THE REED INSTITUTE

Financial Statements

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Trustees
The Reed Institute:

We have audited the accompanying statements of financial position of The Reed Institute as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of The Reed Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 The Reed Institute'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 audits provide 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 The Reed Institute as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 13, 2010

THE REED INSTITUTE

Statements of Financial Position

June 30, 2010 and 2009

Assets		2010	2009
Current assets:			
Cash and cash equivalents	$	5,453,008	7,094,502
Accounts receivable – student and other (note 8)		440,825	473,915
Short-term investments (note 3)		4,022,462	—
Contributions receivable, net of allowance $44,000 in 2010 and $33,000 in 2009 (note 8)		840,147	634,605
Prepaid expenses and other assets		2,921,645	2,531,139
Total current assets		13,678,087	10,734,161
Noncurrent assets:			
Cash and cash equivalents whose use is limited		2,196,869	2,208,255
Accounts receivable noncurrent – student and other, net of allowance of $60,000 in both 2010 and 2009 (note 8)		4,960,440	4,799,126
Property, plant, and equipment, net (note 4)		113,494,638	115,553,119
Contributions receivable – noncurrent, net of allowance of $906,000 in 2010 and $1,077,000 in 2009 (note 8)		17,194,361	20,437,444
Funds held in trust by others (note 7)		12,862,568	11,096,955
Long-term investments (note 3)		395,489,129	347,188,450
Other assets		528,449	510,393
Total noncurrent assets		546,726,454	501,793,742
Total assets	$	560,404,541	512,527,903
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$	4,735,810	4,946,142
Postretirement benefits payable (note 6)		613,699	644,583
Debt and capital leases, current portion (note 5)		46,937,723	1,244,463
Deferred revenue		1,130,667	1,036,888
Total current liabilities		53,417,899	7,872,076
Long-term liabilities:			
Liability for split-interest agreements		10,396,922	9,400,829
Postretirement benefits payable (note 6)		17,826,555	15,641,100
Refundable loan programs		2,976,859	3,019,784
Asset retirement obligations		2,925,560	2,892,350
Debt and capital leases, net of current portion (note 5)		18,607,426	64,889,465
Other liabilities		2,729,849	2,161,375
Total long-term liabilities		55,463,171	98,004,903
Total liabilities		108,881,070	105,876,979
Net assets (note 9):			
Unrestricted		242,133,572	224,075,841
Temporarily restricted		75,032,769	68,342,511
Permanently restricted		134,357,130	114,232,572
Total net assets		451,523,471	406,650,924
Total liabilities and net assets	$	560,404,541	512,527,903

See accompanying notes to financial statements.

THE REED INSTITUTE

Statement of Activities and Changes in Net Assets

Year ended June 30, 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2010
Revenues, gains (losses), and other support:				
Tuition and fees	$ 53,238,793	—	—	53,238,793
Less college-funded scholarships	(18,857,307)	—	—	(18,857,307)
Net tuition and fees	34,381,486	—	—	34,381,486
Auxiliary enterprises	11,611,738	—	—	11,611,738
Gifts and private grants	11,105,179	803,421	18,789,974	30,698,574
Government grants, contracts, and student aid	1,626,498	—	—	1,626,498
Realized and unrealized gains and losses	20,560,032	14,617,244	—	35,177,276
Other investment expense	(385,946)	—	—	(385,946)
Other revenues and additions	1,058,831	—	537	1,059,368
Revenues and gains	45,576,332	15,420,665	18,790,511	79,787,508
Net assets released from restrictions	11,987,486	(11,987,486)	—	—
Total revenues, gains, and other support	91,945,304	3,433,179	18,790,511	114,168,994
Expenses:				
Educational and general:				
Instruction	26,423,932	—	—	26,423,932
Research	979,161	—	—	979,161
Academic support	7,428,119	—	—	7,428,119
General institutional support	13,364,385	—	—	13,364,385
Student services	5,351,866	—	—	5,351,866
Public affairs	4,505,985	—	—	4,505,985
Total educational and general	58,053,448	—	—	58,053,448
Auxiliary enterprises	14,535,176	—	—	14,535,176
Total expenses	72,588,624	—	—	72,588,624
Increase from operations	19,356,680	3,433,179	18,790,511	41,580,370
Nonoperating activity:				
Other interest expense	(118,176)	—	—	(118,176)
Change in value of split-interest agreements	—	3,257,079	326,873	3,583,952
Other additions (deductions)	(1,180,773)	—	1,007,174	(173,599)
Total nonoperating activity	(1,298,949)	3,257,079	1,334,047	3,292,177
Increase in net assets	18,057,731	6,690,258	20,124,558	44,872,547
Net assets, beginning of year	224,075,841	68,342,511	114,232,572	406,650,924
Net assets, end of year	$ 242,133,572	75,032,769	134,357,130	451,523,471

See accompanying notes to financial statements.

THE REED INSTITUTE

Statement of Activities and Changes in Net Assets

Year ended June 30, 2009

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2009
Revenues, gains (losses), and other support:				
Tuition and fees	$ 51,158,542	—	—	51,158,542
Less college-funded scholarships	(17,711,741)	—	—	(17,711,741)
Net tuition and fees	33,446,801	—	—	33,446,801
Auxiliary enterprises	11,398,173	—	—	11,398,173
Gifts and private grants	6,797,715	798,686	4,830,916	12,427,317
Government grants, contracts, and student aid	1,666,578	—	—	1,666,578
Realized and unrealized gains and losses	(70,322,842)	(29,429,444)	—	(99,752,286)
Other investment income	78,464	—	—	78,464
Other revenues and additions	1,206,859	—	—	1,206,859
Revenues and gains (losses)	(49,175,053)	(28,630,758)	4,830,916	(72,974,895)
Net assets released from restrictions	8,235,197	(8,235,197)	—	—
Total revenues, gains (losses), and other support	(7,493,055)	(36,865,955)	4,830,916	(39,528,094)
Expenses:				
Educational and general:				
Instruction	25,950,171	—	—	25,950,171
Research	1,033,580	—	—	1,033,580
Academic support	7,643,897	—	—	7,643,897
General institutional support	11,432,009	—	—	11,432,009
Student services	5,317,894	—	—	5,317,894
Public affairs	4,793,607	—	—	4,793,607
Total educational and general	56,171,158	—	—	56,171,158
Auxiliary enterprises	15,544,428	—	—	15,544,428
Total expenses	71,715,586	—	—	71,715,586
(Decrease) increase from operations	(79,208,641)	(36,865,955)	4,830,916	(111,243,680)
Nonoperating activity:				
Other interest expense	(107,674)	—	—	(107,674)
Change in value of split-interest agreements	—	(6,127,686)	(1,494,749)	(7,622,435)
Other additions (deductions)	(174,263)	179,572	(193,358)	(188,049)
Total nonoperating activity	(281,937)	(5,948,114)	(1,688,107)	(7,918,158)
(Decrease) increase in net assets	(79,490,578)	(42,814,069)	3,142,809	(119,161,838)
Net assets, beginning of year	303,566,419	111,156,580	111,089,763	525,812,762
Net assets, end of year	$ 224,075,841	68,342,511	114,232,572	406,650,924

See accompanying notes to financial statements.

THE REED INSTITUTE

Statements of Cash Flows

Years ended June 30, 2010 and 2009

		2010	2009
Cash flows from operating activities:			
Increase (decrease) in net assets	$	44,872,547	(119,161,838)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:			
Depreciation and amortization		4,303,785	4,410,326
Contributions restricted for long-term investment		(23,394,525)	(4,880,482)
Noncash contributions		(3,005,791)	(1,000,805)
Net realized and unrealized (gains) losses on investments		(35,745,750)	98,758,244
Change in value of split-interest agreements		(3,583,952)	7,622,435
Change in fair value of derivative instruments		568,474	994,042
Change in asset retirement obligation		33,210	62,743
Changes in operating assets and liabilities:			
Decrease (increase) in cash and cash equivalents whose use is limited		11,386	(140,560)
Increase in accounts receivable – students and other		(128,224)	(187,370)
Decrease (increase) in contributions receivable		3,037,541	(122,098)
Increase in prepaid expenses and other assets		(385,551)	(344,493)
Decrease in accounts payable and accrued liabilities		(210,332)	(2,461,108)
Increase (decrease) in postretirement benefits payable		2,154,571	(392,196)
Increase in deferred revenue		93,779	175,740
Net cash used in operating activities		(11,378,832)	(16,667,420)
Cash flows from investing activities:			
Proceeds from maturities/sales of investments		282,004,920	236,221,833
Purchases of investments		(292,362,421)	(220,932,600)
Contracts/loans collected		(37,054)	(82,102)
Purchase of property, plant, and equipment		(2,231,260)	(8,080,490)
Net cash (used in) provided by investing activities		(12,625,815)	7,126,641
Cash flows from financing activities:			
Contributions restricted for long-term investment		23,394,525	4,880,482
Payment of debt principal and capital lease obligations		(588,781)	(1,173,907)
Payments of obligations for split-interest agreements		(1,395,759)	(1,434,287)
Increase in obligations for split-interest agreements		996,093	179,290
Changes in governmental loan funds		(42,925)	(45,086)
Net cash provided by financing activities		22,363,153	2,406,492
Net decrease in cash and cash equivalents		(1,641,494)	(7,134,287)
Cash and cash equivalents, beginning of year		7,094,502	14,228,789
Cash and cash equivalents, end of year	$	5,453,008	7,094,502
Supplemental disclosures:			
Interest paid	$	1,279,657	1,871,412
Assets acquired under capital leases		389,869	6,197

See accompanying notes to financial statements.

(1) Background

The Reed Institute (Reed College) was founded in 1908 by Simeon and Amanda Reed, with one central commitment: to provide a balanced, comprehensive education in liberal arts and sciences, fulfilling the highest standards of intellectual excellence. Reed College offers a bachelor of arts in one of 22 major fields and numerous interdisciplinary fields, as well as a master of arts in liberal studies degree. The Reed College educational program pays particular attention to a balance between broad study in the various areas of human knowledge and close, in-depth study in a recognized academic discipline.

(2) Summary of Significant Accounting Policies

(a) Accrual Basis

The financial statements of Reed College have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The definitions used to classify and report net assets are as follows:

- **Unrestricted net assets** – net assets that are not subject to donor-imposed stipulations or donor-restricted contributions whose restrictions are met in the same reporting period.
- **Temporarily restricted net assets** – net assets subject to donor-imposed stipulations that will be met either by actions of Reed College or the passage of time.
- **Permanently restricted net assets** – net assets subject to donor-imposed stipulations that they be permanently maintained by Reed College. Generally, the donors of these assets permit Reed College to use all or part of the income earned 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. All expenses are reported as decreases in unrestricted net assets with the exception of activity related to life income agreements. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted either by donor stipulation or by law. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets and are reported as “net assets released from restriction” in the statements of activities and changes in net assets. Restrictions related to contributions for the purchase of capital additions are released when the asset is placed in service.

Income and net gains on investments of endowment and similar funds are reported as follows:

- Increases in permanently restricted net assets if the terms of the gift or Reed College’s interpretation of relevant state law require they be added to the principal of a permanently restricted net asset.

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- Increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income or if endowment income has not yet been appropriated for expenditure.
- Increases in unrestricted net assets in all other cases.

Reed College follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. 205, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also requires disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds. See note 10 for further disclosures.

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; allowances for student and contributions receivables; and the valuation of the interest rate swaps, investments, split-interest agreements, and actuarial assumptions. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(d) Revenues

The principal sources of revenue, consisting of tuition, room and board, various other educational fees, unrestricted income from funds functioning as endowment, unrestricted gifts, and net assets released from restrictions, are accounted for in unrestricted net assets. Unrestricted net assets also include revenue from grants, auxiliary enterprises, and gains on disposal of assets.

The following assets have become available for general operating purposes from release from donor restrictions through the passage of time and through the maturation of various planned giving agreements for the years ended June 30, 2010 and 2009, respectively:

		2010	2009
Maturation of planned giving agreements	$	262,137	519,930
Passage of time		1,112,514	304,102
Endowment earnings appropriated for expenditure		10,612,835	7,411,165
Total net assets released from restrictions	$	11,987,486	8,235,197

With a few exceptions, the moneys in the endowment and similar funds are invested as a pool, and the related income of the pool is distributed to each participating fund based upon a spending formula and its relative proportion of the pool.

In addition, moneys, which are not required to meet short-term demands, are combined and invested. The income earned on these intermediate investments is allocated to each participating fund based upon its relative proportion of the combined investment.

(e) Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are carried at fair value. In conjunction with the adoption of FASB ASC No. 820, *Fair Value Measurements*, Reed College has adopted the measurement provisions of FASB ASC No. 820-10, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, and real estate. Net asset value (NAV), in many instances, may not equal fair value that would be calculated pursuant to ASC No. 820.

Realized and unrealized gains and losses arising from the sale, collection, or other disposition of investments, as well as all dividends, interest, and other investment income, are shown in the statements of activities and changes in net assets. Gains and investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in unrestricted net assets if the restrictions are met in the same reporting period that the gains and income are recognized. Losses on investments related to gifts that the donor required to be invested in perpetuity (i.e., endowment funds) are classified as decreases in temporarily restricted net assets until the investments fall below the original gift at which point they decrease unrestricted net assets. Subsequent gains that restore the fair value of the assets of the endowment funds to the required level are classified as increases in unrestricted net assets.

(f) Split-Interest Agreements

Reed College has been named as a beneficiary for various split-interest agreements. Each agreement provides for contractual payments to stated beneficiaries for their lifetimes, after which remaining principal and interest revert to Reed College. Assets contributed are recorded at fair value. In addition, Reed College has recognized the present value of estimated future payments to be made to beneficiaries over their expected lifetimes as a long-term liability. The present values of these estimated payments were determined on the basis of published actuarial factors for ages of the respective beneficiaries discounted using the risk-free rate adjusted for mortality uncertainties and are not changed after the date of the gift. Annual adjustments are made between the liability and the net assets to record actuarial gains or losses. Differences between the assets contributed and the expected payments to be made to beneficiaries have been recorded as contribution revenue in the year established. These donations are either temporarily restricted on the basis of time or permanently restricted based on the intent of the donor.

(g) Contributions Receivable

Unconditional promises to give (contributions) are recorded as gifts and private grant income and contributions receivable. Promises to give are not recognized until they become unconditional, that is, when the donor-imposed restrictions are substantially met. Contributions other than cash are recorded at their estimated fair value. Management estimates an allowance for uncollectible contributions based on risk factors such as prior collection history, type of contribution, and the nature of the fund-raising activity. Contributions are generally receivable within five years of the date the commitment was made and were discounted to present value using a discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

(h) Derivative Instruments

Reed College accounts for derivatives of an interest rate swap in accordance with FASB ASC No. 815-10, *Accounting for Derivative Instruments and Certain Hedging Activities*, as amended, which requires that all derivative instruments be recorded on the statements of financial position at their respective fair values. Changes in the fair value are recognized in unrealized gains and losses, unrestricted, in the statements of activities and changes in net assets.

(i) Property, Plant, and Equipment, Net

Property, plant, and equipment are stated at cost at the date of acquisition, if purchased, or at fair market value, at the date of receipt, if acquired by donation. Equipment under capital leases are stated at the present value of minimum lease payments. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (twenty to fifty years) and equipment and furnishings (five years). Plant and equipment held under capital leases are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Routine repair and maintenance expenses and equipment replacement costs are expensed as incurred.

(j) Donated Materials

Donated materials are included in the statements of activities and changes in net assets as “Gifts and private grants” at their estimated fair values at date of receipt. These materials are subsequently expensed when used.

(k) Income Tax Status

The Internal Revenue Service has recognized Reed College as exempt from tax under the provisions of Section 501(c)(3) of the Internal Revenue Code except to the extent of unrelated business income under Sections 511 through 515. Management believes that unrelated business income tax, if any, is immaterial, and therefore, no tax provision has been made. Reed College accounts for income taxes in accordance with FASB ASC No. 740-10, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement 109*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements and prescribes a threshold of more likely than not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return. ASC No. 740-10 also provides related guidance on measurement, derecognition, classification, interest and penalties, and disclosure. As Reed College is exempt from taxation under

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Section 501(c)(3) of the Internal Revenue Code as a qualified educational institution and is generally not subject to federal or state income taxes, the adoption of ASC No. 740-10 did not have a significant impact on the Reed College's financial statements.

(l) Cash and Cash Equivalents

Cash and cash equivalents represent cash in bank and other highly liquid investments with original maturities of three months or less. Cash and cash equivalents whose use is limited are restricted for the Federal Perkins Loan program.

(m) Deferred Revenue

Deferred revenues consist primarily of prepayments of tuition and fees related to future academic years.

(n) Postretirement Benefits

Reed College has a noncontributory defined postretirement benefit plan covering participating employees upon their retirement. Reed College maintains a postretirement benefit plan and accounts for the plan within the framework of FASB ASC Nos. 715 and 958, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.

Reed College records annual amounts relating to its postretirement plan based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, and healthcare cost trend rates. Reed College reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. Reed College believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

(o) Concentration of Risk

Reed College's standard financial instruments include commercial paper, U.S. government and agency securities, corporate obligations, equity securities, mutual funds, hedge funds, private equity, and real estate. These financial instruments may subject Reed College to concentrations of risk. Cash balances at June 30, 2010 exceed amounts insured by the Federal Deposit Insurance Corporation by approximately $6.8 million.

(3) Investments

The fair value of investments at June 30, 2010 and 2009 are as follows:

	2010	2009
Investments:		
Short-term government bonds	$ 3,999,512	—
Long-term government bonds	25,000	25,000
Corporate bonds	21,360,307	21,136,997
Bond funds	24,647,107	45,132,985
Small cap equity funds	2,844,593	2,793,436
Large cap equity funds	31,279,913	22,795,502
EFTs	19,419,977	—
Hedge funds	179,313,253	148,560,450
Private equity	106,016,376	89,225,367
REITs	2,012,712	1,721,094
Real estate	5,505,614	5,544,745
Money market and other	3,087,227	10,252,873
Total investments	$ 399,511,591	347,188,449

At June 30, 2010 and 2009, Reed College has approximately $291 million and $243 million, respectively, of investments that are not readily marketable. These investments represent 73% and 70% of total investments and 64% and 60% of net assets at June 30, 2010 and 2009, respectively. These investment instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and nonmarketable investments), and nondisclosure of portfolio composition. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material. See note 12 for investment fair value measurements.

The alternative investments are reported at net asset value (NAV). These investments are redeemable at NAV under the original terms of the partnership agreements and/or subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the Reed College interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the Reed College interest in the funds.

At June 30, 2010, Reed College has committed $220,683,750 to private equity partnerships and hedge funds. As of June 30, 2010, Reed College has funded $177,784,283 of these commitments leaving an unfunded balance of $42,899,467. These commitments are callable by the general partners/advisors between now and 2015. The terminations of these partnerships/funds are based upon specific provisions in the agreements.

Included in investments are $17,422,293 and $18,344,036 of planned giving trusts held in equity mutual funds that are not available for spending as of June 30, 2010 and 2009, respectively.

Within private equity and hedge funds, Reed College has funds invested in twenty-eight and twenty-three limited partnerships, respectively, with ownership interests ranging from 0.04% to 13.31% at June 30, 2010 and 0.04% to 4.20% at June 30, 2009. Included in the assets of the various partnerships is a small portion of derivative instruments.

Total investment income and realized and unrealized gains (losses) on these that are not readily marketable were $28,665,949 and $(86,715,898) for the years ended June 30, 2010 and 2009, respectively.

(4) Property, Plant, and Equipment, Net

Property, plant, and equipment at June 30, 2010 and 2009 consist of the following:

		2010	2009
Land and land improvements	$	13,304,552	13,187,625
Buildings		149,102,824	148,359,219
Construction in progress		1,258,127	335,039
Equipment, furniture, and fixtures		11,407,436	11,226,039
		175,072,939	173,107,922
Less accumulated depreciation		(61,578,301)	(57,554,803)
Net property, plant, and equipment	$	113,494,638	115,553,119

Depreciation expense was $4,148,074 and $4,207,632 for the years ended June 30, 2010 and 2009, respectively, and is allocated to the functional expenses based on the relative square footage of the department.

(5) Long-Term Debt

(a) Capital Lease Obligations

Reed College leases copiers over various terms. The book value of assets under capital lease at June 30, 2010 and 2009 are $372,745 and $183,705, respectively. Amortization costs of $51,324 and $92,284 are included in accumulated depreciation for the years ended June 30, 2010 and 2009, respectively.

The payment schedule for the capital lease obligation is as follows:

2011	$	120,452
2012		110,897
2013		97,520
2014		96,260
2015		56,690
		481,819
Less amount representing interest		(109,073)
	$	372,746

(b) Notes Payable

Reed College borrowed $21,330,000 from the State of Oregon on December 1, 1995. Effective June 7, 2006, Reed College refinanced the callable portion of the 1995 State of Oregon notes payable in the amount of $16,650,000. The 2006 State of Oregon notes mature on July 1, 2025 and bear interest at a variable rate set on a weekly basis by a Dutch auction process or at a default rate if the auction is not successful. These bonds were subsequently refinanced by the 2008 State of Oregon notes.

Reed College borrowed $30,000,000 through the Oregon Facilities Authority of the State of Oregon on August 1, 2007. The purpose of the issuance was to finance the construction of five residence halls, construction of a pedestrian bridge, and certain other renovations, additions, alterations, and furnishing and landscaping thereof. These bonds were issued initially as auction rate certificates (ARCs), and were scheduled to mature on July 1, 2038 and bear interest at a variable rate set on a weekly basis by a Dutch auction process. These bonds were subsequently refinanced by the 2008 State of Oregon notes.

During 2008, Reed College refinanced the 2006 and the 2007 State of Oregon Bonds in the amount of $47,060,000. The 2008 State of Oregon notes mature on July 1, 2038 and bear interest based on a weekly basis set through the remarketing process.

Wells Fargo Bank is the liquidity facility provider for the 2008 Bond Issue should the bonds fail to remarket. The Liquidity Facility agreement remains in effect until April 22, 2011, unless renewed or terminated pursuant to the conditions set forth in the 2008 Liquidity Facility. As of June 30, 2010, this Liquidity Facility will remain in effect for less than a full year, resulting in Reed College potentially being self-liquid for period of time. The 2008 Bonds have been classified as current in the 2010 statement of financial position as any potential failed remarketing of the bonds after the expiration of the Liquidity Facility would result in the debt being put to Reed College. This classification does not impact the scheduled maturities of the bonds as summarized below.

Notes payable are summarized as follows:

		2010	2009
2000 State of Oregon notes	$	19,080,000	19,215,000
1995 State of Oregon notes		—	685,000
2008 State of Oregon notes		46,710,000	46,710,000
		65,790,000	66,610,000
Less discount		(617,597)	(659,777)
Total	$	65,172,403	65,950,223

Scheduled principal payments on the notes payable become due as follows:

		2000 State of Oregon notes	2008 State of Oregon notes		Total
2011	$	140,000	1,085,000	(1)	1,225,000
2012		155,000	1,145,000		1,300,000
2013		160,000	1,185,000		1,345,000
2014		165,000	1,210,000		1,375,000
2015		175,000	1,265,000		1,440,000
Thereafter		18,285,000	40,820,000		59,105,000
	$	19,080,000	46,710,000		65,790,000

(1) Excludes $45,625,000 of current portion of long-term debt classified as current in the accompanying statements of financial position due to the termination of the current Liquidity Facility within the coming fiscal year.

Interest on the State of Oregon notes payable bonds and amortization of discount and issuance costs are as follows:

		2010	2009
Interest	$	1,279,657	1,871,412
Amortization of discount and issuance costs		63,695	63,695
Total interest expensed	$	1,343,352	1,935,107

Notes payable discount, net of amortization was $617,597 and $659,777 at June 30, 2010 and 2009, respectively. Issuance costs, net of amortization were $328,260 and $379,775 at June 30, 2010 and 2009, respectively. Amortization is calculated over the life of the notes. The fair market value of the notes payable at June 30, 2010 and 2009 was $66,801,549 and $66,017,073, respectively.

(c) Interest Rate Risk Management

In order to take advantage of fluctuations in long-term interest rates, Reed College has entered into an interest rate swap agreement with a notional amount $16,650,000, which allows Reed College to change the variable interest rate to a fixed interest rate on their notes payable.

In 2006, Reed College issued $16.65 million of auction rate debt through the Oregon Facilities Authority. The College entered into an interest rate swap of like term, amortization, and notional amount with an investment bank to hedge this underlying variable rate debt. Reed College has subsequently refinanced the 2006 notes; however, retained this swap arrangement for interest rate risk management. Pursuant to this swap, Reed College works with a consulting firm to aid in monitoring changes in interest rates and the impact they may have on long-term debt.

During the years ended June 30, 2010 and 2009, $597,429 and $311,707 was paid, respectively, and is recorded in the statements of activities and changes in net assets as other investment expense. The change in unrealized gain and loss on the swap agreements for the years ended June 30, 2010 and 2009 was a loss of $568,474 and $994,042, respectively, and is recorded in the statements of activities and changes in net assets as realized and unrealized losses. The fair value of the swap agreement as of June 30, 2010 and 2009 was a liability of $2,729,849 and $2,161,375, respectively, which is recorded in the statements of financial position as other long-term liabilities.

(6) Postretirement Benefits

Reed College has a defined contribution noncontributory pension plan administered through Teachers Insurance and Annuity Association – College Retirement Equities Fund. Certain employees are eligible to participate and must be employed one year and have attained the age of twenty-one. All contributions vest immediately with the employee at the rate of 10% of the participating employees’ monthly compensation. Reed College’s policy is to fund pension expenses as incurred. Expenditures relating to the plan were $2,725,874 and $2,590,841 for the years ended June 30, 2010 and 2009, respectively, and are included in education and general expenses in the accompanying statements of activities and changes in net assets.

Reed College maintains a defined benefit retiree medical insurance plan, which is administered by Pioneer Educators Health Trust (PEHT) and is not funded. In order to participate, employees hired prior to September 2, 2001 must retire from Reed College at or after age fifty-five with at least ten years of continuous service. Employees hired after September 1, 2001 must retire from Reed College at or after age fifty-five with twenty years of continuous service. Employees are covered for the lowest premium plan for their lifetime and spouses/domestic partners are covered at the rate of fifty percent of the lowest premium plan for their lifetime. Employer premium expenses were $744,937 and $692,141 for the years ended June 30, 2010 and 2009, respectively, and are included in education and general expenses in the accompanying statements of activities and changes in net assets.

(Continued)

The accrued liability for postretirement benefits at year-end is as follows:

		2010	2009
Change in benefit obligation:			
Benefit obligation at beginning of year	$	16,285,683	16,677,879
Service cost		404,355	341,242
Interest cost		1,060,804	1,117,437
Benefits paid		(644,583)	(624,461)
Actuarial loss (gain)		1,333,995	(1,226,414)
Benefit obligation at end of year		18,440,254	16,285,683
Funded status	$	(18,440,254)	(16,285,683)
Amounts recognized in the balance sheet consist of:			
Postretirement benefits payable – current	$	613,699	644,583
Postretirement benefits payable		17,826,555	15,641,100
	$	18,440,254	16,285,683

Net periodic benefit cost for the years ended June 30 included the following components:

		2010	2009
Interest cost	$	1,060,804	1,117,437
Service cost		404,355	341,242
Amortization of gain		(48,748)	(171,056)
Net periodic benefit cost	$	1,416,411	1,287,623

Reed College used the following actuarial assumptions to determine its employee benefit obligations at and net periodic benefit cost for the years ended June 30, 2010 and 2009, as measured at June 30:

	2010	2009
Benefit obligation:		
Weighted average discount rate	5.85%	7.00%
Rate of increase in per capita cost of covered healthcare benefits	8% trending to 5% in 2015	8% trending to 5% in 2014
Net periodic benefit cost:		
Weighted average discount rate	7.00%	6.60%
Rate of increase in per capita cost of covered healthcare benefits	8% trending to 5% in 2015	8% trending to 5% in 2014

Reed College's policy is to fund the plan as claims payments are made. In the 2010 – 2011 fiscal year, Reed College expects to contribute, from ongoing cash flows and current assets, $613,699 to the plan.

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows for the years ending June 30:

Year:		
2011	$	613,699
2012		670,710
2013		727,976
2014		773,033
2015		831,133
2016 – 2020		5,029,758

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 provides an employer subsidy of 28% of gross annual prescription drug costs between $250 and $5,000 for actuarially equivalent plans. FASB ASC No. 715-60, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*, requires that the estimated impact of this subsidy be reflected in the Accrued Postretirement Benefit Obligation (APBO). This reduction in APBO reduces the net periodic postretirement benefit cost due to corresponding reductions in the service cost and interest cost. Actuaries have determined that the Reed College Postretirement Medical Plans are actuarially equivalent to the Medicare Part D plan. Reed College applied for the employer subsidy.

(7) Funds Held in Trust by Others

Reed College has been named beneficiary of a portion of the remainder of six trusts maturing at specified dates in the future. These trusts are administered by other entities. Reed College revalues the receivables using the fair value of expected future cash flows at each reporting period. At June 30, 2010 and 2009, the trusts receivable were $12,862,568 and $11,096,955, respectively, and were included under funds held in trust by others, noncurrent.

(8) Contributions and Accounts Receivable

Contributions receivable at June 30, 2010 and 2009 consist of the following:

		2010	2009
Annual fund	$	1,715,384	1,971,805
Campaign fund		362,954	152,549
Endowment fund		17,027,530	19,529,467
Plant fund		1,211,700	2,294,500
Gross contributions receivable	$	20,317,568	23,948,321

Contributions receivable reported on the statements of financial position were as follows:

		2010	2009
Current:			
Gross contributions receivable	$	884,147	667,605
Less allowance for doubtful accounts		(44,000)	(33,000)
Total current net contributions receivable		840,147	634,605
Long term:			
Gross contributions receivable		19,433,422	23,280,716
Less allowance for doubtful accounts		(906,000)	(1,077,000)
Net long-term contributions receivable		18,527,422	22,203,716
Less discount to present value		(1,333,061)	(1,766,272)
Total long-term net contributions receivable		17,194,361	20,437,444
Total net contributions receivable	$	18,034,508	21,072,049

Reed College expects to receive $6,279,174 in fiscal year 2011 and $11,755,334 over the following three fiscal years, related to contribution receivables outstanding at June 30, 2010.

Contributions receivable due in excess of one year are discounted using the credit adjusted cash flow discounted at the risk-free rate ranging from 0.9% to 4.7% and 3.3% to 4.5% for the years ended June 30, 2010 and 2009, respectively.

Of the net unconditional promises to give included above, $15,165,279 represents an unconditional promise to give from 18 members of the Reed College board of trustees due, which are in one to three years.

Accounts receivable consist of the following at June 30, 2010:

	Unrestricted	Restricted	Loan fund	Total
Current:				
Student accounts receivable	$ 86,194	—	—	86,194
Related parties	—	32,053	—	32,053
Grants and contracts receivable	—	—	—	—
Other receivables	133,021	189,557	—	322,578
	219,215	221,610	—	440,825
Noncurrent:				
Student accounts receivable	—	—	19,167	19,167
Reed loans	—	—	1,180,266	1,180,266
Related parties	—	—	16,704	16,704
Federal Perkins loans	—	—	3,804,542	3,804,542
	—	—	5,020,679	5,020,679
Less allowance for doubtful accounts	—	—	(60,239)	(60,239)
	$ 219,215	221,610	4,960,440	5,401,265

Accounts receivable consist of the following at June 30, 2009:

	Unrestricted	Restricted	Loan fund	Total
Current:				
Student accounts receivable	$ 74,130	—	—	74,130
Related parties	—	94,220	—	94,220
Grants and contracts receivable	—	165,508	—	165,508
Other receivables	140,057	—	—	140,057
	214,187	259,728	—	473,915
Noncurrent:				
Student accounts receivable	—	—	30,715	30,715
Reed loans	—	—	1,081,353	1,081,353
Related parties	—	—	6,053	6,053
Federal Perkins loans	—	—	3,741,244	3,741,244
	—	—	4,859,365	4,859,365
Less allowance for doubtful accounts	—	—	(60,239)	(60,239)
	$ 214,187	259,728	4,799,126	5,273,041

(Continued)

The Federal Perkins loans and Reed loans are generally payable at interest rates of 5% to 9% over approximately ten years. Repayment begins after a designated grace period following the student's college attendance. Principal payments, interest, and losses due to cancellation are shared by Reed College and the U.S. government in proportion to their share of funds provided. The Federal Perkins loan program provides for cancellation of loans if the student is employed in certain occupations following graduation (employment cancellations). Such employment cancellations are absorbed in full by the U.S. government.

(9) Net Assets

At June 30, 2010 and 2009, net assets consisted of the following:

		2010	2009
Unrestricted:			
Operating	$	9,920,436	8,560,419
Designated for special programs		15,132,073	17,091,744
Institutional loan programs		4,157,713	3,967,578
Funds functioning as endowment		99,103,533	89,981,723
Accumulated quasi-endowment gains		89,567,374	83,445,240
Underwater endowment funds		(9,012,447)	(10,631,078)
Net investment in plant		33,264,890	31,660,215
Total unrestricted	$	242,133,572	224,075,841
Temporarily restricted:			
Educational and general programs	$	12,251,254	93,244
Annuity and life income funds		20,027,536	16,472,473
Accumulated endowment gains		41,644,127	49,747,137
Other temporarily restricted net assets		1,109,852	2,029,657
Total temporarily restricted	$	75,032,769	68,342,511
Permanently restricted:			
True endowment funds	$	132,183,594	110,652,188
Annuity and life income funds		2,173,536	3,580,384
Total permanently restricted	$	134,357,130	114,232,572

(10) Endowments

Through December 31, 2007, Reed College's management and investment of donor-restricted endowment funds were subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, UPMIFA that serves as a guideline to states using the enacted legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's concept of historic dollar value threshold, the amount below which an organization could not spend from the endowment fund, in favor of a more robust set of guidelines about what constitutes prudent spending. Effective January 1, 2008, the State of Oregon enacted UPMIFA, the provisions of which apply to endowment funds existing on or established after that date.

In August 2008, the FASB issued FASB ASC No. 958-205, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for all Endowment Funds*. ASC 958-205 was effective for fiscal years 2010 and 2009 for Reed College. The major change in net assets classification resulting from ASC 958-205 relates to the portion of the fund not stipulated by the donor to be restricted in perpetuity. In the absence of explicit donor instructions on the use of such funds, the earnings previously classified as either permanently restricted or unrestricted must be reported as temporarily restricted until appropriated for spending.

Reed College's endowment consists of approximately 401 individual funds of which approximately 34% or 137 funds are donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence of those donor restrictions. Endowment funds are invested on the basis of a total return policy to provide income and to realize appreciation on invested assets. Under this policy, a portion of realized and unrealized gains, in addition to interest and dividend income, can be used to support operations. Investment income used to support operations is allocated from funds that have a fair value in excess of historical value and are utilized in accordance with donor-imposed restrictions.

Reed College spends endowment income and capital gains within a spending policy that preserves principal in accordance with the UPMIFA. The policy on spending endowment income is to spend 5.3% of the average investment net assets over a rolling 13-quarter period. If losses reduce the assets of a donor-restricted endowment fund below the donor-restricted corpus, temporarily restricted net assets will be reduced until the accumulated gains associated with a fund are reduced to zero. At that point, further losses reduce unrestricted net assets. The value of donor-restricted endowment funds with a fair value of associated assets that is less than the original gift amount is $9,012,447 and $10,631,078 for the years ended at June 30, 2010 and 2009, respectively. Future gains that restore the corpus value will be recorded as increases in temporarily restricted net assets after replacing any losses charged to unrestricted net assets.

Endowment net assets by type of fund as of June 30, 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (9,012,447)	53,751,546	132,183,593	176,922,692
Board-designated endowment funds	188,670,907	—	—	188,670,907
Total funds	$ 179,658,460	53,751,546	132,183,593	365,593,599

Endowment net assets by type of fund as of June 30, 2009:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (10,631,078)	49,747,137	110,652,188	149,768,247
Board-designated endowment funds	173,426,963	—	—	173,426,963
Total funds	$ 162,795,885	49,747,137	110,652,188	323,195,210

Changes in endowment net assets for the years ended June 30, 2010 and 2009 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2009	$ 162,795,885	49,747,137	110,652,188	323,195,210
Investment return:				
Net investment loss	(7,292)	(33,513)	—	(40,805)
Net appreciation of investments	21,322,224	12,998,613	—	34,320,837
Contributions	—	—	18,741,362	18,741,362
Contributions from trust terminations	262,137	—	1,782,332	2,044,469
Other contribution	—	—	1,020,000	1,020,000
Appropriation of endowment assets for expenditure	(13,574,164)	(8,960,691)	—	(22,534,855)
Transfers to create board-designated endowment fund	8,489,702	—	—	8,489,702
Transfers and other reclassifications	369,968	—	(12,289)	357,679
Endowment net assets, June 30, 2010	$ 179,658,460	53,751,546	132,183,593	365,593,599

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2008	$ 245,098,564	86,587,746	105,858,805	437,545,115
Investment return:				
Net investment loss	(868,719)	(2,465,961)	—	(3,334,680)
Net depreciation of investments	(68,140,390)	(26,963,483)	—	(95,103,873)
Contributions	—	—	4,419,742	4,419,742
Contributions from trust terminations	132,502	—	387,427	519,929
Appropriation of endowment assets for expenditure	(14,502,318)	(7,411,165)	—	(21,913,483)
Transfers to create board-designated endowment fund	1,175,236	—	—	1,175,236
Transfers and other reclassifications	(98,990)	—	(13,786)	(112,776)
Endowment net assets, June 30, 2009	$ 162,795,885	49,747,137	110,652,188	323,195,210

(11) Commitments and Contingencies

Reed College has placed certain of its medical and dental insurance coverage with the Pioneer Educators Health Trust (PEHT), formulated by seven similar western colleges and universities for the purpose of providing medical and dental insurance to higher education institutions. Under the agreement, member institutions are required to make contributions to the fund at such times and in an amount as determined by the board of trustees for the various benefit programs sufficient to provide the benefits, pay the administrative expenses of the plan, which are not otherwise paid by Reed College directly, and to establish and maintain a minimum reserve as determined by the board of trustees. In the event-losses of PEHT exceed its capital and secondary coverages, the maximum contingent liability exposure to Reed

College is approximately $252,163. This exposure fluctuates based on changes in actuarial assumptions, medical trend rates, and reinsurance amounts. The level of reinsurance is not expected to fluctuate significantly in the future.

On July 1, 1988, Reed College elected to place its liability insurance coverage with the College Liability Insurance Company, Ltd. (CLIC). CLIC was formed by seven similar western colleges and universities for the purpose of providing liability insurance to higher education institutions. As a portion of its capital, CLIC has placed a $2,000,000 standby letter of credit of which Reed College is contingently liable for a pro rata portion based upon premium contributions from covered institutions. In the event the losses of CLIC exceed its capital and secondary coverages, the maximum contingent liability exposure to Reed College is approximately $202,157. As of June 30, 2010 and 2009, there were no amounts outstanding against the standby letter of credit.

From time to time, Reed College is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, most of these claims and legal actions are covered by insurance and the ultimate disposition of these matters will not have a material effect on Reed College's financial position, statements of activities and changes in net assets, or cash flows.

(12) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, and accounts receivable: The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

Contributions receivable and funds held in trust by others: The fair value is determined as the present value of future contractual cash flows discounted at an interest rate that reflects the risks inherent in those cash flows.

Investments: Equity securities are measured using quoted market prices at the reporting date multiplied by the quantity held. Debt securities are measured using quoted market prices multiplied by the quantity held when quoted market prices are available. Investments in real estate for which fair value is not readily determinable are carried at estimated fair values, if purchased or at fair value at the date of receipt, if acquired by donation. Alternative investments, which are not readily marketable, are carried at estimated fair values. Reed College reviews and evaluates the values provided by the investment managers and estimates the fair value of the alternative investments using the NAV as a practical expedient.

Interest rate swaps: The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and Reed College.

Long-term debt: The fair value of the Reed College's long-term debt is measured using quoted offered-side prices when quoted market prices are available.

(b) Fair Value Hierarchy

Reed College adopted FASB ASC No. 820 on July 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC No. 810 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Reed College has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2010:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Short-term government bonds	$ 3,999,512	3,999,512	—	—
Long-term government bonds	25,000	25,000	—	—
Corporate bonds	21,360,307	—	21,360,307	—
Bond funds	24,647,107	19,627,916	5,019,191	—
Small cap equity funds	2,844,593	—	2,844,593	
Large cap equity funds	31,279,913	24,113,574	7,166,339	
EFTs	19,419,977	19,419,977	—	—
Hedge funds	179,313,253	—	12,925,410	166,387,843
Private equity	106,016,376	—	—	106,016,376
REIT	2,012,712	—	2,012,712	—
Real estate	5,505,614	—	—	5,505,614
Money market and other	3,087,227	3,087,227	—	—
Funds held in trust	12,862,568	—	—	12,862,568
Total	$ 412,374,159	70,273,206	51,328,552	290,772,401
Liabilities:				
Interest rate swap	$ 2,729,849	—	2,729,849	—

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2009:

		Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:					
Long-term government bonds	$	25,000	25,000	—	—
Corporate bonds		21,136,997	—	21,136,997	—
Bond funds		45,132,986	41,118,409	4,014,577	—
Small cap equity funds		2,793,436	—	2,793,436	—
Large cap equity funds		22,795,502	15,338,574	7,456,928	—
Hedge funds		148,560,450	—	11,947,940	136,612,510
Private equity		89,225,367	—	—	89,225,367
REITs		1,721,094	—	1,721,094	—
Real estate		5,544,745	—	—	5,544,745
Money market and other		10,252,873	10,252,873	—	—
Funds held in trust		11,096,955	—	—	11,096,955
Total	$	358,285,405	66,734,856	49,070,972	242,479,577
Liabilities:					
Interest rate swap	$	2,161,375	—	2,161,375	—

The following table presents Reed College's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2010:

Balance at June 30, 2008	$	389,409,873
Total realized and unrealized losses		(99,094,805)
Purchases, issuances, and settlements (net)		(47,835,491)
Balance at June 30, 2009		242,479,577
Total realized and unrealized gains		30,475,081
Purchases, issuances, and settlements (net)		17,817,743
Balance at June 30, 2010	$	290,772,401
Total losses for 2010 included in income related to assets held at June 30, 2010	$	—

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at June 30, 2010:

		Fair value	Lock-up period	Redemption frequency	Redemption notice period
Hedge funds	$	4,440,292	None	Daily	1 day
Hedge funds		78,083,879	3-9 months	Quarterly	30 – 90 days
Hedge funds		16,079,810	6-12 months	Triannually	45 – 120 days
Hedge funds		12,358,726	9 months	Biannually	65 days
Hedge funds		57,815,371	3-9 months	Annually	60 – 90 days
Hedge funds		10,535,175	in liquidation		
	$	179,313,253			

Reed College holds investments in private equity limited partnerships where NAV is used as a practical expedient to measure fair value at June 30, 2010. These partnerships do not allow for periodic redemptions, but rather liquidate upon the termination date as stated in the partnership agreement. At June 30, 2010, $106,016,376 of private equity limited partnerships and had termination dates that ranged from 2011 to 2021.

(13) Split-Interest Agreements

The following schedule summarizes the change in value and its presentation in the statements of activities and changes in net assets as related to the change in value of split-interest agreements:

		2010	2009
Dividends and interest	$	690,862	701,503
Beneficiary payments		(1,395,758)	(1,434,287)
Investment fees		(179,088)	(172,452)
Net realized (loss) gain		(136,321)	149,276
Net unrealized gain (loss)		4,604,258	(6,866,475)
Total change in value	$	3,583,953	(7,622,435)

(14) Fund-Raising Expense

Reed College expended $2,536,021 and $2,769,531 for the years ended June 30, 2010 and 2009, respectively, for payroll and benefits, informational materials, travel, and special events relating to fund-raising activities. These costs are all classified as public affairs in the statements of activities and changes in net assets.

(15) Subsequent Events

Reed College evaluated subsequent events after the balance sheet date of June 30, 2010 through October 13, 2010, which was the date the financial statements were issued.