THE COLORADO COLLEGE AND SUBSIDIARIES
Colorado Springs, Colorado

FINANCIAL STATEMENTS
June 30, 2017 and 2016

TABLE OF CONTENTS

CliftonLarsonAllen LLP
CLAconnect.com

Independent Auditors' Report

Board of Trustees
The Colorado College and Subsidiaries
Colorado Springs, Colorado

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Colorado College and Subsidiaries (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.

Auditors' 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 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 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 auditors' 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 consolidated financial position of the College 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2017, 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 result of that testing, and not to provide an opinion on the effectiveness of the College’s 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 1, 2017

THE COLORADO COLLEGE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	$ 22,912,341	$ 18,582,305
Investments	44,642,595	87,237,208
General accounts receivable (net of allowance for doubtful accounts of $7,584 and $8,674 at June 30, 2017 and 2016, respectively)	1,663,807	1,230,606
Students accounts receivable (net of allowance for doubtful accounts of $133,526 and $144,122 at June 30, 2017 and 2016, respectively)	3,109,033	3,455,837
Grants Receivable	480,287	484,493
Interest and Other Receivables	446,249	6,532,350
Contributions receivable (net of allowance for doubtful pledges and unamortized discounts of $506,475 and $550,260 at June 30, 2017 and 2016, respectively)	30,385,154	24,585,239
Loans to students (net of allowance for doubtful loans of $207,251 and $219,501 at June 30, 2017 and 2016, respectively)	4,475,321	4,931,294
Other Assets	2,601,594	2,099,114
Long-Term Investments	717,310,886	656,427,730
Land, buildings and equipment (net of accumulated depreciation of $117,521,156 and $112,695,398 at June 30, 2017 and 2016, respectively)	264,660,291	223,795,801
Beneficial Interest in Perpetual Trusts	34,974,680	32,177,206
Total Assets	$ 1,127,662,238	$ 1,061,539,183
LIABILITIES AND NET ASSETS		
Accounts Payable	$ 11,372,664	$ 9,740,466
Student Accounts Payable	524,524	592,008
Salaries and Benefits Payable	8,070,502	7,054,119
Deferred Revenue	2,521,366	3,797,742
Deposits	455,067	137,666
Grants Refundable	4,143,905	4,671,471
Assets Held for Others	4,512,939	4,238,835
Early Retirement Accrual	552,142	687,690
Capital Lease Obligations	40,891	52,043
Other Postretirement Benefit Plan Payable	614,975	816,682
Short Term Debt	2,150,000	-
Bonds Payable (net of unamortized bond discount of $389,007 and $407,580 at June 30, 2017 and 2016, respectively, and unaccreted bond premium of $4,294,777 and $4,915,756 at June 30, 2017 and 2016, respectively and unamortized bond issuance cost of $965,490 and $1,060,038 at June 30, 2017 and 2016, respectively)	183,460,280	191,268,138
Asset Retirement Obligation	3,982,676	2,280,404
Annuities Payable	1,175,803	1,298,400
Other Life Income Funds Payable	3,036,116	2,057,054
Total Liabilities	226,613,850	228,692,718
Net Assets		
Unrestricted	290,157,197	280,674,032
Temporarily Restricted	421,217,295	370,566,144
Permanently Restricted	189,673,896	181,606,289
Total Net Assets	901,048,388	832,846,465
Total Liabilities and Net Assets	$ 1,127,662,238	$ 1,061,539,183

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

THE COLORADO COLLEGE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Year Ended June 30, 2017 (with Comparative Totals for the Year Ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Operating Activity					
Revenues, Gains and Other Support:					
Tuition and Fees	$ 112,965,619	$ -	$ -	$ 112,965,619	$ 109,116,796
Less Scholarship Allowances	(36,950,665)	-	-	(36,950,665)	(35,632,142)
Net Tuition and Fees	76,014,954	-	-	76,014,954	73,484,654
Contributions	5,884,828	15,279,737	-	21,164,565	13,166,131
Government Grants and Contracts	1,506,912	-	-	1,506,912	1,138,965
Endowment Distribution	10,914,662	20,383,302	-	31,297,964	27,934,321
Other Investment Income	1,181,652	1,338,169	-	2,519,821	1,835,186
Auxiliary Enterprises	18,612,072	-	-	18,612,072	18,850,512
Other Revenue	6,498,345	103,688	-	6,602,033	6,492,808
Net Assets Released from Restrictions	26,495,598	(26,495,598)	-	-	-
Total Operating Revenue	147,109,023	10,609,298	-	157,718,321	142,902,577
Expenses:					
Educational and General Expenses					
Instruction	58,866,341	-	-	58,866,341	52,593,104
Research	1,792,880	-	-	1,792,880	1,560,766
Public Service	2,318,955	-	-	2,318,955	2,381,233
Academic Support	13,401,355	-	-	13,401,355	11,686,575
Student Services	27,145,157	-	-	27,145,157	26,990,610
Institutional Support	32,262,180	-	-	32,262,180	28,917,282
Total Educational and General Expenses	135,786,868	-	-	135,786,868	124,129,570
Auxiliary Enterprises	13,350,328	-	-	13,350,328	13,632,368
Total Operating Expenses	149,137,196	-	-	149,137,196	137,761,938
Increase (Decrease) in Net Assets from Operating Activities	(2,028,173)	10,609,298	-	8,581,125	5,140,639
Non-Operating Activity					
Contributions	18,250	-	5,797,541	5,815,791	11,563,380
Investment Return on Endowment	11,460,294	39,935,922	-	51,396,216	(41,616,432)
Change in Value of Split Interest Agreements	32,794	(130,378)	2,506,375	2,408,791	(3,877,832)
Transfer of Restrictions	-	236,309	(236,309)	-	-
Increase (Decrease) in Net Assets from Non-Operating Activities	11,511,338	40,041,853	8,067,607	59,620,798	(33,930,884)
Total Change in Net Assets	9,483,165	50,651,151	8,067,607	68,201,923	(28,790,245)
Net Assets - Beginning of Year	280,674,032	370,566,144	181,606,289	832,846,465	861,636,710
Net Assets - End of Year	$ 290,157,197	$ 421,217,295	$ 189,673,896	$ 901,048,388	$ 832,846,465

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

THE COLORADO COLLEGE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Operating Activity				
Revenues, Gains and Other Support:				
Tuition and Fees	$ 109,116,796	$ -	$ -	$ 109,116,796
Less Scholarship Allowances	(35,632,142)	-	-	(35,632,142)
Net Tuition and Fees	73,484,654	-	-	73,484,654
Contributions	7,089,719	6,076,412	-	13,166,131
Government Grants and Contracts	1,138,965	-	-	1,138,965
Endowment Distribution	8,909,026	19,025,295	-	27,934,321
Other Investment Income	363,890	1,471,296	-	1,835,186
Auxiliary Enterprises	18,850,512	-	-	18,850,512
Other Revenue	6,457,751	35,057	-	6,492,808
Net Assets Released from Restrictions	22,580,564	(22,580,564)	-	-
Total Operating Revenue	138,875,081	4,027,496	-	142,902,577
Expenses:				
Educational and General Expenses				
Instruction	52,593,104	-	-	52,593,104
Research	1,560,766	-	-	1,560,766
Public Service	2,381,233	-	-	2,381,233
Academic Support	11,686,575	-	-	11,686,575
Student Services	26,990,610	-	-	26,990,610
Institutional Support	28,917,282	-	-	28,917,282
Total Educational and General Expenses	124,129,570	-	-	124,129,570
Auxiliary Enterprises	13,632,368	-	-	13,632,368
Total Operating Expenses	137,761,938	-	-	137,761,938
Increase (Decrease) in Net Assets from Operating Activities	1,113,143	4,027,496	-	5,140,639
Non-Operating Activity				
Contributions	418,700	-	11,144,680	11,563,380
Investment Return on Endowment	(10,496,393)	(31,120,039)	-	(41,616,432)
Change in Value of Split Interest Agreements	(3,686)	(52,426)	(3,821,720)	(3,877,832)
Transfer of Restrictions	-	(1,447,096)	1,447,096	-
Increase (Decrease) in Net Assets from Non-Operating Activities	(10,081,379)	(32,619,561)	8,770,056	(33,930,884)
Total Change in Net Assets	(8,968,236)	(28,592,065)	8,770,056	(28,790,245)
Net Assets - Beginning of Year	289,642,268	399,158,209	172,836,233	861,636,710
Net Assets - End of Year	$ 280,674,032	$ 370,566,144	$ 181,606,289	$ 832,846,465

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

THE COLORADO COLLEGE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
June 30, 2017 and 2016

	2017	2016
OPERATING ACTIVITIES		
Change in Net Assets	$ 68,201,923	$ (28,790,245)
Items Not Requiring (Providing) Operating Activities Cash Flows:		
Realized and Unrealized (Gains) Losses on Investments	(44,533,751)	42,937,338
Depreciation, Amortization and Accretion	8,498,072	6,439,109
Revisions to Asset Retirement Obligation	1,702,272	(1,822,336)
Loss on Disposal of Capital Equipment and Property	11,927	1,024,516
Change in Value of Split-Interest Agreements	(1,046,315)	4,049,011
Contributions and Investment Income Restricted for Long-Term Investment	(1,695,818)	(14,249,810)
Change in Allowance for Doubtful Loans to Students	9,111	(7,928)
Changes in:		
Accounts, Grants, Interest and Other Receivables	5,476,344	(6,251,257)
Contributions Receivable	(5,821,276)	(6,192,083)
Other Assets	(502,480)	2,598,147
Accounts Payable	1,632,198	549,005
Student Accounts Payable	(67,484)	1,636
Salaries and Benefits Payable	1,016,383	28,836
Deferred Revenue	(1,276,376)	49,272
Deposits	317,401	(80,316)
Assets Held for Others	274,104	(160,074)
Early Retirement Accrual	(135,548)	(161,763)
Other Postretirement Benefit Plan Payable	(201,707)	17,784
Net Cash Provided (Used) by Operating Activities	31,858,980	(21,158)
INVESTING ACTIVITIES		
Purchase of Land, Buildings and Equipment	(50,719,905)	(13,663,092)
Proceeds on Sales of Land, Buildings and Equipment	743,009	13,200
Loan Advances to Students	(485,274)	(706,128)
Payments Received on Loans to Students	953,497	884,474
Proceeds from Sales or Maturities of Investments	78,180,383	100,964,816
Purchase of Investments	(53,549,868)	(96,040,280)
Net Cash Used in Investing Activities	(24,878,158)	(8,547,010)
FINANCING ACTIVITIES		
Contributions and Investment Income Restricted for Investment in Endowment	1,695,818	14,249,810
Payments on Capital Leases	(11,152)	(3,717)
Issuance of New Debt	2,150,000	-
Payments on Bonds Payable	(7,205,452)	(7,070,000)
Net Cash Provided (Used) by Financing Activities	(3,370,786)	7,176,093
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,610,036	(1,392,075)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	18,582,305	19,974,380
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 22,192,341	$ 18,582,305

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

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Colorado College (the College) is an independent college of liberal arts and sciences. The College was established as a coeducational, residential institution in 1874. The College provides undergraduate and master-of-arts in teaching degree programs to approximately 2,000 students each year. The College's distinctive class calendar divides the year into segments called blocks. Under this system, students take, and faculty teach, only one course at a time. The student-teacher ratio is 11 to 1, typically with no more than 25 students per class. The College's revenues are predominately earned from tuition and fees, contributions, auxiliary enterprises, and investments.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities, net assets, and financial activities of the College and two wholly owned for-profit subsidiaries of the College, Dale Street Properties, LLC, and Cascade Avenue Medical Building, Inc. All significant intercompany balances and transactions have been eliminated. Dale Street Properties, LLC was formed on November 1, 2004, to hold certain rental properties, and the College is the sole member of the LLC. As of June 30, 2006, all assets and liabilities for Cascade Avenue Medical Building, Inc. have been distributed to the College. The College maintains this corporation as an inactive entity.

Basis of Presentation

Net assets and revenues, gains, and losses are classified based on the existence or absence of externally imposed restrictions. Accordingly, net assets of the College are classified and reported as follows:

Permanently restricted – Net assets subject to externally imposed restrictions that require they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes. Donor-restricted endowments include endowments for instruction, research, student aid, and other purposes.

Temporarily restricted – Net assets subject to externally imposed restrictions that will be met either by actions of the College and/or the passage of time.

Unrestricted – Net assets not subject to externally imposed restrictions. Certain net assets classified as unrestricted are designated for specific purposes or uses under various internal operating and administrative arrangements of the College.

Recently Adopted Accounting Standards

Accounting Standards Updated (ASU) 2015-07 updates the Fair Value Measurement topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The primary change resulting from the adoption of the ASU is updated disclosure requirements for investments measured at the net asset value, which removes the requirement to categorize these investments within the fair value hierarchy. ASU 2015-07 is effective for fiscal years beginning after December 15, 2016. The College adopted ASU 2015-07 for the year ended June 30, 2017, and has implemented the guidance retrospectively. Investments measured at the net asset value for the years ended June 30, 2017 and 2016, are no longer classified within the fair value hierarchy. See Note 2.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASU 2015-03 requires that debt issuance costs be reported on the statement of position as a direct deduction from the face amount of the related liability, consistent with the presentation of debt discounts. Prior to the ASU, debt issuance costs were presented as a deferred charge (i.e., an asset) on the statement of position. The College adopted ASU 2015-03 for the year ended June 30, 2017 and has implemented the guidance retrospectively.

Cash and Cash Equivalents

The College considers cash and all highly liquid temporary investments, with an original maturity of three months or less, to be cash equivalents. At June 30, 2017 and 2016, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At June 30, 2017 and 2016, the FDIC insurance limit for interest-bearing and noninterest-bearing cash accounts was $250,000. At June 30, 2017 and 2016, the College's cash accounts exceed federally insured limits by approximately $25,540,000 and $20,300,000, respectively. The College has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents held at these banks.

Cash equivalents held in investment funds are reported as investments on the statement of financial position.

Investments

Investments in equity securities having a readily determinable fair value and all debt securities are stated at fair value determined by quoted market prices. Other investments, for which no such quoted market values or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers. Investment income and realized and unrealized gains and losses are reflected in the consolidated statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in temporarily restricted revenue and net assets released from restrictions.

Fair Value Measurements

The College follows the *Fair Value Measurements* standard as established by the Financial Accounting Standards Board. The standard defines fair value, establishes a framework for measuring fair value under U.S. GAAP and enhances disclosures about fair value measurements. Under the standard, fair value is defined as the amount that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the valuation date.

The standard also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 Observable inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly; and

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 3 Unobservable inputs for the asset or liability used to measure fair value that rely on the reporting entity's own assumptions concerning the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

In situations when investments do not have readily determinable fair values (alternative investments), the College will use the Net Asset Value per Share (NAV), or its equivalent, as a practical expedient for fair value.

Following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value and recognized in the accompanying statement of financial position.

Investments

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The College generally utilizes the NAV as determined by the asset manager for valuation of certain investments that are not classified within the fair value hierarchy. Water Rights and Real Estate fair values are determined at the time conveyed by appraisal, with reappraisals done on a periodic basis.

Liabilities

The carrying amount for Funds Held for Others is a reasonable estimate of fair value.

Cash and Cash Equivalents

The carrying amount approximates fair value because of the short maturities of the instruments.

Contributions Receivables

Contribution receivables carrying value approximates fair values as these instruments are recorded at estimated net present value of future cash flows.

Loans to Students

Management believes that the carrying value of these instruments approximates fair value due to the interest rates on the loans approximating the market rate.

Bonds Payable

The fair value of bonds are determined using externally developed models and quoted market prices or estimated based upon borrowing rates currently available to the College for similar terms and maturities of debt and are classified as using Level 2 inputs. The fair value of the Series 2005 bonds is approximately $4,110,000. The fair value of the Series 2010 bonds is approximately $13,976,000. The fair value of the Series 2012 bonds is approximately $23,944,000. The fair value of the Series 2015A bonds is approximately $16,490,000. The fair value of the Series 2015B bonds is approximately $15,605,000. The fair value of the Series 2015C bonds is approximately $111,183,000.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Annuities Payable and Other Life Income Funds Payable

These instruments are discounted to their present value, which approximates fair value.

Asset Retirement Obligation

The carrying amount approximates fair value, discounted to the reporting date.

Financial Instruments

The carrying amounts and estimated fair values of all other financial instruments are approximately equal due to short maturities of the instruments.

Accounts and Loans Receivable

Accounts and loans receivable are stated at the amount billed to customers and students or net amount of outstanding loans from students. The College provides allowances for doubtful accounts and loans, which are based upon a review of outstanding receivables and student loans, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Interest is not accrued on unpaid accounts. Delinquent accounts and loans receivable are written off based on individual credit evaluation and specific circumstances of the customer or student.

Other Assets

Other assets consist primarily of prepaid expenses and inventories. Inventories consist mainly of fuel, postage, and supplies. Inventories are valued at the lower of cost or market (using the first-in, first-out method).

Property, Plant, and Equipment

Buildings and equipment are recorded at cost or, if donated, at the estimated fair value at the date of donation. Depreciation of property, plant, and equipment, is calculated on the straight-line method over the estimated useful lives of the assets, which range from seven to 20 years for equipment and 40 to 70 years for building and improvements.

Construction in progress is recorded for renovation and new construction projects that are in process at year-end. Upon project completion, the asset is transferred to the applicable asset category.

To qualify as capital expenses, costs must (1) be significant in amount and (2) provide benefit to the College over more than one accounting period. For improvement or restoration costs, the costs must increase the productive capacity or useful life of the asset. Costs that meet all these criteria are added to the value of the affected asset and depreciated over the remaining useful life of that asset to be capitalized. Costs that do not meet all these criteria will be expensed in the operating period in which they occur. To be considered significant in amount, an improvement, renovation, or restoration project must have total costs greater than or equal to $25,000. Purchased and donated furniture and equipment items must have a value of $5,000 or more at the date of acquisition or donation to be considered for capitalization.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vacation Accrual

It is the College's policy to permit employees to accumulate earned but unused vacation benefits that would be paid to employees upon separation from College services. The accrual of vacation hours is limited to 264 hours for exempt and non-exempt employees. The vacation accrual is included in salaries and benefits payable in the consolidated statements of financial position.

Deferred Revenue

Deferred revenue represent monies received for summer programs and will be recorded in revenue in the following fiscal year when the programs are completed.

Assets Held for Others

The College holds various funds in a fiduciary capacity for organizations of the College, such as classes and clubs. These organizations raise funds in their own capacities and expend the funds on their organization's behalf. The revenues and expenses of these organizations are not included in the accompanying financial statements

Short Term Debt

The College entered into a short-term loan agreement with Wells Fargo Bank, N.A., on June 15, 2017. Loan principal payments of $430,000 are due annually from 2018 to 2022.

Operating Activities

Revenues received and expenses incurred in conducting the programs and services of the College are presented in the financial statements as operating activities. Revenues and other support from operating activities that are not restricted by donors or other external sources are classified as unrestricted. Other revenues and support from operating activities that are restricted for a specific purpose by the donor are classified as temporarily restricted. Operating activities also include investment earnings from the College's working capital funds. Net assets released from restriction included in operating activities represent certain gifts and income used for operating expenses where the donor restriction was satisfied in the current year.

Certain other gains and losses that do not occur in the normal course of operations are also included in non-operating activity.

Early Retirement Accrual

The College provides either a full or phased early retirement program for tenure-track and adjunct faculty. Benefit periods are three years for the retiree between the ages of 59.5 and 67, two years at the age of 68 and one year at age 69. Retirement for tenure-track faculty is equal to 50% of salary with adjustments for inflation. Adjunct faculty retirement equates to an average number of courses taught during the prior five years. Phased retirement for tenure-track and adjunct faculty is equal to 70% of inflated salary and are required to teach half time or three blocks per academic year. Additions to the accrual are based upon the terms of the specific early retirement agreements issued.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Annuities Payable

Annuities payable represents the present value of the remaining payments due to annuitants under annuity contracts, based upon the remaining life expectancies of the respective annuitants.

Other Life Income Funds Payable

Under irrevocable trust agreements, the College receives contributed investments and agrees to maintain the principal of the investment during the life of the donor(s) and make annual payments to the donor(s) for life. The annual payments are based on a fixed rate of return or on related investment income, as stipulated in the trust agreement. Amounts received under irrevocable trust agreements, net of the present value of future payments to beneficiaries, are recorded as temporarily restricted revenue upon receipt. A liability for trust obligations is recorded for the estimated present value of future payments to beneficiaries. Upon the death of the beneficiaries, the assets are transferred from temporarily restricted net assets as designated by the Board or trust agreement.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

The College reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions receivable include pledges that are recorded at their present value using discount rates ranging from approximately 0.58% to 4.35% depending on the year of inception. An allowance is made for potentially uncollectible contributions based upon management's past collection experience and other relevant factors.

From time to time, the College receives contributions from related parties, including employees, Trustees, or other organizations in which Trustees serve on the organization's Board of Directors.

Income Taxes

The College qualifies as a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. The College is subject to federal income tax only on net unrelated business income under the provisions of Section 501(c)(3) of the Internal Revenue Code.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cascade Avenue Medical Building, Inc. is subject to federal and state income taxes. Profits and losses of Dale Street Properties, LLC pass through directly to the College.

The College has adopted the requirements related to accounting for uncertain tax positions. The College evaluated its tax positions and determined it has no uncertain tax positions as of June 30, 2017 and 2016.

Collections

Collections of works of art, historical treasures, and similar assets are not capitalized or depreciated because the items are preserved and cared for continuously. Purchases of collection items are reported in the year of acquisition as decreases in unrestricted net assets and as net assets released from restriction if the assets used to purchase the items were restricted to that use by donor stipulation. Contributions of collection items are not reported in the financial statements. Proceeds from disposal of and insurance recoveries related to collection items are reported as increases in the appropriate net asset classes.

Functional Allocation of Expenses

The costs of providing the various programs, support services, and other activities have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts within the June 30, 2016 financial statements have been reclassified to conform to the June 30, 2017 presentation. The reclassifications had no effect on previously reported net assets.

Prior Year Summarized Financial Information

The consolidated statement of activities for the year ended June 30, 2017 on page 4 contains prior year summarized comparative information that does not include sufficient detail to constitute a full presentation in conformity with U.S. GAAP. A full presentation of prior year information in conformity with U.S. GAAP is presented on the consolidated statement of activities for the year ended June 30, 2016 on page 5.

Subsequent Events

Subsequent events have been evaluated through November 1, 2017, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following table present investments and financial instruments carried at fair value in accordance with the valuation hierarchy defined in Note 1 as of June 30, 2017:

	June 30, 2017
Investments	$ 44,642,595
Long-Term Investments	717,310,886
Total	$ 761,953,481

Investments measured at fair value on a recurring basis as of June 30, 2017:

	2017			
Investments	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and Cash Equivalents	$ 51,210,455	$ -	$ -	$ 51,210,455
Government Treasuries and Agencies	60,646,718	-	-	60,646,718
Asset Backed Securities	-	15,231,326	-	15,231,326
Corporate Bonds	-	7,969,264	-	7,969,264
Mutual Funds	-	11,000	-	11,000
Municipal Bonds	-	25,000	-	25,000
Preferred Stock	-	2,211,624	-	2,211,624
Large Cap Domestic Equity	183,497,795	245,472	-	183,743,267
International Equity	-	29,791,614	-	29,791,614
Global Hedged Equity Investments	-	-	79,393,975	79,393,975
Fixed Income Arbitrage	-	-	23,934,261	23,934,261
Multi-Strategy Absolute Return	-	-	67,110,895	67,110,895
Private Capital	-	-	72,862,910	72,862,910
Water Rights	-	-	2,168,831	2,168,831
Real Estate	-	-	420,000	420,000
Planned Gift Agreements	4,979,820	-	1,430,009	6,409,829
Total Investments	$ 300,334,788	$ 55,485,300	$ 247,320,881	603,140,969
Investments Held at Net Asset Value				158,812,512
Total Investments				$ 761,953,481
Beneficial Interests in Perpetual Trusts	$ -	$ 29,436,818	$ 5,537,862	$ 34,974,680

Liabilities measured at fair value on a recurring basis as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Funds Held for Others	$ -	$ 4,512,938	$ -	$ 4,512,938

NOTE 2 – INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

The following table presents investments and financial instruments carried at fair value in accordance with the valuation hierarchy defined in Note 1 as of June 30, 2016.

	June 30, 2016
Investments	$ 87,237,208
Long-Term Investments	656,427,730
Total	$ 743,664,938

Investments measured at fair value on a recurring basis as of June 30, 2016:

	2016			
Investments	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and Cash Equivalents	$ 61,179,277	$ -	$ -	$ 61,179,277
Government Treasuries and Agencies	36,988,876	-	-	36,988,876
Asset Backed Securities	-	15,197,066	-	15,197,066
Corporate Bonds	51,177,192	-	-	51,177,192
Mutual Funds	-	11,000	-	11,000
Municipal Bonds	-	25,000	-	25,000
Preferred Stock	-	2,368,622	-	2,368,622
Large Cap Domestic Equity	156,082,510	264,074	-	156,346,584
International Equity	-	24,153,270	-	24,153,270
Global Hedged Equity Investments	-	-	76,419,517	76,419,517
Fixed Income Arbitrage	-	-	36,142,738	36,142,738
Multi-Strategy Absolute Return	-	-	68,865,229	68,865,229
Private Capital	-	-	61,934,029	61,934,029
Water Rights	-	-	2,168,831	2,168,831
Real Estate	-	-	420,000	420,000
Planned Gift Agreements	5,434,256	-	507,790	5,942,046
Total Investments	$ 310,862,111	$ 42,019,032	$ 246,458,134	599,339,277
Investments Held at Net Asset Value				144,325,661
Total Investments				$ 743,664,938
Beneficial Interests in Perpetual Trusts	$ -	$ 27,154,107	$ 5,023,099	$ 32,177,206

Liabilities measured at fair value on a recurring basis as of June 30, 2016:

	Level 1	**Level 2**	**Level 3**	**Total**
Funds Held for Others	$ -	$ 4,238,835	$ -	$ 4,238,835

For fiscal year 2017, the College invested in four new alternative investment funds. These funds potentially include, but are not limited to, derivative instruments, including option contracts, forward contracts and swap contracts, inverse floating rate notes, debt securities of financially distressed issuers, government futures, and money market futures.

NOTE 2 – INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs:

	Global Hedged Equity	Private Capital Investment	Alternative	Water Rights	Real Estate	Planned Gift Agreements	BPITs
Balance, July 1, 2016	$ 76,419,517	$ 61,934,029	$105,007,967	$ 2,168,831	$ 420,000	$ 507,790	$ 5,023,099
Unrealized Gains and (Losses)	2,981,888	(3,794,232)	(4,362,055)	-	-	(11,871)	514,763
Redemptions	(7,430)	-	(9,600,756)	-	-	-	-
Purchases, Issuance and Settlements	-	14,810,608		-	-	934,089	-
Return of Recallable Capital	-	(87,495)		-	-	-	-
Transfers in and/or Out of Level 3	-	-	-	-	-	-	-
Balance, June 30, 2017	$ 79,393,975	$ 72,862,910	$ 91,045,156	$ 2,168,831	$ 420,000	$ 1,430,008	$ 5,537,862

	Global Hedged Equity	Private Capital Investment	Alternative	Water Rights	Real Estate	Planned Gift Agreements	BPITs
Balance, July 1, 2015	$ 74,501,079	$ 68,011,868	$115,056,678	$ 2,168,831	$ 497,000	$ 507,790	$ 6,977,537
Unrealized Gains and (Losses)	3,383,906	(19,042,809)	(48,711)	-	(77,000)	-	(1,954,438)
Redemptions	(1,465,468)	-	(10,000,000)	-	-	-	-
Purchases, Issuance and Settlements	-	15,120,309	-	-	-	-	-
Return of Recallable Capital	-	(2,155,339)	-	-	-	-	-
Transfers in and/or Out of Level 3	-	-	-	-	-	-	-
Balance, June 30, 2016	$ 76,419,517	$ 61,934,029	$105,007,967	$ 2,168,831	$ 420,000	$ 507,790	$ 5,023,099

Of the total Level 3 unrealized gains and (losses), approximately $2,500,000 and ($7,800,000) were recognized in unrestricted net assets during the year ended June 30, 2017 and 2016, respectively.

As of June 30, 2017, the College had 46 investments held with 29 companies that involve capital commitments not reflected in the market valuations shown above. As of June 30, 2017, the College has contributed $201,511,380 in capital toward total commitments of $297,806,240 in aggregate, leaving $96,294,860 in remaining commitments. As of June 30, 2016, the College has contributed $184,058,132 in capital toward total commitments of $244,806,240 in aggregate, leaving $60,748,108 in remaining commitments.

NOTE 2 – INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

The College uses the NAV to determine fair value of all the underlying investments, which a) do not have a readily determinable fair value and b) prepare their financial statements consistent with the measurement principles or have the attributes of an investment company. The following table lists investments in other investment companies (in partnership format) by major category:

Investment Type	Fair Value @ June 30, 2017	Fair Value @ June 30, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
International Equities (a)	$ 84,313,419	$ 67,868,917	$ -	Weekly	6 Business Days	N/A
Absolute Return (b)	16,206,686	14,626,797	-	Annually	45 Days notice	N/A
Emerging Markets (c)	9,603,000	9,400,000	3,632,856	N/A*	N/A*	N/A*
Mid-Market (d)	4,797,215	9,097,689	-	N/A*	N/A*	N/A*
Distressed Credit (e)	16,741,501	17,923,835	3,587,352	N/A*	N/A*	N/A*
Consumer Markets (f)	6,565,246	3,910,405	108,397	N/A*	N/A*	N/A*
Real Estate (g)	20,585,444	21,498,018	17,651,196	N/A*	N/A*	N/A*
	$ 158,812,511	$ 144,325,661	$ 24,979,801			

** These funds are in private equity structure, with no ability to be redeemed.*

(a) These are long only international equities in a diversified portfolio of value securities.
(b) These are absolute return hedge funds focused on merger arbitrage, real estate, distressed credit, special situations and liquidations.
(c) These private equity firms invest in mid-market buyout and growth equity in Asia, Africa, and Latin America.
(d) These private equity firms invest in RMBS and CMBS securities and structured products.
(e) These private equity firms pursue distressed investments in residential and asset backed securities, in distressed and mispriced loans and securities, and in rescue and distressed lending.
(f) These private equity firms invest in businesses that are beneficiaries of discretionary consumer spending in the Asian markets.
(g) These private equity firms invest in real estate located primarily in the United States.

Certain funds held at year end have remaining lives ranging from 1 to 4 years with estimated commitments due as follows, as of June 30, 2017:

2018	$ 6,887,015
2019	6,272,828
2020	6,319,958
2021	5,500,000
	$ 24,979,801

NOTE 2 – INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

The College reviews the endowment portfolio investment liquidity quarterly. The following table represents the endowment portfolio liquidity, by category, as a percentage of the total endowment portfolio:

	Endowment Portfolio Liquidity for the Fiscal Year Ending June 30,	
	2017	**2016**
Daily/Weekly	39%	37%
Monthly	16%	14%
Quarterly	9%	11%
Annually	5%	5%
Multi-year Lock-ups	11%	13%
Illiquid	20%	20%

Redemption requirements range from one day to 120 days as found in the individual investment Offering Memorandum for each investment.

Investment Return

Investment return consists of the following for the years ending June 30:

	2017	**2016**
Operating Interest and Dividend Income	$ 1,664,645	$ 975,316
Perpetual Trust Distributions	1,454,321	1,659,891
Operating Net Realized and Unrealized Gains (Losses)	(599,145)	(800,021)
Endowment Distributed Income	27,785,745	33,283,426
Endowment Net Realized and Unrealized Gains (Losses)	54,908,435	(46,965,537)
Total	$ 85,214,001	$ (11,846,925)

Investment revenues are reported net of related investment expenses of $1,027,428 and $1,143,112 for fiscal years 2017 and 2016, respectively, in the statement of activities.

Investment return is presented in the consolidated statement of activities as follows:

	2017	**2016**
Operating Revenue	$ 33,817,785	$ 29,769,507
Nonoperating Activity	51,396,216	(41,616,432)
Total	$ 85,214,001	$ (11,846,925)

NOTE 3 – SPLIT-INTEREST AGREEMENTS

The College participates in split-interest agreements, which include beneficial interests in perpetual trusts, charitable remainder trusts, charitable gift annuities, and pooled life income funds. Beneficial interests in perpetual trusts are described in Note 4. A charitable remainder trust is an arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary over the trust's term. Upon termination of the trust, the College receives the assets remaining in the trust. The College has charitable remainder annuity trusts (CRATs), which pay fixed amounts to designated beneficiaries, and charitable remainder unitrusts (CRUTs), which pay an established percentage of the fair value of the annuity investment to designated beneficiaries. The College is the trustee of all CRATs and CRUTs.

The College has charitable gift annuities, which represent an arrangement between donors and the College in which the donor contributes assets to the College in exchange for a promise by the College to pay a fixed amount for a specified period of time to designated beneficiaries.

The College also manages life income funds. These funds are divided into units, and contributions of many donors' life income gifts are pooled and invested as a group. Donors are assigned a specific number of units based on the proportion of the fair value of their contributions to the total fair value of the pooled income fund on the date of the donor's entry to the pooled fund. At the time of the donor's death, the donor's designated beneficiaries are paid the actual income earned on the donor's assigned units and the value of the donor's assigned units reverts to the College.

The College has recorded investments at fair value and liabilities on the statements of financial position for annuities payable and other life income funds payable. The liability recorded is calculated based on the present value of the expected distributions to beneficiaries, using a discount rate of approximately 6% and estimated life of the youngest beneficiary based on Internal Revenue Service mortality tables.

Contribution revenue recognized and investments recorded by the College related to split-interest agreements are as follows:

	Year Ended June 30, 2017	Year Ended June 30, 2016
Contribution Revenue		
CRATs/CRUTs	$ -	$ 3,534
Charitable Gift Annuities	$ -	$ -
Endowment CRT	$ 239,952	$ -

	Year Ended June 30, 2017	Year Ended June 30, 2016
Investments		
CRATs/CRUTs	$ 4,966,141	$ 4,384,640
Charitable Gift Annuities	$ 1,443,688	$ 1,557,406
Endowment CRT	$ 934,089	$ -

NOTE 4 – BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The beneficial interest in perpetual trusts represents the estimated net present value of the future interest in trusts. The present value of the future interest in the trusts is estimated to be the fair value of the trust assets, which was $34,974,680 and $32,177,206 at June 30, 2017 and 2016, respectively. Distributions received from the trusts are recorded as unrestricted investment income or temporarily restricted investment income as stipulated by the donor. A third party (trustee) holds the trust assets and the College is to receive the net income from the assets. As the trusts are to be held in perpetuity by the trustee, the net assets from the trusts have been recorded as permanently restricted. Beneficial Interest Perpetual Trust Investments are classified by the College in the fair value hierarchy as Level 2 and Level 3.

NOTE 5 – ENDOWMENT

The College's endowment consists of approximately 900 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds functioning as endowments (internally-designated endowment funds). As required by U.S. GAAP, net assets associated with endowment funds, including internally-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The College's Board of Trustees has interpreted the State of Colorado Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies the original value of gifts, subsequent gifts and other accumulations to the permanent endowment as permanently restricted net assets with the direction of the applicable donor gift instrument. The appreciation of a donor-restricted endowment fund is classified as temporarily restricted net assets consistent with the standard of prudence prescribed by SPMIFA.

The composition of net assets (including contributions receivable) by type of endowment fund at June 30, 2017 and June 30, 2016 was:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 385,637,584	$ 154,516,029	$ 540,153,613
Internally-Designated Endowment Funds	177,756,590	-	-	177,756,590
Total Endowment Funds	$ 177,756,590	$ 385,637,584	$ 154,516,029	$ 717,910,203

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ (369,638)	$ 343,769,535	$ 148,954,798	$ 492,354,695
Internally-Designated Endowment Funds	167,750,991	-	-	167,750,991
Total Endowment Funds	$ 167,381,353	$ 343,769,535	$ 148,954,798	$ 660,105,686

NOTE 5 – ENDOWMENT (CONTINUED)

Changes in endowment net assets for the fiscal year ended June 30, 2017 and June 30, 2016 were:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 167,381,353	$ 343,769,535	$ 148,954,798	$ 660,105,686
Contributions/Additions	18,250	-	5,797,541	5,815,791
Endowment Gains/Losses	13,595,483	41,312,952	-	54,908,435
Investment Income	8,409,834	19,375,911	-	27,785,745
Reinvestments/Withdrawal from Reinvestments	(1,103,306)	1,934,873	(239,057)	592,510
Transfers	-	(2,747)	2,747	-
Change in Underwater Endowments	369,638	(369,638)	-	-
Appropriation of Endowment Assets for Expenditures	(10,914,662)	(20,383,302)	-	(31,297,964)
Endowment, Net Assets, End of Year	$ 177,756,590	$ 385,637,584	$ 154,516,029	$ 717,910,203

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 179,395,828	$ 373,231,541	$ 136,363,021	$ 688,990,390
Contributions/Additions	418,700	-	11,144,680	11,563,380
Endowment Gains/Losses	(11,908,934)	(35,056,603)	-	(46,965,537)
Investment Income	10,686,137	22,597,289	-	33,283,426
Reinvestments/Withdrawal from Reinvestments	(1,936,782)	2,111,445	993,685	1,168,348
Transfers	-	(453,412)	453,412	-
Change in Underwater Endowments	(364,570)	364,570	-	-
Appropriation of Endowment Assets for Expenditures	(8,909,026)	(19,025,295)	-	(27,934,321)
Endowment, Net Assets, End of Year	$ 167,381,353	$ 343,769,535	$ 148,954,798	$ 660,105,686

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the College is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated $-0- and $369,638 at June 30, 2017 and 2016, respectively. These deficiencies are a result of unfavorable market fluctuations.

NOTE 5 – ENDOWMENT (CONTINUED)

In accordance with SPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the College and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the College
7. Investment policies of the College

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the College must hold in perpetuity or for donor-specified periods, as well as those of internally-designated endowment funds. Under the College's policies, endowment assets are invested in a manner that is intended to produce results that exceed the spending rate plus inflation annually while assuming a reasonable level of investment risk

To satisfy its long-term rate of return objectives, the College relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The College has established a strategic asset allocation model that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The College has a Board approved spending policy for appropriating funds for expenditure each year. For fiscal year 2017, the College appropriated 5% of its endowment fund's average market value over the prior 12 quarters through the calendar year-end prior to the year in which expenditure is planned. In establishing this policy, long-term expected return on its endowment was considered. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow at an average of the Consumer Price Index annually. This is consistent with the College's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following unconditional promises to give as of June 30, 2017 and 2016:

	2017	2016
Annual Fund	$ 399,796	$ 436,029
Gifts for Operations	20,674,284	15,550,027
Endowment	9,817,549	9,149,443
	30,891,629	25,135,499
Less Allowance for Doubtful Pledges	(79,690)	(58,329)
Less Unamortized Discount	(426,785)	(491,931)
	$ 30,385,154	$ 24,585,239
Amounts Due in		
Less Than One Year	$ 5,191,626	$ 4,799,678
One to Five Years	13,479,703	12,584,626
Greater than Five Years	11,713,825	7,200,935
Total	$ 30,385,154	$ 24,585,239

Discount rates ranged from 0.58% to 4.35% for the years ended June 30, 2017 and 2016.

The College has conditional promises to give of approximately $12,500 and $23,000 at June 30, 2017 and 2016, respectively. Conditional promises to give are not recognized as assets in the consolidated statements of financial position.

Additionally, the College has been notified that it either has been named in the wills of individuals or that it is the intent of certain individuals to name the College in their wills or trust instruments for amounts totaling approximately $56.0 million and $54.9 million as of June 30, 2017 and 2016, respectively. Because these bequest pledges do not yet meet existing revenue recognition criteria, they have not been recorded on the books of the College.

NOTE 7 – LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following as of June 30, 2017 and 2016:

	2017	2016
Buildings and Improvements	$ 267,478,496	$ 262,561,987
Land	7,239,433	6,616,463
Campus Infrastructure	27,036,792	27,036,792
Furnishings and Equipment	19,253,673	20,630,059
Long-Term Equipment	5,529,115	4,371,783
Construction in Progress	54,173,201	14,633,349
Buildings - CARO	1,470,737	640,766
	382,181,447	336,491,199
Less Accumulated Depreciation	(117,521,156)	(112,695,398)
Total	$ 264,660,291	$ 223,795,801

Total depreciation and amortization expense was $8,061,792 and $8,208,950 for the years ended June 30, 2017 and 2016, respectively.

The College capitalized $1,334,978 and $350,282 in interest costs related to construction in progress during the years ended June 30, 2017 and 2016, respectively.

NOTE 8 – OPERATING LEASES

The College leases various office equipment, vehicles, and property under operating leases expiring through calendar year 2023. Rent expense on operating leases during the years ended June 30, 2017 and 2016, was $226,524 and $183,768, respectively.

Future minimum lease payments under the operating leases as of June 30, 2017 are as follows:

2018	$ 200,552
2019	162,372
2020	133,823
2021	122,800
2022	118,100
Thereafter	279,391
Total	$ 1,017,038

NOTE 9 – CAPITAL LEASE OBLIGATIONS

The College leases various equipment and real estate under capital leases expiring through March 2021. The capitalized cost and accumulated amortization of equipment and real estate under capital leases as of June 30, 2017 and 2016 are as follows:

	2017	2016
Campus Infrastructure	$ 2,472,686	$ 2,472,686
Equipment	714,334	714,334
Total Cost	3,187,020	3,187,020
Less Accumulated Amortization	(1,222,219)	(1,058,925)
Total	$ 1,964,801	$ 2,128,095

As of June 30, 2017, future minimum lease payments under capital leases, together with the present value of the net minimum lease payments were:

2018	$ 11,152
2019	11,152
2020	11,152
2021	7,435
Present Value of Future Minimum Lease Payments	$ 40,891

NOTE 10 – BONDS PAYABLE

Bonds payable consist of the following:

Series 2005 Revenue Refunding Bonds (2005 Bonds) were issued May 17, 2005 through the City of Colorado Springs, Colorado with an original issue of $27,630,000. The 2005 Bonds are unsecured. The 2005 Bonds were an advance refunding of the Series 1999 Bonds. A portion of the 2005 Bonds had a current refunding component in connection with the issuance of the 2015A Bonds. The 2005 Bonds have interest rates ranging from 4.375% to 5%. Payments are due annually and continue through 2020 in varying amounts ranging from $1,180,000 to $1,300,000. Bonds payable for the 2005 Bonds were $3,742,051 and $4,871,068 (net of unamortized bond discount of $12,007 and $16,009 and unamortized bond premium of $39,057 and $52,077) as of June 30, 2017 and 2016, respectively.

Series 2010 Revenue Refunding Bonds (2010 Bonds) were issued on February 18, 2010 through El Paso County, Colorado with an original issue of $46,775,000. The 2010 Bonds are unsecured. The 2010 Bonds refunded the Series 2003, Series 2004, and Series 2006 Bonds. A portion of the 2010 Bonds had a current refunding component in connection with the issuance of the 2015B Bonds. The 2010 Bonds have interest rates ranging from 3.0% to 5.25%. Payments are due annually and continue through 2024 in varying amounts ranging from $630,000 to $3,645,000. Bonds payable for the 2010 Bonds were $14,043,792 and $17,370,762 (net of unamortized bond premium of $888,792 and $1,015,762) as of June 30, 2017 and 2016, respectively.

NOTE 10 – BONDS PAYABLE (CONTINUED)

Series 2012 Revenue Bonds (2012 Bonds) were issued May 24, 2012 with an original issue of $33,530,000. The 2012 Bonds are unsecured. The 2012 Bonds have interest rates ranging from 4.0% to 5.0%. Payments are due annually and continue through 2024 in varying amounts ranging from $2,520,000 to $3,550,000. Bonds payable for the 2012 Bonds were $24,921,927 and $27,922,917 (net of unamortized bond premium of $3,366,928 and $3,847,917) as of June 30, 2017 and 2016, respectively.

Series 2015A Revenue Refunding Bonds (2015A Bonds) were issued April 30, 2015 through El Paso County, Colorado and are structured as a bank loan with an original issue of $16,730,000. The 2015A Bonds are unsecured. The 2015A Bonds have a 2.10% interest rate. Payments are due annually and continue through 2032 with varying amounts ranging from $135,000 to $1,425,000. Bonds payable for the 2015A Bonds were $16,441,204 and $16,572,951 (net of unamortized bond discount of $48,796 and $52,049) as of June 30, 2017 and 2016, respectively.

Series 2015B Revenue Refunding Bonds (2015B Bonds) were issued April 29, 2015 through El Paso County, Colorado and are structured as a bank loan with an original issue of $16,325,000. The 2015B Bonds are unsecured. The 2015B Bonds have a 1.86% interest rate. Payments are due annually and continue through 2024 with varying amounts ranging from $325,000 to $3,750,000. Bonds payable for the 2015B Bonds were $15,605,000 and $15,930,000 as of June 30, 2017 and 2016, respectively.

Series 2015C Taxable Revenue Bonds (2015C Bonds) were issued June 10, 2015 through El Paso County, Colorado with an original issue of $110,000,000. The 2015C Bonds are unsecured. The 2015C Bonds have interest rates ranging from 3.3% to 4.7%. Payments begin in 2025 and continue through 2046 in varying amounts ranging from $3,335,000 to $7,310,000. Bonds payable for 2015C Bonds were $109,671,796 and $109,660,478 (net of unamortized bond discount of $328,204 and $339,522) as of June 30, 2017 and 2016, respectively.

Aggregate annual maturities for the term of the bonds outstanding at June 30, 2017 are:

	Series 2005 Bonds	Series 2010 Bonds	Series 2012 Bonds	Series 2015A Bonds	Series 2015B Bonds	Series 2015C Bonds	Total
2018	$ 1,180,000	$ 3,340,000	$ 2,645,000	$ 140,000	$ 330,000	$ -	$ 7,635,000
2019	1,235,000	3,470,000	2,775,000	140,000	340,000	-	7,960,000
2020	1,300,000	3,645,000	2,920,000	145,000	345,000	-	8,355,000
2021	-	630,000	3,065,000	1,515,000	3,545,000	-	8,755,000
2022	-	655,000	3,220,000	1,545,000	3,620,000	-	9,040,000
Thereafter	-	1,415,000	6,930,000	13,005,000	7,425,000	110,000,000	138,775,000
	$ 3,715,000	$ 13,155,000	$ 21,555,000	$ 16,490,000	$ 15,605,000	$ 110,000,000	180,520,000
Less Discount							(389,007)
Plus Premium							4,294,777
Less Bond Issuance Costs							(965,490)
							$ 183,460,280

Bond issuance costs and the bond discounts are amortized over the life of the bond issue using the straight-line method. Bond premiums are accreted over the life of the bond issue using the straight-line or effective-interest methods.

Total interest charged to expense for the years ended June 30, 2017 and 2016 was $7,007,668 and $7,943,730, respectively.

NOTE 11 – NET ASSETS

Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as of June 30, 2017 and 2016, consist of the following, with some net assets maintained in funds for the purposes noted below:

	2017	2016
Operations and Reserves	$ 16,853,856	$ 20,871,269
Student Loans	2,661,243	2,282,065
Net Appreciation on Endowments	80,917,378	69,457,084
Funds Functioning as Endowments	61,839,212	62,924,269
Split-Interest Agreements	(3,950)	(36,745)
Net Investment in Plant	127,889,458	125,176,090
Total Unrestricted Net Assets	$ 290,157,197	$ 280,674,032

	2017	2016
Gifts Income for Specific Purposes	$ 32,447,835	$ 23,465,741
Endowment Income for Specific Purposes	859,446	974,689
Endowment Pledges	1,662,281	1,665,027
Reinvested Endowment Income	19,150,802	17,215,929
Appreciation on Endowments	364,824,501	324,888,579
Split-Interest Agreements	2,272,430	2,356,179
Total Temporally Restricted Net Assets	$ 421,217,295	$ 370,566,144

	2017	2016
Endowment	$ 146,468,484	$ 141,561,741
Endowment Pledges	8,047,545	7,393,057
Split-Interest Agreement	35,157,867	32,651,491
Total Permanently Restricted Net Assets	$ 189,673,896	$ 181,606,289

NOTE 12 – OTHER POSTRETIREMENT BENEFIT PLANS

The College has a closed noncontributory defined benefit postretirement health care plan for those who retired prior to July 1, 1995. On June 30, 2005, the post-retirement fully-insured medical program was changed to a defined contribution program that created accounts to be used for the purchase of post-retirement medical coverage that are funded during the active employment years.

The change affected all active employees and all retirees with a retirement date on or after July 1, 1995. This group received lump-sum contributions into their newly created accounts to use for the future purchase of retiree medical insurance. This settlement was accounted for in the fiscal year-end June 30, 2005 reporting; hence, eliminating all future retiree medical obligations for this group.

Post-retirement medical liability is for those who retired prior to July 1, 1995 who receive an 80% subsidy from the College for medical coverage and any pre-65 retiree enrolled in medical. Although early retirees pay 100% of the active premium, their medical costs are higher than the active employees, thus creating a ‘hidden’ College subsidy liability.

NOTE 12 – OTHER POSTRETIREMENT BENEFIT PLANS (CONTINUED)

The College's funding policy is generally to fund as amounts become due (pay-as you go), but may elect to pre-fund the liability from time to time. The College expects to contribute $85,844 to the plan in 2018.

As required by the *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* topic of FASB ASC, an employer must recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan), as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which changes occur through changes in unrestricted net assets.

The College uses a June 30 measurement date for the plan. Information about the plan's funded status follows:

	2017	2016
Benefit Obligation	$ (614,975)	$ (816,682)
Funded Status	$ (614,975)	$ (816,682)

Other significant balances and costs are:

	2017	2016
Employer Contribution	$ 422,806	$ 514,682
Benefits Paid	(422,806)	(514,682)
Benefit costs	$ -	$ -

The estimated net loss and transition obligation for the defined benefit postretirement health care plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $-0- and $39,040, respectively.

For measurement purposes, a 4.00% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2017.

The estimated benefits expected to be paid in the following years are as follows:

2018	$ 92,690
2019	85,844
2020	78,339
2021	69,724
2022	61,159
2023-2026	208,178
Total	$ 595,934

NOTE 13 – PENSION PLAN

All employees of the College with one year of service are eligible to participate in a defined contribution retirement plan administered by Teachers Insurance and Annuity Association/College Retirement Equities Fund. Upon the attainment of age 30, eligible employees are required to participate and make contributions equivalent to 5% of their salary. For employees hired before July 1, 1991, the College contributes 6% of salary up to the first half of the median faculty/administrator salary and 11% of the balance of their salary. The College currently contributes 10% of base salary for all other employees. Total pension expense was $4,873,266 and $4,374,743 for the years ended June 30, 2017 and 2016, respectively.

NOTE 14 – SCHOLARSHIP ALLOWANCES (TUITION DISCOUNTS)

For the years ended June 30, 2017 and 2016, respectively, College scholarship allowances (tuition discounts, prizes, and external scholarships) were provided for students at the College from the following sources:

	2017	2016
Unrestricted Sources		
Colorado College Funds	$ 24,388,016	$ 23,873,657
ACM Tuition Exchange	208,522	89,056
Total Unrestricted Sources *	24,596,538	23,962,713
Restricted Sources		
Endowments	10,721,309	10,108,562
Private Gifts and Grants **	1,289,178	1,209,563
Government Grants ***	343,640	351,304
Total Restricted Sources	12,354,127	11,669,428
Total Scholarships Provided	$ 36,950,665	$ 35,632,142

* Excludes tuition remission for benefits for the children of employees totaling $1,075,727 and $848,825 for the years ended June 30, 2017 and 2016, respectively.

** Excludes scholarships provided directly to our students from outside foundations and other organizations totaling $2,035,785 and $2,263,931 for the years ended June 30, 2017 and 2016, respectively. The College acted as custodian for these funds, but did not determine the recipient or the amount awarded.

*** Excludes Pell Grants of $1,078,016 and $1,103,235 for the years ended June 30, 2017 and 2016, respectively.

NOTE 15 – FUNCTIONAL EXPENSES

Expenses by functional classification are as follows for the years ended June 30, 2017 and 2016:

	2017	2016
Educational		
Instruction	$ 58,866,341	$ 52,593,104
Research	1,792,880	1,560,766
Public Service	2,318,955	2,381,233
Academic Support	13,401,355	11,686,575
Student Services	27,145,157	26,990,610
Auxiliary Expenses	13,350,328	13,632,368
Total Educational	116,875,016	108,844,656
Institutional Support, Excluding Fundraising	23,968,138	21,287,071
Fundraising	8,294,042	7,630,211
Total	$ 149,137,196	$ 137,761,938

NOTE 16 – ADDITIONAL CASH FLOW INFORMATION

Additional cash flow information includes the following for the years ended June 30, 2017 and 2016, respectively:

	2017	2016
Interest Paid	$ 8,438,536	$ 7,858,088
Noncash Investing and Financing Activities:		
Amortization of Bond Discounts/Premiums	$ 602,406	$ 1,939,062
Gifts-in-Kind	$ 112,848	$ 467,116

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of business, the College is involved in various legal matters. Management does not currently believe that any liability related to this litigation would be material to the financial statements. Therefore, no liability has been recorded in these financial statements. Events could occur that would change this estimate materially in the near term.

Federal Programs

The College participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure for allowable purposes. Any disallowable expenditures resulting from federal audit may become a liability of the College. It is believed that the ultimate disallowance pertaining to these regulations, if any, will not be material to the overall financial condition of the College.

NOTE 17 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction Commitments

The College had several major construction projects in progress at June 30, 2017 and 2016. Construction contractor commitments under those projects totaled $11,323,956 and $31,721,870 as of June 30, 2017 and 2016, respectively. Cumulative funds available from existing sources for completion of those projects totaled $11,323,956 and $31,721,870 as of June 30, 2017 and 2016, respectively.

NOTE 18 – SELF-FUNDED INSURANCE PLANS

The College maintains self-funded dental and health insurance plans. Under these plans, the College incurs insurance claims expense of approximately $680,000 per month. The College has contracted with a third-party administrator to process claims. The third-party administrator submits employee insurance claims for payment on a weekly basis, one week in arrears. Administrative costs are paid on a monthly basis. The College is liable for claims of up to $300,000 per individual, per year. Claims above $300,000 per individual, per year are covered by a specific stop loss insurance program, which has no stop loss max.

The expense for this Plan was $6,209,554 and $5,395,183 for the years ended June 30, 2017 and 2016, respectively. Incurred but not reported claims, based on actuarial calculations, were $1,032,703 and $923,584 as of June 30, 2017 and 2016, respectively, which are included in salaries and benefits payable in the accompanying consolidated statements of financial position.

The College has established a reserve (designated unrestricted net assets) of $3,311,535 and $3,047,422 as of June 30, 2017 and 2016, respectively, (included in “operations and reserves” in Note 11) to protect the financial stability of the self-insured benefits program and to provide rate stabilization within the plans.

NOTE 19 – CONDITIONAL ASSET RETIREMENT OBLIGATION

The College recognizes asset retirement obligations (ARO) associated with the retirement of a tangible long-lived asset as a liability in the period in which it is incurred or becomes determinable even when the timing and/or method of settlement may be conditional on a future event.

The fair value of the conditional asset retirement obligation is based on the expected costs to be incurred escalated at an inflation rate and discounted at a credit adjusted risk-free rate. This liability is capitalized as part of the cost of the related asset and amortized over its useful life. The liability accretes until the College settles the obligation.

The College’s conditional asset retirement obligations primarily relate to asbestos contained in buildings that the College owns. Environmental regulations exist in Colorado that require the College to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished.

NOTE 19 – CONDITIONAL ASSET RETIREMENT OBLIGATION (CONTINUED)

A summary of changes in asset retirement obligations since the date of adoption is included in the table below:

	2017	2016
Liability, Beginning of Year	$ 2,280,404	$ 3,933,519
Accretion Expense	123,357	169,221
Revisions to Estimate	1,578,915	(1,822,336)
Liability, End of Year	$ 3,982,676	$ 2,280,404

NOTE 20 – ALLIANCE AGREEMENT WITH THE FINE ARTS CENTER

On July 1, 2016, an Alliance Agreement was signed by the College and the Colorado Springs Fine Arts Center (Fine Arts Center). Beginning July 1, 2017, the College will enter into a three-year lease with the Fine Arts Center operated under the name The Colorado Springs Fine Arts Center at Colorado College. The College has designated $20 million of its Quasi-endowment for the Fine Arts Center. By June 30, 2020, the Fine Arts Center Foundation will convey all of the property and the museum collection to the College.