activities

Significant aspects of the presentation of the statement of activities include:

- The *statement of activities* reflects the change in net assets for three net asset categories: unrestricted, temporarily restricted and permanently restricted.
- Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions in which case it is reported as temporarily or permanently restricted net assets.
- Expenses are reported as decreases in unrestricted net assets.

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- When temporarily restricted resources (including endowment income allocated under the spending formula) are expended for the purposes specified by the donor, the amounts are reclassified from temporarily restricted revenue to unrestricted revenue. The reclassification appears either in the operating section or nonoperating section of the statement of activities as net assets released from restrictions, depending on whether the donor restricted the assets to be used for operating purposes (e.g., student aid) or nonoperating purposes (e.g., long-term investment).
- Transfers between restriction categories represent reallocations of net assets to reflect the appropriate classification of such funds, including transfers for funds with deficiencies.

Operations

The statement of activities reflects a subtotal for the change in net assets from operations. This subtotal reflects revenues the College received for operating purposes, including investment return used for operations and all expenses. Nonoperating activity reflects all other activity, including but not limited to the change in appreciation/depreciation on long-term investments in excess of the amount appropriated under the Board of Trustees' approved spending formula, contributions for endowment and plant purposes, and the change in present value of annuity and life income funds.

Contributions

The College reflects a receivable on the statement of financial position for unconditional promises to give (pledges). An unconditional promise to give is a written or oral agreement to contribute cash or other assets to the College. Contributions subject to donor-imposed stipulations that are met in the same reporting period are initially reported as temporarily restricted support and then reclassified to unrestricted net assets. Promises to give that are scheduled to be received after the balance sheet date are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulation that the corpus be maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Spending Formula

The spending distribution from the endowment is determined and approved by the Board of Trustees. This distribution consists first of investment income (interest and dividends), then a portion of cumulative net appreciation (gains). Annual distributions are expended in accordance with the terms or restrictions of the individual funds. The annual distribution amounted to \$37,486,000 in 2010 and \$32,359,000 in 2009. Realized and unrealized gains and losses of endowment and similar fund investments are allocated to individual donor funds based on the number of units owned by each fund.

Allocation of Certain Expenses

The statement of activities presents expenses by functional classification. Operation and maintenance of plant and depreciation of plant assets are allocated to program and supporting activities based on the relative percentage of plant assets used to support the functional expense category. Interest expense is allocated to the functional classifications that benefited from the use of the proceeds of the debt.

Bowdoin College and Affiliates
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Fund-Raising Costs

All fund-raising costs including incremental costs incurred for major capital campaigns are expensed as incurred. Total fund-raising expenses were \$5,415,000 and \$5,581,000 for the years ended June 30, 2010 and 2009, respectively.

Use of Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the period. These estimates include the valuation of investments, the liability for conditional asset retirement obligations, the liability for post retirement benefits, the liability for the present value of life income and outside trusts, and the allowances for student and other receivables, contributions receivable and student loans receivable. Actual results could differ from those estimates.

Taxes

The College is exempt from income taxes under the Internal Revenue Service Code Section 501(c)(3).

In fiscal year 2009, the College adopted the accounting standard on *Accounting for Uncertainty in Income Taxes*. The standard addresses the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition of tax provisions taken or expected to be taken in a tax return. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure. The adoption did not have a material effect on the College's financial statements.

Subsequent Events

In May 2009, the *Subsequent Events* accounting standard was issued. The standard establishes guidelines on accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The College adopted the *Subsequent Events* standard as of June 30, 2009. Subsequent events have been evaluated through October 1, 2010, the date the financial statements were issued. There were no subsequent events identified.

2. Detail of Net Assets

The College's net assets, including appreciation on endowment funds, are available for the following purposes (in thousands):

2010	Temporarily Restricted	Permanently Restricted
Operations	\$ 93,641	\$ 37,930
Student Aid	140,805	187,364
Other Purposes	70,938	78,312
Professorships	44,495	41,500
Library and Museums	29,478	9,988
Technology	12,153	23,000
Lectureships	3,943	1,896
Total net assets	\$ 395,453	\$ 379,990

Bowdoin College and Affiliates
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

2009	Temporarily Restricted	Permanently Restricted
Operations	\$ 88,438	\$ 37,160
Student Aid	126,394	169,636
Other Purposes	79,131	79,099
Professorships	40,014	39,511
Library and Museums	27,118	9,132
Technology	10,565	23,000
Lectureships	3,603	1,846
Total net assets	<u>\$ 375,263</u>	<u>\$ 359,384</u>

3. Investments

Summary of Investments

A summary of investments at June 30 is as follows (in thousands):

	2010		2009	
	Cost	Market	Cost	Market
Cash and cash equivalents	\$ 22,922	\$ 22,922	\$ 20,265	\$ 20,265
Equities				
Domestic equities	51,734	62,390	59,988	59,814
International and emerging market equities	57,352	99,889	57,173	83,949
Fixed income				
U.S. Government, agencies and corporate bonds	15,129	15,644	14,891	13,899
Absolute return				
Polar Bear L.L.C.	135,835	141,744	136,918	142,321
Other absolute return	172,257	246,989	186,641	249,257
Venture capital and private equity	196,236	170,897	162,996	124,438
Real estate	70,494	45,499	61,081	46,572
Natural resources	16,945	20,126	15,323	14,908
Total	<u>\$ 738,904</u>	<u>\$ 826,100</u>	<u>\$ 715,276</u>	<u>\$ 755,423</u>

Investment Return

Investment return consists of the following (in thousands):

	2010	2009
Investment income (net of investment expenses)	\$ (273)	\$ (723)
Net realized and unrealized gains (losses)	73,934	(148,552)
Return on long-term investments	<u>\$ 73,661</u>	<u>\$ (149,275)</u>

Investment return is presented in the consolidated statement of activities as follows (in thousands):

	2010	2009
Operating revenue	\$ 9,040	\$ 11,636
Nonoperating activity	64,621	(160,911)
	<u>\$ 73,661</u>	<u>\$ (149,275)</u>

Bowdoin College and Affiliates
Notes to Consolidated Financial Statements
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Related Party Transactions

Certain of the College's investments are managed by entities in which the management of the entities includes members of the College's Board of Trustees or its Committees. The total amount of investments managed by such entities amounted to approximately \$147,677,000 and \$147,495,000 at June 30, 2010 and 2009, respectively. In all cases, the College pays fees for these investments that are at or below market. In addition, management at the banks with which the College has its renewable lines of credit include members of the College's Board of Trustees.

Endowment Funds

Endowment funds include unrestricted, temporarily restricted and permanently restricted net assets. Endowment net assets classified as unrestricted include funds designated by the Board as endowment, including any accumulated income and appreciation thereon. Temporarily restricted endowment net assets include accumulated appreciation on donor-restricted endowment funds, as well as donor-restricted, spendable gifts designated by the Board as endowment. Permanently restricted endowment net assets include those funds designated by donors to be invested in perpetuity to provide a permanent source of income.

The College follows the provisions of the Maine Uniform Prudent Management of Institutional Funds Act (UPMIFA). Consistent with UPMIFA, the College reports as permanently restricted net assets an amount equal to the value of each permanent donor-restricted endowment fund at the time it became an endowment fund, and subsequent donations and accumulations pursuant to the applicable gift instrument. Unless explicitly stated otherwise by the donor, realized and unrealized net appreciation on investments in permanent donor-restricted endowment funds are reported as temporarily restricted net assets until appropriated for expenditure by the College. A Committee of the Board of Trustees considers several factors in making a determination to appropriate or accumulate donor-restricted endowment funds including the individual endowment fund's purpose, duration and preservation, the possible effect of inflation (or deflation), and expected total return.

Prior to the enactment of UPMIFA, the College followed the provisions of the Uniform Management of Institutional Funds Act (UMIFA) which was in effect for the College's year ended June 30, 2009.

The College maintains 1,424 individual donor-restricted endowment funds and 143 Board-designated endowment funds.

Endowment net asset composition by type of fund as of June 30, 2010 and 2009 is as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2010				
Donor-restricted endowment funds	\$ -	\$ 346,095	\$ 343,527	\$ 689,622
Board-designated endowment funds	38,604	25,299	-	63,903
Total endowment funds	<u>\$ 38,604</u>	<u>\$ 371,394</u>	<u>\$ 343,527</u>	<u>\$ 753,525</u>
2009				
Donor-restricted endowment funds	\$ -	\$ 317,952	\$ 319,430	\$ 637,382
Board-designated endowment funds	28,953	22,049	-	51,002
Total endowment funds	<u>\$ 28,953</u>	<u>\$ 340,001</u>	<u>\$ 319,430</u>	<u>\$ 688,384</u>

Bowdoin College and Affiliates
Notes to Consolidated Financial Statements
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Changes in endowment net assets for the years ended June 30, 2010 and 2009 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2010				
Endowment net assets, beginning of year	\$ 28,953	\$ 340,001	\$ 319,430	\$ 688,384
Investment return:				
Investment income, net of investment expenses	(27)	(546)	46	(527)
Net appreciation (realized and unrealized)	3,822	68,328	64	72,214
Total investment return	3,795	67,782	110	71,687
New gifts and other additions	4,636	2,317	23,987	30,940
Appropriation of endowment assets for expenditure	(1,867)	(35,619)	-	(37,486)
Transfers for funds with deficiencies	3,087	(3,087)	-	-
Endowment net assets, end of year	<u>\$ 38,604</u>	<u>\$ 371,394</u>	<u>\$ 343,527</u>	<u>\$ 753,525</u>
2009				
Endowment net assets, beginning of year	\$ 41,735	\$ 504,482	\$ 285,243	\$ 831,460
Investment return:				
Investment income, net of investment expenses	(53)	(1,004)	-	(1,057)
Net depreciation (realized and unrealized)	(7,572)	(138,915)	(151)	(146,638)
Total investment return	(7,625)	(139,919)	(151)	(147,695)
New gifts and other additions	2,512	128	34,338	36,978
Appropriation of endowment assets for expenditure	(1,682)	(30,677)	-	(32,359)
Transfers for funds with deficiencies	(5,987)	5,987	-	-
Endowment net assets, end of year	<u>\$ 28,953</u>	<u>\$ 340,001</u>	<u>\$ 319,430</u>	<u>\$ 688,384</u>

Return Objectives and Risk Parameters

The College's endowment is invested with the intent of balancing the often conflicting goals of generating a steady, stable stream of funds to support the current operations of the College while preserving the purchasing power of the endowment to support programs and initiatives of future generations of Bowdoin students. Using the basic tenets of modern portfolio theory, the endowment is diversified across multiple asset classes with differing correlations and risk and return characteristics. The endowment is managed with a total return goal of attaining an average annualized real return in excess of 5% in order to support spending and maintain or grow the endowment's purchasing power.

Strategies Employed for Achieving Investment Objectives

In order to achieve the long-term target return, the endowment is invested in asset classes and strategies with long-term return potential. Active management is pursued in areas where the College has a competitive advantage and access to top quality investment management teams. In recognition of the ability of equities to generate strong returns, albeit with greater risk, the portfolio is substantially invested in equity-oriented strategies. In order to dampen risk, the College combines diversification across noncorrelated asset classes with a prudent spending policy.

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Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

The College employs a total return approach to endowment management. Income and dividends are used to fund spending first, with net realized and unrealized appreciation providing incremental funds as needed. The College uses a twelve-quarter moving average to determine spending from endowment, with the yearly spending distribution determined on June 30 in the year preceding the fiscal year of spending. The smoothing function imposed by the twelve-quarter average effectively reduces the volatility of the spending distribution, allowing for a sustainable flow of funds to support the College. The College may spend in a range between 4% and 5.5%. The spending rate, approved annually by the Board of Trustees, for each of the years ended June 30, 2010 and 2009 was 5%. The spending policy is reviewed annually by the Investment Committee in conjunction with the Financial Planning Committee in recognition of the interdependent relationship of investment policy and the financial needs of the College.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the historic dollar value of permanently restricted contributions. Deficiencies of this nature are reported in unrestricted net assets and were \$2,900,000 and \$5,987,000 at June 30, 2010 and 2009, respectively. Under UPMIFA, spending from certain endowment funds with deficiencies as of June 30, 2009 was allowed for fiscal year 2010.

4. Contributions Receivable

Unconditional promises to give consist of the following at June 30, 2010 and 2009 (in thousands):

	Temporarily Restricted	Permanently Restricted	Total
2010			
Capital Campaign Promises	\$ 7,104	\$ 10,511	\$ 17,615
Contributions Receivable held in Outside Trusts	8,316	3,901	12,217
	<hr/>	<hr/>	<hr/>
Total Unconditional Promises to Give	15,420	14,412	29,832
Less Allowance for Uncollectibles	(750)	(150)	(900)
Less Unamortized Discounts (rates ranging from 2.1% to 6.7%)	(4,909)	(2,770)	(7,679)
	<hr/>	<hr/>	<hr/>
Contributions Receivable, Net	\$ 9,761	\$ 11,492	\$ 21,253
Amounts due in:			
Less than one year	\$ 4,200	\$ 4,486	\$ 8,686
One to five years	1,897	5,259	7,156
More than five years	3,664	1,747	5,411
	<hr/>	<hr/>	<hr/>
Total	\$ 9,761	\$ 11,492	\$ 21,253

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	Temporarily Restricted	Permanently Restricted	Total
2009			
Capital Campaign Promises	\$ 18,190	\$ 11,003	\$ 29,193
Contributions Receivable held in Outside Trusts	8,364	4,112	12,476
Total Unconditional Promises to Give	26,554	15,115	41,669
Less Allowance for Uncollectibles	(750)	(150)	(900)
Less Unamortized Discounts (rates ranging from 2.1% to 7.3%)	(5,272)	(3,005)	(8,277)
Contributions Receivable, Net	<u>\$ 20,532</u>	<u>\$ 11,960</u>	<u>\$ 32,492</u>
Amounts due in:			
Less than one year	\$ 12,948	\$ 3,178	\$ 16,126
One to five years	3,989	6,885	10,874
More than five years	3,595	1,897	5,492
Total	<u>\$ 20,532</u>	<u>\$ 11,960</u>	<u>\$ 32,492</u>

5. Land, Buildings and Equipment

A summary of land, buildings and equipment at June 30, 2010 and 2009 is as follows (in thousands):

	2010	2009
Land	\$ 4,345	\$ 4,211
Land improvements	4,705	4,329
Buildings	317,351	299,135
Furniture and fixtures	5,964	5,573
Instructional equipment	6,087	5,992
Machinery and vehicles	2,231	1,973
Operational equipment	18,816	18,242
Library books	3,458	3,458
Construction in progress	2,498	14,629
	<u>365,455</u>	<u>357,542</u>
Accumulated depreciation	<u>(113,838)</u>	<u>(104,737)</u>
Land, buildings and equipment	<u>\$ 251,617</u>	<u>\$ 252,805</u>

The construction in progress balance at June 30, 2010 relates principally to the purchase and installation of a new boiler at the central heating plant.

The College recognized \$52,000 of operating expenses relating to the accretion of conditional asset retirement obligations for the years ended June 30, 2010 and 2009. Conditional asset retirement obligations of \$1,172,000 and \$1,157,000 at June 30, 2010 and 2009, respectively, are included in the College's liabilities.

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6. Retirement Plans

Defined Contribution Pension Plan

Pension benefits are provided under defined contribution plans which are administered by the Teachers Insurance and Annuity Association, the College Retirement Equities Fund and Fidelity Investments Tax-Exempt Services Company. The College's expense under these plans is based on the qualifying salaries of the participants and was approximately \$5,724,000 and \$5,450,000 in 2010 and 2009, respectively.

Postretirement Benefit Obligation

The College administers health care and life insurance plans for retired employees and their spouses.

A reconciliation of the Accumulated Postretirement Benefit Obligation (APBO) for the years ended June 30, 2010 and 2009 is as follows (in thousands):

	2010	2009
Change in benefit obligation		
APBO, beginning of year	\$ 9,275	\$ 8,384
Service costs	352	304
Interest costs	578	570
Plan participant contributions	213	204
Medicare Part D subsidy received	18	17
Actuarial (gain)/loss	1,173	464
Benefits paid	(769)	(668)
APBO, end of year	<u>10,840</u>	<u>9,275</u>
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Employer contributions	556	464
Plan participant contributions	213	204
Benefits paid	(769)	(668)
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>

The discount rate used to value the postretirement benefit obligation was 5.06 percent in 2010 and 6.17 percent in 2009, which is based on prevailing interest rates. As of June 30, 2010 and 2009, the College has internally funded a portion of this obligation through the establishment of a Board-designated fund, which had a balance of \$4,935,000 and \$4,712,000, respectively.

Net Periodic Postretirement Benefit Cost

The discount rate used to value the net periodic postretirement benefit cost was 6.17 percent in 2010 and 6.74 percent in 2009. The net postretirement benefit cost for fiscal years 2010 and 2009 consisted of the following (in thousands):

	2010	2009
Postretirement benefits earned during the year	\$ 352	\$ 304
Interest cost on accumulated postretirement benefit obligation	578	570
Amortization of prior service cost and actuarial (gain) loss	112	109
Total postretirement benefit cost	<u>\$ 1,042</u>	<u>\$ 983</u>

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The prior service cost that will be amortized from unrestricted net assets into net periodic benefit cost in 2011 is \$115,000.

The weighted average health care cost trend rate used in measuring the benefit obligation and benefit cost is 9 percent in 2010, gradually declining to 5 percent in 2018. The effect of a 1 percent increase in the healthcare cost trend rate is an increase of \$824,000 in the accumulated postretirement benefit obligation and an increase of \$100,000 in the service and interest cost components of the net postretirement benefit. The effect of a 1 percent decrease in the healthcare cost trend rate is a decrease of \$727,000 in the accumulated postretirement benefit obligation and a decrease of \$86,000 in the service and interest cost components of the net postretirement benefit.

Estimated future benefit payments, net of employee contributions, and the Medicare subsidy are as follows (in thousands):

Year Ending June 30	Expected Medicare Part D Subsidy	Estimated Benefit Payment
2011	\$ 16	\$ 544
2012	16	606
2013	15	668
2014	14	729
2015	13	769
2016 - 2020	46	4,726

The College expects to make employer contributions of \$544,000 for the year ended June 30, 2011.

Funded Status of the Postretirement Benefit Obligation

Guidance on how to account for defined benefit pension and other postretirement plans focuses primarily on balance sheet reporting for the funded status of benefit plans and requires recognition of benefit liabilities for under-funded plans and benefit assets for over-funded plans, with offsetting impacts to unrestricted net assets. The status of the Plan was recorded as a liability of \$10,840,000 and \$9,275,000 as of June 30, 2010 and 2009, respectively.

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The amount not yet reflected in net periodic benefit cost and recognized in unrestricted net assets, and the changes therein, are as follows (in thousands):

	Net Actuarial (Gain)/Loss	Net Prior Service Cost/(Credit)	Total
Unamortized amount as of June 30, 2008	\$ (908)	\$ 1,079	\$ 171
New activity	464	-	464
Amortization	<u>6</u>	<u>(115)</u>	<u>(109)</u>
Total amount recognized in nonoperating expense (income)	<u>470</u>	<u>(115)</u>	<u>355</u>
Unamortized amount as of June 30, 2009	(438)	964	526
New activity	1,173	-	1,173
Amortization	<u>3</u>	<u>(115)</u>	<u>(112)</u>
Total amount recognized in nonoperating expense (income)	<u>1,176</u>	<u>(115)</u>	<u>1,061</u>
Unamortized amount as of June 30, 2010	<u>\$ 738</u>	<u>\$ 849</u>	<u>\$ 1,587</u>

7. Bonds Payable

Obligations to Maine Health and Higher Education Facilities Authority

The following is a summary of bonds outstanding at June 30, 2010, issued by the Maine Health and Higher Education Facilities Authority (in thousands):

Series 2008 Revenue Bonds (net of \$80,000 of unamortized discount): Serial bonds with interest payable monthly at a variable rate (0.27% at June 30, 2010), with annual principal payments ranging from \$875,000 to \$5,000,000 beginning in 2032 through 2037	\$ 20,620
Series 2009A Revenue Bonds (net of \$2,055,000 of unamortized discount): Term bond due July 1, 2039 with annual principal payments ranging from \$17,860,000 to \$21,735,000 beginning in 2035 through 2039 with interest payable semiannually at 5.0% and 5.125%	96,695
Series 2009B Revenue Bonds (net of \$114,000 of unamortized discount): Term bond due July 1, 2039 with annual principal payments ranging from \$3,455,000 to \$4,475,000 beginning in 2035 through 2039 with interest payable semiannually at 6.667%	<u>19,636</u>
Total	<u>\$ 136,951</u>

The following is a schedule of principal maturities of bonds payable for the next five years (in thousands):

2011	\$ -
2012	-
2013	-
2014	-
2015	-
Thereafter	<u>136,951</u>
	<u>\$ 136,951</u>

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The College issued \$20,700,000 of Variable Rate Demand Revenue Bonds, Series 2008, through the Maine Health and Higher Education Facilities Authority (the "Authority") for the purpose of legally defeasing the Series 2007 Revenue Bonds. The Series 2008 Bonds bear interest at a weekly rate established by the remarketing agent (0.27% at June 30, 2010) and have stated maturity dates ranging from 2032 to 2037 in amounts ranging from \$875,000 to \$5,000,000. The Bonds are supported by a direct-pay letter of credit from a large domestic bank, which expires in March 2011. If the Bonds are unable to be remarketed, the Trustee will request purchase under the letter of credit scheduled repayment terms. Based on the existing repayment and maturity terms of the underlying letter of credit, if the maximum amount were drawn down the scheduled payments would be as follows: \$6,900,000 in 2011, \$6,900,000 in 2012, and \$6,900,000 in 2013.

In May 2009, the College issued Series 2009 Revenue Bonds (the "Series 2009 Bonds") in the amount of \$118,500,000 through the Authority. The Series 2009 Bonds consist of \$98,750,000 of Series 2009A Revenue Bonds (the "Series 2009A" Bonds), which are federally tax-exempt bonds, and \$19,750,000 of Series 2009B Revenue Bonds (the "Series 2009B" Bonds), which are federally taxable bonds. Proceeds from the Series 2009 Bonds were primarily used for the current and advance refunding of certain of the Authority's Revenue Bonds. The College deposited sufficient funds from the Series 2009 Bond proceeds into a refunding trust to service the principal and interest through the respective call dates of the advance-refunded Bonds. The balance in the trust account was \$90,613,000 at June 30, 2010. Since the refunding bonds are no longer deemed to be outstanding for financial reporting purposes, neither the debt nor the irrevocable trust assets are included in the statement of financial position.

The Revenue Bond Agreements associated with the College's outstanding debt contain covenants regarding permitted dispositions, permitted reorganizations and continuing disclosure requirements.

In accordance with the terms of the Revenue Bond Agreements, the College has established certain principal, interest, and construction funds. The market value of the funds was approximately \$6,886,000 and \$6,435,000 at June 30, 2010 and 2009, respectively. The Trustee has invested these funds in a government agency money market fund.

Total interest expense incurred for the year ended June 30, 2010 was \$6,244,000, net of amounts capitalized of \$131,000. Total interest expense incurred by the College for the year ended June 30, 2009 was \$4,895,000, net of amounts capitalized of \$108,000.

The fair market value of the College's bonds at June 30, 2010 approximates \$147,077,000. The fair market value is estimated using equivalent bond yields at June 30, 2010 to discount the debt service cash flows for each of the College's outstanding bond issues.

Interest Rate Swap Agreements

The College has an interest rate swap agreement with a financial institution counterparty. The purpose of the agreement is to effectively convert the variable rate on the Series 2008 Bonds to an annual fixed rate of 3.84%. The swap agreement expires at the maturity of the Series 2008 Bonds and the notional principal amount will reduce on the dates and in amounts similar to the amortization of the Series 2008 Bonds. As of June 30, 2010, the total notional amount of the interest rate swap was \$20,500,000.

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The terms and conditions of the swap include two-way collateral posting requirements for either counterparty in a liability position. As of June 30, 2010, the College's collateral posting threshold was \$25,000,000. The threshold changes in increments of plus/minus \$5,000,000 for each ratings notch the College is upgraded/downgraded by Moody's Investor Services, Inc. The College was not required to post any collateral in connection with the swap as of June 30, 2010. The College has the right to terminate the interest rate swap agreement at any time at the prevailing market rate.

Effective July 1, 2009, the College adopted the *Derivatives & Hedging* accounting standard, which requires enhanced disclosures about the objectives and strategies for using derivatives and quantitative disclosures about the fair value amounts and gains and losses on derivatives. The College reported the fair value of its interest swap agreement in the statement of financial position as a liability of \$4,929,000 and \$3,656,000 at June 30, 2010 and 2009, respectively. The College also recognized a loss of \$2,012,000 and \$1,687,000 for the years ended June 30, 2010 and 2009, respectively. The loss is reported in the nonoperating section of the statement of activities as Net Realized and Unrealized Loss on Interest Rate Swap.

8. Notes Payable

As of June 30, 2010, the College has a collateralized note payable in the amount of \$294,000 that carries a fixed interest rate of 6% and matures in 2011. The College has an uncollateralized note payable amounting to \$260,000, which matures in 2012, with a variable interest rate based upon LIBOR. The College has \$50,000,000 available under uncollateralized, renewable lines of credit with interest payable monthly on outstanding advances at variable rates based upon LIBOR and/or a federal funds rate, as selected by the College on the date of the advance. At June 30, 2010, the balance outstanding on these lines of credit was \$7,195,000.

In March 2009, the College executed an unsecured, interest-free note payable in the amount of \$569,000 to pre-pay software licensing and maintenance agreements. The note matures in 2012; the balance at June 30, 2010 was \$379,000.

The College is obligated under three capital leases for the purchase of computer networking and general office equipment. The lease terms range from 36 to 60 months. Interest is computed using incremental borrowing rates that range from 4.2% to 5.3%. The amount outstanding on these leases was \$365,000 at June 30, 2010 and \$622,000 at June 30, 2009.

The following is a schedule of principal maturities of notes payable and capital lease obligations (in thousands):

2011	\$	8,016
2012		444
2013		33
	\$	<u>8,493</u>

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9. Fair Value Measurements

As discussed in Note 1, the College follows the *Fair Value Measurements* standard. The standard defines fair value, establishes a framework for measuring fair value under US GAAP and enhances disclosures about fair value measurements. Under the standard, fair value is defined as the amount that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the valuation date.

Additionally, the *Fair Value Measurements* standard establishes a fair value hierarchy. Unadjusted quoted prices in active markets for identical assets are given the highest priority (Level 1), while assets priced based on unobservable inputs are given the lowest priority (Level 3). The College uses the following definitions in determining fair value hierarchy, and employs the valuation methodologies described below for financial instruments measured at fair value on a recurring basis:

Investments

- Level 1 - Inputs that are based on unadjusted quoted prices in active markets for identical assets that the College is able to access on the date of valuation. Typical investments that fall in Level 1 would be common stocks and bonds custodied in the College's name that are publicly listed on market exchanges and have daily prices and trading activity. Level 1 assets would also include mutual funds with daily NAV reporting.
- Level 2 - Level 2 inputs include quoted broker prices on markets, less active than in Level 1, but with activity within a reasonable time period around the valuation date or where significantly all inputs are observable, either directly or indirectly. Level 2 investments can include thinly traded securities and private investments in publicly traded companies. Commingled funds with documented transactions on the reporting date at an established NAV, and the ability to liquidate at NAV in the near-term (180 days or less) would also be classified as Level 2.
- Level 3 - Level 3 inputs are typically unobservable, in illiquid markets, and rely on assumptions and estimates about pricing derived from available information. Typical Level 3 investments include private equity, private real estate partnerships, and other illiquid securities with little if any regular market activity. Typically these investments can never be redeemed, but rather the College receives distributions through the liquidation of the partnerships' underlying assets. Investments that are not redeemable at NAV in the near-term (greater than 180 days) are also classified as Level 3.

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As described in Note 1, the fair value of certain private equity, real estate, natural resource and other equity investments represents the College's ownership interest in the capital account of limited partnerships. The value of these investments is determined by the general partner, and is based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the underlying investment, the fair value is determined by the general partner taking into consideration, among other things, multiples of comparable companies in the public markets and/or discounted cash flow analyses. The College performs additional procedures with respect to valuation including due diligence reviews on its investments in limited partnerships and other procedures to ensure conformity with US GAAP. The College has assessed factors including, but not limited to, general partners' compliance with the *Fair Value Measurements* standard, price transparency and valuation procedures in place.

As a result of adopting the new guidance for estimating fair value of investments, certain investments have been reclassified as Level 2 assets based upon the year end recorded amounts.

Split Interest Agreements

Beneficial interests in perpetual trusts and outside trusts held by third parties are valued at the present value of distributions expected to be received over the term of the agreement. Inputs used to value the College's interest in these trusts are considered unobservable and are categorized as Level 3.

Interest Rate Swap Agreements

Interest rate swaps are valued at the present value of the series of net cash flows resulting from the exchange of fixed-rate payments for floating rate payments over the remaining life of the contract from balance sheet date. Each floating rate payment is calculated based on forward market rates at valuation date for each respective payment date. Because the inputs used to value the contract can generally be corroborated by market data, the fair value is categorized as Level 2.

Contributions Receivable

Contributions receivable, excluding outside trusts held by third parties, expected to be collected within one year are recorded at their net realizable value. Those expected to be collected in future years are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured at the time of the contribution using rates indicative of the market and credit risk associated with the contribution.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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The following table presents financial instruments measured at fair value according to the *Fair Value Measurements* standard valuation hierarchy as of June 30, 2010 and 2009 (in thousands):

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
2010				
Cash and cash equivalents	\$ 6,481	\$ -	\$ -	\$ 6,481
Contributions receivable held in outside trusts			5,411	5,411
Investments:				
Cash and cash equivalents	22,922	-	-	22,922
Equities	29,312	121,146	11,821	162,279
Fixed income	14,589	1,055	-	15,644
Absolute return	-	322,902	65,831	388,733
Venture capital and private equity	-	-	170,897	170,897
Real estate	-	3,075	42,424	45,499
Natural resources	-	-	20,126	20,126
Total investments	<u>66,823</u>	<u>448,178</u>	<u>311,099</u>	<u>826,100</u>
Investments held by outside trusts	3,778	353	-	4,131
Beneficial interest in perpetual trusts	-	-	9,451	9,451
Funds held by trustee	<u>6,886</u>	<u>-</u>	<u>-</u>	<u>6,886</u>
Total assets at fair value	<u>83,968</u>	<u>448,531</u>	<u>325,961</u>	<u>858,460</u>
Liabilities				
Interest rate swap	-	4,929	-	4,929
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 4,929</u>	<u>\$ -</u>	<u>\$ 4,929</u>
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
2009				
Cash and cash equivalents	\$ 5,992	\$ -	\$ -	\$ 5,992
Contributions receivable held in outside trusts	-		5,492	5,492
Investments:				
Cash and cash equivalents	20,265	-	-	20,265
Equities	26,032	55,728	62,003	143,763
Fixed income	12,599	1,300	-	13,899
Absolute return	-	180,998	210,580	391,578
Venture capital and private equity	-	-	124,438	124,438
Real estate	-	-	46,572	46,572
Natural resources	-	-	14,908	14,908
Total investments	<u>58,896</u>	<u>238,026</u>	<u>458,501</u>	<u>755,423</u>
Investments held by outside trusts	3,269	316	-	3,585
Beneficial interest in perpetual trusts	-	-	13,992	13,992
Funds held by trustee	<u>6,435</u>	<u>-</u>	<u>-</u>	<u>6,435</u>
Total assets at fair value	<u>74,592</u>	<u>238,342</u>	<u>477,985</u>	<u>790,919</u>
Liabilities				
Interest rate swap	-	-	3,656	3,656
Total liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,656</u>	<u>\$ 3,656</u>

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The following table includes a summary of fair values, redemption features and future commitments related to investments (i.e. level 2 (excluding fixed income) and level 3 investments) for which estimated fair value was based upon NAV, capital account or other valuation procedures for the year ended June 30, 2010 (in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Periods
Equities	\$ 132,967	\$ -	Monthly, quarterly	1-60 days
Absolute return	388,733	103	Monthly, quarterly, annually	30-90 days
Venture capital and private equity	170,897	106,605	N/A	N/A
Real estate	45,499	66,582	N/A	N/A
Natural resources	20,126	7,974	N/A	N/A
Total	<u>\$ 758,222</u>	<u>\$ 181,264</u>		

The College has made commitments amounting to \$181,264,000. The College expects these funds to be called from 2010 to 2028.

The following table is a rollforward of the statement of financial position amounts for financial instruments classified by the College within Level 3 of the fair value hierarchy defined above as of June 30, 2010 (in thousands):

	Fair Value, June 30, 2009	Realized and Unrealized Gains (Losses)	Net Purchases, Sales and Settlements	Transfers in or out of Level 3	Fair Value, June 30, 2010
Investments					
Equities	\$ 62,003	\$ 8,024	\$ (4,907)	\$ (53,299)	\$ 11,821
Absolute return	210,580	29,048	(25,244)	(148,553)	65,831
Venture capital and private equity	124,438	22,173	24,286	-	170,897
Real estate	46,572	(10,459)	9,386	(3,075)	42,424
Natural resources	14,908	3,596	1,622	-	20,126
Split interest agreements	19,484	717	(5,339)	-	14,862
Interest rate swap	(3,656)	(1,273)	-	4,929	-
Total	<u>\$ 474,329</u>	<u>\$ 51,826</u>	<u>\$ (196)</u>	<u>\$ (199,998)</u>	<u>\$ 325,961</u>

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10. Commitments and Contingencies

Outstanding commitments on construction contracts amounted to approximately \$1,933,000 and \$2,962,000 at June 30, 2010 and 2009, respectively.

The College leases certain operating and computer equipment and property under noncancelable operating leases that expire over the next five years. Total rent expense under these leases was approximately \$707,000 and \$530,000 for the years ended June 30, 2010 and 2009, respectively. At June 30, 2010, the College's future minimum rental payments under those leases are as follows (in thousands):

2011	\$	754
2012		421
2013		239
2014		205
2015		34
	\$	<u>1,653</u>

The College is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, the College has defensible positions and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the College.

11. Employee Health Plan

The Employee Health Plan (the Plan) provides health and dental benefits to active full-time employees, active part-time employees (working at least 20 hours per week) and their eligible dependents. In addition, the Plan provides health and dental benefits to retired employees under age 65 who have completed 15 years of service after reaching age 40 and their eligible dependents, provided certain conditions are met. Retired employees age 65 and over are entitled to similar health benefits (in excess of Medicare coverage).

The College has excess loss insurance, which provides health benefits to each enrolled participant up to a maximum lifetime reimbursement of \$3,000,000, subject to an individual deductible per person of \$150,000 once a Plan deductible of \$137,000 is met. Coverage includes aggregate loss insurance, which pays medical claims in excess of an annual plan aggregate of approximately \$9,920,000.

The College has recorded a liability for claims payable, which includes an estimate of claims incurred but not reported, of \$1,092,000 and \$1,359,000 at June 30, 2010 and 2009, respectively. Benefit expense under the Plan, net of participant contributions, was approximately \$6,359,000 and \$6,501,000 in 2010 and 2009, respectively.

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12. Supplemental Disclosure of Cash Flow Information

Supplemental disclosure of cash flow information is as follows (in thousands):

	2010	2009
Cash paid for interest	\$ 4,189	\$ 6,892
Noncash activities		
Construction of buildings and purchase of equipment included in accounts payable	\$ 853	\$ 1,534
Net fixed asset recognized related to asset retirement obligation	(6)	(12)
Securities received as gifts and contribution receivable payments	9,190	4,548