KPMG

WHITTIER COLLEGE

Financial Statements

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

WHITTIER COLLEGE

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis provides an overview of the financial position and activities of Whittier College, including the Whittier Campus and Law School, for the fiscal year ended June 30, 2018 with comparative data for the years ended June 30, 2017 and 2016. The information has been prepared by management, is unaudited, and should be read in conjunction with the audited financial statements and accompanying notes, which follow this section.

INTRODUCTION

Whittier College (the College) is a national liberal arts college in California serving about 1,650 undergraduate students and 150 graduate students in education and law. The undergraduate campus and graduate education are located in Whittier, and the Law School is in Costa Mesa. Established in 1887 by the Religious Society of Friends (Quakers) as the Whittier Academy, the College was chartered by the State of California in 1901. Since its founding, the College has remained committed to its mission of providing a liberal arts education of the highest quality to a diverse and well-qualified student body.

With long-held values of tolerance, service, and internationalism, the College is among the most diverse liberal arts colleges in the nation. The enrollment of students from underrepresented groups is over sixty percent, and the College takes pride in its designation by the U.S. Department of Education as a Hispanic-Serving Institution. The College is accredited by the Western Association of Schools and Colleges (WASC).

In April 2017 the governing board of trustees collectively made a decision to discontinue the law program. The American Bar Association (ABA) approved the College's plan to teach out the law program over the next one to two years. The Law School remains accredited by the ABA and is a member of the Association of the American Law Schools.

OVERVIEW OF FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The College's financial statements include the Statement of Financial Position, Statement of Activities, Statement of Cash Flows, and accompanying Notes to Financial Statements. These financial statements are the responsibility of management and have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and in accordance with the pronouncements of the Financial Accounting Standards Board (FASB), which establishes standards for reporting for not-for-profit colleges. The financial statements focus on the financial position of the College and the changes in net assets and cash flows. The Notes to Financial Statements describe the College's significant financial policies and provide additional disclosures to the financial statements.

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position presents the financial position of the College as of the end of the fiscal year (June 30), including assets, liabilities, and net assets. From the data presented, readers of the Statement of Financial Position have the information to determine the assets and net assets available to continue the operations of the College. Readers may also be able to determine the amounts owed to vendors, lending institutions, and others.

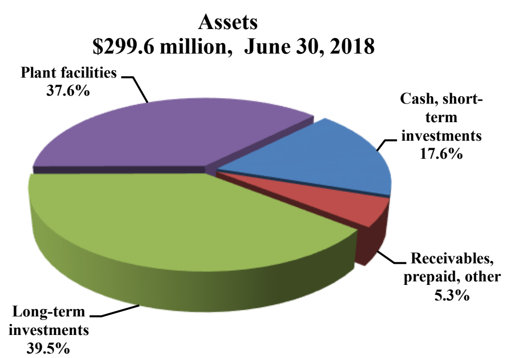
The College reports its net assets in three categories in accordance with GAAP:

- Unrestricted net assets are expendable funds not subject to donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed time or purpose restrictions and earnings on endowment funds that have not yet been appropriated.
- Permanently restricted net assets are subject to donor restrictions requiring that the funds be maintained in perpetuity, usually for the purpose of generating investment income to fund operations.

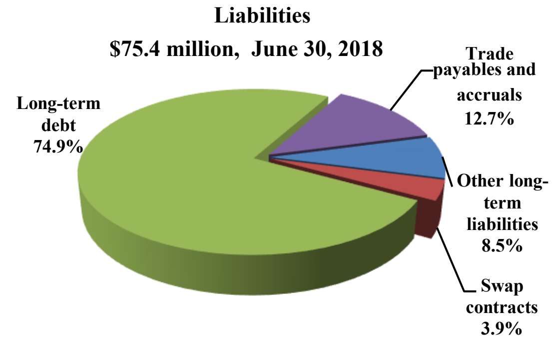
A comparison of the College's financial position as of June 30, 2018, 2017, and 2016 is as follows:

($ in millions)	2018	2017	2016
Assets	$299.6	$303.9	$308.5
Liabilities	$75.4	$78.5	$103.1
Net assets:			
Unrestricted:			
Plant equity and other	$97.9	$118.4	$104.1
Board-designated endowment	29.6	16	14.4
Temporarily restricted:			
Other expendable	4.5	5.3	6.4
Endowment	16.1	14.6	11.2
Permanently restricted:			
Revolving student loans and other	4.8	4.4	4.3
Endowment	71.3	66.7	65.0
Total net assets	$224.2	$225.4	$205.4

Assets and Liabilities



The College's assets decreased by $4.3 million, or 1.4% in fiscal 2018. The decrease was largely related to depreciation reducing the net book value of plant facilities, which was offset by market gains on the College's investment portfolio. Approximately 52% of the College's assets are short and long-term investments, which are recorded at fair value and are subject to ongoing market fluctuations.

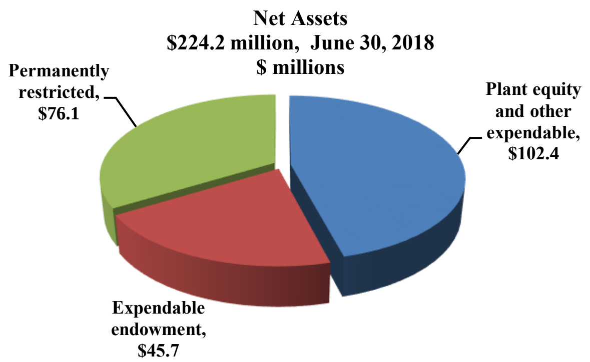


The College's liabilities decreased by $3.1 million, or 3.9%. The decrease was largely related to the reduction of the asset retirement obligation related to the renovation of an academic building. Additionally, there were $895 thousand of debt principal payments made as well as changes in the market value of interest rate swap contracts that resulted in a decreased obligation of $1.3 million. Accounts payable and accrued liabilities increased by $989 thousand primarily due to severance agreements with former employees in the law program which has been discontinued and is currently in a teach out phase. Other liabilities were generally comparable between years.

The College has $56.2 million in outstanding variable rate and fixed rate notes payable which comprise nearly all of the long-term debt liability. The notes are with First Republic Bank and are secured by the College's real property. The variable and fixed rate notes outstanding at June 30, 2018 total $25.1 million and $31.1 million, respectively. Information on this long-term debt is disclosed in Note 8 of the Notes to Financial Statements.

The College hedges its interest rate risk and annual debt service expense on $25.1 million of the variable rate notes with two swap contracts. The College is subject to counterparty risk with the swap providers. The blended annual interest rate paid to the swap counterparties totals 3.33% in exchange for payments received based on 67% of the one-month London Interbank Offered Rate. The fair value of the swap contracts is largely based on U.S. Treasury Bond interest rates, which at June 30, 2018, were higher than at June 30, 2017.

Net Assets

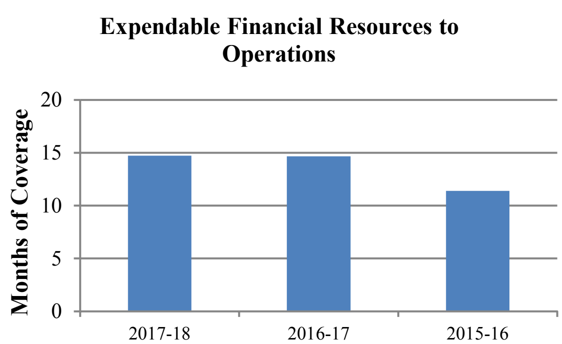


Plant equity and other expendable net assets decreased by $21.2 million in fiscal 2018 from 2017. This decrease was caused primarily by a Board approved reclassification of $13 million of unrestricted net assets to Board-designated endowment, as well as the current year depreciation of plant facilities of $6.1 million.

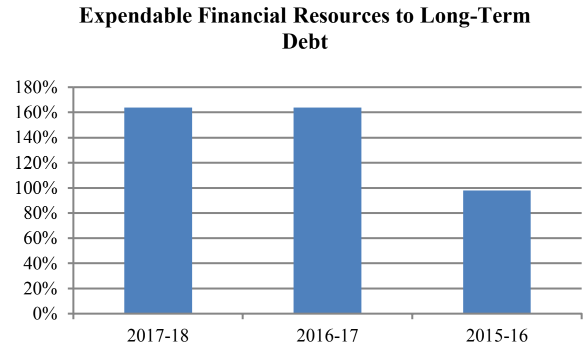
Expendable endowment which consists of Board designated endowment and temporarily restricted, cumulative net gains on investments increased by $15.2 million in fiscal 2018 from 2017. This increase was due to the Board approved reclassification of $13 million into Board-designated endowment as well as the market gains on the College's investment portfolio.

Permanently restricted net assets increased by $5 million in fiscal 2018 from additions to endowment in the forms of gifts as well as market gains and actuarial adjustments.

The ratio of expendable financial resources to operations as defined by Moody's measures the strength of net assets. This ratio, illustrated in the following chart, shows that the College had enough expendable resources from various sources to fund operations for a period of approximately 15 months in fiscal 2018. This ratio remained consistent compared with fiscal 2017.



A key ratio measuring expendable financial resources to long-term debt, as defined by Moody's, shows, in the following chart, the College's ability to retire its entire debt obligation. This ratio remained consistent compared with fiscal 2017.



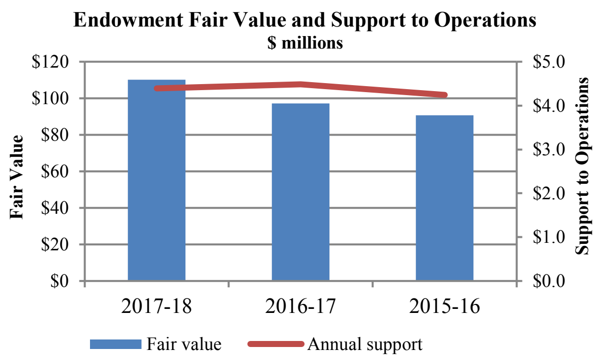
Net Assets – Endowment

The College maintains an endowment with net assets totaling $117.0 million at June 30, 2018. Additions to the endowment are typically invested in a managed pool of diversified investment vehicles. A portion of the annual total return on the investments provides critical support to operations.

Endowment net assets are classified among permanently restricted, temporarily restricted, and unrestricted net assets. Permanently restricted endowment net assets are contributions that the College must maintain in perpetuity by donor stipulation. Temporarily restricted endowment net assets include cumulative total returns on permanent endowment investments that have not yet been allocated to operations. Unrestricted endowment net assets include funds allocated by the Board of Trustees to function like endowment.

The annual endowment total return used to fund operations is determined by applying a percentage spending rate to a historical average carrying value of endowment investments. The spending rate, which was 4.9% in fiscal 2018, is set by the Board of Trustees and is designed to provide a consistent annual income stream yet maintain the purchasing power of endowment investments against the impact of inflation. The total return used for operations consists of actual investment income (yield) and gains to the extent that the calculated spending amount exceeds income. The College intends to reduce the annual spending rate to 4.5% by 2022 because of projected total returns over the next years.

The endowment carrying value in fiscal 2018 increased from fiscal 2017 from higher market returns as well as new gifts received and a board approved transfer of $13 million from unrestricted net assets. Annual financial support to operations decreased in slightly in fiscal 2018 due to a lower spending rate as compared to fiscal 2017 partially offset by an increasing carrying value.



STATEMENT OF ACTIVITIES

The Statement of Activities presents the College's results of operations and non-operating activities that change net assets (or equity) for the year. Revenues and expenses are classified as either operating or non-operating in accordance with GAAP. A condensed comparison of the College's revenues, expenses, and other changes in net assets for the years ended June 30, 2018, 2017, and 2016 is as follows:

($ in millions)	2018	2017	2016
Operating revenues	$70.0	$75.2	$76.7
Operating expenses	$75.4	$76.8	76.7
Operating income	(5.4)	(1.6)	0.0
Non-operating activities	4.2	21.6	(3.4)
Beginning net assets	225.4	205.4	208.8
Ending net assets	224.2	$225.4	$205.4

Statement of Activities – Operating Issues

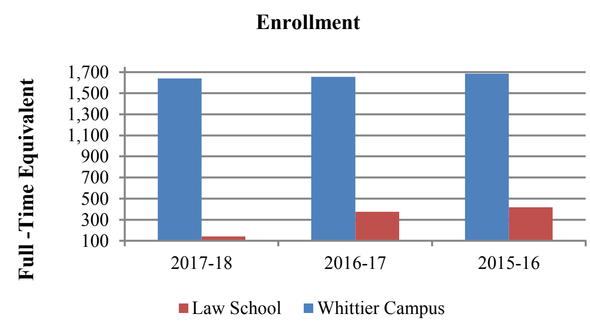
The following table summarizes revenues for the years ended June 30, 2018, 2017, and 2016.

($ in millions)	2018	2017	2016
Net tuition and fees	$44.4	$52.3	$54.3
Gifts, grants, and pledges	9.6	7.5	7.8
Investment income	3.5	2.9	2.3
Auxiliary enterprises	10.8	10.3	10.6
Other	1.7	2.3	1.7
Total revenue	$70.0	$75.2	$76.7

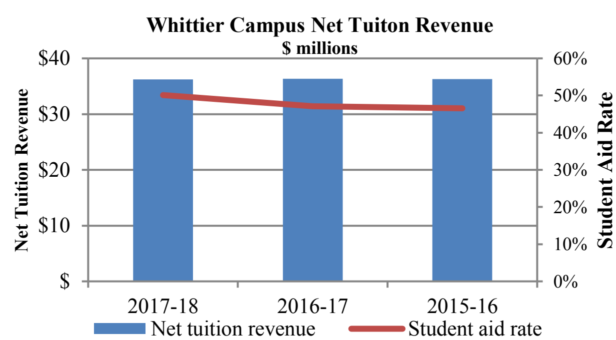
For the year ended June 30, 2018, net tuition and fees, and sales from auxiliary enterprises represent student revenues, which provided 79% of total revenues. Gifts, grants, and pledges contributed approximately 12%, with investment income and other sources contributing approximately 9%.

Net tuition and fee revenues are the result of tuition pricing, enrollment, and the amount and rate of student aid awarded. The tuition prices at the Whittier Campus and Law School are based on costs to provide a high-quality education and on rates at competitive institutions.

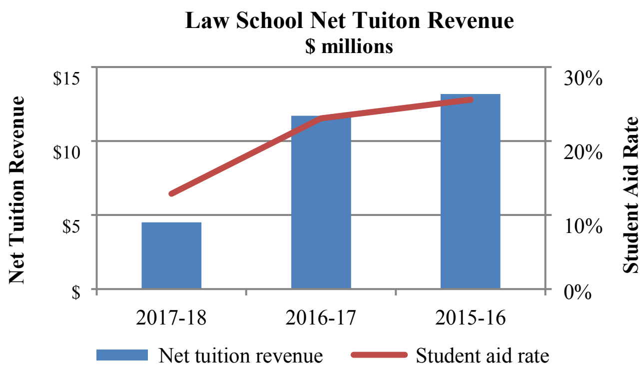
Enrollment at the Whittier Campus has generally remained stable since 2016. Law School enrollment has declined since 2016 from the law program closure and will be fully reduced within the next one to two fiscal years, as law students graduate or transfer to other schools. The following chart displays comparative enrollment at both campuses:



Net tuition revenue at the Whittier Campus in fiscal 2018 remained consistent with fiscal 2017 due to the larger headcount and tuition rates being offset by the increase to student aid as shown in the following chart.



Net tuition revenue at the Law School has declined each year since fiscal 2016. This trend will continue until the law school has completed the teach-out process and will cease operations. Less aid overall was provided to students compared to fiscal 2017 given the decline in enrollment.



Donor gifts and government grants are a key revenue source for the College. Gifts and grants in fiscal 2018 increased from fiscal 2017, totaling $9.6 million in fiscal 2017 which was an increase of $2.1 million from $7.5 million in fiscal 2017.

Expenses are reported by program function. Each program function includes all direct operating costs for the services provided plus an allocated portion of expenses for plant facilities operations, depreciation, and debt interest costs.

A comparative table of the College's expenses by functional category is as follows:

($ in millions)	2018	2017	2016
Instruction	$29.4	$32.0	$33.0
Sponsored programs	0.8	0.9	1.5
Academic support	6.5	6.2	6.4
Student services	14.9	15.2	15.0
Institutional support	14.6	13.9	12.7
Auxiliary enterprises	9.2	8.6	8.1
Total expenses	$75.4	$76.8	$76.7

In fiscal 2017, approximately 49 cents of every dollar spent was spent directly on instruction, research, and academic support (including libraries and academic computing); 20 cents on student services (including athletics); 19 cents on institutional support (including administration, advancement, and business expenses); and 12 cents on auxiliary enterprises.

Total expenses decreased by $1.4 million in fiscal 2018 from 2017. The overall decrease is due to a smaller law program as a first-year class was not accepted in the fall of 2017.

Measures of private colleges' and universities' operating results typically focus on the change in unrestricted net assets from operating activities excluding net assets released for capital projects. This measure for the College and Law School for fiscal 2018 is as follows:

($ in millions)	WC	WLS	2018
Net tuition and fees	$39.1	$5.3	$44.4
Gifts, grants, and pledges	3.9	0.0	3.9
Investment income	1.7	0.4	2.1
Auxiliary enterprises	10.7	0.0	10.7
Other	1.7	0.0	1.7
Temp net assets released	5.4	0.0	5.4
Total revenue and support	$62.5	$5.7	$68.2
Instruction	$24.4	$5.0	$29.4
Sponsored programs	0.8	0.0	0.8
Academic support	4.8	1.7	6.5
Student services	13.0	1.9	14.9
Institutional support	13.3	1.3	14.6
Auxiliary enterprises	8.2	1.0	9.2
Total expenses	$64.5	$10.9	$75.4
Change in unrestricted net assets from operating activities	($2.0)	($5.2)	($7.2)

The College's adjusted net operating revenues in fiscal 2018 decreased by $7.4 million from fiscal 2017. Student revenues at the College and law school in fiscal 2018 were lower than 2017 largely due to the continued wind down of the Law School. This was partially offset by the larger endowment returns designated for spending given the stronger market performance during the year. As described above, expenses were higher in legal costs and severance costs which were partially offset by lower other operating expenses.

Statement of Activities – Non-operating Issues

The College had a $4.2 million increase in net assets from non-operating activities during fiscal 2018. The increase was primarily from market gains on the endowment investment portfolio and swap contracts.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents detailed information about the cash activity of the College during the fiscal year. The statement is divided into three sections. The first section derives operating cash flows. The second section reconciles cash flows from investment and capital plant activities. The third section derives cash flows from external financing and permanently restricted contributions. A condensed version of the three cash flow sections is provided below:

($ in millions)	2018	2017	2016
Operating	$0.2	$2.1	$8.3
Investing	(2.9)	(6.9)	(35.1)
Financing	(0.8)	4.2	23.0
Cash and cash equivalents			
Beginning of year	$17.2	$17.8	21.6
End of year	$13.7	$17.2	$17.8

Cash flows from operations in fiscal 2018 were lower than 2017 results largely due to an $5.2 million operating loss at the Law School from lower teach-out enrollment. Cash flows used in investing activities were the result of the timing of investment purchases as well as timing difference from collection of law school direct loan receivables. Cash flows from financing activities consist of contributions for long-term purposes and are offset by payments on the loans and interest rate swap.

ECONOMIC FACTORS EXPECTED TO AFFECT THE FUTURE

Funds supporting the College's operations are primarily from student revenues. Management believes that tuition pricing at the Whittier Campus is favorable as compared to peer institutions.

The Whittier Campus is located in southern California, a geographically desirable area. The College draws approximately 90% of its students from the western region of the United States. Industry resources project that the numbers of high school graduates in the western region of the U.S. will remain flat over the intermediate term. The College believes that undergraduate enrollment will remain stable over the coming years.

Discontinuance of the Law program will result in less revenues over the next one to two years before the program is fully wound down. Instruction, administrative costs, and other expenses will be incurred throughout the teach-out.

Net student revenues provide over 75% of total annual revenues. This category includes tuition, net of student aid, housing, meal contracts, and fees. Approximately 19% of net tuition revenues at the Whittier Campus are funded by state and federal grant aid programs to students. These programs remain at some degree of risk for reductions in funding which may impact the affordability of tuition for certain students. Material reductions in one or both of these programs may require the College to increase its rate of student aid.

The College relies on philanthropy to supplement student and other revenues in the support of operations. Gifts and grants currently provide approximately 12% of total revenues. The College has continued to experience consistent participation from its donors. Future, negative economic conditions may impact the overall amount of contributions.

The College's income from endowment investments is based on investment carrying values. The College maintains a diversified portfolio of investments designed to reduce volatility and provide consistent investment returns over long-term horizons. Prolonged periods of reduced valuations may negatively impact the amount of investment returns for operations.

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Independent Auditors' Report

The Board of Trustees
Whittier College:

Report on the Financial Statements

We have audited the accompanying financial statements of Whittier College (the College), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Whittier College as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying management's discussion and analysis on pages i-vi and the list of the board of trustees and officers of the College on page 26 are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

KPMG LLP

November 20, 2018

WHITTIER COLLEGE

Statements of Financial Position

June 30, 2018 and 2017

Assets		**2018**	**2017**
Cash and cash equivalents	$	13,747,777	17,198,333
Short-term investments		39,035,179	48,187,371
Accounts and loans receivable, net (note 2)		9,324,645	13,991,761
Prepaid expenses and other assets		1,905,102	1,585,613
Pledges receivable, net (note 3)		4,579,411	5,095,073
Long-term investments		118,168,155	100,181,288
Plant facilities, net (note 7)		112,868,947	117,661,617
Total assets	$	299,629,216	303,901,056
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	9,591,251	8,601,452
Student deposits and deferred revenue		2,572,137	2,240,163
Federal student loan funds		746,950	666,594
Interest rate swap liability (note 8)		2,946,076	4,278,664
Loans and notes payable (note 8)		56,447,204	57,339,760
Actuarial liability for life income agreements		2,189,880	2,149,095
Asset retirement obligation (note 12)		658,303	2,906,788
Funds held in custody for others		233,175	287,505
Total liabilities		75,384,976	78,470,021
Net assets (note 10):			
Unrestricted		127,567,273	134,445,711
Temporarily restricted		20,582,142	19,922,198
Permanently restricted		76,094,825	71,063,126
Total net assets		224,244,240	225,431,035
Total liabilities and net assets	$	299,629,216	303,901,056

See accompanying notes to financial statements.

WHITTIER COLLEGE

Statement of Activities

Year ended June 30, 2018

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support:				
Student tuition and fees	$ 83,566,320	—	—	83,566,320
Less student aid	(39,127,920)	—	—	(39,127,920)
Net student tuition and fees	44,438,400	—	—	44,438,400
Private gifts, grants, and pledges	2,795,271	932,924	4,807,591	8,535,786
Government grants	1,071,217	—	—	1,071,217
Investment income	2,059,152	1,532,896	—	3,592,048
Auxiliary enterprises	10,749,255	—	—	10,749,255
Other	1,655,534	—	—	1,655,534
	62,768,829	2,465,820	4,807,591	70,042,240
Net assets released from restrictions:				
Endowment returns designated for spending	3,720,642	(3,720,642)	—	—
Satisfaction of donor restrictions	1,682,121	(1,682,121)	—	—
Total revenues and other support	68,171,592	(2,936,943)	4,807,591	70,042,240
Expenses:				
Instruction	29,371,178	—	—	29,371,178
Sponsored programs, projects, and research	791,067	—	—	791,067
Academic support	6,520,301	—	—	6,520,301
Student services	14,870,254	—	—	14,870,254
Institutional support	14,671,375	—	—	14,671,375
Auxiliary enterprises	9,180,695	—	—	9,180,695
Total expenses	75,404,870	—	—	75,404,870
Increase (decrease) in net assets from operating activities	(7,233,278)	(2,936,943)	4,807,591	(5,362,630)
Nonoperating activities:				
Net realized and unrealized gains on investments	336,798	3,729,359	132,421	4,198,578
Net change in actuarial liability for life income agreements	—	(132,472)	91,687	(40,785)
Contributions	—	231,620	—	231,620
Unrealized gain on interest rate swap liability	1,332,607	—	—	1,332,607
Other	(1,546,185)	—	—	(1,546,185)
Satisfaction of building gift restrictions	231,620	(231,620)	—	—
Increase in net assets from nonoperating activities	354,840	3,596,887	224,108	4,175,835
Change in net assets	(6,878,438)	659,944	5,031,699	(1,186,795)
Net assets:				
Beginning of year	134,445,711	19,922,198	71,063,126	225,431,035
End of year	$ 127,567,273	20,582,142	76,094,825	224,244,240

See accompanying notes to financial statements.

WHITTIER COLLEGE

Statement of Activities

Year ended June 30, 2017

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support:				
Student tuition and fees	$ 90,840,960	—	—	90,840,960
Less student aid	(38,584,141)	—	—	(38,584,141)
Net student tuition and fees	52,256,819	—	—	52,256,819
Private gifts, grants, and pledges	3,458,806	2,049,447	442,559	5,950,812
Government grants	1,541,589	—	—	1,541,589
Investment income	1,672,289	1,241,783	—	2,914,072
Auxiliary enterprises	10,280,962	—	—	10,280,962
Other	2,291,276	—	—	2,291,276
	71,501,741	3,291,230	442,559	75,235,530
Net assets released from restrictions:				
Endowment returns designated for spending	3,812,422	(3,812,422)	—	—
Satisfaction of donor restrictions	2,114,673	(2,114,673)	—	—
Total revenues and other support	77,428,836	(2,635,865)	442,559	75,235,530
Expenses:				
Instruction	31,968,104	—	—	31,968,104
Sponsored programs, projects, and research	912,928	—	—	912,928
Academic support	6,226,320	—	—	6,226,320
Student services	15,193,917	—	—	15,193,917
Institutional support	13,922,413	—	—	13,922,413
Auxiliary enterprises	8,586,808	—	—	8,586,808
Total expenses	76,810,490	—	—	76,810,490
Increase (decrease) in net assets from operating activities	618,346	(2,635,865)	442,559	(1,574,960)
Nonoperating activities:				
Net realized and unrealized gains on investments	973,734	5,747,247	1,222,617	7,943,598
Gain on sale and disposal of plant assets, net	7,312,897	—	—	7,312,897
Net change in actuarial liability for life income agreements	—	10,174	74,090	84,264
Contributions	—	2,998,957	—	2,998,957
Unrealized gain on interest rate swap liability	3,342,482	—	—	3,342,482
Other	(107,799)	—	—	(107,799)
Satisfaction of building gift restrictions	3,736,379	(3,736,379)	—	—
Increase in net assets from nonoperating activities	15,257,693	5,019,999	1,296,707	21,574,399
Change in net assets	15,876,039	2,384,134	1,739,266	19,999,439
Net assets:				
Beginning of year	118,569,672	17,538,064	69,323,860	205,431,596
End of year	$ 134,445,711	19,922,198	71,063,126	225,431,035

See accompanying notes to financial statements.

WHITTIER COLLEGE

Statements of Cash Flows

Years ended June 30, 2018 and 2017

		2018	2017
Cash flows from operating activities:			
Change in net assets	$	(1,186,795)	19,999,439
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation expense		6,123,352	5,675,123
Unrealized gain on interest rate swap liability		(1,332,607)	(3,342,482)
Net realized and unrealized gain on investments		(4,198,578)	(7,943,598)
Gain on sale and disposal of plant assets, net		—	(7,312,897)
Restricted contributions		(231,620)	(3,441,516)
Pledge write-off		746,644	—
Net change in asset retirement obligation		(18,935)	(149,149)
Net change in actuarial liability for life income agreements		40,785	(84,264)
Changes in operating assets and liabilities:			
(Increase) decrease in accounts and loans receivable		(495,909)	282,056
(Increase) in pledges receivable		(230,982)	(341,025)
(Increase) decrease in prepaid expenses and other assets		(319,489)	750,519
Increase (decrease) in accounts payable and accrued liabilities		989,799	(1,132,722)
Increase (decrease) in student deposits and deferred revenue		331,974	(862,018)
Net cash provided by operating activities		217,639	2,097,466
Cash flows from investing activities			
Purchase of plant facilities		(3,814,425)	(13,974,022)
Sale of plant facilities		—	15,368,773
Student loans issued, net of collections		5,163,026	(5,159,918)
Purchase of investments		(37,094,499)	(76,293,955)
Proceeds from sales of investments		32,827,948	73,156,889
Net cash used in investing activities		(2,917,950)	(6,902,233)
Cash flows from financing activities			
Proceeds from restricted contributions		231,620	3,441,516
Proceeds from drawdown on loan		—	4,789,206
Payment on loans, notes payable, and interest rate swap		(892,555)	(3,907,822)
Payments to beneficiaries on life income agreements		(115,336)	(105,581)
Disbursements of funds held in custody for others		(54,330)	(74,084)
Federal student loan funds, net		80,356	95,975
Net cash (used in) provided by financing activities		(750,245)	4,239,210
Net decrease in cash and cash equivalents		(3,450,556)	(565,557)
Cash and cash equivalents:			
Beginning of year		17,198,333	17,763,890
End of year	$	13,747,777	17,198,333
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	2,340,369	2,851,064

See accompanying notes to financial statements.

(1) Description of Organization and Summary of Significant Accounting Policies

(a) Description of Organization

Whittier College (the College) was founded in 1887 and is an accredited four year, private coeducational, and nationally recognized liberal arts institution. The College offers undergraduate and selected advanced degrees in education and law. The College derives most of its revenue from tuition and student fees, earnings from its endowments, and gifts from individuals, corporations, and foundations. The following accounting policies of the College are in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) and those generally accepted for colleges and universities.

(b) Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting.

(c) Financial Statement Presentation

Revenue, gains, and losses are classified as unrestricted, temporarily restricted, and permanently restricted as follows:

Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

Temporarily restricted net assets consist of contributed funds subject to specific donor imposed restrictions, contingent upon specific performance of a future event or a specific passage of time before the College may spend the funds, and earnings on endowment funds that have not yet been appropriated.

Permanently restricted net assets are subject to donor restrictions requiring that the assets be maintained in perpetuity. The investment income generated from these assets is temporarily restricted by law until appropriated by the Board of Trustees in support of the College’s programs and operations.

(d) Revenue Recognition

Student tuition and fees are recorded as revenue in the period during which the academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.

Gifts from donors, including pledges receivable (unconditional promises to give), are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Gifts where donor restrictions are met within the same fiscal year as the gifts are received are included in unrestricted net assets. Gifts of assets other than cash are recorded at their estimated fair value. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Government grant revenue is recorded as the related expenses are incurred and administrative fees are earned.

Investment returns, including investment income and gains and losses, are recorded on a trade date basis and reported as increases or decreases in unrestricted and temporarily restricted net assets unless their use is restricted by explicit donor stipulation or law.

Auxiliary enterprises consist of room and board, bookstore commissions, and conferences fees and are recorded as revenue when the services are provided.

(e) Cash and Cash Equivalents

The College considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents, except for those that have been designated by the College as endowments, which are considered to be long term investments.

(f) Fair Value Determination of Financial Instruments

The fair value of the College's financial instruments as of June 30, 2018 and 2017, represents management's best estimates of the amounts that would be received to sell those assets in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there are little, if any, observable inputs, management's own judgments about the assumptions of market participants were used in pricing the asset. Those judgments are developed by management based on the best information available in the circumstances. Although the College uses its best judgment in determining the fair value of financial instruments, there are inherent limitations in any methodology.

Therefore, the values presented herein are not necessarily indicative of the amount the College could realize in a current transaction. Future confirming events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon liquidation of the investments.

The College did not elect fair value accounting for any asset or liability that is not currently required to be measured at fair value.

The College's fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level I measurements) and the lowest priority measurements involving significant unobservable inputs (Level III measurements). The three levels of the fair value hierarchy are as follows:

- Level I inputs are quoted prices (unadjusted) in active markets for identical assets that the College has the ability to access at the measurement date.
- Level II inputs are inputs other than quoted prices included within Level I that are observable for the asset, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data. Level II includes government and corporate bonds due to variations in the pricing of such securities from various factors, including current interest rates, spreads, and various trade activity that impact the quoted prices for such holdings.

- Level III inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset.

The level in the fair value hierarchy within a fair value measurement in its entirety falls on the lowest level input that is significant to the fair value measurement in its entirety. The College applies the authoritative guidance contained in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 10, *Fair Value Measurement*, for estimating the fair value of investments in investment funds that have calculated Net Asset Value (NAV) per share. According to the guidance, in circumstances in which NAV per share of an investment is not determinative of fair value, a reporting entity is permitted to estimate the fair value of an investment in an investment fund using the NAV per share of the investment (or its equivalent) without further adjustment, if the NAV per share of the investment is determined in accordance with FASB ASC 946 10 as of the reporting entity's measurement date. Accordingly, the College uses the NAV as reported by the investment managers as a practical expedient to determine the fair value of investments in investment funds, which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment fund or prepare their financial statements consistent with the measurement principles of an investment fund. At June 30, 2018 and 2017, the fair value of all such investments in investment funds has been determined by using NAV as a practical expedient. Such assets are not classified in the fair value hierarchy in accordance with Accounting Standards Update No. 2015-07 (ASU 2015-07), *Fair Value Measurement: Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent)*. ASU 2015-07 removed the requirement to classify within the fair value hierarchy investments measured at NAV.

Fair value of the College's financial instruments is determined using the estimates, methods, and assumption as set forth below. See note 5 for further information regarding fair value disclosures for investments.

(i) Accounts and Loans Receivable, Accounts Payable, and Accrued liabilities

Reported amounts approximated fair value at June 30, 2018 and 2017, because of the terms and relatively short maturities of these financial instruments.

(ii) Pledges Receivable

Pledges receivable are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving considerations to anticipated future cash receipts (after allowance is made for uncollectible pledges) and discounting such amounts at a fair value rate commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level III in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary.

(iii) Interest Rate Swap Liability

Fair value is estimated based on pricing models that utilize significant observable inputs, such as relevant interest rates, that reflect assumptions market participants would use in pricing the instruments. These inputs fall within Level II of the fair value hierarchy.

(iv) Loans and Notes Payable

The valuation techniques and the inputs of loans and notes payable are based on observable interest rates and maturity schedules. Fair value of loans and note payable approximated the reported value at June 30, 2018 and 2017.

(v) Actuarial Liability for Life Income Agreements

The reported amount of the actuarial liability for life income agreements approximates fair value because these instruments are recorded at the estimated net present value of future cash flows. The estimated fair value, however, involves unobservable inputs considered to be Level III in the fair value hierarchy.

(g) Allocation of Investment Returns

The College follows an investment policy for its pooled investments, which anticipates a greater long term 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 endowment investments whereby the amount of investment return available for current operations is determined by applying a specified percentage of 4.9% to the average market value of pooled investments for the three preceding calendar years. If the investment income of pooled investments, which includes interest and dividends, and accumulated realized and unrealized gains and losses, is insufficient to provide the full amount of investment return authorized for spending, no amounts are allocated to current operations. Any additional investment gains over and above the approved spending amounts are shown as nonoperating activities.

(h) Plant Facilities

Property, plant, and equipment are stated at cost or estimated fair value at the date of the gift. Depreciation is computed on a straight line basis over the estimated useful lives of the assets (25 to 40 years for buildings and improvements and 5 to 7 years for equipment and library books). Expenditures for repairs and maintenance not extending the life of the assets are charged to operations when incurred. Upon sale or disposal of equipment, the cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in the Statement of Activities within Gain on sale and disposal of plant assets, net.

(i) Asset Retirement Obligation

The College accrues for costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional. The College identified future asbestos abatement activities as a conditional asset retirement obligation. Asbestos abatement activities were estimated based upon historical removal costs per square foot applied to assets identified requiring asbestos abatement. The College recorded the estimate as a liability and as an increase to the recorded historical cost of the asset. The capitalized portion is depreciated over the remaining useful life of the asset. The present value of the asset retirement obligation totaled $658,303 and $2,906,788 utilizing rates between 1.89% and 2.74% as of June 30, 2018 and 2017, respectively. The costs will continue to be accreted to expense until such point that the remediation activities are required.

(j) Interest Rate Swap Liability

The College uses an interest rate risk management strategy that incorporates the use of derivative instruments intended to minimize significant fluctuations in interest expense that are caused by interest rate volatility. Interest rate swaps involve the exchange of fixed and variable rate interest payments between two parties, based on a common notional principal amount and maturity date. All derivative instruments are recognized in the statement of financial position at their fair values and changes in fair value are recognized in the statements of activities.

(k) Federal Student Loan Funds

Funds provided by the U.S. government under the Federal Perkins Student Loan program are loaned to qualified students and may be reloaned after collection. These funds are ultimately refundable to the U.S. government.

(l) Fund Raising Expense

The accompanying statements of activities include fund raising expenses of \$3,090,640 and \$2,940,246, for the years ended June 30, 2018 and 2017, respectively, as a component of institutional support.

(m) Actuarial Liability for Life Income Agreements

The actuarial liability for life income agreements includes gift annuities, unitrusts, pooled income funds, and life estates that are reported based on the present value of future payments, discounted at a rate that is commensurate with the risks involved ranging from 4.5% to 6.0% for the years ended June 30, 2018 and June 30, 2017 using the 2012 Group Annuity Tables.

(n) Funds Held in Custody for Others

Funds held in custody for others total \$233,175 and \$287,505 at June 30, 2018 and 2017, respectively. These amounts represent money's held for organizations and social clubs on campus.

(o) Functional Allocation of Expenses

The cost of providing programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(p) Concentration of Credit Risk

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash deposits at financial institutions, student receivables, and investments in marketable securities. At times, balances in the College's cash and investment accounts exceed the insurance limits of the Federal Deposit Insurance Corporation (FDIC) or Securities Investors Protection Corporation (SPIC). Concentration of credit risk with respect to receivables is limited due to the number of students from which amounts are due and the low dollar amount of individual balances.

(q) Impairment of Long Lived Assets and Long Lived Assets to Be Disposed of

Long lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be

(Continued)

impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During 2018 and 2017, there were no events or changes in circumstances indicating that the carrying amount of long lived assets may not be recoverable.

(r) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of the revenue and expenses during the reporting period. Actual results could differ from those estimates.

(s) Income Taxes

The College is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal and state income taxes. However, the College is subject to income taxes on any income that is derived from a trade or business regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

(t) Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported change in net assets.

(2) Accounts and Loans Receivable

As of June 30, accounts and loans receivable are as follows:

		2018	2017
Student accounts receivable	$	421,119	367,936
Federal Perkins loans		4,596,243	4,570,064
Other student loans		5,787,345	12,050,084
Other receivables		700,958	125,645
		11,505,665	17,113,729
Allowance for doubtful loans receivable		(1,685,870)	(2,785,583)
Allowance for doubtful other receivable		(495,150)	(336,385)
	$	9,324,645	13,991,761

The College makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. At June 30, 2018 and 2017, student loans represented 3.46% and 5.47% of total assets, respectively. The College is obligated to collect loans made under the Federal Perkins Student Loan program and these loans are payable, including interest at 5%, over approximately 11 years following College attendance. Other student loans are interest free and repayments commence 6 months after leaving the College. An interest rate of 10% is applied to institutional loans if that balance becomes delinquent. Both federal and institutional loans carry deferment of repayment based on certain criteria such as full time student, military, and disability. The event of death cancels both loan types.

As of June 30, student loans receivable are as follows:

	2018	2017
Federal Perkins loans	$ 4,596,243	4,570,064
Other student loans	5,787,345	12,050,084
	10,383,588	16,620,148
Less allowance for doubtful accounts:		
Beginning of year	(2,785,583)	(2,920,458)
Decrease	1,099,713	134,875
End of year	(1,685,870)	(2,785,583)
Student loans receivable, net	$ 8,697,718	13,834,565

At June 30, 2018 and 2017, the following amounts were past due under student loan programs:

		2018	2017
<240 days	past due	$ 387,945	471,746
>240 days to 2 years	past due	448,374	381,022
>2 to 5 years	past due	514,707	528,918
>5 years	past due	1,556,198	1,473,652
Total past due		$ 2,907,224	2,855,338

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. Institutional loans are written off only when they are deemed to be permanently uncollectible. The College may participate in the income tax return offset program allowed by the government as part of the collection efforts.

(Continued)

(3) Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded net of allowance for uncollectible pledges and discounted to the present value of the future cash flows utilizing rates between 1.89% and 2.74% as of June 30, 2018 and 2017, respectively. As of June 30, pledges receivables are as follows:

	2018	2017
In one year or less	$ 1,379,123	1,560,902
Between one year and five years	1,052,461	1,926,357
More than five years	2,605,814	2,204,500
	5,037,398	5,691,759
Less discount and allowance for uncollectible pledges	(457,987)	(596,686)
	$ 4,579,411	5,095,073

	2018	2017
Pledges receivable by purpose:		
Endowment for scholarships and department programs	$ 2,519,034	1,317,439
Facilities construction	1,584,423	2,904,553
General operations	475,954	873,081
	$ 4,579,411	5,095,073

(4) Investments

The following summarizes the College’s investments by investment categories at June 30:

	2018	2017
Cash and cash equivalents	$ 3,856,470	639,282
Money market funds	5,267,964	899,323
Certificate of deposits	—	9,984,667
Intermediate bond funds	39,035,179	38,841,986
Mutual funds:		
International-developed stocks	17,354,336	16,588,475
Emerging markets	6,304,316	3,396,638
U.S. Large cap	5,706,681	6,172,536

(Continued)

		2018	2017
U.S. Mid cap	$	5,756,419	4,972,767
U.S. Small cap		3,712,050	2,713,540
Fixed income		19,219,100	18,364,190
Other		3,972,234	3,082,508
Total mutual funds		62,025,136	55,290,654
Equities:			
U.S. Large cap		5,208,488	4,229,990
U.S. Mid cap		2,356,324	1,564,942
U.S. Small cap		1,962,016	195,572
Emerging markets		136,535	102,222
International-developed stocks		1,343,455	2,508,355
Total equities		11,006,818	8,601,081
Alternative investments:			
Limited partnerships		4,614,178	3,322,672
Venture capital		187,408	261,234
Hedge funds		23,374,927	24,156,508
Total alternative investments		28,176,513	27,740,414
Real estate		1,806,000	1,700,522
Other		49,315	49,186
Beneficial interests in charitable remainder trusts		1,995,000	1,995,000
Unitrust investments:			
Cash and cash equivalents		563,547	239,428
Equities		1,171,268	749,874
Fixed income		144,903	282,341
Mutual funds		1,704,567	481,606
Other		247,319	1,512,577
Total unitrust investments		3,831,604	3,265,826
Total Investments	$	157,049,999	149,007,941

(5) Fair Value of Financial Instruments

The following methods and assumptions were used to estimate fair value for each class of financial instrument measured at fair value:

(a) Money Market Funds

Money market funds are short term investments of the College and consist of actively traded, observable inputs and are classified as Level I.

(b) Certificate of Deposits

Certificate of deposits are short term investments of the College that are virtually risk free and are classified as Level II.

(c) Mutual Funds

Mutual funds consist of several distinct funds with varying portfolio compositions and objectives. These investments are traded on an active exchange, are priced using unadjusted market quotes for identical assets, and are classified as Level I.

(d) Domestic Equities

Investments in domestic equities are measured at fair value using quoted market prices. They are classified as Level I as they are traded in an active market for which closing stock prices are readily available. This category includes large, mid, and small cap funds and emerging markets located in the domestic United States.

(e) International Equities

Investments in international equities are measured at fair value using quoted market prices. They are classified as Level I as they are traded in an active market, for which closing stock prices are readily available. This category includes large and small cap funds located outside the domestic United States.

(f) Bond Funds

Bond funds comprise intermediate bond funds. These securities are classified as Level II based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for similar assets in active markets.

(g) Beneficial Interests in Charitable Remainder Trusts

The College's beneficial interests in charitable remainder trusts administered by a third party. These involve unobservable inputs considered to be Level III in the fair value hierarchy.

(h) Real Estate

Investments in real estate include residential property holdings. Real estate investments are classified as Level III in the fair value hierarchy as they involve unobservable inputs.

(i) Alternative Investments

Investments in limited partnerships, hedge funds, and venture capital, for which there is no readily determinable fair value are not classified in the fair value hierarchy and are valued at NAV as a practical expedient.

While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table summarizes the College's investments and liabilities that are measured at fair value on a recurring basis at June 30, 2018:

		Investments measured at NAV	Investments classified in the fair value hierarchy Level I	Level II	Level III	2018
Investments:						
Cash and cash equivalents	$	—	3,856,470	—	—	3,856,470
Money market funds		—	5,267,964	—	—	5,267,964
Intermediate bond funds		—	—	39,035,179	—	39,035,179
Certificate of deposits investments		—	—	—	—	—
Mutual funds:						
Emerging markets		—	6,304,316	—	—	6,304,316
International-developed stocks		—	17,354,336	—	—	17,354,336
U.S. Large cap		—	5,706,681	—	—	5,706,681
U.S. Mid cap		—	5,756,419	—	—	5,756,419
U.S. Small cap		—	3,712,050	—	—	3,712,050
Fixed income		—	19,219,100	—	—	19,219,100
Other		—	3,972,234	—	—	3,972,234
Equities:						
U.S. Large cap		—	5,208,488	—	—	5,208,488
U.S. Mid cap		—	2,356,324	—	—	2,356,324
U.S. Small cap		—	1,962,016	—	—	1,962,016
Emerging markets		—	136,535	—	—	136,535
International-developed stocks		—	1,343,455	—	—	1,343,455
Alternative investments:						
Limited partnerships		4,614,178	—	—	—	4,614,178
Hedge funds		23,374,927	—	—	—	23,374,927
Venture capital		187,408	—	—	—	187,408
Real estate		—	—	—	1,806,000	1,806,000
Beneficial interests in charitable remainder trusts		—	—	—	1,995,000	1,995,000
Other		—	49,315	—	—	49,315
Unitrust investments:						
Cash and cash equivalents		—	563,547	—	—	563,547
Equities		—	1,171,268	—	—	1,171,268
Fixed income		—	—	144,903	—	144,903
Mutual funds		—	1,704,567	—	—	1,704,567
Other		—	247,319	—	—	247,319
Total investments	$	28,176,513	85,892,404	39,180,082	3,801,000	157,049,999
Liabilities:						
Interest rate swap liability	$	—	—	(2,946,076)	—	(2,946,076)
Total liabilities	$	—	—	(2,946,076)	—	(2,946,076)

The following table summarizes the College's investments and liabilities that are measured at fair value on a recurring basis at June 30, 2017:

	Investments measured at NAV	Investments classified in the fair value hierarchy Level I	Level II	Level III	2017
Investments:					
Cash and cash equivalents	$ —	639,282	—	—	639,282
Money market funds	—	899,323	—	—	899,323
Intermediate bond funds	—	—	38,841,986	—	38,841,986
Certificate of deposits investments	—	—	9,984,667	—	9,984,667
Mutual funds:					
Emerging markets	—	3,396,638	—	—	3,396,638
International-developed stocks	—	16,588,475	—	—	16,588,475
U.S. Large cap	—	6,172,536	—	—	6,172,536
U.S. Mid cap	—	4,972,767	—	—	4,972,767
U.S. Small cap	—	2,713,540	—	—	2,713,540
Fixed income	—	18,364,190	—	—	18,364,190
Other	—	3,082,508	—	—	3,082,508
Equities:					
U.S. Large cap	—	4,229,990	—	—	4,229,990
U.S. Mid cap	—	1,564,942	—	—	1,564,942
U.S. Small cap	—	195,572	—	—	195,572
Emerging markets	—	102,222	—	—	102,222
International-developed stocks	—	2,508,355	—	—	2,508,355
Alternative investments:					
Limited partnerships	3,322,672	—	—	—	3,322,672
Hedge funds	24,156,508	—	—	—	24,156,508
Venture capital	261,234	—	—	—	261,234
Real estate	—	—	—	1,700,522	1,700,522
Beneficial interests in charitable remainder trusts	—	—	—	1,995,000	1,995,000
Other	—	49,186	—	—	49,186
Unitrust investments:					
Cash and cash equivalents	—	239,428	—	—	239,428
Equities	—	749,874	—	—	749,874
Fixed income	—	—	282,341	—	282,341
Mutual funds	—	481,606	—	—	481,606
Other	—	1,512,577	—	—	1,512,577
Total investments	$ 27,740,414	68,463,011	49,108,994	3,695,522	149,007,941
Liabilities:					
Interest rate swap liability	$ —	—	(4,278,664)	—	(4,278,664)
Total liabilities	$ —	—	(4,278,664)	—	(4,278,664)

(6) Endowment

The College's endowment consists of approximately 321 individual funds established for a variety of purposes. The endowment includes both donor restricted endowment funds and funds designated by the governing board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

(a) Interpretation of Relevant Law

The College adopted guidance under U.S. GAAP on classifying net assets associated with donor restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of the guidance is a requirement to classify the portion of a donor restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure.

The College has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College 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 temporary restricted assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standards of prudence prescribed by UPMIFA. In accordance with 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 purposes of the College and the donor restricted endowment fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the College

(b) Return Objectives and Risk Parameters

The College's Board of Trustees has adopted an investment and spending policy for endowment assets that attempts to provide a predictable stream of funding sources to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets to create generational equity. Endowment assets include those assets of donor restricted funds that the College must hold in perpetuity or for a donor specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the investment market while assuming a moderate level of investment risk. The College expects its endowment funds, over time, to provide a better than the average rate of return of approximately 4.9%, which is the current College spending rate. Actual returns in any given year may vary from this amount.

(c) Strategies Employed for Achieving Objectives

To satisfy this long term rate of return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College's investments include a diversified and strategic portfolio consisting of equities, fixed income, and alternative assets. Targeted asset allocation ranges are reviewed periodically for potential adjustment of asset mix while evaluating the relative risk of each component. The College's spending policy is determined by applying a specified percentage to the average market value of the endowment pooled investments for the three preceding calendar years. This percentage was 4.9% and 5.0% for the years ended June 30, 2018 and 2017, respectively.

(d) Endowment Net Asset Composition by Type of Funds as of June 30, 2018

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowments	$	(226,651)	16,052,749	71,309,517	87,135,615
Board-designated endowments		29,860,697	—	—	29,860,697
Total	$	29,634,046	16,052,749	71,309,517	116,996,312

The changes in endowment fund net assets for the year ended June 30, 2018 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	16,008,318	14,588,796	66,617,874	97,214,988
Investment return:					
Investment income		272,226	1,541,856	1,379	1,815,461
Net appreciation (realized and unrealized)		962,830	3,618,256	131,042	4,712,128
Total investment return		1,235,056	5,160,112	132,421	6,527,589
New gifts		2,750	50,000	4,707,592	4,760,342
Appropriation for endowment spending		(764,081)	(3,720,642)	—	(4,484,723)
Board designated transfers		13,000,000	—	—	13,000,000
Other		152,003	(25,517)	(148,370)	(21,884)
Total gifts and other changes		12,390,672	(3,696,159)	4,559,222	13,253,735
Endowment net assets, end of the year	$	29,634,046	16,052,749	71,309,517	116,996,312

(e) Endowment Net Asset Composition by Type of Funds as of June 30, 2017

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowments	$ (1,455,257)	14,588,796	66,617,874	79,751,413
Board-designated endowments	17,463,575	—	—	17,463,575
Total	$ 16,008,318	14,588,796	66,617,874	97,214,988

The changes in endowment fund net assets for the year ended June 30, 2017 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 14,449,775	11,179,757	65,026,180	90,655,712
Investment return:				
Investment income	296,587	1,221,270	—	1,517,857
Net appreciation (realized and unrealized)	1,931,757	5,823,208	1,135,831	8,890,796
Total investment return	2,228,344	7,044,478	1,135,831	10,408,653
New gifts	2,500	50,000	442,559	495,059
Appropriation for endowment spending	(672,301)	(3,812,422)	—	(4,484,723)
Other	—	126,983	13,304	140,287
Total gifts and other changes	(669,801)	(3,635,439)	455,863	(3,849,377)
Endowment net assets, end of the year	$ 16,008,318	14,588,796	66,617,874	97,214,988

From time to time, the fair value of assets associated with individual donor restricted endowments may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. Deficiencies of this nature were $226,651 and $1,455,257 as of June 30, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of permanently restricted contributions and continued appropriation for programs that were deemed prudent by the governing board.

(7) Plant Facilities

Plant facilities consist of the following at June 30:

	2018	2017
Land	$ 6,704,442	6,704,442
Buildings and improvements	162,250,570	161,498,053
Equipment and library books	33,621,258	32,826,770
Construction in progress	268,016	484,339
	202,844,286	201,513,604
Less accumulated depreciation	(89,975,339)	(83,851,987)
	$ 112,868,947	117,661,617

(8) Loans and Notes Payable

As of June 30, loans and notes payable and the associated interest rates and maturities are as follows:

	Interest rate	Maturity date	2018	2017
Series 2014 tax-exempt loans:				
Variable rate	One-month LIBOR +1.25%	Due 2036	$ 25,080,600	25,973,156
Fixed rate	3.75%	Due 2044	31,143,006	31,143,006
Weingart note payable			223,598	223,598
			$ 56,447,204	57,339,760

Schedule of maturities:

	Principal amount
Fiscal year ending:	
2019	$ 927,716
2020	960,306
2021	1,000,051
2022	1,037,336
2023	1,075,348
Thereafter	51,446,447
	$ 56,447,204

(Continued)

The Series 2014 tax-exempt loans contain covenants relating to compliance with specified financial ratios. Additionally, the College has certain restrictions on future borrowings. The loans are secured by the College's plant facilities.

Note payable consists of a noninterest bearing loan that was made by the Weingart Foundation (the Foundation). The College is required to use the funds to make noninterest bearing loans to qualified students. The funds are payable to the Foundation upon notice.

Interest Rate Swap Agreements

The College maintains two interest rate swaps with Morgan Stanley Capital Services in a notional amount of $10,887,983 and $11,155,538 as of June 30, 2018 and 2017, respectively, and with Societe Generale in a notional amount of $13,560,000 and $14,185,000 as of June 30, 2018 and 2017, respectively. The intention of both interest rate swaps is to convert the floating rate interest payments the College is obligated to pay on its variable rate bonds payable into fixed rate payments at 3.16% and 3.45%, respectively.

Under the swap agreements, the College pays the swap counterparty a fixed payment of 3.16% and 3.45% and receives a variable payment computed as 67% of the 30 day London Interbank Offered Rate (LIBOR). The obligation of the College to make payments under the swap agreement constitutes a general unsecured contractual obligation of the College. Under certain circumstances, the swap agreement is subject to early termination, at which time the College could be obligated to make a substantial payment to the swap counterparty. The College made a payment of $2,075,000 in January 2017 to Morgan Stanley Capital Services to partially unwind its interest rate swap obligation. At June 30, 2018 and 2017, the fair values of the two swap agreements were $(2,946,076) and $(4,278,664), respectively, and are included in the statements of financial position as interest rate swap liability.

(9) Employee Benefit Plans

The College participates in a defined contribution retirement plan that provides retirement benefits for academic employees and certain administrative personnel through the Teachers Insurance and Annuity Association and the College Retirement Equity Fund (TIAA). Under this defined contribution plan, the College and participant contributions are used to purchase individual annuity contracts equivalent to retirement benefits earned. Contributions made by the College vest immediately. Benefits commence upon retirement and preretirement survivor death benefits are provided. College contributions to the plan for the years ended June 30, 2018 and 2017 were $1,782,607 and $1,932,015, respectively. The College also makes available supplemental retirement accounts (SRA) through TIAA for employees who wish to make additional contributions to their retirement program.

The College maintains a 457(b) plan, which is a voluntary deferred compensation plan under the provision of the IRS Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). The plan provides faculty and staff who earn in the top 10% of the College's compensation level to defer compensation up to certain annual thresholds; this amount is $18,500 for 2018 and $18,000 for 2017. While the College currently does not contribute to the plan, it may elect to do so. Upon termination, the employee has the right to cash out his/her contribution or to select a later date for distribution. At June 30, 2018 and 2017, the College included $549,202 and $499,647, respectively, in prepaid expenditures and other assets as well as in accounts payable and accrued liabilities for contributions made by employees to the College's 457(b) plan.

(Continued)

The College maintains the Emeriti Retirement Health Plan administered through TIAA. The plan offers a group medical insurance program that complements Medicare and is supported by tax advantaged savings accounts for employees who are over 40 years old, full time, and who have at least one year of service. Employees over 21 years may participate in the program using their own resources. College contributions to the plan for the years ended June 30, 2018 and 2017 were $95,985 and $101,871, respectively.

(10) Net Assets

The classification of net assets at June 30 is as follows:

		2018	2017
Unrestricted:			
Plant equity and other	$	97,933,227	118,437,393
Endowment		29,634,046	16,008,318
	$	127,567,273	134,445,711
Temporarily restricted:			
Life income trusts and other	$	4,529,393	5,333,402
Endowment		16,052,749	14,588,796
	$	20,582,142	19,922,198
Permanently restricted:			
Endowment	$	71,309,517	66,617,874
Revolving student loans and other trusts		4,785,308	4,445,252
	$	76,094,825	71,063,126

(11) Operating Leases

At June 30, 2018, the College was obligated under various office equipment operating lease agreements with remaining terms ranging from one month to three years, and a lease of property expiring June 30, 2019. The lease payments for the years ended June 30, 2018 and 2017 were $1,650,611 and $789,506, respectively. The following is a summary of future minimum rental payments for operating leases that have initial or remaining noncancelable terms in excess of one year as of June 30, 2018:

Fiscal year ending:		
2019	$	30,100
2020		11,643
2021		3,502
2022		1,598
	$	46,843

(12) Asset Retirement Obligation

The College has recorded an asset retirement obligation related to property and equipment, primarily for disposal of regulated materials upon eventual retirement of the assets.

The following schedule summarizes asset retirement obligation activities for the years ended June 30:

		2018	2017
Accretion expense	$	18,935	102,063
Derecognition building obligations		(2,267,420)	(251,112)
Net change in asset retirement obligation		(2,248,485)	(149,049)
Beginning balance		2,906,788	3,055,837
Ending balance	$	658,303	2,906,788

(13) Commitments and Contingencies

In the normal course of operations, the College is named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the College's financial position.

Certain federal grants, including financial aid that the College administers and for which it receives reimbursement, 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 does not expect such amounts, if any, will have a significant impact on the financial position of the College.

(14) Subsequent Events

Subsequent events have been evaluated through November 20, 2018, the date the financial statements were available to be issued.