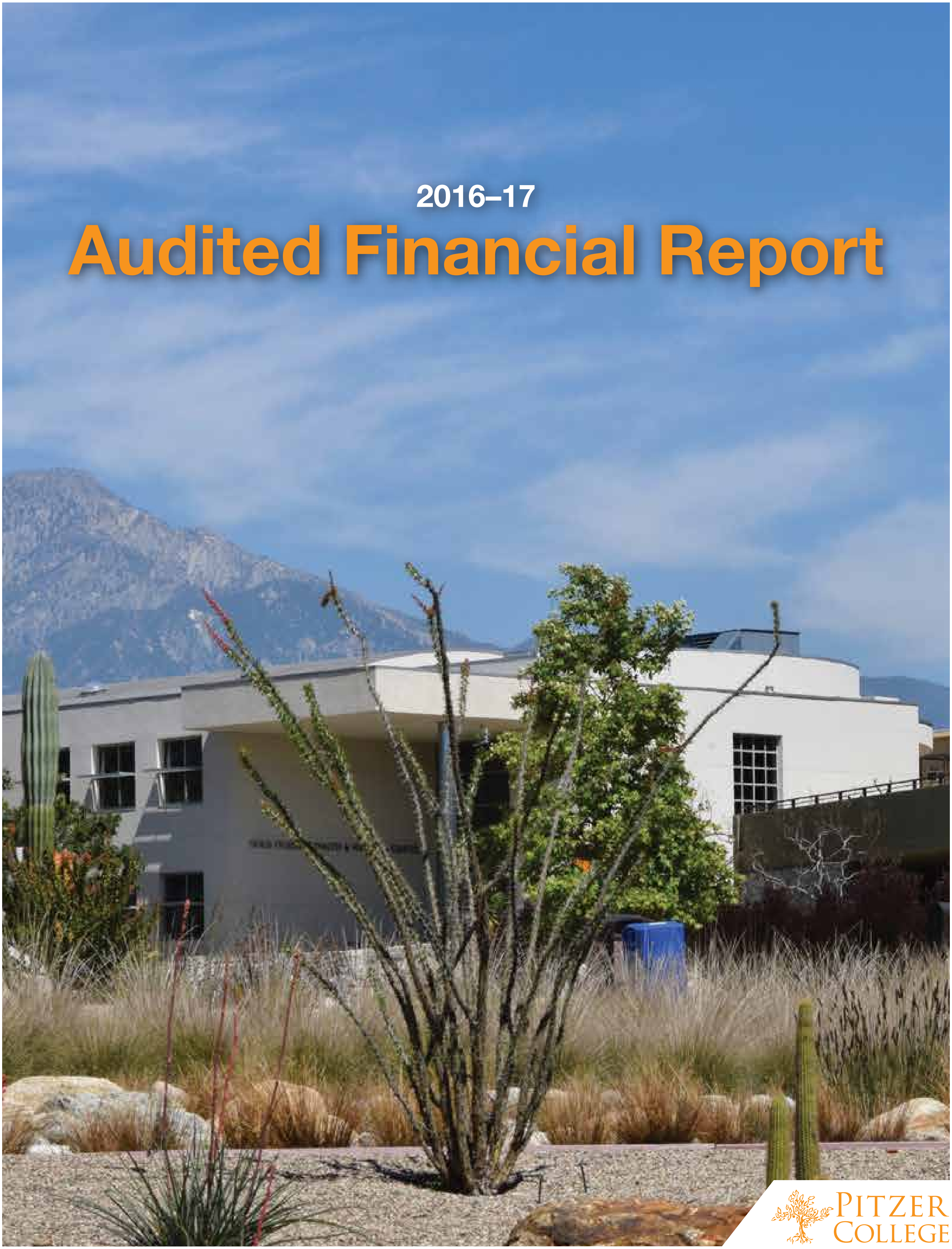
2016–17

Audited Financial Report



Pitzer College

PITZER COLLEGE
ANNUAL FINANCIAL REPORT

June 30, 2017 and 2016

CONTENTS

Report of Independent Auditors

The Board of Trustees
Pitzer College and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Pitzer College and Subsidiary (the "College"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the consolidated financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pitzer College and Subsidiary as of June 30, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Los Angeles, California
October 13, 2017

PITZER COLLEGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 1,310,149	$ 1,493,987
Short-term investments (Note 6)	18,560,116	16,867,867
Prepaid expenses and deposits	2,593,193	2,236,129
Accounts receivable, net (Note 3)	1,922,851	2,531,056
Notes receivable, net (Note 3)	3,642,432	4,201,997
Contributions receivable, net (Note 4)	2,250,383	1,879,894
Beneficial interest in trusts (Note 5)	2,409,558	2,119,331
Investments (Note 6)	145,797,727	135,852,341
Plant facilities, net (Note 9)	101,743,291	99,447,484
Total assets	$ 280,229,700	$ 266,630,086
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 4,110,939	$ 5,145,388
Liability for early retirement plan (Note 11)	5,952,546	6,274,207
Deposits and deferred revenues	1,679,786	1,371,038
Life income and annuities payable	52,937	48,757
Capital lease obligation (Note 10)	157,128	365,066
Bonds payable (Note 12)	80,760,874	78,529,776
Government advances for student loans	1,492,450	1,961,511
Asset retirement obligation (Note 9)	726,761	694,210
Total liabilities	94,933,421	94,389,953
Net Assets (Note 13):		
Unrestricted	115,060,942	107,207,464
Temporarily restricted	32,824,274	28,468,839
Permanently restricted	37,411,063	36,563,830
Total net assets	185,296,279	172,240,133
Total liabilities and net assets	$ 280,229,700	$ 266,630,086

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

PITZER COLLEGE
CONSOLIDATED STATEMENTS OF ACTIVITIES

For the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and releases of net assets:				
Net student revenues (Note 14)	$ 50,083,941	$ -	$ -	$ 50,083,941
Contributions	1,503,587	1,869,524	672,321	4,045,432
Grants and contracts	1,150,751	-	-	1,150,751
Spending policy income (Note 6)	5,228,268	183,828	3,515	5,415,611
Other investment income (Note 6)	369,997	86,740	3,042	459,779
Summer conference revenue	744,226	-	-	744,226
Other revenues	884,746	20	-	884,766
Release of temporarily restricted net assets and reclassifications	1,513,107	(1,521,095)	7,988	-
Total revenues and releases of net assets	61,478,623	619,017	686,866	62,784,506
Expenses:				
Academic program	28,647,557	-	-	28,647,557
Co-curricular program	16,373,447	-	-	16,373,447
Public service	570,223	-	-	570,223
Marketing	6,238,046	-	-	6,238,046
General and administrative	8,013,742	-	-	8,013,742
Total expenses	59,843,015	-	-	59,843,015
Excess of revenues over (under) expenses	1,635,608	619,017	686,866	2,941,491
Other changes in net assets:				
Realized and unrealized gains (losses), net of spending allocation (Note 6)	5,258,341	3,731,448	159,404	9,149,193
Gain (loss) on disposal of plant assets	275,561	-	-	275,561
Actuarial adjustment	31,052	4,970	963	36,985
Transfers to other Claremont Colleges	(262,252)	-	-	(262,252)
Comprehensive gain (loss) on retirement plans	915,168	-	-	915,168
Change in net assets	7,853,478	4,355,435	847,233	13,056,146
Net assets at beginning of year	107,207,464	28,468,839	36,563,830	172,240,133
Net assets at end of year	$ 115,060,942	$ 32,824,274	$ 37,411,063	$ 185,296,279

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

PITZER COLLEGE
CONSOLIDATED STATEMENTS OF ACTIVITIES

For the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and releases of net assets:				
Net student revenues (Note 14)	$ 50,288,649	$ -	$ -	$ 50,288,649
Contributions	1,779,461	1,078,084	429,653	3,287,198
Grants and contracts	700,920	-	-	700,920
Spending policy income (Note 6)	5,099,547	171,689	6,238	5,277,474
Other investment income (Note 6)	348,892	88,708	4,343	441,943
Summer conference revenue	432,797	-	-	432,797
Other revenues	439,099	-	-	439,099
Release of temporarily restricted net assets and reclassifications	2,408,296	(2,412,696)	4,400	-
Total revenues and releases of net assets	61,497,661	(1,074,215)	444,634	60,868,080
Expenses:				
Academic program	28,171,042	-	-	28,171,042
Co-curricular program	16,208,104	-	-	16,208,104
Public service	490,065	-	-	490,065
Marketing	6,199,698	-	-	6,199,698
General and administrative	7,074,501	-	-	7,074,501
Total expenses	58,143,410	-	-	58,143,410
Excess of revenues over (under) expenses	3,354,251	(1,074,215)	444,634	2,724,670
Other changes in net assets:				
Realized and unrealized gains (losses), net of spending allocation (Note 6)	(3,931,073)	(3,123,932)	(193,946)	(7,248,951)
Realized losses on contributions receivable		(1,342,329)	(222)	(1,342,551)
Gain (loss) on disposal of plant assets	(4,575)	-	-	(4,575)
Actuarial adjustment	200,030	(7,796)	25	192,259
Redesignation of net assets	-	(424)	424	-
Transfers to other Claremont Colleges	(199,941)	-	-	(199,941)
Comprehensive gain (loss) on defined benefit plans	(1,452,435)	-	-	(1,452,435)
Change in net assets	(2,033,743)	(5,548,696)	250,915	(7,331,524)
Net assets at beginning of year	109,241,207	34,017,535	36,312,915	179,571,657
Net assets at end of year	$ 107,207,464	$ 28,468,839	$ 36,563,830	$ 172,240,133

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

PITZER COLLEGE
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Student fees, net of financial aid	$ 50,379,227	$ 49,815,691
Gift, grant and contract revenue	3,584,343	2,480,381
Investment income	2,271,975	698,134
Other revenues	1,335,857	1,260,200
Interest paid	(3,928,752)	(3,950,978)
Payments to employees and suppliers	(51,580,701)	(50,591,370)
Net cash provided by (used in) provided by operating activities	2,061,949	(287,942)
Cash flows from investing activities:		
Purchase of plant facilities	(6,744,348)	(1,635,955)
Purchases of investments	(93,013,956)	(49,302,537)
Proceeds from sales of investments	94,128,934	50,438,163
Proceeds from sales of assets	275,561	-
Loans made to students and employees	(383,198)	(564,880)
Collection of student and employee loans	947,107	902,000
Net cash used in investing activities	(4,789,900)	(163,209)
Cash flows from financing activities:		
Payments to life income beneficiaries	(4,814)	4,105
Investment income and gains (losses) on life income investments	4,914	(2,073)
Proceeds from borrowing	3,952,259	-
Principal payments for borrowings	(1,929,099)	(1,631,176)
Contributions of life income annuities	20,000	-
Contributions with temporary restrictions	745,546	3,290,474
Contributions restricted for endowment	422,786	403,622
Contributions restricted for plant expenditures	63,836	76,093
Change in government advances for student loans	(469,063)	(1,131,588)
Transfers to other Claremont Colleges	(262,252)	(199,941)
Net cash provided by financing activities	2,544,113	809,516
Net (decrease) increase in cash	(183,838)	358,365
Cash and cash equivalents at beginning of year	1,493,987	1,135,622
Cash and cash equivalents at end of year	$ 1,310,149	$ 1,493,987

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

For the years ended June 30, 2017 and 2016

	2017	2016
Reconciliation of change in net assets to cash flows from operating activities:		
Change in net assets	$ 13,056,146	$ (7,331,524)
Adjustments to reconcile change in net assets to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation expense	4,172,980	4,149,800
Amortization and accretion expense	32,551	31,406
Comprehensive (gain) loss on staff retirement plan	-	(56,013)
Realized gains on investments	(1,286,694)	(1,804,093)
Unrealized losses (gains) on investments	(11,617,580)	5,564,927
Loss on disposal of plant	-	26,575
Adjustment of actuarial liability for life income agreements	(144,500)	5,430
Transfers to other Claremont Colleges	262,252	199,941
Contributions for long-term investments	(1,242,155)	(1,507,737)
Defined benefit plan contributions under (over) expense	-	920,754
Changes in operating assets and liabilities:		
Allowance for doubtful accounts	(4,344)	(58)
Accounts receivable	237,716	(413,430)
Prepaid expenses and deposits	(357,064)	431,622
Accounts payable and accrued liabilities	(1,034,447)	(2,094,491)
Liability for early retirement plan	(321,660)	1,905,822
Deposits and deferred revenues	308,748	(316,873)
Net cash and cash equivalents (used in) provided by operating activities	$ 2,061,949	$ (287,942)

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

June 30, 2017 and 2016

NOTE 1 – ORGANIZATION:

Founded in 1963, Pitzer College is an independent, coeducational, residential liberal arts and sciences college. Pitzer College is part of the unique educational environment known as The Claremont Colleges. Within The Claremont Colleges' consortium, Pitzer's educational philosophy is singular. Blending classroom instruction with fieldwork, Pitzer engages a student's mind, heart and spirit by integrating educational resources on campus, abroad and in the local community. Pitzer offers a curriculum that spans over 40 major fields and focuses on interdisciplinary, intercultural education with an emphasis on social responsibility and community service. Pitzer College Costa Rica was formed to hold real property in Costa Rica for the benefit of the education curriculum of Pitzer College and in support of the Firestone Center for Restoration Ecology. Hereinafter, these entities are collectively referred to as the "College" or "Pitzer".

Pitzer College and Pitzer College Costa Rica are nonprofit corporations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting policies of the College are in accordance with those generally accepted for colleges and universities:

Basis of Presentation:
The accompanying Consolidated Financial Statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, "Not-for-Profit Entities."

Consolidated Financial Statements:
The activities of Pitzer College Costa Rica are consolidated in the College's Consolidated Financial Statements, as required by generally accepted accounting principles. Intercompany amounts have been eliminated.

Net Asset Categories:
The accompanying Consolidated Financial Statements present information regarding the College's financial position and activities according to three categories of net assets:

- *Unrestricted Net Assets*
  Unrestricted net assets include all support that is not subject to donor-imposed restrictions.

- *Temporarily Restricted Net Assets*
  Temporarily restricted net assets include gifts of cash and securities, accumulated earnings and income from endowments that are subject to donor-imposed restrictions that either lapse or can be satisfied. When a donor restriction expires or funds are appropriated, temporarily restricted net assets are released or reclassified to unrestricted net assets (Note 2, Expiration of Donor-Imposed Restrictions).

- *Permanently Restricted Net Assets*
  Permanently restricted net assets include pledges, gifts, and income that are subject to donor-imposed restrictions that they be maintained permanently by the College. The donors of endowment funds generally allow the College to use the income and a portion of the gains earned on these assets for general or specific purposes under the College's spending policy.

Tuition and Fees:
Student tuition and fees are recorded as revenues in the year in which the related academic services are provided.

Collectability of student accounts and notes receivable is reviewed both individually and in the aggregate. Allowances have been established based on experience, and balances deemed uncollectible are written off through a charge to bad debt expense or the provision for doubtful accounts.

June 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

Grants and Contracts:
Revenues from grants and contracts are reported as increases in unrestricted net assets when allowable expenditures under such agreements are incurred.

Contributions:
Contributions, including unconditional promises to give, are recognized as revenue in the period pledged or received and are reported as increases in the appropriate category of net assets. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after twelve months are discounted at a discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based upon management's judgment considering such factors as prior collection history, type of contribution and nature of fund-raising activity.

Expiration of Donor-Imposed Restrictions:
The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction substantially expires. At that time, the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both and for unexpended earnings of endowment when appropriated by the Board. The College follows the policy of reporting donor-imposed restricted contribution and endowment income as unrestricted revenues when restrictions are met in the same period as received. It is also the College's policy to release the restrictions on contributions of cash or other assets received for the acquisition of long-lived assets when the long-lived assets are placed into service.

Allocation of Certain Expenses:
Expenses are reported as decreases in unrestricted net assets. The Consolidated Statements of Activities present expenses by five functional categories. Academic program includes expenses for instruction and related academic support departments such as research, libraries, the Dean of Faculty and Registrar Offices and Institutional Research and Assessment . Co-curricular program includes expenses associated with Student Affairs, the residential life operation of the College and Career Services. Public service includes conference activities. Marketing expenses for revenue development for the College include Admission, Financial Aid Administration, Advancement, Alumni and Parent Relations and the Communication offices. General and administrative includes expenses such as information technology, planning, institutional research, human resources, liability insurance, legal and audit fees, and the President's and Treasurer's Offices.

Depreciation and facilities expenses are allocated to functional categories based on building square footage dedicated to that specific function. Interest expense is allocated based on the use of the related borrowings.

Cash and Cash Equivalents:
For the purpose of reporting cash flows, cash includes demand deposit bank accounts. Resources invested in money market funds are classified as cash equivalents, except for any such investments managed as part of the investment pool, which are classified as investments.

Cash Held in Separate Accounts:
The California Student Aid Commission requires institutions participating in the Cal Grant program to maintain funds advanced in a separate interest bearing account to properly handle and manage the funds. The funds are the property of the State and unspent funds are to be returned to the State along with interest earned.

Concentration of Credit Risk:
Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash deposits at financial institutions and investments in marketable securities. At times, balances in the College's cash and investment accounts exceed the Federal Deposit Insurance Corporation (FDIC) and Securities Investors Protection Corporation (SIPC).

June 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: ***Continued***

Notes Receivable:
Notes receivable consist of student loans and are reported at cost. Interest earned is added to the pool for use in issuing additional loans. Collectability of notes receivable is reviewed both individually and in the aggregate. Allowances have been established based on experience, and balances deemed uncollectable are written off through a charge to the provision for doubtful accounts and a credit to notes receivable. The College follows federal guidelines for determining when student loans are delinquent or past due for both federal and donor restricted loans.

Short-Term Investments:
Short-term investments include cash and cash equivalents held for reinvestment.

Investments:
Where permitted by law, the College pools investments for management purposes. The remainder of investments are separately managed. Marketable securities are reported at fair value. Non-marketable alternative investments are carried at estimated fair value provided by the management of the non-marketable alternative investment partnerships or funds at the most current date available at year end, and are adjusted by cash receipts, cash disbursements, and securities distributions through June 30, 2017 and 2016. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments.

The cost of securities sold is determined by the average cost method and is used to compute realized gains and losses. Unrealized gains and losses reflect the changes in the market values of investments from the prior year. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or use of funds has not been appropriated. The date of record for investments is the trade date.

Nonmarketable 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 and such differences could be material.

Management of Pooled Investments:
The College follows an investment policy which anticipates a greater long-range return through investing for capital appreciation, and accepts lower current yields from dividends and interest. In order to offset the effect of lower current yields for current operations, the Board of Trustees has adopted a spending policy for pooled investments. The spending policy for the fiscal years ended June 30, 2017 and 2016 was a range of 4% to 4.50% applied to a sixteen-quarter average market value of pooled investments ending December 31, 2016 and 2015, respectively. All earnings in excess of spending were reinvested and are reported on the Consolidated Statements of Activities as "Other investment income". Unexpended amounts generated from permanently restricted endowments were allocated to the temporarily restricted funds through unrealized gains. If the ordinary income portion of pooled investment returns is insufficient to provide the full amount of investment return specified, the balance may be appropriated from realized gains of the pooled investments. For board-designated or appropriated funds, cumulative net realized gains and transfers of ordinary income in excess of the spending policy ("cumulative gains") are held in unrestricted net assets. For donor restricted or unappropriated funds, cumulative gains are held in temporarily restricted net assets. Cumulative gains are available for appropriation under the College's spending policy. At June 30, 2017 and 2016, these cumulative realized gains totaled $22,837,805 and $26,634,206, respectively.

June 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

Endowment Funds:
The Board of Trustees of the College interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) to state that the College, in the absence of explicit donor stipulations to the contrary, may appropriate for expenditure or accumulate so much of an endowment fund as the College determines prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the value of gifts donated to the endowment, and (b) 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 College in a manner consistent with the standard of prudence prescribed by California UPMIFA. In accordance with California UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The mission of the College and the donor-restricted endowment fund
(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 College
(7) The investment policies of the College

Funds with Deficiencies:
From time to time declines in the market value of the investment pool have created a situation where the fair value of certain endowments is less than the historical cost basis of the original gift(s). Deficiencies of this nature have been recorded as decreases in unrestricted net assets and were approximately $1,133 and $230,382 at June 30, 2017 and 2016, respectively.

Fair Value of Financial Instruments:
A financial instrument is defined as a contractual obligation that ultimately ends with the delivery of cash or an ownership interest in an entity. Disclosures included in these notes regarding the fair value of financial instruments have been derived using external market sources, estimates using present value or other valuation techniques. A determination of the fair value of notes receivable, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, is not significantly different than the recorded net value.

The College carries most investments and its beneficial interest in trusts held by a third party at fair value in accordance with generally accepted accounting principles. Under this standard, fair value is defined as the price that would be received to sell an asset (i.e. the “exit price”) in an orderly transaction between market participants at the measurement date. A fair value hierarchy that prioritizes the inputs to valuation techniques was 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the College has the ability to access at the measurement date;
Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active;
Level 3 – Inputs that are unobservable.

Inputs are used in applying the valuation techniques and broadly refer to the assumptions that the College uses to make valuation decisions, including assumptions about risk. Inputs may include quoted market prices, recent transactions, manager statements, periodicals, newspapers, provisions within agreements with investment managers and other factors. An investment’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the College’s perceived risk of that investment.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: ***Continued***

The investments in cash equivalents, mutual funds, and certain domestic and international equities are valued based on quoted market prices, and are therefore typically classified within Level 1.

The investments in hedge funds and limited partnerships are valued at net asset value (NAV), and are therefore classified under NAV per share (or equivalent).

These assets are presented in the accompanying Consolidated Financial Statements at fair value. The College's determination of fair value is based upon the best available information provided by the investment manager and may incorporate management's assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents the College's proportionate share of the partner's capital of the investment partnerships as reported by their general partners. For these investments, the College, through its monitoring activities, agrees with the fair value as determined by the investment managers.

The general partners of the underlying investment partnerships value their investments at fair value and in accordance with generally accepted accounting principles. Investments with no readily available market are generally valued according to the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations and/or the income approach. Consideration is also given to financial condition and operating results of the investment, the amount that the investment partnerships can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant. An investment can be carried at acquisition price (cost) if little has changed since the initial investment of the College, which is most representative of fair value. Investments with a readily available market (listed on a securities exchange or traded in the over-the-counter market) are valued at quoted market prices or at an appropriate discount from such price if marketability of the securities is restricted.

Transfers in or out of Level 3 are implemented based on the ability to redeem the investments in the near term. The College's policy is to recognize transfers in and transfers out at the beginning of the reporting period. This policy includes transfers in and transfers out of Level 1, Level 2 and Level 3.

Although the College uses its best judgment in determining the fair value, there are inherent limitations in any methodology. Future confirming events could affect the estimates of fair value and could be material to the Consolidated Financial Statements. These events could also affect the amount realized upon liquidation of the investments.

Plant Facilities:
Plant facilities consist of property, plant and equipment which are stated at cost, representing purchase price or fair value at the date of acquisition, less accumulated depreciation computed on a straight-line basis over the estimated useful lives of buildings, permanent improvements and equipment. Plant purchases with a useful life of five years or more and a cost equal to or greater than $100,000 for land improvements and buildings, $50,000 for building renovations, $25,000 for equipment and $100,000 for software and implementation are capitalized. Estimated useful lives are generally three to fifteen years for equipment and permanent improvements, ten to fifty years for building renovations and twenty to fifty years for buildings. Assets are retired at their cost less accumulated depreciation at the time they are sold, impaired, or no longer in use. Each year the College funds its annual depreciation charge through current revenues. Asset retirement obligations are recorded based on estimated settlement dates and methods.

Assets Whose Use is Limited:
Assets whose use is limited include assets maintained by a trustee in accordance with the California Educational Facilities Authority (CEFA) bond agreements. See Note 8 for additional information.

Deposits and Deferred revenue:
Deposits and deferred revenue consists primarily of prepayments of tuition and fees related to future academic years.

June 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

Annuity and Life Income Contracts and Agreements:
The College has legal title to annuity and life income contracts and agreements subject to life interests of beneficiaries. No significant financial benefit is now being or can be realized until the contractual obligations are released. However, the costs of managing these contracts and agreements are included in unrestricted expenses.

The College uses the actuarial method of recording annuity and life income contracts and agreements. Under this method, the asset is recorded at fair value when a gift is received. The present value of the aggregate annuity payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as a contribution in the appropriate net asset category. The liability account is adjusted by investment income, gains and losses, and payments to beneficiaries. Periodic adjustments are made between the liability account and the net asset account for actuarial gains and losses. The actuarial liability is based on the present value of future payments discounted at rates ranging from 6.0% to 7.5% and over estimated lives according to IRS Annuity 2003 Unisex Tables as of June 30, 2017 and 2016.

Income Taxes:
The objective of the College is to maintain and conduct a 501(c)(3) nonprofit educational institution. The primary purpose of accounting and reporting is the recording of resources received and applied rather than the determination of net income. The College had no uncertain tax positions and/or obligations at June 30, 2017 and 2016.

Use of Estimates:
The preparation of Consolidated 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 Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The fair value of investments is a significant estimate and can change dramatically subject to market conditions. This could have a significant effect on the consolidated financial statements.

Reclassifications:
Certain amounts presented in the prior year financial statements have been reclassified to conform to the current year presentation. Reclassifications of prior year amounts have no impact on net assets.

June 30, 2017 and 2016

NOTE 3 - ACCOUNTS AND NOTES RECEIVABLE:

Accounts receivable at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Student accounts	$ 782,338	$ 773,221
Federal grants and contracts	191,909	163,691
Other Claremont Colleges	485,920	1,405,512
Other	653,882	405,407
	2,114,049	2,747,831
Less allowance for doubtful accounts	(191,198)	(216,775)
Net accounts receivable	$ 1,922,851	$ 2,531,056

The College makes uncollateralized notes (loans) to students based on financial need. Student loans are funded through Federal government loan programs or donor restricted resources. At June 30, 2017 and 2016, student loans represented 1.3% and 1.5% of total assets, respectively.

At June 30, student loans consisted of the following:

	2017	2016
Federal government programs	$ 1,380,598	$ 1,718,366
Donor restricted programs	2,428,532	2,675,425
	3,809,130	4,393,791
Less allowance for doubtful loans:		
Beginning of year	(311,086)	(311,143)
Adjustments	29,800	57
End of year	(281,286)	(311,086)
Student loans receivable, net	$ 3,527,844	$ 4,082,705

June 30, 2017 and 2016

NOTE 3 - ACCOUNTS AND NOTES RECEIVABLE: *Continued*

The College participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of $24,806 and $181,476 at June 30, 2017 and 2016, respectively, are ultimately refundable to the government and are classified as liabilities in the Consolidated Statements of Financial Position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

The College issues interest-free student loans per a donor agreement. The availability of funds for new loans under the gift agreement is dependent on repayments on outstanding loans. The College is responsible for reimbursing the program for defaulted loans. Subsequent payments received by the College from students who are in default, may be returned to the College.

At June 30, 2017 and 2016, the following amounts were past due under student loan programs:

	less than 270 days past due	270 days to 2 years past due	2 to 5 years past due	Over 5 years past due	Total past due
2017					
Federal government programs	$ 180,521	$ 44,940	$ 43,697	$ 43,433	$ 312,591
Donor restricted programs	66,000	15,999	34,763	191,386	308,148
Total	$ 246,521	$ 60,939	$ 78,460	$ 234,819	$ 620,739
2016					
Federal government programs	$ 152,360	$ 19,910	$ 112,628	$ 39,894	$ 324,792
Donor restricted programs	101,688	5,649	62,734	166,557	336,628
Total	$ 254,048	$ 25,559	$ 175,362	$ 206,451	$ 661,420

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. The allowance for doubtful loans on the Federal government programs and the donor restricted programs at June 30, 2017 was $57,145 and $224,141, and at June 30, 2016 was $84,297 and $226,789, respectively.

Faculty and staff loans:
As part of a program to attract and retain excellent faculty and senior staff, the College provides home mortgage and computer financing assistance. Notes receivable amounting to $112,893 and $119,292 were outstanding at June 30, 2017 and 2016, respectively. No allowance for doubtful accounts has been recorded against these loans based on their collateralization and prior collection history.

The loan amounts represent 0.04% and 0.04% of total assets of the College, respectively. At June 30, 2017 and 2016, there were no amounts past due under the faculty and staff loan program.

NOTE 4 - CONTRIBUTIONS RECEIVABLE:

Unconditional promises to give are included in the Consolidated Financial Statements as contributions receivable and revenues of the appropriate net asset category. Promises to give are recorded after discounting to the present value of future cash flows at rates ranging from 1.9% to 3.0%.

Unconditional promises to give at June 30, 2017 and 2016 were expected to be realized as follows:

	2017	2016
Within one year	$ 1,415,699	$ 996,213
Between one year and five years	1,004,208	1,047,972
	2,419,907	2,044,185
Less discount	(112,711)	(107,478)
Less allowance for doubtful contributions receivable	(56,813)	(56,813)
Net contributions receivable	$ 2,250,383	$ 1,879,894

June 30, 2017 and 2016

NOTE 4 - CONTRIBUTIONS RECEIVABLE: ***Continued***

Contributions receivable at June 30, 2017 and 2016 are intended for the following uses:

	2017	2016
Endowment	$ 384,557	$ 149,144
Plant	1,087,619	33,198
Other	778,207	1,697,552
Net contributions receivable	$ 2,250,383	$ 1,879,894

NOTE 5 - BENEFICIAL INTEREST IN TRUSTS AND FAIR VALUE MEASUREMENT:

The College is beneficiary to certain trusts where a third party acts as trustee. The present value of these interests is recorded in beneficial interest in trusts.

Beneficial interest in trusts at June 30, 2017 and 2016 are intended for the following uses:

	2017	2016
Endowment	$ 2,162,162	$ 2,009,974
Temporarily restricted	247,396	109,357
	$ 2,409,558	$ 2,119,331

Beneficial interest in trusts are not redeemable by the College and are classified as Level 3. The following tables present the Beneficial interest in trusts carried on the Consolidated Statements of Financial Position by level within the valuation hierarchy as of June 30, 2017 and 2016:

	Level 1	Level 2	Level 3	2017
Nonredeemable securities:				
Beneficial interest in trusts held by third parties	$ -	$ -	$ 2,409,558	$ 2,409,558

	Level 1	Level 2	Level 3	2016
Nonredeemable securities:				
Beneficial interest in trusts held by third parties	$ -	$ -	$ 2,119,331	$ 2,119,331

The following table includes a roll forward of the amounts for the years ended June 30, 2017 and 2016 for assets classified within Level 3:

	Balance at July 1, 2016	Unrealized Gain(loss), net	Actuarial Adjustment	Balance at June 30, 2017
Beneficial interest in trusts held by third parties	$ 2,119,331	$ 290,227	$ -	$ 2,409,558

	Balance at July 1, 2015	Unrealized Gain(loss), net	Actuarial Adjustment	Balance at June 30, 2016
Beneficial interest in trusts held by third parties	$ 2,315,774	$ (190,615)	$ (5,828)	$ 2,119,331

Net appreciation (depreciation) on beneficial interest in trusts in the table above are reflected in "Realized and unrealized gains (losses), net of spending allocation" and "Actuarial adjustment", respectively, on the Consolidated Statements of Activities. Also included in these accounts are the net unrealized gains (losses) and actuarial adjustment on beneficial interest in trusts for Level 3 assets still held at June 30, 2017 of $290,227 and $0, and held at June 30, 2016 of ($190,615) and ($5,828), respectively.

June 30, 2017 and 2016

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENT:

Where permitted by gift agreement and/or applicable government regulations, investments are pooled. Pooled investments and allocation of pooled investment income are accounted for on a unit value method. The following is a summary of data that pertains to this method at June 30, 2017 and 2016:

	2017	2016
Unit market value at end of year	$ 290.64	$ 270.46
Net ordinary investment income per weighted average unit	$ 3.72	$ 4.25
Units owned:		
Unrestricted:		
Funds functioning as endowment	280,676	281,819
Permanently restricted:		
Endowment	176,530	174,930
Total units	457,206	456,749
Weighted average units	454,743	451,558

Investment income related to College investments for the years ended June 30, 2017 and 2016, net of management and custody fees of $317,479 and $359,422, respectively, was as follows:

	2017	2016
Net pooled investment income	$ 1,693,739	$ 1,917,217
Pooled investment gains appropriated	3,721,872	3,360,257
Total spending policy income	$ 5,415,611	$ 5,277,474
Income from non-pool investments	462,611	442,522
Less amounts allocated to annuity and life income contracts and agreements	(2,832)	(579)
Total other investment income	$ 459,779	$ 441,943
Realized and unrealized gains (losses), net of pooled investment gains appropriated	9,149,193	(7,248,951)
Total investment returns	$ 15,024,583	$ (1,529,534)

It is the College's policy to establish and maintain a diversified investment portfolio. The following schedule summarizes the assets in pooled investments and the assets held as short-term and long-term separate investments at June 30, 2017 and 2016. The carrying values of investments are estimates based on fair values or its equivalent.

The College had $40,833,224 and $40,043,566 in investments that are nonmarketable as of June 30, 2017 and 2016, respectively. These investments represent 24.84% and 26.22% of total investments and 22.04% and 23.25% of net assets at June 30, 2017 and 2016, respectively. Total investment income and realized and unrealized (losses) gains on investments that are not readily marketable were $3,641,212 and ($438,720) for the years ended June 30, 2017 and 2016, respectively.

June 30, 2017 and 2016

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENT: ***Continued***

	June 30, 2017	June 30, 2016
By investment category:		
Pooled investments	$ 132,880,260	$ 123,530,042
Separately invested	31,477,583	29,190,166
Total by investment category	$ 164,357,843	$ 152,720,208
By asset type:		
Cash equivalents	$ 20,686,817	$ 26,786,631
Fixed income funds	26,194,314	9,750,680
Equity funds	36,244,128	39,125,999
Balanced funds	1,499,904	10,430,467
Domestic common stocks	12,399,559	11,730,187
International common stocks	11,542,354	9,651,247
Real assets	14,244,385	-
Limited partnerships	40,833,224	44,534,458
Assets whose use is limited	713,158	710,539
Total by asset type	$ 164,357,843	$ 152,720,208
By category:		
Endowment and funds functioning as endowment		
Pooled investments	$ 132,880,260	$ 123,530,042
Separately invested	1,550,711	1,425,142
	$ 134,430,971	$ 124,955,184
Annuity and life income contracts and agreements	76,875	56,776
Plant	11,289,881	10,840,362
Other	18,560,116	16,867,886
Total by category	$ 164,357,843	$ 152,720,208

June 30, 2017 and 2016

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENT: ***Continued***

The following tables present the investments carried on the Consolidated Statements of Financial Position by level within the fair value measurement as of June 30, 2017 and 2016:

	Level 1	Level 2	Level 3	Assets Valued Using NAV Practical Expedient	June 30, 2017
Redeemable securities:					
Cash equivalents	$ 20,686,817	$ -	$ -	$ -	$ 20,686,817
Mutual funds					
Fixed income funds	26,194,314	-	-	-	26,194,314
US equity funds	16,653,028	-	-	-	16,653,028
International equity funds	19,591,100	-	-	-	19,591,100
Balanced funds	1,499,904	-	-	-	1,499,904
Domestic common stocks	12,399,559	-	-	-	12,399,559
International common stocks	11,542,354	-	-	-	11,542,354
Real assets	14,244,385				14,244,385
Assets whose use is limited	713,158	-	-	-	713,158
Limited partnerships					
Multi-asset	-	-	-	14,972,230	14,972,230
Hedge fund investments					
Multi-asset	-	-	-	16,336,802	16,336,802
Total redeemable securities	123,524,619	-	-	31,309,032	154,833,651
Nonredeemable securities:					
Limited partnerships					
Real estate	-	-	-	1,444,447	1,444,447
Private equity	-	-	-	6,051,219	6,051,219
Real assets	-	-	-	2,028,526	2,028,526
Total nonredeemable securities	-	-	-	9,524,192	9,524,192
Total	$ 123,524,619	$ -	$ -	$ 40,833,224	$ 164,357,843

June 30, 2017 and 2016

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENT: ***Continued***

	Level 1	Level 2	Level 3	Assets Valued Using NAV Practical Expedient	June 30, 2016
Redeemable securities:					
Cash equivalents	$ 26,786,631	$ -	$ -	$ -	$ 26,786,631
Mutual funds					
Fixed income funds	14,241,572	-	-	-	14,241,572
US equity funds	14,938,107	-	-	-	14,938,107
International equity funds	24,187,892	-	-	-	24,187,892
Balanced funds	10,430,467	-	-	-	10,430,467
Domestic common stocks	11,730,187	-	-	-	11,730,187
International common stocks	9,651,247	-	-	-	9,651,247
Assets whose use is limited	710,539	-	-	-	710,539
Limited partnerships					
Fixed income securities	-	-	-	3,660,316	3,660,316
Multi-asset	-	-	-	13,531,704	13,531,704
Hedge fund investments					
Multi-asset	-	-	-	11,509,408	11,509,408
Total redeemable securities	112,676,642	-	-	28,701,428	141,378,070
Nonredeemable securities:					
Limited partnerships					
Real estate	-	-	-	678,808	678,808
Distressed debt	-	-	-	22,790	22,790
Venture capital			-	1,056,089	1,056,089
Private equity			-	1,999,864	1,999,864
Multi-asset	-	-	-	3,833,812	3,833,812
Hedge fund investments					
Multi-asset	-	-	-	3,750,775	3,750,775
Total nonredeemable securities	-	-	-	11,342,138	11,342,138
Total	$ 112,676,642	$ -	$ -	$ 40,043,566	$ 152,720,208

June 30, 2017 and 2016

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENT: ***Continued***

The following table shows the fair value, unfunded commitments and redemption restrictions for investments reported at 'Net Asset Value' as of June 30, 2017:

	Fair Value at June 30, 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Limited partnerships					
Hedge funds	$ 16,336,802	$ -	Quarterly - Annually	95-100 days	(1)
Multi-asset	14,972,230	-	Annually	1 year	(1)
Real estate	1,444,447	3,131,529	None	N/A	(1)
Real assets	2,028,526	2,687,500	None	N/A	(1)
Private equity	6,051,219	7,275,452	None	N/A	(1)
Totals	$ 40,833,224	$ 13,094,481			

Investments reported at Net Asset Value held at year-end have remaining lives ranging from 1 to 10 years with commitments due estimated as follows:

Year Ending	Amount
2018	$ 4,750,681
2019	3,624,206
2020	2,717,094
2021	1,340,000
2022	662,500
	$ 13,094,481

(1) Limited partnerships are invested with managers whose investment strategies include, but are not limited to, absolute return, other hedging strategies, swaps, options, commodities, other derivatives, private equity, venture capital, buy-outs, turnarounds, global equity, global fixed income and equity, real estate, distressed debt and natural resources. Redemption rights vary from quarterly to no redemption rights for the investor except as allowed by the management of the fund.

NOTE 7 - DEFICIENCIES FROM DECLINES IN FAIR VALUE:

From time to time, as a result of market declines, the fair value of certain donor restricted endowments were less than the historical dollar value. Deficiencies of this nature have been recorded as reductions in unrestricted net assets and were $1,133 and $230,382 as of June 30, 2017 and 2016, respectively.

June 30, 2017 and 2016

NOTE 8 - ASSETS WHOSE USE IS LIMITED:

Indenture requirements of bond financing (see Note 12, "Bonds Payable") provide for the establishment and maintenance of various accounts with trustees. The indenture terms limit the use of these funds to capital expenditures and debt service payments as outlined in the agreements. Assets whose use is limited are comprised of cash equivalents and government and corporate securities recorded at fair value. Assets whose use is limited totaled $713,158 and $710,539, respectively, as of June 30, 2017 and 2016, and are included in investments in the Consolidated Statements of Financial Position.

NOTE 9 - PLANT FACILITIES:

Plant facilities are recorded at cost or estimated fair value at the date of donation, and at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Land and land improvements	$ 18,930,122	$ 18,984,372
Buildings	110,902,243	110,010,511
Equipment	8,848,514	8,867,014
Equipment under capital lease	793,620	1,573,605
Construction in progress	6,811,996	1,391,735
	146,286,495	140,827,237
Less accumulated depreciation	(44,543,204)	(41,379,753)
Net plant facilities	$ 101,743,291	$ 99,447,484

The College has recorded asset retirement obligations in accordance with generally accepted accounting principles related to certain fixed assets, primarily for disposal of regulated materials upon eventual retirement of the assets.

The following schedule summarizes asset retirement obligation activity for the years ended June 30, 2017 and 2016:

	2017	2016
Accretion expense	$ 32,551	$ 31,406
Beginning balance	694,210	662,804
Ending balance	$ 726,761	$ 694,210

NOTE 10 - CAPITAL LEASE OBLIGATION:

The College has entered into capital lease commitments to finance the acquisition of computer equipment. The corresponding obligations are due in monthly and quarterly installments with maturities through October 2020.

The annual lease obligation at June 30, 2017 is as follows:

Fiscal Years Ending June 30,	Minimum Lease Payments
2018	$ 131,378
2019	22,334
2020	5,584
Total payments	159,296
Less interest	(2,168)
Total capital lease obligation	$ 157,128

June 30, 2017 and 2016

NOTE 11 - EARLY RETIREMENT PLAN:

The College maintains an Early Retirement Plan ("the Plan") that enables faculty with at least 20 years of service to elect early retirement. For those faculty members that have entered into a contractual agreement with the College under the Plan, the College is obligated to continue to make salary payments, as well as normal retirement contributions and other employment benefit costs as stipulated in each agreement. The obligations will be settled using the general assets of the College.

The liability recorded on the Consolidated Statements of Financial Position for the Plan at June 30, 2017 and 2016 is as follows:

Benefit obligation	2017	2016
Projected Benefit Obligation	$ 5,952,546	$ 6,274,207
Funded status	$ (5,952,546)	$ (6,274,207)

Amounts recognized in unrestricted net assets consists of:	2017	2016
Net loss	$ 3,329,022	$ 3,977,279
Prior service cost	99,477	112,280
	$ 3,428,499	$ 4,089,559

Other changes in plan assets and benefit obligations recognized in "Comprehensive gain (loss) on defined benefit plans" on the Consolidated Statements of Activities:

	2017	2016
Net (loss) gain	$ (433,522)	$ 1,649,048
Recognized loss	(214,735)	(127,797)
Recognized prior service cost	(12,903)	(12,803)
Total other changes in unrestricted net assets	$ (661,160)	$ 1,508,448
Total amounts recognized as changes in unrestricted net assets arising from the early retirement plan	$ 125,861	$ 2,176,614

The College expects the following amounts to be recognized for the year ending June 30,

	2018	2017
Loss recognition	$ 181,044	$ 214,735
Prior service cost recognition	12,803	12,803
	$ 193,847	$ 227,538

During the years ended June 30, 2017 and 2016, employer distributions were $447,522 and $270,792, respectively. The College expects to distribute, from ongoing cash flows and assets, $11,445 to the plan in 2018. Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

June 30, 2017 and 2016

NOTE 11 - EARLY RETIREMENT PLAN: ***Continued***

Fiscal Years Ending June 30,	Expected benefit payments
2018	$ 11,445
2019	270,462
2020	556,530
2021	278,288
2022	491,848
2023-2027	2,267,126
	$ 3,875,699

The discount rate, rate of increase in medical costs and rate of increase in future compensation levels used in determining the actuarial present value of the benefit obligation were 3.5%, 7.5% and 3.6%, respectively, at June 30, 2017 and 3.1%, 8.0% and 4.0%, respectively as of June 30, 2016.

NOTE 12 - BONDS PAYABLE:

At June 30, 2017 and 2016, bonds payable were comprised of the following:

	2017	2016
Bonds issued through California Educational Facilities Authority ("CEFA"):		
Series 2009	$ 55,495,000	$ 56,955,000
California Municipal Finance Authority ("CMFA")		
2014 Tax-exempt Loan	24,761,842	21,047,741
	80,256,842	78,002,741
Plus unamortized cost of issuance	(704,409)	(734,310)
Plus unamortized net premium	1,208,441	1,261,345
Total bonds payable	$ 80,760,874	$ 78,529,776

The CEFA Series 2009 bonds were issued in November 2009. The bond proceeds are funding the acquisition, construction, rehabilitation, remodeling, renovation and equipping of certain educational facilities as well as defeasing CEFA Series 1999 and 2005B. The CEFA Series 2009 bonds are due in 2040. Annual principal payments range from $1,460,000 to $1,460,000. Interest is payable semi-annually at rates ranging from 5.00% to 6.00%. Bonds maturing after April 1, 2029 with principal balances totaling $43,720,000 are subject to mandatory redemption at the outstanding principal balance plus accrued interest. The CEFA Series 2009 bonds are not collateralized.

In June 2014, the College signed a California Municipal Finance Authority (CMFA) Tax-Exempt Loan agreement not to exceed $25,000,000 that matures June 2044. The unsecured note requires monthly interest payments through December 31, 2016 and monthly principal and interest payments thereafter. The note was issued for the purpose of refunding CEFA Series 2005A bonds in April 2015 and for financing the acquisition, construction, renovation, installation, and equipping of certain educational facilities.

Total interest expense was $3,985,664 and $3,986,105 for the years ended June 30, 2017 and 2016, respectively.

June 30, 2017 and 2016

NOTE 12 - BONDS PAYABLE: ***Continued***

The maturity of bonds payable at June 30, 2017, was as follows:

Fiscal Years Ending June 30,	Principal Amount
2018	$ 2,119,058
2019	2,208,429
2020	2,311,339
2021	2,414,068
2022	2,530,447
Thereafter	68,673,501
	$ 80,256,842

The CEFA Series 2009 bond agreements and CMFA 2014 Tax-exempt Loan contain various restrictive covenants which include maintenance of certain financial ratios, as defined in the agreements.

The College holds CEFA bonds that are reported net of premium and bond issuance costs $56,167,199 and $57,657,260 as of June 30, 2017 and 2016, respectively, in the Consolidated Statements of Financial Position. These CEFA bonds have an approximate fair value of $61,260,720 and $65,609,107 at June 30, 2017 and 2016, respectively. The College determined these CEFA bonds to be Level 2 measurements in the fair value hierarchy.

The College has an unsecured $5,000,000 line of credit with a bank. Any borrowings on the line would bear interest at the Prime Rate (3.25% at June 30, 2017 and 2016) less 100 basis points. There were no borrowings outstanding on the line at June 30, 2017 and 2016.

In August, the College entered into an agreement to advance refund a portion of CEFA 2009 bonds as described in Footnote 21 – Subsequent Events.

NOTE 13 - NET ASSETS:

At June 30, 2017 and 2016, net assets consisted of the following:

	2017	2016
Unrestricted:		
Available for operations	$ 1,029,698	$ 1,004,689
For designated purposes	845,732	433,114
Funds functioning as endowment	81,427,431	76,072,746
Plant facilities	31,758,081	29,696,915
Total unrestricted	$ 115,060,942	$ 107,207,464
Temporarily restricted:		
Plant facilities	$ 8,913,850	$ 7,807,952
Annuity and life income contracts and agreements	256,502	107,772
Endowment	20,849,228	17,176,909
Other	2,804,694	3,376,206
Total temporarily restricted	$ 32,824,274	$ 28,468,839
Permanently restricted:		
Student loans	$ 2,693,485	$ 2,689,578
Annuity and life income contracts and agreements	14,833	9,605
Endowment	34,702,745	33,864,647
Total permanently restricted	$ 37,411,063	$ 36,563,830

June 30, 2017 and 2016

NOTE 14 - NET STUDENT REVENUES:

The following table shows the student revenues for the years ended June 30, 2017 and 2016.

	2017	2016
Tuition:		
Tuition	$ 52,814,503	$ 51,528,695
Miscellaneous student fees	601,703	655,578
Gross student revenue	53,416,206	52,184,273
Less: grant aid	(15,847,371)	(14,115,950)
Tuition revenue net of grant aid	37,568,835	38,068,323
Room fees	7,324,453	7,179,559
Board fees	5,190,653	5,040,767
Total other student revenues	12,515,106	12,220,326
Net student revenues	$ 50,083,941	$ 50,288,649

NOTE 15 - FUNDRAISING EXPENSE:

Included in Marketing expenses in the accompanying Consolidated Statements of Activities for the years ended June 30, 2017 and 2016 are approximately $1,453,317 and $1,422,465, respectively, of expenditures related to fundraising.

June 30, 2017 and 2016

NOTE 16 - ENDOWMENT:

The net assets of the College include permanent endowment and funds functioning as endowment (collectively the "endowment"). Permanent endowment funds are subject to the restrictions of gift instruments requiring that the principal be invested and the income only be utilized as provided under the California Uniform Prudent Management of Institutional Funds Act. While funds have been established by the Board of Trustees to function as endowment, any portion of such funds may be expended.

Changes in the College's endowment for the years ended June 30, 2017 and 2016 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2017
Investment returns:				
Investment income from pooled funds	$ 1,693,677	$ -	$ -	$ 1,693,677
Less investment returns appropriated for operations	(5,228,268)	(183,828)	(3,515)	(5,415,611)
Interfund transfers	(187,343)	183,828	3,515	-
Cumulative gains appropriated for operations	(3,721,934)	-	-	(3,721,934)
Change in realized/unrealized net appreciation of investments	8,570,088	3,633,435	159,404	12,362,927
Net return in pooled investment fund	4,848,154	3,633,435	159,404	8,640,993
Investment income from separate investments	73,661	38,884	395	112,940
Reinvested income from pooled investments	-	-	3,515	3,515
Total net investment returns	4,921,815	3,672,319	163,314	8,757,448
Other changes in endowed equity:				
Gifts	-	-	672,321	672,321
Redesignated net assets	-	-	6,729	6,729
Transfers	432,870	-	0	432,870
Net change in endowed equity	5,354,685	3,672,319	842,364	9,869,368
Endowed equity, beginning of year	76,072,746	17,176,909	33,864,647	127,114,302
Endowed equity, end of year	$ 81,427,431	$ 20,849,228	$ 34,707,011	$ 136,983,670

At June 30, 2017, endowed equity consists of the following assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2017
Investments	$ 81,427,431	$ 20,849,228	$ 32,154,312	$ 134,430,971
Beneficial interest in trusts	-	-	2,168,142	2,168,142
Contributions receivable, net of discount	-	-	384,557	384,557
Total endowed equity	$ 81,427,431	$ 20,849,228	$ 34,707,011	$ 136,983,670

June 30, 2017 and 2016

NOTE 16 - ENDOWMENT: ***Continued***

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2016
Investment returns:				
Investment income from pooled funds	$ 1,917,217	$ -	$ -	$ 1,917,217
Less investment returns appropriated for operations	(5,099,547)	(171,689)	(6,238)	(5,277,474)
Interfund transfers	(177,927)	171,689	6,238	-
Cumulative gains appropriated for operations	(3,360,257)	-	-	(3,360,257)
Change in realized/unrealized net appreciation of investments	(632,129)	(3,095,120)	(194,167)	(3,921,416)
Net return in pooled investment fund	(3,992,386)	(3,095,120)	(194,167)	(7,281,673)
Investment income from separate investments	-	38,509	452	38,961
Reinvested income from pooled investments	-	-	6,238	6,238
Total net investment returns	(3,992,386)	(3,056,611)	(187,477)	(7,236,474)
Other changes in endowed equity:				
Gifts	-	-	429,653	429,653
Redesignated net assets	-	-	424	424
Transfers	1,087,451	-	0	1,087,451
Net change in endowed equity	(2,904,935)	(3,056,611)	242,600	(5,718,946)
Endowed equity, beginning of year	78,977,681	20,233,520	33,622,047	132,833,248
Endowed equity, end of year	$ 76,072,746	$ 17,176,909	$ 33,864,647	$ 127,114,302

At June 30, 2016, endowed equity consists of the following assets:

Investments	$ 76,072,746	$ 17,176,909	$ 31,705,529	$ 124,955,184
Beneficial interest in trusts	-	-	2,009,974	2,009,974
Contributions receivable, net of discount	-	-	149,144	149,144
Total endowed equity	$ 76,072,746	$ 17,176,909	$ 33,864,647	$ 127,114,302

June 30, 2017 and 2016

NOTE 16 - ENDOWMENT: ***Continued***

The net assets of the College include permanent endowments, temporarily restricted endowments and funds functioning as endowments. Permanent endowments are subject to the restriction that the gift instrument be held in perpetuity and that the principal be invested and the income only be utilized as provided for under the California UPMIFA. Temporarily restricted endowments are subject to timing restrictions of the donor. Funds functioning as endowments have been established by the Board of Trustees to function as endowment and any portion of such funds may be expended.

	2017	2016
Unrestricted endowment		
Funds functioning as endowment	$ 81,426,298	$ 75,842,364
Funds with deficiencies	1,133	230,382
Total unrestricted endowment	$ 81,427,431	$ 76,072,746
Temporarily Restricted		
Portion of perpetual endowment fund subject to a time restriction under California UPMIFA:		
Without purpose restriction	$ 11,165,863	$ 9,436,747
With purpose restriction	9,683,365	7,740,162
Total temporarily restricted endowment funds	$ 20,849,228	$ 17,176,909
Permanently restricted endowment	34,707,011	33,864,647
Total endowment	$ 136,983,670	$ 127,114,302

NOTE 17 - EMPLOYEE BENEFIT PLANS:

The College participates with other members of The Claremont Colleges (Note 18), in a defined contribution retirement plan which provides retirement benefits to eligible personnel through Teachers Insurance and Annuity Association and The College Retirement Equity Fund. Under this defined contribution plan, College and participant contributions are used to purchase individual annuity contracts and investments equivalent to retirement benefits earned. Vesting provisions are full and immediate. Benefits commence upon retirement, and pre-retirement survivor death benefits are provided. College contributions to the plan for the years ended June 30, 2017 and 2016 totaled $2,331,785 and $2,259,109, respectively.

The Claremont University Consortium administers a defined benefit plan (the "Plan") covering substantially all nonacademic employees of the College, along with those of the other Claremont Colleges. The Plan is funded in accordance with the Employer Retirement Income Security Act of 1974 ("ERISA"). The benefits are based on a percent of each year's base compensation. Plan assets are invested primarily in a diversified group of equity and fixed-income securities. The College's allocation of the net pension cost for the years ended June 30, 2017 and 2016 was $0 and $2,483,733, respectively. A decision was made to curtail the Plan in June 2004. Under the curtailment the accrued benefits earned as of June 30, 2005 were frozen and no future benefits will be earned under the plan. The impact of the curtailment was a reduction to the benefit obligation. Eligible plan participants began receiving benefits under the defined contribution retirement plan in July 2005. Additional information on the Plan can be obtained from the Audited Financial Statements of Claremont University Consortium.

As of June 30, 2016, all plan assets were liquidated to fund the financial obligation of the plan termination. Plan assets were historically invested primarily in a diversified group of equity and fixed-income securities and were in accordance with the Employee Retirement Income Security Act (ERISA). Accrued benefit liability and employer contributions were allocated to each of The Claremont Colleges based on participant data or other methods deemed appropriate by the Plan's actuary.

NOTE 18 - AFFILIATED INSTITUTIONS:

The College is a member of an affiliated group of colleges known as The Claremont Colleges. Each College is a separate corporate entity governed by its own Board of Trustees. Claremont University Consortium, a member of this group, is the central coordinating institution which provides common student and administrative services, including certain central facilities utilized by all The Claremont Colleges. The costs of these services and facilities are shared by the members of the group. Amounts paid by the College for such services and use of facilities for the years ended June 30, 2017 and 2016 totaled $3,979,797 and $4,337,633, respectively.

June 30, 2017 and 2016

NOTE 19 - RELATED PARTIES:

The College receives contributions and promises to give from members of the Board of Trustees. For the years ended June 30, 2017 and 2016, the College received approximately $1,801,435 and $1,270,225, respectively, of total contribution revenue from members of the Board of Trustees. As of June 30, 2017 and 2016, contributions receivable from members of the Board of Trustees totaled approximately $89,945 and $339,712 of total contributions receivable.

NOTE 20 - COMMITMENTS AND CONTINGENCIES:

During 2015, the College entered into construction contracts related to the renovation of its buildings. The outstanding commitment under these construction contracts were $1,139,325 and $159,500 for the years ended June 30, 2017 and 2016.

Certain federal grants, including financial aid which the College administers and for which it receives reimbursements, are subject to audit and final acceptance by federal granting agencies. Current and prior year costs of such grants are subject to adjustment upon audit. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time, although the College expects such amounts, if any, would not have a significant impact on the financial position or results of operations of the College.

Occasionally, the College is involved in lawsuits arising in the ordinary course of its operations. The College's management does not expect the ultimate resolution of pending legal actions to have a material effect on the financial position or results of operation of the College.

NOTE 21 - SUBSEQUENT EVENTS:

Subsequent events are events or transactions that occur after the Consolidated Statements of Financial Position date but before Consolidated Financial Statements are available to be issued. The College recognizes in the Consolidated Financial Statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Consolidated Statements of Financial Position, including the estimates inherent in the process of preparing the Consolidated Financial Statements. The College’s Consolidated Financial Statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the Consolidated Statements of Financial Position but arose after the Consolidated Statements of Financial Position date and before Consolidated Financial Statements are available to be issued.

In August 2017, the College entered into an agreement through CMFA to advance refund a portion of CEFA 2009 bonds with a tax exempt refinancing. The agreement provides the flexibility for the College to select the date to execute the advance refunding of these bonds through October 1, 2018, with an interest rate lock of 2.6%, and after October 1, 2018 through April 1, 2020 at a rate of 2.6% plus any differential between the U.S. 10 year Treasury rate and 2.65%. The agreement also allows for a taxable refinancing for a small portion of the CEFA 2009 bonds that cannot be advance refunded on a tax exempt basis. This portion of the refinancing will at a 2% interest rate through October 1, 2018, and at a rate of 2.0% plus any differential between the U.S. 10 year Treasury rate and 2.65% after October 1, 2018 through April 1, 2020. Under the agreement, principal payments can be set to approximately match the principal maturities of CEFA 2009 bonds. As part of the agreement, the College can also borrow up to $6.5 million for capital projects or for CEFA 2009 debt service payments.

The College has evaluated subsequent events through October 13, 2017, which is the date the Consolidated Financial Statements are available for issuance.