

Cheryl Rohlf & Associates, Ltd.

Certified Public Accountants

KOBE COLLEGE CORPORATION

**FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
MARCH 31, 2011 AND 2010**

**WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

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INDEPENDENT AUDITOR'S REPORT

May 2, 2011

To the Board of Directors of
Kobe College Corporation
Northbrook, Illinois

We have audited the accompanying statements of financial position of Kobe College Corporation (an Illinois nonprofit organization) as of March 31, 2011 and 2010, and the related statements of activities and cash flows for the fiscal years then ended. These financial statements are the responsibility of the Organization'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Kobe College Corporation as of March 31, 2011 and 2010, and the changes in its net assets and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Kobe College Corporation taken as a whole. The accompanying schedules of expenses on pages 15-18 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated on all material respects in relation to the financial statements as a whole.

Cheryl Rohlfs & Associates, Ltd.

CHERYL ROHLFS & ASSOCIATES, LTD.

KOBE COLLEGE CORPORATION
STATEMENTS OF FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED MARCH 31, 2011 AND 2010

	Unrestricted	Board	Temporarily Restricted		Permanently Restricted	2011 Total
		Designated Bryant Drake Memorial Fund	Hannah Gulick Suehiro Scholarship Fund	Other		
ASSETS						
Investments, at Market Value (Note 3)						
U.S. Government Securities	\$ 484,060	\$ 51,229	\$ 79,703	\$ -	\$ -	\$ 614,992
Bonds	162,629	17,211	26,778	-	-	206,618
Mutual Fund (Total Market Index Fund)	2,001,730	213,308	129,022	-	475,558	2,819,618
Total Investments, at Market Value	<u>\$ 2,648,419</u>	<u>\$ 281,748</u>	<u>\$ 235,503</u>	<u>\$ -</u>	<u>\$ 475,558</u>	<u>\$ 3,641,228</u>
Cash	\$ 229,164	\$ -	\$ -	\$ 520	\$ -	\$ 229,684
Unconditional Promise to Give	500	-	-	-	-	500
Interest Receivable	7,855	-	-	-	-	7,855
Property and Equipment, less Accumulated Depreciation of \$5,681	1,079	-	-	-	-	1,079
Prepaid Expenses	4,922	-	-	-	-	4,922
TOTAL ASSETS	<u>\$ 2,891,939</u>	<u>\$ 281,748</u>	<u>\$ 235,503</u>	<u>\$ 520</u>	<u>\$ 475,558</u>	<u>\$ 3,885,268</u>
LIABILITIES AND UNRESTRICTED NET ASSETS						
Liabilities:						
Deferred Federal Excise Taxes	\$ 2,702	\$ 280	\$ 687	\$ -	\$ -	\$ 3,669
Total Liabilities	<u>\$ 2,702</u>	<u>\$ 280</u>	<u>\$ 687</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,669</u>
Net Assets:						
Unrestricted	\$ 2,889,237	\$ 281,468	\$ -	\$ -	\$ -	\$ 3,170,705
Temporarily Restricted	-	-	234,816	520	-	235,336
Permanently Restricted	-	-	-	-	475,558	475,558
Total Net Assets	<u>\$ 2,889,237</u>	<u>\$ 281,468</u>	<u>\$ 234,816</u>	<u>\$ 520</u>	<u>\$ 475,558</u>	<u>\$ 3,881,599</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u>\$ 2,891,939</u>	<u>\$ 281,748</u>	<u>\$ 235,503</u>	<u>\$ 520</u>	<u>\$ 475,558</u>	<u>\$ 3,885,268</u>

See accompanying notes and auditor's report.

KOBE COLLEGE CORPORATION
STATEMENTS OF FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED MARCH 31, 2011 AND 2010 (CONTINUED)

	Unrestricted	Board	Temporarily Restricted		Permanently Restricted	2010 Total
		Designated Bryant Drake Memorial Fund	Hannah Gulick Suehiro Scholarship Fund	Other		
ASSETS						
Investments, at Market Value (Note 3)						
U.S. Government Securities	\$ 460,482	\$ 49,121	\$ 116,137	\$ -	\$ -	\$ 625,740
Bonds	302,124	32,228	76,198	-	-	410,550
Mutual Fund (Total Market Index Fund)	1,898,573	225,850	3,930	1,919	475,558	2,605,830
Total Investments, at Market Value	<u>\$ 2,661,179</u>	<u>\$ 307,199</u>	<u>\$ 196,265</u>	<u>\$ 1,919</u>	<u>\$ 475,558</u>	<u>\$ 3,642,120</u>
Cash	\$ 36,390	\$ -	\$ -	\$ -	\$ -	\$ 36,390
Interest Receivable	8,323	-	-	-	-	8,323
Property and Equipment, less Accumulated Depreciation of \$6,768	-	-	-	-	-	-
Prepaid Expenses	758	-	-	-	-	758
TOTAL ASSETS	<u>\$ 2,706,650</u>	<u>\$ 307,199</u>	<u>\$ 196,265</u>	<u>\$ 1,919</u>	<u>\$ 475,558</u>	<u>\$ 3,687,591</u>
LIABILITIES AND UNRESTRICTED NET ASSETS						
Liabilities:						
Accounts Payable, Trade	\$ 92	\$ -	\$ -	\$ -	\$ -	\$ 92
Accrued Federal Excise Taxes	8,628	920	2,177	-	-	11,725
Deferred Federal Excise Taxes	3,925	419	990	-	-	5,334
Total Liabilities	<u>\$ 12,645</u>	<u>\$ 1,339</u>	<u>\$ 3,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,151</u>
Net Assets:						
Unrestricted	\$ 2,694,005	\$ 305,860	\$ -	\$ -	\$ -	\$ 2,999,865
Temporarily Restricted	-	-	193,098	1,919	-	195,017
Permanently Restricted	-	-	-	-	475,558	475,558
Total Net Assets	<u>\$ 2,694,005</u>	<u>\$ 305,860</u>	<u>\$ 193,098</u>	<u>\$ 1,919</u>	<u>\$ 475,558</u>	<u>\$ 3,670,440</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u>\$ 2,706,650</u>	<u>\$ 307,199</u>	<u>\$ 196,265</u>	<u>\$ 1,919</u>	<u>\$ 475,558</u>	<u>\$ 3,687,591</u>

See accompanying notes and independent auditor's report.

KOBE COLLEGE CORPORATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED MARCH 31, 2011 AND 2010

	Unrestricted	Board	Temporarily Restricted			2011 Total
		Designated Bryant Drake Memorial Fund	Hannah Gulick Suehiro Scholarship Fund	Other	Permanently Restricted	
REVENUES, GAINS AND OTHER SUPPORT						
Interest and Dividends Income	\$ 61,524	\$ 6,511	\$ 10,131	\$ -	\$ -	\$ 78,166
Realized Losses on Sales of Investments	(3,343)	(354)	(551)	-	-	(4,248)
Unrealized Investment Gains, Net	289,146	30,601	47,609	-	-	367,356
Contributions	18,417	3,245	5,060	520	-	27,242
Concert Event	4,159	-	-	-	-	4,159
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>369,903</u>	<u>40,003</u>	<u>62,249</u>	<u>520</u>	<u>-</u>	<u>472,675</u>
EXPENSES						
Program Expenses	133,142	60,000	13,693	1,919	-	208,754
Office and Administrative Expenses	42,189	4,465	6,947	-	-	53,601
Federal Excise Taxes - Current	650	69	107	-	-	826
Federal Excise Taxes - Deferred	(1,310)	(139)	(216)	-	-	(1,665)
TOTAL EXPENSES	<u>174,671</u>	<u>64,395</u>	<u>20,531</u>	<u>1,919</u>	<u>-</u>	<u>261,516</u>
CHANGE IN NET ASSETS	195,232	(24,392)	41,718	(1,399)	-	211,159
NET ASSETS, BEGINNING OF YEAR	<u>2,694,005</u>	<u>305,860</u>	<u>193,098</u>	<u>1,919</u>	<u>475,558</u>	<u>3,670,440</u>
NET ASSETS, END OF YEAR	<u>\$ 2,889,237</u>	<u>\$ 281,468</u>	<u>\$ 234,816</u>	<u>\$ 520</u>	<u>\$ 475,558</u>	<u>\$ 3,881,599</u>

See accompanying notes and independent auditor's report.

KOBE COLLEGE CORPORATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED MARCH 31, 2011 AND 2010 (CONTINUED)

	Unrestricted	Board	Temporarily Restricted		Permanently Restricted	2010 Total
		Designated Bryant Drake Memorial Fund	Hannah Gulick Suehiro Scholarship Fund	Other		
REVENUES, GAINS AND OTHER SUPPORT						
Interest and Dividends Income	\$ 74,845	\$ 8,097	\$ 18,902	\$ -	\$ -	\$ 101,844
Realized Gains on Sales of Investments	343,877	36,682	86,728	-	-	467,287
Unrealized Investment Gains, Net	196,232	20,933	49,492	-	-	266,657
Contributions	37,573	3,875	-	-	-	41,448
Miscellaneous Income	50	-	-	-	-	50
TOTAL REVENUES, GAINS AND OTHER SUPPORT	652,577	69,587	155,122	-	-	877,286
EXPENSES						
Program Expenses	153,291	1,720	42,153	3,081	-	200,245
Office and Administrative Expenses	42,173	4,499	10,637	-	-	57,309
Federal Excise Taxes - Current	8,628	920	2,177	-	-	11,725
Federal Excise Taxes - Deferred	3,925	419	990	-	-	5,334
TOTAL EXPENSES	208,017	7,558	55,957	3,081	-	274,613
CHANGE IN NET ASSETS	444,560	62,029	99,165	(3,081)	-	602,673
NET ASSETS, BEGINNING OF YEAR	2,249,445	243,831	93,933	5,000	475,558	3,067,767
NET ASSETS, END OF YEAR	\$ 2,694,005	\$ 305,860	\$ 193,098	\$ 1,919	\$ 475,558	\$ 3,670,440

See accompanying notes and independent auditor's report.

KOBE COLLEGE CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED MARCH 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 206,249	\$ 602,673
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized Net (Gains) Losses on Investments	(367,356)	(266,657)
Realized Net (Gains) Losses on Sale of Investments	4,248	(467,287)
Depreciation	120	-
(Increase) Decrease in Operating Assets:		
Receivables - Interest	468	1,346
Receivables - Other	(500)	-
Prepaid Expenses	(3,443)	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	428	(1,352)
Accrued Federal Excise Taxes	(11,725)	11,725
Deferred Federal Excise Taxes	<u>2,004</u>	<u>5,334</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (169,507)</u>	<u>\$ (114,218)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	\$ 364,000	\$ 3,123,557
Purchases of Investments	-	(3,008,332)
Purchase of Equipment	<u>(1,199)</u>	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>\$ 362,801</u>	<u>\$ 115,225</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	<u>\$ -</u>	<u>\$ -</u>
NET INCREASE IN CASH	193,294	1,007
CASH, BEGINNING OF YEAR	<u>36,390</u>	<u>35,383</u>
CASH, END OF YEAR	<u><u>\$ 229,684</u></u>	<u><u>\$ 36,390</u></u>
Supplemental Cash Flow Information:		
Cash paid for interest:	\$ -	\$ -
Income taxes paid:	\$ 11,725	\$ -

See accompanying notes and independent auditor's report.

**KOBE COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011 AND 2010**

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Kobe College Corporation (Organization) administers funds to support educational and cross-cultural programs in partnership with Kobe College (Kobe Jogakuin), a Christian institute of higher learning for women, located in the city of Nishinomiya, Japan.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

In accordance with Internal Revenue Service regulations, the Organization is generally required to distribute at least 5% of its investable assets each year. Funds are invested in a well diversified asset mix, which includes primarily equity, mutual funds, and debt securities, intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

The Organization capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions.

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the useful lives as follows:

Office Furniture	7 Years
Office Equipment	5 Years

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Board Designated Net Assets

Board designated net assets, Bryant Drake Memorial Fund, consist of unrestricted net assets determined by the Board of Directors to be spent in a manner consistent with their definitions.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions. Temporarily restricted support is reclassified to unrestricted net assets upon satisfaction of the restriction. Temporarily restricted contributions expended in the year received are reported as unrestricted revenues.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Excise Taxes

Kobe College Corporation is exempt from federal income taxes and classified as a private foundation under Section 501 of the Internal Revenue Code. It is subject to a 2% (1% if certain criteria are met) federal excise tax on net investment income, including realized gains, as defined by the Internal Revenue Code. Current and deferred excise taxes were provided at 1% for fiscal year ended March 31, 2011. Deferred taxes were provided on net unrealized capital gains recognized for book purposes.

Donated Services and Office Space

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet criteria for recognition as contributed services.

The Organization utilizes office space provided by a board director at no charge. Contribution revenue and rent expense of \$7,200 for the fiscal years ended March 31, 2011 and 2010 were recorded to report the fair value of this space in the Statement of Activities

2. ALLOCATION OF REVENUES AND EXPENSES

The Organization allocated its revenue and expenses to Board Designated and Unrestricted Net Assets as follows:

Investment Income:

The Organization allocated interest and dividends and unrealized and realized gains and losses based on the relative proportions of the board designated and unrestricted net assets at the beginning of the fiscal year.

Contributions

The Organization recorded all contributions received as unrestricted revenues, unless specifically restricted by the donor.

Program Expenses:

The Organization recorded all expenses as unrestricted and undesignated, unless they are specifically related to one of the board designated funds.

Office and Administrative Expenses:

The Organization allocated office and administrative expenses based on the relative proportion of net asset balances as of beginning of the fiscal year during which such expenses incurred.

Allocation percentages:

The allocation percentages used to allocate investment income, federal excise taxes and office and administrative expenses for the fiscal year ended March 31, 2011 are as follows:

	Unrestricted	Bryant Drake Memorial Fund	Hannah Gulick Suehiro Scholarship Fund	Total
For the fiscal year ended March 31, 2011:				
Net assets at March 31, 2010	\$ 2,889,022	\$ 305,860	\$ 475,558	\$ 3,670,440
Percentage of Total	78.71%	8.33%	12.96%	100.00%

The allocation percentages used to allocate investment income and office and administrative expenses for the fiscal year ended March 31, 2010:

	Unrestricted	Bryant Drake Memorial Fund	Hannah Gulick Suehiro Scholarship Fund	Total
For the year ended March 31, 2010:				
Net assets, March 31, 2009	\$ 2,254,445	\$ 243,831	\$ 569,491	\$ 3,067,767
Percentage of Total	73.49%	7.95%	18.56%	100.00%

3. INVESTMENTS

Investments at March 31, 2011 are composed of the following:

	Cost	Market Value	Excess of Market Value over Cost
Bond	\$ 211,930	\$ 206,618	\$ (5,312)
U.S. Government Securities	600,005	614,992	14,987
Mutual Funds	<u>2,172,452</u>	<u>2,819,618</u>	<u>647,166</u>
Total Investments at March 31, 2011	<u>\$ 2,984,387</u>	<u>\$ 3,641,228</u>	<u>\$ 656,841</u>
Interest and Dividends Income			\$ 78,166
Unrealized Net (Gains)			367,356
Realized Net (Losses) on Sales of Investments			<u>(4,248)</u>
Total Investment Return for the fiscal year ended March 31, 2011			<u>\$ 441,274</u>

Investments at March 31, 2010 are composed of the following:

	Cost	Market Value	Excess of Market Value over Cost
Bonds	\$ 414,834	\$ 410,550	\$ (4,284)
U.S. Government Securities	600,005	625,740	25,735
Mutual Funds	<u>2,320,487</u>	<u>2,605,830</u>	<u>285,343</u>
Total Investments at March 31, 2010	<u>\$ 3,335,326</u>	<u>\$ 3,642,120</u>	<u>\$ 306,794</u>
Interest and Dividends Income			\$ 101,844
Unrealized Net (Losses)			266,657
Realized Net Gains on Sales of Investments			<u>467,287</u>
Total Investment Return for the fiscal year ended March 31, 2010			<u>\$ 835,788</u>

4. RENTAL AGREEMENT

The Organization utilizes office space donated by a board director. A contribution and rent expense were recorded to report the fair value of the space of \$7,200 for fiscal 2011 and 2010 on the Statements of Activities.

5. TEMPORARILY RESTRICTED NET ASSETS

Prior to 2010, the Organization received a donor restricted contribution of \$5,000 for the expenses related to the essay contest program. Expenses of \$3,081 were paid in fiscal year 2010. The remaining \$1,919 amount is classified as temporarily restricted net assets as of March 31, 2010, and was used in fiscal 2011.

The Hannah Gulick Suehiro Scholarship Fund includes temporarily restricted net assets of \$254,452 and \$193,093 as of March 31, 2011 and 2010, respectively, available for the future expenses of the music scholarship program.

6. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at March 31, 2011 are as follows:

	Fair Value Measurements at Reporting Date Using:		
	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments:			
Bonds	\$ 206,618	\$ -	\$ 206,618
US Government Securities	614,992	-	614,992
Total Market Index Fund	<u>2,819,618</u>	<u>2,819,618</u>	<u>-</u>
	<u>\$ 3,641,228</u>	<u>\$ 2,819,618</u>	<u>\$ 821,610</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

7. CHANGE IN ENTITY

The *Pension Protection Act of 2006* contained tax rules that stated a Public Charity (Type III) cannot support a foreign organization that is not organized in the United States. The transitional rule gave these organizations with existing arrangements until the beginning of the third tax year after August 17, 2006 to comply. The board of directors of the Organization reviewed the options available in order to comply and determined in 2008 that Kobe College Corporation should become a private foundation effective April 1, 2009, for the fiscal year ended March 31, 2010.

The Organization is now governed under the rules for private foundation including an excise tax on gross investment income, calculated to be \$826 and \$11,725 for the fiscal years ended March 31, 2011 and 2010, respectfully. The Organization is also required to distribute an amount equal to 5% of the assets on annual basis and must comply with other private foundation rules to avoid additional excise taxes.

8. PRIOR PERIOD ADJUSTMENT

During the fiscal year ended March 31, 2010, information regarding the bequest originally restricted as the Hannah Gulick Suehiro Scholarship Fund revealed that the bequest was an endowment contribution of the amount of \$475,558. The financial statements for fiscal year 2010 have been restated to reflect the endowment portion of the bequest. The investment income earned on the endowment assets are temporarily restricted by the donor for the Suehiro Scholarship program expenses.

9. ENDOWMENT FUND

The Organization's endowment consists of donor-restricted funds established with a bequest received in 1986. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to the Suehiro Scholarship program while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets are invested in a well diversified asset mix, which includes U.S. Government Securities,

bonds, short-term funds, and cash that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make distributions approximating 5%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Organization has a policy of appropriating of distribution an amount each year of its endowment fund's fair value to cover the budgeted expenses of the Suehiro Scholarship Fund. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the endowment funds, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization's objective is to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of funds as of March 31, 2011, is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds, beginning of year	\$ 193,098	\$ 475,558	\$ 668,656
Contributions	5,060	-	5,060
Investment Income	80,400	-	80,400
Program Expenses	<u>(23,306)</u>	<u>-</u>	<u>(23,306)</u>
Donor-restricted endowment funds, end of year	<u>\$ 255,252</u>	<u>\$ 475,558</u>	<u>\$ 730,810</u>

10. EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been considered through May 2, 2011, which was the date the financial statements were available to be issued.

OTHER FINANCIAL INFORMATION

KOBE COLLEGE CORPORATION
SCHEDULES OF PROGRAM EXPENSES
FOR THE FISCAL YEARS ENDED MARCH 31, 2011 AND 2010

	Unrestricted	Board	Temporarily Restricted		2011 Total
		Designated Bryant Drake Memorial Fund	Hannah Gulick Suehiro Scholarship Fund	Other	
Teachers' Salaries and Expenses	\$ 126,596	\$ -	\$ -	\$ -	\$ 126,596
Teacher Recruitment, Orientation and Training	269	-	-	-	269
Drake Guest Professorship	-	60,000	-	-	60,000
Suehiro Costs:					
Teachers	-	-	8,193	-	8,193
Scholarships	-	-	5,500	-	5,500
Student Scholarships to Kobe College	100	-	-	-	100
Concert Expenses	4,123	-	-	-	4,123
Essay Contest	2,054	-	-	1,919	3,973
Total Program Expenses	\$ 133,142	\$ 60,000	\$ 13,693	\$ 1,919	\$ 208,754

See accompanying notes and independent auditor's report.

KOBE COLLEGE CORPORATION
SCHEDULES OF PROGRAM EXPENSES
FOR THE FISCAL YEARS ENDED MARCH 31, 2011 AND 2010 (CONTINUED)

	<u>Unrestricted</u>	Board	Temporarily Restricted		2010 Total
		<u>Designated Bryant Drake Memorial Fund</u>	<u>Hannah Gulick Suehiro Scholarship Fund</u>	<u>Other</u>	
Teachers' Salaries and Expenses	\$ 127,010	\$ -	\$ -	\$ -	\$ 127,010
Teacher Recruitment, Orientation and Training	331	-	-	-	331
Drake Guest Professor Expenses	-	1,720	-	-	1,720
Suehiro Costs:					
Teachers	-	-	35,653	-	35,653
Student Tuition	-	-	3,000	-	3,000
Scholarships	-	-	3,500	-	3,500
Student Scholarships to Kobe College	1,950	-	-	-	1,950
Graduate Fellowship	24,000	-	-	-	24,000
Essay Contest	-	-	-	3,081	3,081
Total Program Expenses	\$ 153,291	\$ 1,720	\$ 42,153	\$ 3,081	\$ 200,245

See accompanying notes and independent auditor's report.

KOBE COLLEGE CORPORATION
SCHEDULES OF OFFICE AND ADMINISTRATIVE EXPENSES
FOR THE FISCAL YEARS ENDED MARCH 31, 2011 AND 2010

	<u>Unrestricted</u>	<u>Board Designated Bryant Drake Memorial Fund</u>	<u>Temporarily Restricted Hannah Gulick Suehiro Scholarship Fund</u>	<u>2011 Total</u>
Office Administration Fees	\$ 14,724	\$ 1,558	\$ 2,424	\$ 18,706
Professional Fees	7,765	822	1,279	9,866
Rent	5,667	600	933	7,200
Storage Charges	1,271	135	209	1,615
Meeting Expenses	1,457	154	240	1,851
Board and Committee Travel Expenses	2,685	284	442	3,411
Office Expenses and Supplies	198	21	33	252
Equipment Expenses	1,017	108	167	1,292
Printing and Reproduction	1,235	131	203	1,569
Telephone	2,699	286	444	3,429
Postage	1,181	125	195	1,501
Insurance	1,024	108	168	1,300
Depreciation	94	10	16	120
Miscellaneous Expenses	1,172	123	194	1,489
Total Office and Administrative Expenses	<u>\$ 42,189</u>	<u>\$ 4,465</u>	<u>\$ 6,947</u>	<u>\$ 53,601</u>

See accompanying notes and independent auditor's report.

KOBE COLLEGE CORPORATION
SCHEDULES OF OFFICE AND ADMINISTRATIVE EXPENSES
FOR THE FISCAL YEARS ENDED MARCH 31, 2011 AND 2010 (CONTINUED)

	<u>Unrestricted</u>	<u>Board Designated Bryant Drake Memorial Fund</u>	<u>Temporarily Restricted Hannah Gulick Suehiro Scholarship Fund</u>	<u>2010 Total</u>
Office Administration Fees	\$ 12,896	\$ 1,376	\$ 3,253	\$ 17,525
Investment Management Fees	5,691	607	1,435	7,733
Professional Fees	4,431	473	1,117	6,021
Rent	5,299	565	1,336	7,200
Storage Charges	1,087	116	274	1,477
Meeting Expenses	656	70	166	892
Board and Committee Travel Expenses	4,065	434	1,025	5,524
Office Expenses and Supplies	1,045	111	264	1,420
Equipment Rental	1,307	139	330	1,776
Printing and Reproduction	839	89	211	1,139
Telephone	2,544	271	642	3,457
Postage	1,064	114	268	1,446
Insurance	957	102	241	1,300
Miscellaneous Expenses	292	32	75	399
Total Office and Administrative Expenses	<u>\$ 42,173</u>	<u>\$ 4,499</u>	<u>\$ 10,637</u>	<u>\$ 57,309</u>

See accompanying notes and independent auditor's report.