

**EMERITI RETIREE HEALTH PLAN FOR  
SAINT MARY'S COLLEGE OF CALIFORNIA**  
Moraga, California

FINANCIAL STATEMENTS  
Including Independent Auditors' Report  
December 31, 2010 and 2009

**EMERITI RETIREE HEALTH PLAN FOR  
SAINT MARY'S COLLEGE OF CALIFORNIA**

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## INDEPENDENT AUDITORS' REPORT

To the Plan Administrator  
Emeriti Retiree Health Plan for Saint Mary's College of California  
Moraga, California

We were engaged to audit the accompanying statements of net assets available for benefits - modified cash basis of the Emeriti Retiree Health Plan for Saint Mary's College of California (the Plan) as of December 31, 2010 and 2009, the statement of changes in net assets available for benefits - modified cash basis for the year ended December 31, 2010, and the supplemental schedules as listed in the accompanying table of contents. These modified cash basis financial statements and supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Note 4, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the Plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained certifications from the trustee as of December 31, 2010 and 2009, and for the year ended December 31, 2010, that the information provided to the Plan administrator by the trustee is complete and accurate.

As described in Note 2, these financial statements and supplemental schedules were prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Because of the significance of the information in the Plan's financial statements and supplemental schedules that we did not audit, we are unable to, and do not, express an opinion on the accompanying modified cash basis financial statements and supplemental schedules taken as a whole. The form and content of the information included in the financial statements and supplemental schedules, other than those derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

*Baker Tilly Virchow Krause, LLP*

Minneapolis, Minnesota  
July 15, 2011

**EMERITI RETIREE HEALTH PLAN FOR  
SAINT MARY'S COLLEGE OF CALIFORNIA**

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS - MODIFIED CASH BASIS  
December 31, 2010 and 2009

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	<u>2010</u>	<u>2009</u>
Investments, at fair value:		
Money market	\$ 51,989	\$ 47,270
Mutual funds	<u>3,296,675</u>	<u>2,081,339</u>
Total investments	<u>3,348,664</u>	<u>2,128,609</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<u><b>\$ 3,348,664</b></u>	<u><b>\$ 2,128,609</b></u>

See accompanying notes to financial statements.

**EMERITI RETIREE HEALTH PLAN FOR  
SAINT MARY'S COLLEGE OF CALIFORNIA**

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS - MODIFIED CASH BASIS  
Year Ended December 31, 2010

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**ADDITIONS**

Additions to net assets attributed to:

Interest and dividends	\$ 78,458
Net appreciation in fair value of investments	<u>254,314</u>

Total investment income	<u>332,772</u>
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Contributions:

Employer	974,373
Participants	<u>48,956</u>

Total contributions	<u>1,023,329</u>
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Total additions	<u>1,356,101</u>
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**DEDUCTIONS**

Deductions from net assets attributed to:

Benefits paid on behalf of participants	84,845
Insurance premiums	37,245
Administrative expenses	<u>13,956</u>

Total deductions	<u>136,046</u>
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<b>NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS</b>	1,220,055
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<b>NET ASSETS AVAILABLE FOR BENEFITS - BEGINNING OF YEAR</b>	<u>2,128,609</u>
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<b>NET ASSETS AVAILABLE FOR BENEFITS - END OF YEAR</b>	<u>\$ 3,348,664</u>
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See accompanying notes to financial statements.

# EMERITI RETIREE HEALTH PLAN FOR SAINT MARY'S COLLEGE OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
December 31, 2010 and 2009

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## NOTE 1 - Description of the Plan

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The following description of the Emeriti Retiree Health Plan for Saint Mary's College of California (the "Plan") provides only general information. Participants should refer to the Emeriti Retiree Health Plan for Saint Mary's College of California summary plan description and plan agreement for a more complete description of the Plan's provisions.

### *General*

The Plan, as effective July 1, 2007, provides post-retirement health benefits, covering the employees of Saint Mary's College of California (the Plan Sponsor) and their covered dependents. The Plan is a defined contribution health model plan that is funded through Employer and Employee Voluntary Employees' Beneficiary Association (VEBA) Trusts designed in part by Emeriti Retirement Health Solutions, a not-for-profit company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Upon enrollment in the Plan, a participant may direct employer and employee contributions to any combination of available investment options.

### *Contributions*

Once an eligible participant attains the age of 40, the Plan Sponsor will begin to make a contribution for each payroll period during which the participant is credited with at least one hour of service. Participants, including those no longer employed by the Plan Sponsor may make after-tax contributions into separate employee accounts. Certain retired participants received contributions into their accounts based on their age at retirement, length of service, and year of retirement from the Plan Sponsor.

### *Participant Accounts*

Participant accounts are credited with contributions, plus earnings and interest, less administrative expenses paid by the Plan Sponsor.

### *Vesting and Forfeiture*

Participants are immediately vested in their individual after-tax contributions. Plan Sponsor contributions are fully vested after five years of continuous service with the Plan Sponsor. Funds become available for employee insurance premiums and other qualified medical expenses upon retirement of the participant. After the death of the participant, spouse, and covered dependents, any remaining participant balance is forfeited to the Plan.

### *Forfeited Accounts*

As of December 31, 2010 and 2009, forfeited nonvested accounts totaled \$28,342 and \$17,708, respectively. These accounts will be used to reduce future Plan Sponsor contributions or Plan expenses. In 2010, no forfeitures were used to reduce Plan Sponsor contributions or Plan expenses.

**EMERITI RETIREE HEALTH PLAN FOR  
SAINT MARY'S COLLEGE OF CALIFORNIA**

NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
December 31, 2010 and 2009

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**NOTE 1 - Description of the Plan (cont.)**

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*Benefits*

The Plan makes available certain health benefits to retired participants of the Plan. Retirees may elect an Emeriti Health Insurance Option as a retiree in the Plan after attaining the age of 55, and having completed 5 years of consecutive service to the Plan Sponsor. The two general types of options for health insurance coverage include a Pre-65 option and Post-65 options, based on the participants' age. Post-65 retirement options include prescription drug coverage, and participants must enroll within 90 days of attaining the age of 65. Monthly insurance premiums are incurred by the selection of a Health Insurance Option and are deducted from the participant's VEBA account. If the participant account is exhausted, participants may retain coverage under the Emeriti Health Insurance Option by paying insurance premiums directly from a personal checking or savings account.

*Termination of Plan*

Although it has not expressed any intent to do so, the Plan Sponsor has the right under the Plan to terminate the Plan at any time subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

*Participant Loans*

There are no participant loans allowed under the Plan.

*Administrative Expenses*

The Plan Sponsor pays a portion of the Plan's administrative expenses.

*Use of Estimates*

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the accompanying financial statements and disclosures. Actual results could differ from these estimates.

*Reclassification*

For comparability, certain 2009 amounts have been reclassified to conform with classifications adopted in 2010.

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**NOTE 2 - Summary of Significant Accounting Policies**

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*Basis of Accounting*

The accompanying financial statements have been prepared under the modified cash basis of accounting. Had the financial statements been prepared under the accrual basis of accounting, receivables, payables, revenues and expenses would be reflected in the period in which they were considered to have been earned or incurred regardless of whether such transactions have been finally settled by the receipt or payment of cash.

**EMERITI RETIREE HEALTH PLAN FOR  
SAINT MARY'S COLLEGE OF CALIFORNIA**

NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
December 31, 2010 and 2009

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**NOTE 2 - Summary of Significant Accounting Policies (cont.)**

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*Investment Valuation and Income Recognition*

The Plan's investments are valued at fair value using quoted market prices.

Net appreciation in fair value of investments included in the accompanying statement of changes in net assets available for benefits includes realized gains or losses from the sale of investments and unrealized appreciation or depreciation in fair value of investments. Net unrealized appreciation or depreciation in the fair value of investments represents the net change in the fair value of the investments held during the period. The net realized gains or losses on the sale of investments represent the difference between the sale proceeds and the fair value of the investment as of the beginning of the year or the cost of the investment if purchased during the year.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the cash basis and dividends are recorded on the ex-dividend date.

*Payment of Benefits*

Benefits are recorded when paid.

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**NOTE 3 - Fair Value of Financial Instruments**

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As defined by a recent accounting pronouncement, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Plan used various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible, the Plan attempts to utilize valuation methods that maximize the use of observable inputs and minimized the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Plan is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

**EMERITI RETIREE HEALTH PLAN FOR  
SAINT MARY'S COLLEGE OF CALIFORNIA**

NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
December 31, 2010 and 2009

**NOTE 3 - Fair Value of Financial Instruments (cont.)**

The table below presents the balances of assets measured at fair value on a recurring basis as of December 31, 2010:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>INVESTMENTS</b>				
Money market funds	\$ 51,989	\$ 51,989	\$ -	\$ -
Mutual funds				
Lifecycle funds	3,185,344	3,185,344	-	-
Blended fund	<u>111,331</u>	<u>111,331</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 3,348,664</u>	<u>\$ 3,348,664</u>	<u>\$ -</u>	<u>\$ -</u>

The table below presents the balances of assets measured at fair value on a recurring basis as of December 31, 2009:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>INVESTMENTS</b>				
Money market funds	\$ 47,270	\$ 47,270	\$ -	\$ -
Mutual funds				
Lifecycle funds	2,027,933	2,027,933	-	-
Blended fund	<u>53,406</u>	<u>53,406</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 2,128,609</u>	<u>\$ 2,128,609</u>	<u>\$ -</u>	<u>\$ -</u>

The following assumptions were used to estimate the fair value of each class of financial instrument:

**Money Market** - Investments in money market funds, are classified as Level 1, as most of the investments can be liquidated in the same day, representing the active and ready market for these assets.

**Mutual Funds** - Mutual funds are classified as Level 1, as they are traded in an active market for which closing prices are readily available.

**EMERITI RETIREE HEALTH PLAN FOR  
SAINT MARY'S COLLEGE OF CALIFORNIA**

NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
December 31, 2010 and 2009

**NOTE 4 - Information Prepared and Certified by Trustee - Unaudited**

The following information included in the accompanying financial statements and supplemental schedule was obtained from data that has been prepared and certified to be complete and accurate by Fidelity Management Trust Company, the Trustee.

Net assets available for benefits at December 31:

	2010	2009
Money market funds	\$ 51,989	\$ 47,270
Mutual funds	3,296,675	2,081,339
Total Investments	\$ 3,348,664	\$ 2,128,609

During the year ended December 31, 2010, the Plan's mutual fund investments (including gains and losses on investments bought, sold, and held during the year) appreciated in value as follows:

	2010
Net appreciation in fair value of investments - mutual funds	\$ 254,314
Interest and dividends	78,458
Total Investment Income	\$ 332,772

All investments are with the Plan's Trustee.

The following presents investments that are greater than 5% of the Plan's net assets available for benefits as of December 31:

	2010	2009
Fidelity Freedom 2000	\$ 237,215	\$ 175,746
Fidelity Freedom 2005	540,400	366,001
Fidelity Freedom 2010	752,642	371,280
Fidelity Freedom 2015	486,281	368,563
Fidelity Freedom 2020	448,903	305,634
Fidelity Freedom 2025	329,935	206,721
Fidelity Freedom 2030	233,817	*

\* Investment represents less than 5% of the plan's net assets available for benefits.

Investments, in general, are subject to various risks, including credit, interest, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the statements of net assets available for benefits. Plan investments are not insured by FDIC or similar loss coverage.

**EMERITI RETIREE HEALTH PLAN FOR  
SAINT MARY'S COLLEGE OF CALIFORNIA**

NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS  
December 31, 2010 and 2009

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**NOTE 5 - Parties In Interest**

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Plan investments are shares of mutual funds and money market funds managed by the Trustee and, therefore, these transactions qualify as party in interest transactions. Fees paid by the Plan for the investment management services amounted to \$13,956 for the year ended December 31, 2010.

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**NOTE 6 - Tax Status**

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The Trusts received notice from the Internal Revenue Service on February 4, 2010, that the Trusts established under the Plan qualify under Section 501(c)(9) for tax exemption under present income tax law. The Plan is required to operate in conformity with the IRS to obtain and maintain tax exempt status.

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**NOTE 7 - Subsequent Events**

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The Plan has evaluated subsequent events through July 15, 2011, which is the date that the financial statements were approved and available to be issued, for events requiring recording or disclosure in the plan's financial statements.

The Plan document calls for transitional support to eligible participants when they meet certain criteria at retirement. The transitional benefits are calculated by a formula and the resulting figure is transferred to the participant's account. The Plan Sponsor found that the transitional benefits were calculated incorrectly in 2010 for 12 eligible participants, and determined that seven participants were underfunded by \$41,405. The Plan Sponsor has contributed the amount underfunded plus the lost earnings for a total contribution of \$46,545, so that the affected participant has received the full amount per the formula.

To ensure the plan operates in full conformity with the plan agreement, an amendment was made to the plan agreement in relation to transitional support contributions. For eligible employees who retired between January 1 and December 31, 2010, transitional support contributions shall be the greater of the amount actually contributed or the amount determined under the transitional support calculation.

## **SUPPLEMENTAL INFORMATION**

**EMERITI RETIREE HEALTH PLAN FOR  
SAINT MARY'S COLLEGE OF CALIFORNIA**

SCHEDULE H, LINE 4i, SCHEDULE OF ASSETS (HELD AT END OF YEAR)  
Plan 625  
Plan Sponsor EIN 94-1156599  
December 31, 2010

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost	(e) Current Value
	<b>Money Market Funds</b>			
*	Fidelity	Fidelity Freedom 2015	**	\$ 486,281
*	Fidelity	Fidelity Freedom 2010	**	752,642
*	Fidelity	Fidelity Freedom 2020	**	448,903
*	Fidelity	Fidelity Freedom 2005	**	540,400
*	Fidelity	Fidelity Freedom 2000	**	237,215
*	Fidelity	Fidelity Freedom 2025	**	329,935
*	Fidelity	Fidelity Freedom Income Fund	**	111,331
*	Fidelity	Fidelity Freedom 2030	**	233,817
*	Fidelity	Fidelity Freedom 2050	**	32,974
*	Fidelity	Fidelity Freedom 2040	**	27,905
*	Fidelity	Fidelity Freedom 2035	**	93,386
*	Fidelity	Fidelity Freedom 2045	**	1,886
	<b>Mutual Fund</b>			
*	Fidelity	Fidelity Retirement Money Market	**	<u>51,989</u>
				<u><u>\$ 3,348,664</u></u>

\* Represents a party-in-interest

\*\* Cost omitted for participant directed investments

**EMERITI RETIREE HEALTH PLAN FOR  
SAINT MARY'S COLLEGE OF CALIFORNIA**

SCHEDULE H, LINE 4a, SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS

Plan 625

EIN 94-1156599

Year Ended December 31, 2010

<u>Amount Withheld</u>	<u>Date Withheld</u>	<u>Date Remitted</u>	<u>Check Here if Participant Loan Repayments are Included</u>	<u>Contributions Not Corrected</u>	<u>Contributions Corrected Outside the VFCP</u>	<u>Contributions Pending Correction in VFCP</u>	<u>Total Fully Corrected Under VFCP and PTE 2002-51</u>
\$ <u>215</u>	5/31/2010	7/26/2010	<input checked="" type="checkbox"/>	\$ <u>215</u>	\$ <u>215</u>	\$ <u>-</u>	\$ <u>-</u>