

**THE COLORADO COLLEGE AND SUBSIDIARIES
COLORADO SPRINGS, COLORADO**

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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Office of the State Auditor

November 28, 2018

**THE COLORADO COLLEGE AND SUBSIDIARIES
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JUNE 30, 2018 AND 2017**

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the College adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 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 solely 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

Greenwood Village, Colorado
November 2, 2018

THE COLORADO COLLEGE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 24,802,644	\$ 22,912,341
Investments	24,890,181	44,642,595
General Accounts Receivable (Net of Allowance for Doubtful Accounts of \$26,180 and \$7,584 at June 30, 2018 and 2017, respectively)	3,693,348	1,663,807
Students Accounts Receivable (Net of Allowance for Doubtful Accounts of \$114,313 and \$133,526 at June 30, 2018 and 2017, respectively)	628,851	688,439
Grants Receivable	530,376	480,287
Interest and Other Receivables	538,006	446,249
Contributions Receivable (Net of Allowance for Doubtful Pledges and Unamortized Discount of \$833,186 and \$506,475 at June 30, 2018 and 2017, respectively)	25,846,801	30,385,154
Loans to Students (Net of Allowance for Doubtful Loans of \$171,170 and \$207,251 June 30, 2018 and 2017, respectively)	3,777,066	4,475,321
Other Assets	2,518,600	2,601,594
Long-Term Investments	741,340,931	717,310,886
Land, Buildings and Equipment (Net of Accumulated Depreciation of \$126,830,810 and \$117,521,156 at June 30, 2018 and 2017, respectively)	270,160,757	264,660,291
Beneficial Interest in Perpetual Trusts	35,332,815	34,974,680
	\$ 1,134,060,376	\$ 1,125,241,644
Total Assets		

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

THE COLORADO COLLEGE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

LIABILITIES AND NET ASSETS	2018	2017
Accounts Payable	\$ 5,682,467	\$ 11,206,926
Student Accounts Payable	156,805	524,524
Salaries and Benefits Payable	7,071,606	8,070,502
Deferred Revenue	807,268	266,510
Deposits	523,026	455,067
Grants Refundable	3,107,294	4,143,905
Assets Held for Others	5,054,536	4,512,939
Early Retirement Accrual	190,152	552,142
Capital Lease Obligations	29,739	40,891
Other Postretirement Benefit Plan Obligation	682,917	614,975
Short-Term Debt	1,720,000	2,150,000
Bonds Payable (Net of Unamortized Bond Discount of \$370,434 and \$389,007 at June 30, 2018 and 2017, respectively, and Unaccreted Bond Premium of \$3,673,798 and \$4,294,777 at June 30, 2018 and 2017, Respectively and Unamortized Bond Issuance Cost of \$870,941 and \$965,490 at June 30, 2018 and 2017, respectively)	175,317,423	183,460,280
Asset Retirement Obligation	4,856,310	3,982,676
Annuities Payable	1,081,475	1,175,803
Other Life Income Funds Payable	2,815,120	3,036,116
Total Liabilities	209,096,138	224,193,256
Net Assets		
Without Donor Restrictions		
Undesignated	8,689,527	8,559,600
Student Loan Funds	1,445,668	1,673,262
Designated Operating Reserves	8,439,808	9,998,286
Designated Capital Projects	10,040,845	14,978,435
Designated Endowments	133,981,831	142,294,739
Designated Endowments - Capital Projects	36,042,300	35,461,851
Invested in Property and Equipment, Net of Related Debt	89,638,902	77,191,024
Total Without Donor Restrictions	288,278,881	290,157,197
With Donor Restrictions		
Perpetual in Nature	196,245,795	189,673,896
Purpose Restrictions and Accumulated Gains	436,668,254	417,282,585
Time Restricted for Future	3,856,786	3,934,710
Underwater Endowments	(85,478)	-
Total With Donor Restrictions	636,685,357	610,891,191
Total Net Assets	924,964,238	901,048,388
Total Liabilities and Net Assets	\$ 1,134,060,376	\$ 1,125,241,644

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

THE COLORADO COLLEGE AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
JUNE 30, 2018 (WITH SUMMARIZED 2017 TOTALS)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
OPERATING ACTIVITY				
Revenues, Gains and Other Support				
Tuition and Fees	\$ 120,347,864	\$ -	\$ 120,347,864	\$ 112,965,619
Less Scholarship Allowances	(38,560,984)	-	(38,560,984)	(36,950,665)
Net Tuition and Fees	81,786,880	-	81,786,880	76,014,954
Contributions	7,152,982	5,705,235	12,858,217	21,164,565
Government Grants and Contracts	1,323,465		1,323,465	1,506,912
Endowment Distribution	11,336,892	21,826,422	33,163,314	31,297,964
Other Investment Income	1,733,847	1,414,395	3,148,242	2,519,821
Auxiliary Enterprises	20,421,437	-	20,421,437	18,612,072
Other Revenue	7,973,919	59,406	8,033,325	6,602,033
Net Assets Released from Restrictions	27,821,211	(27,821,211)	-	-
Total Operating Revenue	159,550,633	1,184,247	160,734,880	157,718,321
Expenses:				
Educational and General Expenses				
Instruction	59,510,976	-	59,510,976	59,309,327
Research	1,902,493	-	1,902,493	1,792,880
Public Service	2,399,495	-	2,399,495	2,336,406
Academic Support	22,077,478	-	22,077,478	15,129,151
Student Services	27,642,655	-	27,642,655	27,349,432
Institutional Support	26,395,248	-	26,395,248	29,842,138
Total Educational and General Expenses	139,928,345	-	139,928,345	135,759,333
Auxiliary Enterprises	14,864,259	-	14,864,259	13,377,863
Total Operating Expenses	154,792,604	-	154,792,604	149,137,196
Increase (Decrease) in Net Assets from Operating Activities	4,758,029	1,184,247	5,942,276	8,581,125
NON-OPERATING ACTIVITY				
Endowment Contributions	420,354	4,147,792	4,568,146	5,815,791
Investment Return on Endowment	1,987,209	10,621,847	12,609,056	51,396,216
Change in Value of Split Interest Agreements	(24,394)	820,766	796,372	2,408,791
Transfer of Restrictions	(9,019,514)	9,019,514	-	-
Increase (Decrease) in Net Assets from Non-Operating Activities	(6,636,345)	24,609,919	17,973,574	59,620,798
Total Change in Net Assets	(1,878,316)	25,794,166	23,915,850	68,201,923
Net Assets - Beginning of Year	290,157,197	610,891,191	901,048,388	832,846,465
NET ASSETS - END OF YEAR	\$ 288,278,881	\$ 636,685,357	\$ 924,964,238	\$ 901,048,388

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

THE COLORADO COLLEGE AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
JUNE 30, 2017

	Without Donor Restrictions	With Donor Restrictions	2017 Total
OPERATING ACTIVITY			
Revenues, Gains and Other Support			
Tuition and Fees	\$ 112,965,619	\$ -	\$ 112,965,619
Less Scholarship Allowances	(36,950,665)	-	(36,950,665)
Net Tuition and Fees	76,014,954	-	76,014,954
Contributions	5,884,828	15,279,737	21,164,565
Government Grants and Contracts	1,506,912	-	1,506,912
Endowment Distribution	10,914,662	20,383,302	31,297,964
Other Investment Income	1,181,652	1,338,169	2,519,821
Auxiliary Enterprises	18,612,072	-	18,612,072
Other Revenue	6,498,345	103,688	6,602,033
Net Assets Released from Restrictions	26,495,598	(26,495,598)	-
Total Operating Revenue	147,109,023	10,609,298	157,718,321
Expenses:			
Educational and General Expenses			
Instruction	59,309,327	-	59,309,327
Research	1,792,880	-	1,792,880
Public Service	2,336,406	-	2,336,406
Academic Support	15,129,151	-	15,129,151
Student Services	27,349,432	-	27,349,432
Institutional Support	29,842,138	-	29,842,138
Total Educational and General Expenses	135,759,333	-	135,759,333
Auxiliary Enterprises	13,377,863	-	13,377,863
Total Operating Expenses	149,137,196	-	149,137,196
Increase (Decrease) in Net Assets from Operating Activities	(2,028,173)	10,609,298	8,581,125
NON-OPERATING ACTIVITY			
Endowment Contributions	18,250	5,797,541	5,815,791
Investment Return on Endowment	11,460,294	39,935,922	51,396,216
Change in Value of Split Interest Agreements	32,794	2,375,997	2,408,791
Transfer of Restrictions	-	-	-
Increase (Decrease) in Net Assets from Non-Operating Activities	11,511,338	48,109,460	59,620,798
Total Change in Net Assets	9,483,165	58,718,758	68,201,923
Net Assets - Beginning of Year	280,674,032	552,172,433	832,846,465
NET ASSETS - END OF YEAR	\$ 290,157,197	\$ 610,891,191	\$ 901,048,388

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

THE COLORADO COLLEGE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
JUNE 30, 2018 AND 2017

	2018	2017
OPERATING ACTIVITIES		
Change in Net Assets	\$ 23,915,850	\$ 68,201,923
Items Not Requiring (Providing) Operating Activities Cash Flows:		
Realized and Unrealized (Gains) Losses on Investments	(23,423,848)	(43,813,751)
Depreciation, Amortization	9,596,878	8,061,792
Revisions to Asset Retirement Obligation and Accretion	873,634	1,702,272
Loss on Disposal of Capital Equipment and Property	(169,437)	448,207
Change in Value of Split-Interest Agreements	(12,974)	(1,046,315)
Contributions and Investment Income Restricted for Long-Term Investment	(2,501,345)	(1,695,818)
Change in Allowance for Doubtful Loans to Students	22,303	9,111
Changes in:		
Accounts, Grants, Interest and Other Receivables	(727,814)	3,055,750
Contributions Receivable	4,479,969	(5,821,276)
Other Assets	82,994	(502,480)
Accounts Payable	(5,690,197)	1,797,936
Student Accounts Payable	(367,719)	(67,484)
Salaries and Benefits Payable	(998,895)	1,016,383
Deferred Revenue	(1,714,098)	978,480
Deposits	67,959	317,401
Assets Held for Others	541,598	274,104
Early Retirement Accrual	(361,990)	(135,548)
Other Postretirement Benefit Plan Payable	67,942	(201,707)
Net Cash Provided by Operating Activities	3,680,810	32,578,980
INVESTING ACTIVITIES		
Purchase of Land, Buildings and Equipment	(14,927,908)	(50,719,905)
Loss on Sales of Land, Buildings and Equipment	-	743,009
Loan Advances to Students	(198,588)	(485,274)
Payments Received on Loans to Students	932,924	953,497
Proceeds from Sales or Maturities of Investments	122,429,943	78,180,383
Purchase of Investments	(103,944,213)	(53,549,868)
Net Cash Provided by (Used in) Investing Activities	4,292,158	(24,878,158)
FINANCING ACTIVITIES		
Contributions and Investment Income Restricted for Investment in Endowment	2,501,345	1,695,818
Payments on Capital Leases	(11,152)	(11,152)
Issuance of New Debt	-	2,150,000
Payments on Short-Term Debt	(430,000)	-
Payments on Bonds Payable	(8,142,858)	(7,205,452)
Net Cash Provided by (Used in) Financing Activities	(6,082,665)	(3,370,786)
INCREASE IN CASH AND CASH EQUIVALENTS	1,890,303	4,330,036
Cash and Cash Equivalents - Beginning of Year	22,912,341	18,582,305
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 24,802,644	\$ 22,912,341

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

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 2,100 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:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. The governing board has designated, from net assets without donor restrictions, designated endowment, and investment in property, plant, and equipment.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities, other than endowment or similar funds, are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

Basis of Presentation (Continued)

Expirations of time restrictions on net assets, (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Recently Adopted Accounting Standards

The College has adopted the accounting guidance in financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-04, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*, which changes presentation and disclosure requirements for non-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors and other users. These include qualitative and quantitative requirements in the following areas: Net Asset classes, Investment Return, Expenses, and Liquidity. The effect of adopting the new standard resulted in a reclassification of Unrestricted Net Assets to Net Assets without Donor restrictions, and Temporarily and Permanently Restricted Net Assets combined to Net Assets with Donor restrictions. Prior year information in these financial statements has been reclassified to conform with the adoption of this standard.

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, 2018 and 2017, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At June 30, 2018 and 2017, the FDIC insurance limit for interest-bearing and noninterest-bearing cash accounts was \$250,000. At June 30, 2018 and 2017, the College's cash accounts exceed federally insured limits by approximately \$26,913,022 and \$25,540,000, 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. Water Rights and Real Estate fair values are determined at the time conveyed by appraisal, with reappraisals done on a periodic basis. Investment income and realized and unrealized gains and losses are reflected in the consolidated statements of activities as without or with donor restriction 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 without donor restricted revenue.

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

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

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.

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 net realizable value (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.

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

Property, Plant, and Equipment (Continued)

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.

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.

Grants Refundable

The College administers Title IV Perkins Loan Program for the benefit of its students. The program is a revolving loan program. Funds used for the program were initially received through Federal Capital Contributions (FCC) from the U.S. Department of Education (ED) and were supplemented with Institutional Capital Contributions (ICC). Over the years, the proportion of federal to institutional matching funds has varied, from a 90/10 split to a 75/25 split. The College recorded the US Grants Refundable liability as federal contributions were received being those funds were to be paid back to the ED if the program were ever ended.

Academic year 2017-18 was the last year in which new Perkins loans were allowed to be disbursed to students, as Congress did not renew the program. No new loans were allowed after June 30, 2018. Institutions have been given the option of assigning existing Perkins loans back to the federal government or continuing to collect on these loans while returning the FCC portion as loans are repaid. The College has elected to continue to collect on Perkins loans and return the FCC portion as the loans are collected. As payments are made back to the ED, the US Grants Refundable will be reduced.

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

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 2019 to 2022.

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.

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 revenue with donor restriction 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 with donor restriction net assets as designated by the Board or trust agreement.

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 without donor restrictions. Other revenues and support from operating activities that are restricted for a specific purpose by the donor are classified as with donor restriction. 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.

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

Operating Activities (Continued)

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

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restriction. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restriction.

When a donor stipulated time restriction ends or purpose restriction is accomplished, with donor restriction net assets are reclassified to without donor restriction 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 without donor restriction.

The College reports gifts of land, buildings, and equipment as without restriction 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 with donor restriction 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 2.33% to 3.40% 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.

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, 2018 and 2017.

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

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 net assets without donor restriction 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 cost of providing the various programs and supporting services has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited. Costs allocated among programs include expenses associated with the following: facilities management and planning, the depreciation and disposal expenses of property, plant, and equipment, information technology services, and the interest expense on long-term debt. These costs are allocated to the programs based upon each program's share of the total expenses. Interest expense on long-term debt is allocated to the programs that benefit from the long-term financing of the College.

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, 2017 financial statements have been reclassified to conform to the June 30, 2018 presentation. The reclassifications had no effect on the total amount of previously reported net assets.

Prior Year Summarized Financial Information

The consolidated statement of activities for the year ended June 30, 2018 on page 5 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, 2017 on page 6.

Subsequent Events

Subsequent events have been evaluated through November 2, 2018, which is the date the financial statements were available to be issued.

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018.

Investments	<u>June 30, 2018</u>
Long-Term Investments	\$ 24,890,181
Total	<u>741,340,931</u>
	<u>\$ 766,231,112</u>

Investments measured at fair value on a recurring basis as of June 30, 2018:

Investments	2018			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 29,810,537	\$ -	\$ -	\$ 29,810,537
Government Treasuries and Agencies	72,776,959	-	-	72,776,959
Asset Backed Securities	-	17,958,667	-	17,958,667
Corporate Bonds	-	5,090,332	-	5,090,332
Mutual Funds	-	11,000	-	11,000
Municipal Bonds	-	35,000	-	35,000
Preferred Stock	-	2,195,839	-	2,195,839
Large Cap Domestic Equity	211,551,439	252,395	-	211,803,834
International Equity	-	33,619,878	-	33,619,878
Global Hedged Equity Investments	-	-	65,674,002	65,674,002
Fixed Income Arbitrage	-	-	8,598,832	8,598,832
Multi-Strategy Absolute Return	-	-	63,293,674	63,293,674
Private Capital	-	-	82,340,051	82,340,051
Water Rights	-	-	2,168,831	2,168,831
Real Estate	-	-	420,000	420,000
Planned Gift Agreements	5,056,992	-	1,475,750	6,532,742
Total Investments	<u>\$ 319,195,927</u>	<u>\$ 59,163,111</u>	<u>\$ 223,971,140</u>	<u>602,330,178</u>
Investments Measured at Net Asset Value				<u>163,900,934</u>
Total Investments				<u>\$ 766,231,112</u>
Beneficial Interests in Perpetual Trusts	<u>\$ -</u>	<u>\$ 30,670,175</u>	<u>\$ 4,662,640</u>	<u>\$ 35,332,815</u>

Liabilities Measured at Fair Value on a Recurring Basis as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Funds Held for Others	<u>\$ -</u>	<u>\$ 5,054,536</u>	<u>\$ -</u>	<u>\$ 5,054,536</u>

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 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:

Investments	2017			Total
	Level 1	Level 2	Level 3	
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 Measured 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	\$ -	\$ 4,512,939	\$ -	\$ 4,512,939

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

For fiscal year 2018, the College invested in three 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.

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	BIPTs
Balance, July 1, 2017	\$ 79,393,975	\$ 72,862,910	\$ 91,045,156	\$ 2,168,831	\$ 420,000	\$ 1,430,009	\$ 5,537,862
Unrealized Gains and (Losses)	6,838,094	4,500,657	(11,469,621)	-	-	45,741	(875,222)
Redemptions	(20,558,067)	(14,189,332)	(7,683,029)	-	-	-	-
Purchases, Issuance and Settlements	-	19,501,387	-	-	-	-	-
Return of Recallable Capital	-	(335,571)	-	-	-	-	-
Transfers In and/or Out of Level 3	-	-	-	-	-	-	-
Balance, June 30, 2018	<u>\$ 65,674,002</u>	<u>\$ 82,340,051</u>	<u>\$ 71,892,506</u>	<u>\$ 2,168,831</u>	<u>\$ 420,000</u>	<u>\$ 1,475,750</u>	<u>\$ 4,662,640</u>
	Global Hedged Equity	Private Capital Investment	Alternative	Water Rights	Real Estate	Planned Gift Agreements	BIPTs
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)	-	-	(11,870)	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	<u>\$ 79,393,975</u>	<u>\$ 72,862,910</u>	<u>\$ 91,045,156</u>	<u>\$ 2,168,831</u>	<u>\$ 420,000</u>	<u>\$ 1,430,009</u>	<u>\$ 5,537,862</u>

Of the total Level 3 unrealized gains and (losses), approximately \$2,305,000 and \$2,500,000 were recognized in net assets without donor restriction during the year ended June 30, 2018 and 2017, respectively.

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

As of June 30, 2018, the College had 48 investments held with 29 companies that involve capital commitments not reflected in the fair values shown above. As of June 30, 2018, the College has contributed \$205,187,864 in capital toward total commitments of \$291,506,240 in aggregate, leaving \$86,318,376 in remaining commitments. 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.

The College uses the NAV to determine fair value of all of its investments, that 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 at June 30, 2018	Fair Value at June 30, 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
International Equities (a)	\$ 94,136,374	\$ 84,313,420	\$ -	Weekly	6 Business Days	N/A
Absolute Return (b)	17,194,556	16,206,686	-	Annually	45 Days notice	N/A
Emerging Markets (c)	10,781,000	9,603,000	2,460,923	N/A*	N/A*	N/A*
Mid-Market (d)	2,030,763	4,797,215	-	N/A*	N/A*	N/A*
Distressed Credit (e)	13,234,151	16,741,501	12,328,916	N/A*	N/A*	N/A*
Consumer Markets (f)	6,943,511	6,565,246	-	N/A*	N/A*	N/A*
Real Estate (g)	19,580,579	20,585,444	16,429,231	N/A*	N/A*	N/A*
	<u>\$ 163,900,934</u>	<u>\$ 158,812,512</u>	<u>\$ 31,219,070</u>			

* 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, 2018:

2019	\$ 13,252,960
2020	8,678,363
2021	9,287,747
	<u>\$ 31,219,070</u>

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

**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,	
	2018	2017
	Daily/Weekly	42%
Monthly	16%	16%
Quarterly	9%	9%
Annually	5%	5%
Multi-year Lock-ups	8%	11%
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:

	2018	2017
Operating Interest and Dividend Income	\$ 731,434	\$ 1,664,645
Perpetual Trust Distributions	2,246,647	1,454,321
Operating Net Realized and Unrealized Gains (Losses)	170,161	(599,145)
Endowment Distributed Income	14,909,239	27,785,745
Endowment Net Realized and Unrealized Gains (Losses)	30,863,131	54,908,435
Total	\$ 48,920,612	\$ 85,214,001

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

	2018	2017
Operating Revenue	\$ 36,311,556	\$ 33,817,785
Nonoperating Activity	12,609,056	51,396,216
Total	\$ 48,920,612	\$ 85,214,001

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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,	
	2018	2017
Contribution Revenue		
CRATs/CRUTs	\$ -	\$ -
Charitable Gift Annuities	113,314	-
Endowment CRT	-	239,952
	Year Ended June 30,	
	2018	2017
Investments		
CRATs/CRUTs	\$ 4,190,925	\$ 4,966,141
Charitable Gift Annuities	1,367,234	1,443,688
Endowment CRT	974,583	934,089

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 \$35,332,815 and \$34,974,680 at June 30, 2018 and 2017, respectively. Distributions received from the trusts are recorded as investment income without donor restriction or investment income with donor restriction 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 with donor restriction. 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 endowment as net assets with donor restriction with the direction of the applicable donor gift instrument. The appreciation of a donor-restricted endowment fund is classified as net assets with donor restriction 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, 2018 and June 30, 2017 was:

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets			
Designated Endowments	\$ 133,981,831	\$ -	\$ 133,981,831
Designated Endowments Capital Projects	36,042,300	-	36,042,300
Donor-Restricted Endowments to be Maintained in Perpetuity	-	160,431,643	160,431,643
Purpose Restricted, Subject to Appropriation	-	22,226,146	22,226,146
Accumulated Investment Gains Subject to Appropriation	-	383,238,302	383,238,302
Total Endowment Funds	<u>\$ 170,024,131</u>	<u>\$ 565,896,091</u>	<u>\$ 735,920,222</u>

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 ENDOWMENT (CONTINUED)

	2017		
	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets			
Designated Endowments	\$ 142,294,739	\$ -	\$ 142,294,739
Designated Endowments Capital Projects	35,461,851	-	35,461,851
Donor-Restricted Endowments to be Maintained in Perpetuity	-	154,516,030	154,516,030
Purpose Restricted, Subject to Appropriation	-	20,813,083	20,813,083
Accumulated Investment Gains Subject to Appropriation	-	364,824,501	364,824,501
Total Endowment Funds	<u>\$ 177,756,590</u>	<u>\$ 540,153,614</u>	<u>\$ 717,910,204</u>

Changes in endowment net assets for the fiscal year ended June 30, 2018 and June 30, 2017 were:

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Change in Endowment Net Assets			
Beginning of Year	\$ 177,756,590	\$ 540,153,614	\$ 717,910,204
Contributions/Additions	420,354	4,147,792	4,568,146
Endowment Gains/Losses	7,215,982	23,647,149	30,863,131
Investment Income	6,108,119	8,801,119	14,909,238
Reinvestments/Withdrawal From Reinvestments	(10,140,022)	10,972,839	832,817
Appropriation of Endowment Assets for Expenditures	(11,336,892)	(21,826,422)	(33,163,314)
End of Year	<u>\$ 170,024,131</u>	<u>\$ 565,896,091</u>	<u>\$ 735,920,222</u>

	2017		
	Without Donor Restriction	With Donor Restriction	Total
Change in Endowment Net Assets			
Beginning of Year	\$ 167,381,353	\$ 492,724,334	\$ 660,105,687
Contributions/Additions	18,250	5,797,541	5,815,791
Endowment Gains/Losses	13,965,121	40,943,314	54,908,435
Investment Income	8,409,834	19,375,911	27,785,745
Reinvestments/Withdrawal From Reinvestments	(1,103,306)	1,695,816	592,510
Appropriation of Endowment Assets for Expenditures	(10,914,662)	(20,383,302)	(31,297,964)
End of Year	<u>\$ 177,756,590</u>	<u>\$ 540,153,614</u>	<u>\$ 717,910,204</u>

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 ENDOWMENT (CONTINUED)

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 net assets with donor restriction and aggregated \$85,478 and \$-0- at June 30, 2018 and 2017, respectively. These deficiencies, while the College believes are temporary, are a result of unfavorable market fluctuations. The board determined that continued appropriation during fiscal year 2018 was prudent.

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 2018, 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.

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 6 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following unconditional promises to give as of June 30:

	<u>2018</u>	<u>2017</u>
Annual Fund	\$ 490,141	\$ 399,796
Gifts for Operations	20,009,029	20,674,284
Endowment	6,180,817	9,817,549
	<u>26,679,987</u>	<u>30,891,629</u>
Less Allowance for Doubtful Pledges	(138,074)	(79,690)
Less Unamortized Discount	(695,112)	(426,785)
	<u>\$ 25,846,801</u>	<u>\$ 30,385,154</u>
Amounts Due in		
Less Than One Year	\$ 6,850,198	\$ 5,191,626
One to Five Years	10,369,151	13,479,703
Greater than Five Years	<u>8,627,452</u>	<u>11,713,825</u>
Total	<u>\$ 25,846,801</u>	<u>\$ 30,385,154</u>

Discount rates ranged from 2.33% to 3.40% for the years ended June 30, 2018 and 2017.

The College has conditional promises to give of approximately \$200,000 and \$12,500 at June 30, 2018 and 2017, 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 \$48.7 million and \$56.0 million as of June 30, 2018 and 2017, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Buildings and Improvements	\$ 330,006,323	\$ 267,478,496
Land	7,451,250	7,239,433
Campus Infrastructure	27,036,792	27,036,792
Furnishings and Equipment	19,965,684	19,253,673
Long-Term Equipment	5,893,246	5,529,115
Construction in Progress	4,791,124	54,173,201
Buildings - CARO	1,847,148	1,470,737
	<u>396,991,567</u>	<u>382,181,447</u>
Less Accumulated Depreciation	(126,830,810)	(117,521,156)
Total	<u>\$ 270,160,757</u>	<u>\$ 264,660,291</u>

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 7 LAND, BUILDINGS, AND EQUIPMENT (CONTINUED)

The College capitalized \$1,138,947 and \$1,334,978 in interest costs related to construction in progress during the years ended June 30, 2018 and 2017, respectively.

Total depreciation and amortization expense was \$9,596,879 and \$8,061,792 for the years ended June 30, 2018 and 2017, respectively.

NOTE 8 OPERATING LEASES

The College leases various office equipment, vehicles, and property under operating leases expiring through calendar year 2024. Rent expense on operating leases during the years ended June 30, 2018 and 2017, was \$230,775 and \$226,524, respectively.

Future minimum lease payments under the operating leases as of June 30, 2018 are as follows:

2019	164,772
2020	133,823
2021	122,800
2022	118,100
2023	118,100
Thereafter	163,284
	<hr/>
Total	\$ 820,880
	<hr/> <hr/>

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, 2018 and 2017 are as follows:

	2018	2017
Campus Infrastructure	\$ 2,472,686	\$ 2,472,686
Equipment	714,334	714,334
Total Cost	<hr/> 3,187,020	<hr/> 3,187,020
Less Accumulated Amortization	(1,281,302)	(1,222,219)
Total	<hr/> <hr/> \$ 1,905,718	<hr/> <hr/> \$ 1,964,801

As of June 30, 2018, future minimum lease payments under capital leases, together with the present value of the net minimum lease payments were:

2019	\$ 11,152
2020	11,152
2021	7,435
Less Amount Representing Interest	-
Minimum Lease Payments	<hr/> <hr/> \$ 29,739

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 an interest of 5%. Payments are due annually and continue through 2020 in payments of \$1,235,000 to \$1,300,000. Bonds payable for the 2005 Bonds were \$2,553,034 and \$3,742,051 (net of unamortized bond discount of \$8,004 and \$12,007 and unamortized bond premium of \$26,038 and \$39,057) as of June 30, 2018 and 2017, 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 3.75% to 5.25%. Payments are due annually and continue through 2024 in payments of \$630,000 to \$3,645,000. Bonds payable for the 2010 Bonds were \$10,576,822 and \$14,043,792 (net of unamortized bond premium of \$761,822 and \$888,792) as of June 30, 2018 and 2017, respectively.

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 an interest of 5.0%. Payments are due annually and continue through 2024 in payments of \$2,775,000 to \$3,550,000. Bonds payable for the 2012 Bonds were \$21,795,938 and \$24,921,927 (net of unamortized bond premium of \$2,885,938 and \$3,366,928) as of June 30, 2018 and 2017, 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 in payments of \$140,000 to \$1,425,000. Bonds payable for the 2015A Bonds were \$16,304,457 and \$16,441,204 (net of unamortized bond discount of \$45,543 and \$48,796) as of June 30, 2018 and 2017, 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 in payments of \$340,000 to \$3,750,000. Bonds payable for the 2015B Bonds were \$15,275,000 and \$15,605,000 as of June 30, 2018 and 2017, 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 payments of \$3,335,000 to \$7,310,000. Bonds payable for 2015C Bonds were \$109,683,113 and \$109,671,796 (net of unamortized bond discount of \$316,887 and \$328,204) as of June 30, 2018 and 2017, respectively.

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 10 BONDS PAYABLE (CONTINUED)

Aggregate annual maturities for the term of the bonds outstanding at June 30, 2018 are:

	Series 2005 Bonds	Series 2010 Bonds	Series 2012 Bonds	Series 2015A Bonds	Series 2015B Bonds	Series 2015C Bonds	Total
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
2023	-	690,000	3,380,000	1,180,000	3,675,000	-	8,925,000
Thereafter	-	725,000	3,550,000	11,825,000	3,750,000	110,000,000	129,850,000
	<u>\$2,535,000</u>	<u>\$9,815,000</u>	<u>\$ 18,910,000</u>	<u>\$ 16,350,000</u>	<u>\$ 15,275,000</u>	<u>\$ 110,000,000</u>	<u>172,885,000</u>
Less Discount							(370,434)
Plus Premium							3,673,798
Less Bond Issuance Costs							(870,941)
							<u>\$ 175,317,423</u>

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, 2018 and 2017 was \$6,738,863 and \$7,007,668, respectively.

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 11 RESTRICTIONS AND LIMITATIONS ON NET ASSETS BALANCES

As of June 30, 2018 and 2017, the College's net assets with donor restrictions were allocated as follows:

<i>Donor Restricted Net Asset Not Invested in Perpetuity</i>	<u>2018</u>
Instruction and Other Departmental Support	\$ 23,779,045
Financial Aid	87,183
Capital Projects	8,544,670
Accumulated Earnings on Endowed Funds Subject to Appropriations	383,238,302
Purpose Restricted, Subject to Appropriation	20,933,575
Annuity, Life Income, and BIPT	2,564,216
Unconditional Promises to Give for Specific Purposes	1,292,571
Total	<u>\$ 440,439,562</u>

<i>Donor Restricted Net Assets, Held in Perpetuity</i>	
Income Expended for Scholarships	\$ 72,393,302
Income Expended for Instruction and Other Department Support	53,669,240
Income Expended for Library	3,018,168
Income Expended for Professorships	21,124,475
Income Expended for Unrestricted	5,496,257
Annuity, Life Income, and BIPT	35,814,152
Unconditional Promises to Give to the Endowment	4,730,200
Total	<u>\$ 196,245,794</u>

<i>Donor Restricted Net Asset Not Invested in Perpetuity</i>	<u>2017</u>
Instruction and Other Departmental Support	\$ 24,614,867
Financial Aid	157,538
Capital Projects	8,526,908
Accumulated Earnings on Endowed Funds Subject to Appropriations	364,824,501
Purpose Restricted, Subject to Appropriation	19,158,771
Annuity, Life Income, and BIPT	2,272,429
Unconditional Promises to Give for Specific Purposes	1,662,281
Total	<u>\$ 421,217,295</u>

<i>Donor Restricted Net Assets, Held in Perpetuity</i>	
Income Expended for Scholarships	\$ 69,537,369
Income Expended for Instruction and Other Department Support	47,337,462
Income Expended for Library	3,020,855
Income Expended for Professorships	21,094,434
Income Expended for Unrestricted	5,478,364
Annuity, Life Income, and BIPT	35,157,867
Unconditional Promises to Give to the Endowment	8,047,545
Total	<u>\$ 189,673,896</u>

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 11 RESTRICTIONS AND LIMITATIONS ON NET ASSETS BALANCES (CONTINUED)

Net assets during the years ended June 30 were released from donor restrictions for the following purposes:

	2018	2017
Scholarships and Other Endowment Funds	\$ 17,562,255	\$ 17,062,021
Instruction and Other Departmental Support	3,125,974	4,986,379
Capital Projects	7,132,982	4,447,198
	\$ 27,821,211	\$ 26,495,598

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.

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 \$84,503 to the plan in 2019.

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 net assets without donor restriction.

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 12 OTHER POSTRETIREMENT BENEFIT PLANS (CONTINUED)

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

	<u>2018</u>	<u>2017</u>
Benefit Obligation	\$ (682,917)	\$ (614,975)
Funded Status	<u>\$ (682,917)</u>	<u>\$ (614,975)</u>

Other significant balances and costs are:

	<u>2018</u>	<u>2017</u>
Employer Contribution	\$ 477,504	\$ 422,806
Benefits Paid	<u>(477,504)</u>	<u>(422,806)</u>
Benefit costs	<u>\$ -</u>	<u>\$ -</u>

The estimated net loss and transition obligation for the defined benefit postretirement health care plan that will be amortized from net assets without donor restriction into net periodic benefit cost over the next fiscal year are \$68,132 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 2018.

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

2019	\$ 84,503
2020	76,134
2021	67,508
2022	59,739
2023	52,407
2024-2027	<u>122,618</u>
Total	<u><u>\$ 462,909</u></u>

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 29, 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 \$5,208,399 and \$4,873,266 for the years ended June 30, 2018 and 2017, respectively.

NOTE 14 SCHOLARSHIP ALLOWANCES (TUITION DISCOUNTS)

For the years ended June 30, 2018 and 2017, respectively, College scholarship allowances (tuition discounts, prizes, and scholarships) were provided for students at the College from the following sources:

	<u>2018</u>	<u>2017</u>
Unrestricted Sources		
Colorado College Funds	\$ 25,109,932	\$ 24,388,016
ACM Tuition Exchange	157,140	208,522
Total Unrestricted Sources *	<u>25,267,072</u>	<u>24,596,538</u>
Restricted Sources		
Endowments	11,585,262	10,721,309
Private Gifts and Grants **	1,355,134	1,289,178
Government Grants ***	353,516	343,640
Total Restricted Sources	<u>13,293,912</u>	<u>12,354,127</u>
Total Scholarships Provided	<u>\$ 38,560,984</u>	<u>\$ 36,950,665</u>

* Excludes tuition remission for benefits for the dependents of employees totaling \$1,129,543 and \$1,075,727 for the years ended June 30, 2018 and 2017, respectively.

** Excludes scholarships provided directly to our students from outside foundations and other organizations totaling \$2,336,193 and \$2,035,785 for the years ended June 30, 2018 and 2017, respectively. The College acted as custodian for these funds, but did not determine the recipient or the amount awarded.

*** Excludes Pell Grants of \$1,166,709 and \$1,078,016 for the years ended June 30, 2018 and 2017, respectively.

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 15 FUNCTIONAL EXPENSES

Expenses by functional classification are as follows for the years ended June 30, 2018 and 2017:

	2018	2017
Educational		
Instruction	\$ 59,510,976	\$ 58,866,341
Research	1,902,493	1,792,880
Public Service	2,399,495	2,336,406
Academic Support	22,077,478	13,383,904
Student Services	27,642,655	27,145,157
Auxiliary Expenses	14,864,259	13,350,328
Total Educational	128,397,356	116,875,016
Institutional Support, Excluding Fundraising	17,626,941	23,962,244
Fundraising	8,768,307	8,299,936
Total	\$ 154,792,604	\$ 149,137,196

NOTE 16 ADDITIONAL CASH FLOW INFORMATION

Additional cash flow information includes the following for the years ended June 30, 2018 and 2017, respectively:

	2018	2017
Interest Paid	\$ 7,973,768	\$ 8,438,536
Noncash Investing and Financing Activities:		
Amortization of Bond Discounts/Premiums	602,406	602,406
Gifts-in-Kind	203,583	112,848

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.

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 17 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

Construction Commitments

The College had several major construction projects in progress at June 30, 2018 and 2017. Construction contractor commitments under those projects totaled \$2,395,727 and \$11,323,956 as of June 30, 2018 and 2017, respectively. Cumulative funds available from existing sources for completion of those projects totaled \$5,224,435 and \$6,499,204 as of June 30, 2018 and 2017, 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 \$694,000 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 \$6,996,931 and \$6,209,554 for the years ended June 30, 2018 and 2017, respectively. Incurred but not reported claims, based on actuarial calculations, were \$1,242,220 and \$1,032,703 as of June 30, 2018 and 2017, respectively, which are included in salaries and benefits payable in the accompanying consolidated statements of financial position.

The College has established a reserve (designated net assets without donor restriction) of \$2,981,739 and \$3,311,535 as of June 30, 2018 and 2017, respectively, 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 COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 19 CONDITIONAL ASSET RETIREMENT OBLIGATION (CONTINUED)

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.

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

	2018	2017
Liability - Beginning of Year	\$ 3,982,676	\$ 2,280,404
Accretion Expense	873,634	123,357
Revisions to Estimate	-	1,578,915
Liability - End of Year	<u>\$ 4,856,310</u>	<u>\$ 3,982,676</u>

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 entered 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.

NOTE 21 NATURAL EXPENSES

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The College reports expenditures in categories reflecting core operational objectives for higher education as defined by Integrated Postsecondary Education Data System (IPEDS).

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 21 NATURAL EXPENSES (CONTINUED)

The Colleges' expenditures for 2018 were as follows:

	Instructional	Academic Support Public Service, and Research	Student Services	Institutional Support Admin	Institutional Support Fund Raising	Auxiliary	2018 Total
Salaries and Benefits	\$ 40,843,814	\$ 12,653,636	\$ 13,864,409	\$ 8,947,013	\$ 5,239,807	\$ 1,371,378	\$ 82,920,057
Professional Fees	3,855,810	1,441,162	955,928	1,502,769	362,527	883,098	9,001,293
Advertising and Promotion	148,093	466,874	593,805	367,180	406,899	7,909	1,990,761
Contract Services	1,223,749	1,896,301	679,555	1,034,470	258,682	8,564,680	13,657,437
Departmental Operations	2,727,100	4,815,032	3,383,223	1,181,134	830,994	1,951,735	14,889,219
Information Technology	252,834	1,002,826	203,934	643,233	106,629	39,008	2,248,463
Off Campus Class Trips	1,085,241	67,901	91,959	10,074	-	485	1,255,660
Conferences and Travel	1,689,844	1,062,476	2,749,266	305,087	442,673	24,281	6,273,627
Insurance	33,056	19,625	1,552,116	678,635	4,734	64,543	2,352,709
Utilities	855,892	368,840	397,134	272,339	123,388	826,987	2,844,579
Capital Projects and R&R	(224,906)	(50,155)	(104,465)	704,654	(33,136)	-	291,993
Interest	3,005,533	1,109,217	1,396,023	785,280	442,811	-	6,738,863
Depreciation	3,787,312	1,397,689	1,759,108	989,534	557,963	1,105,273	9,596,879
Miscellaneous	227,603	128,042	120,662	205,539	24,336	24,883	731,065
Total	\$ 59,510,976	\$ 26,379,466	\$ 27,642,655	\$ 17,626,941	\$ 8,768,307	\$ 14,864,259	\$ 154,792,604

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 21 NATURAL EXPENSES (CONTINUED)

The Colleges' expenditures for 2017 were as follows:

	Instructional	Academic Support Public Service, and Research	Student Services	Institutional Support	Institutional Advancement	Auxiliary	2017 Total
Salaries and Benefits	\$ 40,045,017	\$ 8,717,020	\$ 14,118,044	\$ 7,400,092	\$ 4,976,507	\$ 1,381,248	\$ 76,637,928
Professional Fees	1,238,584	438,876	1,021,631	1,927,413	513,364	588,330	5,728,198
Advertising and Promotion	192,667	1,022,587	603,789	305,641	326,324	6,502	2,457,510
Contract Services	1,202,953	1,111,995	706,558	1,193,475	169,574	7,807,615	12,192,170
Departmental Operations	3,570,003	4,064,861	2,279,540	2,724,243	566,672	1,656,090	14,861,409
Information Technology	156,373	519,837	191,680	366,449	112,415	40,784	1,387,538
Off Campus Class Trips	1,198,146	13,460	101,645	11,462	675	70	1,325,458
Conferences and Travel	2,113,852	786,336	2,573,231	300,833	355,078	26,036	6,155,366
Insurance	37,220	15,120	1,300,198	618,880	5,152	54,785	2,031,355
Utilities	732,196	208,307	340,198	267,346	102,062	861,895	2,512,004
Capital Projects and R&R	2,256,630	605,655	1,010,206	4,155,743	310,807	14,051	8,353,092
Interest	3,176,926	848,418	1,464,953	1,069,790	447,580	-	7,007,667
Depreciation	3,246,322	866,884	1,496,994	1,093,178	457,426	900,988	8,061,792
Miscellaneous	142,438	39,081	140,765	51,135	12,821	39,469	425,709
Total	<u>\$ 59,309,327</u>	<u>\$ 19,258,437</u>	<u>\$ 27,349,432</u>	<u>\$ 21,485,680</u>	<u>\$ 8,356,457</u>	<u>\$ 13,377,863</u>	<u>\$ 149,137,196</u>

NOTE 22 AVAILABLE RESOURCES AND LIQUIDITY

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

In addition to financial assets available to meet general expenditures over the next 12 months, the College operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

THE COLORADO COLLEGE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 22 AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

As of June 30, 2018, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures.

<u>Assets Available at Year End</u>	<u>2018 Assets</u>
Cash and Cash Equivalents	\$ 24,802,644
Short-Term Invested Cash	24,890,181
General Accounts Receivable	3,693,348
Contributions Receivable	25,846,801
Loans to Students	3,777,066
Long-Term Investments	741,340,931
Financial Assets Available	<u>\$ 824,350,971</u>
<u>Less Amounts Not Available for General Expenditures Within 12 Months</u>	
Student Loans	\$ 1,445,668
Designated Reserves	8,439,808
Designated Endowments	133,981,831
Designated for Capital Projects	46,083,145
Donor Restricted Endowments to be Held in Perpetuity	196,245,795
Restricted by Donors for Future Use	406,708,839
Financial Assets Not Available for General Expenditures Over the Next 12 Months	<u>\$ 792,905,086</u>