



Financial Statements and Report of Independent
Certified Public Accountants

Mills College

June 30, 2008 (with comparative financial information
for June 30, 2007)

Contents

	Page
Report of Independent Certified Public Accountants	3
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Notes to Financial Statements	7

Report of Independent Certified Public Accountants

Board of Trustees
Mills College

Grant Thornton LLP
150 Almaden Boulevard, Suite 600
San Jose, CA 95113-2015
T 408.275.9000
F 408.275.0582
www.GrantThornton.com

We have audited the accompanying statement of financial position of Mills College (the “College”) as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the College’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the College’s 2007 financial statements, and, in our report dated November 13, 2007; we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mills College as of June 30, 2008, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

San Jose, California
November 13, 2008

Mills College

STATEMENTS OF FINANCIAL POSITION

June 30, 2008

(With summarized financial information for June 30, 2007)

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 4,618,943	\$ 1,244,007
Student accounts and notes receivable, net (note 3)	3,027,738	2,966,951
Government grants and other receivables	1,129,672	1,533,425
Inventories and other assets	2,275,294	2,340,131
Contributions and trusts receivable, net (note 4)	18,134,107	13,277,521
Investments (note 5)	228,159,424	258,745,739
Property, plant, and equipment, net (note 6)	<u>103,035,473</u>	<u>88,922,236</u>
 Total assets	 <u>\$ 360,380,651</u>	 <u>\$ 369,030,010</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 6,094,422	\$ 5,249,977
Other liabilities and capital lease obligations	1,644,024	1,945,375
Annuity and life income payable	3,770,290	3,827,208
Government advances for student loans	1,414,716	1,503,838
Bonds and note payable (note 8)	<u>44,550,536</u>	<u>44,760,484</u>
Total liabilities	<u>57,473,988</u>	<u>57,286,882</u>
Net assets:		
Unrestricted	140,977,347	153,124,757
Temporarily restricted	40,522,342	46,410,835
Permanently restricted	<u>121,406,974</u>	<u>112,207,536</u>
Total net assets	<u>302,906,663</u>	<u>311,743,128</u>
 Total liabilities and net assets	 <u>\$ 360,380,651</u>	 <u>\$ 369,030,010</u>

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

Mills College

STATEMENTS OF ACTIVITIES

Year ended June 30, 2008

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

	2008			2007 Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and gains:				
Tuition and fees	\$ 39,772,178	\$ -	\$ -	\$ 39,772,178
Less financial aid	(16,687,873)	-	-	(16,687,873)
Net tuition and fees (note 9)	23,084,305	-	-	23,084,305
Sales and services of auxiliary enterprises	8,351,214	-	-	8,351,214
Contributions available for operations	4,444,327	1,509,096	-	5,953,423
Contracts and grants	2,317,068	156,871	-	2,473,939
Investment returns allocated to operations	10,929,648	564,359	-	11,494,007
Other, net	3,335,850	60,273	-	3,396,123
Total revenues and gains	52,462,412	2,290,599	-	54,753,011
Net assets released from restrictions for operations	2,738,960	(2,738,960)	-	-
Total revenues, gains, and other support	55,201,372	(448,361)	-	54,753,011
Expenses:				
Instruction	21,216,976	-	-	21,216,976
Research	1,622,876	-	-	1,622,876
Academic support	7,087,998	-	-	7,087,998
Student services	9,715,004	-	-	9,715,004
Institutional support	12,054,214	-	-	12,054,214
Public service	897,463	-	-	897,463
Auxiliary enterprises	7,947,501	-	-	7,947,501
Total expenses	60,542,032	-	-	60,542,032
Deficiency of revenues under expenses before other changes in net assets	(5,340,660)	(448,361)	-	(5,789,021)
Other changes in net assets:				
Nonoperating contributions	2,948,461	7,304,922	9,860,862	20,114,245
Recovery (provision) for uncollectible pledges	-	103,284	(26,877)	76,407
Investment return (loss), net of allocation to operations	(21,333,040)	(1,102,366)	(274,185)	(22,709,591)
Actuarial adjustment	-	(235,795)	(333,741)	(569,536)
Other nonoperating revenue	18,544	6,423	16,064	41,031
Net assets released from restrictions for nonoperations	11,559,285	(11,516,600)	(42,685)	-
Change in net assets	(12,147,410)	(5,888,493)	9,199,438	(8,836,465)
Net assets at beginning of period	153,124,757	46,410,835	112,207,536	311,743,128
Net assets at end of period	\$ 140,977,347	\$ 40,522,342	\$ 121,406,974	\$ 302,906,663

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

Mills College

STATEMENTS OF CASH FLOWS

Year ended June 30, 2008

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

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in total net assets	\$ (8,836,465)	\$ 35,449,370
Adjustments to reconcile change in total net assets to net cash used in by operating activities:		
Depreciation	4,023,589	3,893,281
Net losses (gains) on investments	12,806,758	(34,260,392)
Donated equipment	(257,665)	(31,560)
Allowance for uncollectible pledges	(76,407)	33,733
Amortization of bond premium, discount	355,053	198,904
Discount on loan payable	-	(1,174,147)
Accretion of asset retirement obligation liability	6,708	7,283
Contributions restricted for long-term investment	(16,878,611)	(12,221,900)
Change in operating assets and liabilities		
Student accounts receivable	(72,670)	(132,468)
Government grants and other receivable	403,753	(409,814)
Contributions receivable	(4,780,179)	(816,581)
Inventories and other assets	64,837	142,752
Accounts payable and accrued liabilities	844,444	(477,758)
Other liabilities	(258,152)	(5,002,471)
Annuity and life income payable	(56,918)	82,658
Net cash used in operating activities	<u>(12,711,925)</u>	<u>(14,719,110)</u>
Cash flows from investing activities:		
Capital expenditures	(17,879,161)	(20,508,805)
Purchases of investments	(242,837,117)	(371,013,183)
Proceeds from sales of investments	260,616,674	386,056,528
Disbursements of loans to students	(432,304)	(593,203)
Repayment of notes receivable	<u>444,187</u>	<u>452,664</u>
Net cash used in investing activities	<u>(87,721)</u>	<u>(5,605,999)</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	16,878,611	12,221,900
Change in government advances for student loans	(89,122)	(13,284)
Proceeds from borrowing	-	9,000,000
Repayment of capital lease obligations	(49,907)	(94,919)
Payments on bonds payable	<u>(565,000)</u>	<u>(515,000)</u>
Net cash provided by financing activities	<u>16,174,582</u>	<u>20,598,697</u>
Net increase in cash and cash equivalents	3,374,936	273,588
Beginning cash and cash equivalents	<u>1,244,007</u>	<u>970,419</u>
Ending cash and cash equivalents	<u>\$ 4,618,943</u>	<u>\$ 1,244,007</u>
Supplementary cash flow information:		
Cash paid during the year for interest, net of amount capitalized	\$ 917,356	\$ 791,304

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

Mills College

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(with comparative information for 2007)

NOTE 1 - NATURE OF ORGANIZATION

Mills College (the "College") is a private, primarily residential, nonprofit liberal arts college based in Oakland, California. The College provides education and training services for undergraduate women and graduate women and men, and performs training and other programs under grants, contracts, and similar agreements with its sponsors, primarily departments, and agencies of the United States government, and private donors.

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

The College maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor imposed restrictions.

Net assets and changes therein are classified as follows:

- Permanently restricted net assets – Net assets subject to donor imposed stipulations that they be maintained permanently by the College. The College's permanently restricted net assets are primarily endowment funds invested to support scholarships and various academic programs.
- Temporarily restricted net assets – Net assets subject to donor imposed stipulations that will be met by actions of the College and/or the passage of time. As of June 30, 2008 and 2007, \$3,736,779 and \$3,602,115 are restricted to operating activities, \$15,724,312 and \$22,586,915 are restricted by the passage of time, \$12,461,613 and \$14,534,180 are restricted for the MBA program and building, and \$8,599,638 and \$5,687,625 are restricted for the acquisition of long lived assets, respectively.
- Unrestricted net assets – Net assets not subject to donor imposed stipulations.

Revenues

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. 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 by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (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.

Mills College

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

(with comparative information for 2007)

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (continued)

Contributions and Trusts

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at rates ranging from 3% to 6%. Amortization of the discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund raising activity. Pledges are written off if they are deemed noncollectible due to death of donor, or other reasons. Trusts held by third parties represent the present value (discounted at rates ranging from 5% to 9%) of the estimated future distributions expected to be received by the College over the expected terms of the agreements.

Temporarily Restricted Net Assets

Contributions received with donor imposed restrictions which are met in the same year as received are reported as revenues of the unrestricted net asset class.

Contributions of property, plant, and equipment without donor stipulations concerning the use of such long lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire property, plant, and equipment without such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long lived assets.

Cash Equivalents

Cash equivalents consist of amounts swept nightly into the College's money market account with an initial term of less than three months. For purposes of the statements of cash flows, the College considers all highly liquid equity instruments purchased with original maturities of three months or less to be cash equivalents.

A significant portion of the cash balances held at various banks at June, 30 2008 and 2007 are in excess of federally insured limits.

Student Accounts Receivable

The College grants credit for tuition to certain of its students, with typical payment terms corresponding to the semesters or the school year. Resulting accounts receivable are stated at the principal amount outstanding, net of an allowance for doubtful accounts. An allowance for doubtful accounts is established when losses are estimated to have occurred, through a charge to expense.

Inventories and Other Assets

Inventories are recorded on a first in, first out ("FIFO") basis. Inventories are recorded at the lower of cost or market and consist primarily of supplies and postage.

Mills College

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

(with comparative information for 2007)

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (continued)

Inventories and Other Assets (continued)

Other assets consist primarily of faculty salary advances, debt issuance costs, and capitalized prepublication costs for promotional materials. The issuance costs are being amortized on a basis that approximates the level yield method over the repayment period of the notes. Prepublication costs are amortized over the expected useful life of the publications. The remainder of other assets consists primarily of prepaid expenses.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. The valuation of certain alternative investments, included in mutual and commingled funds and security trading limited partnerships, which are not readily marketable, are carried at estimated fair values as provided by the investment managers or general partners. The College reviews and evaluates the values provided by the third parties and agrees with the valuation methods and assumptions used in determining the fair values of the alternative investments. Because the alternative 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 a difference could be material. Alternative investments of the College include absolute return/hedged equity funds, venture capital/private equity funds and oil and gas/natural resource partnerships.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost as of the date of acquisition. Gifts of plant facilities are recorded at fair value as of the date of donation. Cost includes the related net interest expense incurred on funds borrowed for construction of plant facilities. Library books are not capitalized. Collection items are capitalized. If purchased, collection items are capitalized at cost. Contributed collection items are recognized as assets and measured at fair value as of the day of donation. There is no depreciation recorded on collection items. Depreciation is provided on equipment over a five year period on a straight line basis. Depreciation is provided on buildings and improvements over a 40 year period on a straight line basis.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The costs of maintenance and repairs are charged to income as incurred. Significant renewals and betterments are capitalized.

Mills College

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

(with comparative information for 2007)

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (continued)

Impairment of Long-Lived Assets

Long-lived assets recorded by the College are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value amount of the assets to the future undiscounted net cash flows expected to be generated by the assets. If such assets are determined to be impaired, the impairment to be recognized is measured as the difference between the related carrying amounts and fair values. No impairment was recorded during fiscal years ended June 30, 2008 and 2007.

Annuity and Life Income Payable

The College uses the actuarial method of recording annuity and life income gifts. Under this method, when a gift is received, the present value of the aggregate estimated payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as temporarily or permanently restricted contributions. Investment income and gains are credited, and annuity payments and investment losses are charged to the liability accounts with annual adjustments made between the liability and net assets to record adjustment of the actuarial liability.

Federal Income Taxes

The College is recognized by the Internal Revenue Service as an organization exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code.

Credit Risk and Fair Value of Financial Instruments

The College grants credit in the normal course of operations and the credit risk with respect to these receivables is generally considered minimal due to the wide dispersion of receivables. The allowance for doubtful accounts is provided based on management's judgment including such factors as prior collection history and type of receivables.

The carrying amounts of cash, notes receivables and other receivables, accounts payable, and accrued liabilities approximate fair value. Determination of the market value of student loans receivables and government advances for federally sponsored student loans which are subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive cost.

Use of Estimates

Management of the College has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). Actual results could differ from those estimates. The most significant management estimates and assumptions relate to the determination of allowances for doubtful accounts, present value of multi-year pledges, charitable trusts, discount rate on loan receivable; conditional asset retirement obligations; and the reported fair values of certain of the College's assets and liabilities. Actual results could differ from those estimates.

Mills College

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

(with comparative information for 2007)

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (continued)

Operating and Nonoperating

Revenues, expenses, gains and losses are allocated between operating and nonoperating based on the underlying influence, control and discretion of management in using these recourses toward general operations which support the core mission of the College. Accordingly, operating revenue includes net tuition, auxiliary enterprise revenue, contributions available to fund current operations, contracts and grants supporting operating activities, investment returns allocated to operations under the College's spending policy, other sales and services revenue and miscellaneous income. Excluded from operating revenue are contributions restricted for endowment or capital expenditure and annuity and life income agreements. Also excluded are investment returns not allocated to operations under the spending policy, actuarial adjustments relating to annuity and life income agreements, and miscellaneous income.

Operating expenses (for which operating revenues are used) include salaries and benefits, departmental expenses, facility maintenance costs, supplies, professional services, depreciation and interest on debt but does not include actuarial adjustments relating to annuity and life income agreements, or provision for uncollectible pledges.

Comparative Totals

The statement of activities includes certain prior year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the College's financial statements for the fiscal year ended June 30, 2007 from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2007 summarized financial information to conform to the 2008 presentation. Specifically, depreciation expense which was presented separately on the 2007 financial statements is allocated amongst the expense activities in the 2008 statement of activities.

Change in Accounting Principle

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No.48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement 109 *Accounting for Income Taxes*. FIN 48 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. FIN 48 also provides related guidance on measurement, derecognition, classification, interest and penalties, and disclosure. Previously, the College had accounted for tax contingencies in accordance with SFAS No. 5, *Accounting for Contingencies*. At July 1, 2007, the College applied FIN 48 to all tax positions for which the statute of limitations remained open and determined there were no material unrecognized tax benefits as of that date. In addition, there have been no material changes in unrecognized benefits since July 1, 2007, nor are any anticipated in the next 12 months. There have been no related tax penalties or interest, which would be classified as tax expense in the statement of activities. As a result, the adoption of FIN 48 did not have a material effect on the College's financial statements.

Mills College

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

(with comparative information for 2007)

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (continued)

New Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (“FASB”) issued Emerging Issues Task Force (“EITF”) 06-2, *Accounting for Sabbatical Leave and Other Similar Benefit to FASB Statement No. 43*. EITF 06-2 provides guidance for recording compensated absences, requiring compensation associated with such benefits to be accrued over the required service period. The College adopted this EITF for the fiscal year ending June 30, 2008. The adoption of EITF 06-2 did not have a material impact on Mills College’s financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measures* (“SFAS No. 157”). SFAS No. 157 provides guidance for using fair value to measure assets and liabilities and applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The College is in the process of reviewing the provisions of SFAS No. 157 to determine the impact on its financial statements.

In August 2008, the FASB issued FASB Staff Position (“FSP”) 117-1, *Endowments of Not-For-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. FSP 117-1 is effective for fiscal years ending after December 15, 2008. FSP 117-1 addresses the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). In addition, the FSP requires new disclosures about an organization’s donor-restricted and board-designated endowment funds. The College is in the process of reviewing the provisions of FSP 117-1 to determine the impact on its financial statements.

NOTE 3 - STUDENT ACCOUNTS AND NOTES RECEIVABLE, NET

Student accounts and notes receivable as of June 30 consist of the following:

	2008	2007
Student accounts	\$ 747,778	\$ 652,475
Less allowance for doubtful accounts	(94,830)	(72,197)
Student accounts, net	652,948	580,278
Perkins Loan Program	1,975,481	1,923,691
Mills College Loan Program	792,767	722,247
Other	5,055	3,872
	2,773,303	2,649,810
Less allowance for doubtful accounts	(398,513)	(263,137)
Notes receivable, net	2,374,790	2,386,673
Total student accounts and notes receivable, net	\$ 3,027,738	\$ 2,966,951

Mills College

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

(with comparative information for 2007)

NOTE 3 - STUDENT ACCOUNTS AND NOTES RECEIVABLE, NET (continued)

The Perkins Loan Program notes, which bear interest at 5%, are payable over approximately 10 years beginning nine months after the student ceases to be a student.

The Mills College Loan Program notes, which bear interest at 8.5%, are payable in equal monthly installments over a five year period beginning nine months after the student ceases to be a full time student.

NOTE 4 - CONTRIBUTIONS AND TRUSTS RECEIVABLE, NET

Contributions and trusts receivable as of June 30 consist of the following:

	2008	2007
Unconditional promises expected to be collected in:		
Less than one year	\$ 7,428,703	\$ 4,953,414
One year to five years	4,235,903	2,403,826
Total contributions receivable	11,664,606	7,357,240
Less unamortized discount to present value	(213,061)	(108,000)
Less allowance for uncollectible pledges	(98,674)	(250,055)
Contributions receivable, net	11,352,871	6,999,185
Trusts held by third parties	6,781,236	6,278,336
Total contributions and trusts receivable, net	\$ 18,134,107	\$ 13,277,521

NOTE 5 - INVESTMENTS

The fair values of investments as of June 30 are as follows:

	2008	2007
Operating	\$ 6,837,068	\$ 22,492,508
Endowment and quasi-endowment:		
Pooled:		
Pooled investments	209,669,165	221,122,677
Due from other funds	886,491	11,951,619
Total pooled and due from other funds	210,555,656	233,074,296
Separately invested (nonpooled):		
Nonpooled investments	-	665,143
Due to other funds	-	(242,569)
Total nonpooled and due to other funds	-	422,574
Total pooled and nonpooled	210,555,656	233,496,870
Annuity and life income investments	7,965,938	7,722,706
Investments designated for acquiring plant and equipment	3,687,253	6,742,704
Net due to other funds	(886,491)	(11,709,049)
Total investments by category	\$228,159,424	\$258,745,739

Mills College

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

(with comparative information for 2007)

NOTE 5 – INVESTMENTS (continued)

	2008	2007
By asset type:		
Cash and cash equivalents	\$ 8,708,189	\$ 22,135,498
Common stocks	42,823,629	51,379,917
Fixed income	7,878,875	27,118,388
Mutual and commingled funds	101,100,896	91,702,062
Security trading limited partnerships	66,492,230	66,409,874
Real Estate Investment Trusts and other	1,155,605	-
Total investments by asset type	\$228,159,424	\$258,745,739

The College has commitments for additional capital contributions to security trading limited partnerships totaling \$10,565,854 as of June 30, 2008.

Certain assets of endowment and quasi endowment funds are pooled on a market value basis, with each individual fund subscribing to or disposing of units on the basis of the value per unit at market value at the end of the calendar quarter within which the transaction takes place. Ownership of units as of June 30, 2008 was as follows:

	Units	Market Value
Endowment	4,387,212	\$ 196,270,582
Quasi-endowment	319,312	14,285,074
Total	4,706,524	\$ 210,555,656

Until the fiscal year ended June 30, 2005, the College used the total return approach to manage spending from the pooled endowment fund. Beginning in fiscal year ended June 30, 2005, the College established a floor of \$8,000,000 as the total dollar draw down from the endowment pool fund. The \$8,000,000 base will be increased each year by 2.5%, or the rate of inflation (based on the Bay Area Consumer Price Index as of December), whichever is greater. The increase cannot be greater than 5% in any year and the total amount of spending is also to stay between 4.5% and 6% of the 12 quarter trailing average market value of the endowment pool fund.

As of June 30, 2008 and 2007, the aggregate amount of the deficiencies for all donor-restricted pooled endowment funds for which the fair value of the assets is less than the level required by donor stipulation is \$888,142 and \$0, respectively.

Mills College

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

(with comparative information for 2007)

NOTE 5 – INVESTMENTS (continued)

The following tabulation summarizes the change in the value of the pooled endowment investments for the year ended June 30, 2008:

	Pooled Assets		Market Value Per Unit
	Market	Units	
June 30, 2007	\$233,074,296	4,688,151	\$ 49.72
Additions to pooled endowments	6,503,914		
Withdrawals from pooled quasi-endowments	<u>(5,419,248)</u>		
Net additions to pooled endowment	1,084,666	18,373	
Net payout taken from pooled endowment	(12,460,775)		
Net investment return	<u>(11,142,531)</u>		
June 30, 2008	<u>\$210,555,656</u>	<u>4,706,524</u>	<u>\$ 44.74</u>

Total investment returns allocated to operations for years ended June 30 were made up of the following:

	2008	2007
Pooled investment income, net of \$797,501 and \$686,908 investment expenses in 2008 and 2007, respectively	\$ 1,574,141	\$ 2,025,362
Other investment income	17,033	151,924
Net realized gains, including pooled assets	1,378,468	6,310,533
Change in unrealized gains (losses), including pooled assets	<u>(14,185,226)</u>	<u>27,949,859</u>
Total investment returns (losses)	(11,215,584)	36,437,678
Less nonoperating investment returns (losses), net of allocations to operations	<u>22,709,591</u>	<u>(27,246,958)</u>
Investment returns allocated to operations	<u>\$ 11,494,007</u>	<u>\$ 9,190,720</u>

Mills College

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(with comparative information for 2007)

NOTE 6 - PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment as of June 30 consist of the following:

	2008	2007
Improvements	\$ 43,888,838	\$ 43,502,219
Buildings	74,168,772	72,543,147
Equipment	26,794,942	25,673,408
Art collection	<u>2,373,803</u>	<u>2,166,138</u>
	147,226,355	143,884,912
Accumulated depreciation and amortization	<u>(62,573,837)</u>	<u>(58,550,250)</u>
	84,652,518	85,334,662
Construction in progress	18,091,269	3,295,888
Land	<u>291,686</u>	<u>291,686</u>
 Total property, plant, and equipment, net	 <u>\$103,035,473</u>	 <u>\$ 88,922,236</u>

NOTE 7 - CAPITAL LEASES

The College is obligated under various capital leases for equipment that expire at various dates during the next five years. As of June 30, 2008, the gross amount of equipment and related accumulated amortization recorded under capital leases were \$958,645 and \$911,178, respectively.

Amortization of assets held under capital leases is included within depreciation expense.

Future minimum capital lease payments as of June 30, 2008 are:

Year ending June 30:	
2009	\$ 53,216
Total minimum lease payments	53,216
Less amount representing interest (4.4%)	(4,965)
 Present value of net minimum capital lease payments	 <u>\$ 48,251</u>

Mills College

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

(with comparative information for 2007)

NOTE 8 - BONDS AND NOTE PAYABLE

As of June 30, 2008 and 2007, total bonds payable issued through the California Educational Facilities Authority ("CEFA") and associated interest rates and maturities are as follows:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>2008</u>	<u>2007</u>
Series 1997 Notes	4.60% to 5.125%	September 1, 1999 to September 1, 2022	\$ 7,900,000	\$ 8,265,000
Series 2005A Notes	3.00% to 5.00%	September 1, 2007 to September 1, 2035	24,970,000	25,000,000
Series 2005B Notes	5.00%	September 1, 2006 to September 1, 2020	<u>2,500,000</u>	<u>2,670,000</u>
			35,370,000	35,935,000
Unamortized bond discount and bond premium, net			<u>742,494</u>	<u>771,611</u>
Total bonds payable			\$36,112,494	\$ 36,706,611

During the year ended June 30, 2007, Mills College received an interest free loan from a non-profit public benefit corporation controlled by a board of trustee member for \$9,000,000. Interest is imputed at 4.8% and recognized under the method that approximates effective interest method over the term of the note.

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>2008</u>	<u>2007</u>
Promissory note	0%	November 20, 2009	9,000,000	9,000,000
Unamortized note discount			<u>(561,958)</u>	<u>(946,127)</u>
Total promissory note			<u>8,438,042</u>	<u>8,053,873</u>
Total bonds and note payable			<u>\$ 44,550,536</u>	<u>\$ 44,760,484</u>

Based on the current trading value, the fair value of the bonds is \$35,587,780 and \$36,110,272 as of June 30, 2008 and 2007, respectively.

Total amount of interest capitalized for the years ended June 30, 2008 and 2007, was \$1,006,631 and \$697,663, respectively.

Covenants to the 1997 Notes agreement place several requirements on the College, including the maintenance of a certain enrollment level and a certain asset coverage ratio.

Mills College

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

(with comparative information for 2007)

NOTE 8 - BONDS AND NOTE PAYABLE (continued)

Principal payments to be made for the next five years and thereafter as of June 30, 2008 are as follows:

2009	\$	595,000
2010		9,625,000
2011		655,000
2012		690,000
2013		725,000
Thereafter		32,080,000
Unamortized premium/discount		<u>180,536</u>
 Total		 <u>\$ 44,550,536</u>

NOTE 9 - NET TUITION AND FEES

Net tuition and fees for the years ended June 30 consists of the following:

	<u>2008</u>	<u>2007</u>
Tuition and fees	\$ 39,772,178	\$ 35,559,336
Less:		
Sponsored student aid	(4,727,191)	(4,528,214)
Unsponsored student aid	<u>(11,960,682)</u>	<u>(9,402,301)</u>
 Net tuition and fees	 <u>\$ 23,084,305</u>	 <u>\$ 21,628,821</u>

NOTE 10 - EXPENSES BY FUNCTION

Expenses by functional classification per the accompanying statement of activities includes operations and maintenance of plant expenses of \$6,930,926 and \$7,028,532, interest expense of \$917,356 and \$791,301 and depreciation expense of \$4,023,589 and \$3,893,281 for the years ended June 30, 2008 and 2007, respectively.

NOTE 11 - FUND RAISING EXPENSE

Included in institutional support expenses in the statements of activities for the years ended June 30, 2008 and 2007, are \$2,924,749 and \$2,345,166, respectively, of expenses related to fund raising.

Mills College

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

(with comparative information for 2007)

NOTE 12 - LIQUIDITY

Summarized information regarding the liquidity of assets and liabilities of the College as of June 30 is as follows:

	2008	2007
Total current assets	\$ 82,026,415	\$107,954,440
Total noncurrent assets	<u>278,354,236</u>	<u>261,075,570</u>
Total assets	<u>\$360,380,651</u>	<u>\$369,030,010</u>
Total current liabilities	\$ 8,333,446	\$ 7,711,919
Total noncurrent liabilities	<u>49,140,542</u>	<u>49,574,963</u>
Total liabilities	57,473,988	57,286,882
Net assets	<u>302,906,663</u>	<u>311,743,128</u>
Total liabilities and net assets	<u>\$360,380,651</u>	<u>\$ 369,030,010</u>

NOTE 13 - PENSION PLANS

Academic and nonacademic employees with one year of service are eligible to participate in the Teachers Insurance and Annuity Association (“TIAA”), the College Retirement Equity Fund (“CREF”) and/or Calvert and/or Fidelity. TIAA is a legal reserve life insurance and annuity company and CREF is a corporate companion to TIAA. These plans are defined contribution plans and benefits are funded by contributions from both the College and the participating employees. All contributions are fully vested when paid and there are no prior service costs. The College’s contributions for the years ended June 30, 2008 and 2007, were \$2,217,067 and \$2,011,474, respectively, and are included as expenditure in the current funds.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

In the ordinary course of business the College enters into various arrangements for construction services. Future minimum commitments under these arrangements as of June 30, 2008 were approximately \$24,260,000.

The College is contingently liable in connection with claims and contracts, including those currently in litigation, arising in the normal course of its activities. In the opinion of management, the results of these matters will not have a significant impact on the financial statements.

The College also has funding from certain federal entities. Costs billed to the federal government are subject to audit by the respective cognizant agency. In the opinion of management, the results of these audits will not have a significant impact on the financial statements.

Mills College

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

(with comparative information for 2007)

NOTE 15 - RELATED PARTY TRANSACTIONS

Included in receivables for the years ended June 30, 2008 and 2007, are contributions receivable from board of trustee members totaling \$3,491,382 and \$1,580,649, respectively. Also included in receivables for the year ended June 30, 2008 is a \$300,000, 4.41% interest, 30-year promissory note from an Officer of the College. Included in liabilities for the years ended June 30, 2008 and 2007 is a \$9,000,000, 0% interest short term loan payable to a non-profit public benefit corporation controlled by a board of trustee member. Included in revenues for the years ended June 30, 2008 and 2007, are contributions from board of trustee members totaling \$6,574,392 and \$7,955,992, respectively.

NOTE 16 – CONDITIONAL PROMISE TO GIVE

During the 2007 fiscal year, the College received a conditional matching promise to give from a board of trustees member in the amount of \$5,000,000 for the purpose of developing the business school. As of June 30, 2007, certain conditions were met such that the College could recognize revenue of approximately \$1,181,000. As of June 30, 2008, conditions were met such that the College could recognize additional revenue of approximately \$3,016,000. The amount has been recognized as non-operating temporarily restricted contribution revenue during the year ended June 30, 2008.

NOTE 17 – SUBSEQUENT EVENTS (UNAUDITED)

The College's investment portfolio experienced a decline in investment fair value from June 30, 2008 to September 30, 2008 of approximately 9%.