REPORT OF INDEPENDENT AUDITORS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR

OCCIDENTAL COLLEGE

June 30, 2017 and 2016

Table of Contents

Report of Independent Auditors

The Board of Trustees
Occidental College

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Moss Adams LLP

Los Angeles, California
October 20, 2017

ASSETS

	2017	2016
Cash and cash equivalents	$ 1,730,318	$ 3,472,554
Assets whose use is limited	7,901,088	8,172,861
Student accounts receivable, less allowance for doubtful accounts of $272,968 (2017) and $254,656 (2016)	497,937	441,610
Contracts and grants receivable	1,468,391	1,531,239
Contributions receivable, net	5,726,505	5,064,884
Other assets	3,012,741	3,789,178
Investments	505,062,341	449,720,606
Student notes receivable, net	22,513,273	23,216,567
Assets held in trust by others	6,172,987	7,318,458
Property and equipment, net	166,210,366	170,956,984
Total assets	$ 720,295,947	$ 673,684,941

LIABILITIES AND NET ASSETS

	2017	2016
LIABILITIES		
Accounts payable and accrued expenses	$ 11,417,245	$ 13,471,093
Student deposits and deferred revenue	5,199,870	5,872,559
Note payable	515,099	547,056
Bonds payable	96,105,448	98,747,394
Government loans payable	4,262,957	4,167,674
Annuities payable	14,391,567	14,527,526
Asset retirement obligations	2,562,551	2,532,613
Total liabilities	134,454,737	139,865,915
NET ASSETS		
Unrestricted	191,887,591	175,486,267
Temporarily restricted	217,582,516	187,745,957
Permanently restricted	176,371,103	170,586,802
Total net assets	585,841,210	533,819,026
Total liabilities and net assets	$ 720,295,947	$ 673,684,941

Occidental College
Consolidated Statements of Activities
Year Ended June 30, 2017
(With Comparative Information for Year Ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Operating Revenues:					
Student revenues:					
Tuition and fees	$ 104,021,105	$ -	$ -	$ 104,021,105	$ 102,287,527
Room and board	23,032,875	-	-	23,032,875	22,592,434
Less: Financial assistance	(43,655,117)	-	-	(43,655,117)	(42,260,997)
Net student revenues	83,398,863	-	-	83,398,863	82,618,964
Private gifts, grants and contracts	8,574,686	-	-	8,574,686	8,035,952
Federal and state grants and contracts	3,835,114	-	-	3,835,114	4,348,958
Auxiliary services, other	2,805,402	-	-	2,805,402	3,133,836
Investment income designated for operations	3,765,704	16,446,727	-	20,212,431	19,204,848
Other	3,028,555	-	-	3,028,555	2,783,469
Net assets released from restrictions	16,810,587	(16,810,587)	-	-	-
Total operating revenues	122,218,911	(363,860)	-	121,855,051	120,126,027
Operating Expenditures:					
Instruction	41,910,067	-	-	41,910,067	41,073,675
Research	2,905,062	-	-	2,905,062	3,154,674
Public service	4,732,076	-	-	4,732,076	4,904,276
Academic support	10,075,729	-	-	10,075,729	9,745,891
Student services	14,748,069	-	-	14,748,069	14,451,000
Institutional support:					
General	12,210,306	-	-	12,210,306	11,978,350
Advancement	7,546,758	-	-	7,546,758	7,882,380
Auxiliary services, student and other	22,868,063	-	-	22,868,063	22,916,323
Total operating expenditures	116,996,130	-	-	116,996,130	116,106,569
Change in net assets from operating activities	5,222,781	(363,860)	-	4,858,921	4,019,458
Other changes in net assets:					
Net assets released for capital expenditures	1,918,213	(1,918,213)	-	-	-
Change in student notes receivable value	-	-	-	-	1,385,229
Loss on bond defeasance	-	-	-	-	(2,472,055)
Private gifts, grants and contracts non-operating	-	8,588,124	3,801,451	12,389,575	8,340,128
Present value adjustment for annuities	-	(28,675)	(985,115)	(1,013,790)	138,389
Annuity funds released	174,143	(174,143)	-	-	-
Assets held in trust by others released	1,457,879	(1,457,879)	-	-	-
Change in fair value of assets held in trust by others	-	233,264	79,144	312,408	(354,386)
Loss on assets held in trust by others	-	-	-	-	(4,084,221)
Investment gain (loss), net	5,873,851	27,476,745	2,124,474	35,475,070	(34,586,381)
Change in underwater funds	2,129,349	(2,129,349)	-	-	-
Redesignation of net assets	(374,892)	(389,455)	764,347	-	-
Total other changes in net assets	11,178,543	30,200,419	5,784,301	47,163,263	(31,633,297)
Changes in net assets	16,401,324	29,836,559	5,784,301	52,022,184	(27,613,839)
Net assets, beginning of year	175,486,267	187,745,957	170,586,802	533,819,026	561,432,865
Net assets, end of year	$ 191,887,591	$ 217,582,516	$ 176,371,103	$ 585,841,210	$ 533,819,026

See accompanying notes.

Occidental College
Consolidated Statements of Activities
Year Ended June 30, 2016
(With Comparative Information for Year Ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Operating Revenues:					
Student revenues:					
Tuition and fees	$ 102,287,527	$ -	$ -	$ 102,287,527	$ 99,566,399
Room and board	22,592,434	-	-	22,592,434	21,714,533
Less: Financial assistance	(42,260,997)	-	-	(42,260,997)	(40,495,796)
Net student revenues	82,618,964	-	-	82,618,964	80,785,136
Private gifts, grants and contracts	8,035,952	-	-	8,035,952	8,223,554
Federal and state grants and contracts	4,348,958	-	-	4,348,958	3,699,825
Auxiliary services, other	3,133,836	-	-	3,133,836	3,030,120
Investment income designated for operations	3,535,573	15,669,275	-	19,204,848	17,969,316
Other	2,783,469	-	-	2,783,469	2,711,040
Net assets released from restrictions	15,564,880	(15,564,880)	-	-	-
Total operating revenues	120,021,632	104,395	-	120,126,027	116,418,991
Operating Expenditures:					
Instruction	41,073,675	-	-	41,073,675	39,548,434
Research	3,154,674	-	-	3,154,674	3,370,048
Public service	4,904,276	-	-	4,904,276	4,498,257
Academic support	9,745,891	-	-	9,745,891	9,813,430
Student services	14,451,000	-	-	14,451,000	14,106,221
Institutional support:					
General	11,978,350	-	-	11,978,350	11,094,929
Advancement	7,882,380	-	-	7,882,380	6,914,686
Auxiliary services, student and other	22,916,323	-	-	22,916,323	21,655,316
Total operating expenditures	116,106,569	-	-	116,106,569	111,001,321
Change in net assets from operating activities	3,915,063	104,395	-	4,019,458	5,417,670
Other changes in net assets:					
Net assets released for capital expenditures	3,183,975	(3,183,975)	-	-	-
Change in student notes receivable value	1,385,229	-	-	1,385,229	-
Loss on bond defeasance	(2,472,055)	-	-	(2,472,055)	-
Private gifts, grants and contracts					-
non-operating	87,704	1,904,655	6,347,769	8,340,128	17,265,635
Present value adjustment for annuities	-	(46,732)	185,121	138,389	(695,874)
Change in fair value of assets held in trust					
by others	-	(213,593)	(140,793)	(354,386)	(290,540)
Loss on assets held in trust by others	-	(4,084,221)	-	(4,084,221)	-
Investment (loss), net	(8,109,620)	(26,220,527)	(256,234)	(34,586,381)	(22,035,455)
Change in underwater funds	(2,199,109)	2,199,109	-	-	-
Redesignation of net assets	(424,660)	(147,984)	572,644	-	-
Total other changes in net assets	(8,548,536)	(29,793,268)	6,708,507	(31,633,297)	(5,756,234)
Changes in net assets	(4,633,473)	(29,688,873)	6,708,507	(27,613,839)	(338,564)
Net assets, beginning of year	180,119,740	217,434,830	163,878,295	561,432,865	561,771,429
Net assets, end of year	$ 175,486,267	$ 187,745,957	$ 170,586,802	$ 533,819,026	$ 561,432,865

See accompanying notes.

Occidental College
Statements of Consolidated Cash Flows
Year Ended June 30, 2017 And 2016

	2017	2016
Cash flows from operating activities:		
Changes in net assets	$ 52,022,184	$ (27,613,839)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	8,159,408	8,329,050
Loss on bond defeasance	-	2,472,055
Write off of property and equipment	1,054,443	786,085
Change in fair value of assets held in trust by others	(312,408)	354,386
Loss on assets held in trust by others	-	4,084,221
Net unrealized and realized (gains) losses on investments	(46,620,395)	22,759,580
Contributions restricted for long-term investments	(3,801,451)	(6,347,769)
Contributions for capital expenditures	(8,588,124)	(1,992,359)
(Decrease)increase in provision for student notes receivable	(67,232)	28,960
Adjustment of student notes receivable	-	(1,310,615)
Present value adjustment for annuities	1,013,790	(138,389)
Change in value of asset retirement obligations	29,938	(4,350)
Change in value of annuities payable	215,163	208,739
Change in assets and liabilities:		
Student accounts receivable	(56,327)	(152,395)
Contracts and grants receivable	62,848	(46,112)
Contributions receivable	(545,206)	761,970
Other assets	776,437	(1,326,889)
Accounts payable and accrued expenses	(1,274,338)	1,513,766
Student deposits and deferred revenue	(672,689)	798,069
Net cash used in operating activities	1,396,041	3,164,164
Cash flows from investing activities:		
Change in assets whose use is limited	271,773	254,396
Disbursement of student notes receivables	(2,403,321)	(2,569,403)
Collection of student notes receivables	3,173,846	2,961,074
Purchases of investments	(251,582,195)	(230,153,756)
Proceeds from sales and maturities of investments	242,860,855	219,594,533
Purchases of property and equipment	(5,618,689)	(16,067,330)
Net cash used in investing activities	(13,297,731)	(25,980,486)
Cash flows from financing activities:		
Contributions restricted for long-term investment	3,498,807	8,041,143
Contributions for capital expenditures	8,774,354	7,420,111
Proceeds from assets held in trust by others	1,457,879	-
Change in government loans payable	95,283	-
Repayment of note payable	(31,957)	(30,706)
Repayment of bonds payable	(2,270,000)	(1,965,000)
Issuance of bonds payable	-	4,699,195
Distributions of annuities payable	(1,364,912)	(1,729,891)
Net cash provided by financing activities	10,159,454	16,434,852
Net change in cash and cash equivalents	(1,742,236)	(6,381,470)
Cash and cash equivalents at beginning of year	3,472,554	9,854,024
Cash and cash equivalents at end of year	$ 1,730,318	$ 3,472,554

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2017	2016
Cash paid for interest	$ 3,934,883	$ 4,007,676

SUPPLEMENTAL DISCLOSURE NON-CASH INVESTING AND FINANCING ACTIVITIES

	2017	2016
Unpaid property and equipment purchases	$ 779,510	$ 1,072,847
Issuance and repayment of bonds payable	$ -	$ 31,935,000

See accompanying notes.

Note 1 – Organization

Occidental College (the "College") is an independent, coeducational college of liberal arts and sciences, founded in 1887. Occidental College seeks to provide an education of high quality in the best tradition of the liberal arts, emphasizing thorough competence in a chosen field of study together with a broad understanding of our historical and cultural heritage and the relationships among fields of knowledge.

On June 30, 2016, Occidental College formed a single member limited liability company, Otway Properties, LLC ("Otway"), under the California Revised Uniform Limited Liability Company Act in order to hold title to certain real property. Otway Properties had no activity for the years ending June 30, 2017 or 2016.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting and reporting – The accompanying consolidated financial statements of the College, a not-for-profit educational institution, have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The College reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Consolidation – The activities of Otway are consolidated in the College's consolidated financial statements, as required by GAAP. All intercompany balances have been eliminated in consolidation.

Unrestricted net assets – Unrestricted net assets are comprised of assets which are for operating purposes or assets which are not subject to donor-imposed restrictions and are general in nature. Unrestricted net assets have been segregated into the following categories:

> *Designated* – educational and general – includes funds that are internally designated for operational or special use.
>
> *Designated* – functioning as endowment – includes certain gifts not otherwise restricted and Board designations of assets to function as endowment.
>
> *Designated* – student loan funds – includes lending activity to students utilizing College resources designated for that purpose as well as funds intended for a general College loan program.

Note 2 – Summary of Significant Accounting Policies (continued)

Designated – renewal and replacement – includes amounts internally designated for renewal and replacement of property and equipment.

Invested in property and equipment – includes property and equipment stated at cost or fair value at the date of gift, less accumulated depreciation and any related debt. Plant purchases with a useful life of five years or more and a cost equal to or greater than $25,000 for land improvements, $50,000 for buildings and $5,000 for furniture and equipment are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives for land improvements (up to 20 years), buildings (up to 40 years), and furniture and equipment (up to 10 years). Upon disposition of assets, the cost and related accumulated depreciation is removed with the resulting gain or loss recognized in unrestricted net assets. The College follows the policy of generally recording contributions of property and equipment directly to unrestricted net assets. However, if the donor stipulates how long the assets must be used, the contributions are recorded as temporarily restricted support. Management has evaluated operating results and considered significant events, if any, and determined that property and equipment are not impaired at June 30, 2017.

Temporarily restricted net assets – Temporarily restricted net assets are those assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. Such assets include accumulated endowment investment gains, certain charitable remainder unitrusts, pooled income funds, gift annuities, and certain contributions receivable for which the ultimate purpose of the proceeds is not permanently restricted. The College has legal title to life income and annuity contracts and agreements, subject to life interests of the beneficiaries. No significant financial benefit is or can be realized until the contractual obligations are released.

Permanently restricted net assets – Permanently restricted net assets are those assets subject to donor-imposed stipulations that they be maintained in perpetuity by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets for unrestricted purposes. Such assets primarily include the College’s permanent endowment, certain charitable remainder unitrusts, and loan funds established by donors.

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

Revenues from grants and contracts are exchange transactions and are recognized as allowable expenditures under such agreements as costs are incurred.

Revenues from sources other than contributions are reported as increases in unrestricted net assets when services are rendered. Gains and losses on investments are reported as increases or decreases to the appropriate net asset category.

Note 2 – Summary of Significant Accounting Policies (continued)

Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as “net assets released from restrictions” from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are met in the period in which the assets are placed into service.

Contributions are reported as increases in the appropriate category of net assets, except contributions that the donor restricts where the restrictions are met within the same fiscal year, as these contributions are included in unrestricted net assets. Contributions other than cash are recorded at fair value at the date of gift. Private gifts, grants and contracts non-operating are donor-restricted contributions for permanently restricted endowment or facilities capital projects. Unrestricted private gifts, grants and contracts non-operating are contributions for facilities capital projects for which the project has been completed. Private gifts, grants and contracts included in operating revenues are contributions with no donor restriction and exchange transactions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recorded as contributions until the conditions on which they depend are substantially met. Unconditional promises to give are donor commitments where there is sufficient evidence they exist, verifiable documentation, no ambiguous conditions, and they are legally enforceable. If these contributions are to be received after a year and/or over a number of years, they are discounted at a rate equivalent with the short-term and mid-term applicable risk adjusted rate. The discount is amortized and recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any. In addition, an allowance for uncollectible promises to give, based on past collection experience, is recorded.

The consolidated financial statements present expenses by functional classification in accordance with the overall educational mission of the College.

Depreciation expense is allocated to the functional categories directly based upon the nature of the underlying assets. Interest expense on external debt is allocated to the functional categories which have benefited from the proceeds. Plant operations and maintenance represents space-related costs that are allocated to the functional categories directly and/or based on the square footage occupancy. Information technology service expense is allocated to functional categories based on employee and student headcount.

Cash and cash equivalents – Cash and cash equivalents include short-term, highly liquid investments with a maturity date of three months or less at the time of purchase. Cash and cash equivalents representing assets held as endowment and similar funds and assets held for annuity and life income payments are included in long-term investments. Cash and cash equivalents are reported at cost which approximates fair value.

Note 2 – Summary of Significant Accounting Policies (continued)

Concentration of credit risk – Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash deposits at financial institutions and investments in marketable securities. At times, balances in the College's cash and investment accounts exceed the Federal Deposit Insurance Corporation ("FDIC") or Securities Investors Protection Corporation ("SIPC") insured limits. Concentration of credit risk with respect to student accounts receivable, contracts and grants receivable, and contributions receivable are limited due to the large number of students and resources from which amounts are due, with no single source being significant.

Assets whose use is limited – Certain proceeds of the serial bonds which are held by trustees are limited as to use in accordance with the requirements of the trust agreements. Also included are certain funds held in escrow for the purchase of real property. The assets whose use is limited are comprised of cash and cash equivalents and are recorded at cost, which approximates fair value.

Inventories – Inventories in the bookstore, campus dining, and stockroom are stated at the lower of cost (weighted average cost method) or market and are presented in other assets on the consolidated balance sheets. On an on-going basis, inventory is evaluated for obsolescence and slow-moving items. If the College's review indicates a reduction in utility below carrying value, inventory is reduced to a new cost basis.

Investments – Investments are stated at fair value. The fair value of investments is based on quoted prices from national security exchanges, except for limited partnerships, and venture capital funds which are based on information provided by external investment managers at the most recent valuation period date for the fiscal year-end. Management monitors the activity of external investment managers and performs reconciliations and other procedures to assure that the valuations used in the consolidated financial statements are fairly stated. The College believes the carrying amounts of these investments are a reasonable estimate of fair value. Because the limited partnerships, and venture capital investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material. Realized and unrealized gains and losses on investments are the difference between the fair value and the cost basis of the investments. The net realized and unrealized gains and losses are reported in the consolidated statements of activities. Real estate is stated at cost.

All investments of permanently restricted net assets and unrestricted net assets designated as endowment funds are carried in an investment pool unless special considerations or donor stipulations require that they be held separately.

Management of pooled investments – The College follows an investment policy for its pooled endowment investments which anticipates a greater long-term return through investing for capital appreciation and long-term growth. According to the College's endowment spending policy, the amount of investment return available for current operations is determined by applying a specified percentage, 5.2%, of a twenty-one-quarter average unit market value to the units held as of September 30 of the prior fiscal year.

Note 2 – Summary of Significant Accounting Policies (continued)

Student notes receivable – The College administers a federal student loan program, the Perkins Student Loan program and two institutional loan programs. Loans made under the federal student loan program have a ten-year repayment period, with interest rates between 3% and 5%. In the event of termination of the program, the loan repayments would be distributed to the federal government and the College on the basis of their relative contributions to the program. It is anticipated that any uncollectible loan balances would be treated in a similar manner. Loans made under the institutional loan programs have a ten-year repayment period, with interest rates between 0% and 5%.

Bond issuance costs – Bond issuance costs represent insurance, issuance and underwriters' costs related to the California Educational Facilities Authority ("CEFA") Series 2013A and 2013B and the CEFA Series 2015 Bonds. Bond issuance costs are included as a component of bonds payable on the consolidated balance sheets (Note 8). These amounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Collections – Collections, such as rare books and works of art, which were acquired through purchases and contributions since the College's inception, are not recognized as assets. These collections are held solely for their potential educational value or historical significance. Management has determined that the cost to establish the current market value is deemed to exceed the benefit and therefore the collections were not assigned a value for the purpose of capitalization. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items have been restricted by donors.

Estates and trusts – The College is named beneficiary of various estates in probate. Unless the ultimate amount available for distribution can be determined before the close of the probate proceedings, the College does not record these amounts until the point of asset distribution. Trusts in which the College is named as irrevocable beneficiary, but is not trustee, are recorded as assets held in trust by others when the College is notified by the trustee. The assets are recorded at fair value based on the statements from the trustees, which are derived from the fair value of the underlying investments of the trusts, and the College's ownership interest in the trust.

Annuities payable – The College uses the actuarial method of recording life income and annuity contract net assets. Under this method, when a gift is received, cash or investments received are recorded at fair value, while the present value of the aggregate annuity obligation is recorded as a liability, based upon life expectancy tables. The remainder is recorded as revenue in the appropriate net asset category. Investment income and some gains are credited, and annuity payments and investment losses are charged to the liability accounts, with periodic adjustments made between the liability and the net assets to record actuarial gains or losses. The actuarial liability is based on the present value of future payments discounted at 4% and the 2012 IAR Mortality Table.

Note 2 – Summary of Significant Accounting Policies (continued)

Asset retirement obligations – GAAP defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the College. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability. The obligation to perform the asset retirement activity is unconditional, and accordingly, a liability should be recognized.

Use of estimates – The preparation of consolidated financial statements in conformity with 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 consolidated financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. While management believes that these estimates are adequate as of June 30, 2017, it is possible that actual results could differ from those estimates.

Income taxes – Both the College and Otway operate as not-for-profit organizations and have been recognized by the Internal Revenue Service as organizations exempt from income taxation pursuant to Internal Revenue Code Section 501(c)(3) on its income other than unrelated business income and have also been recognized by the Franchise Tax Board as exempt from state franchise or income tax pursuant to California Revenue and Taxation Code Section 23701(d) on its income other than unrelated business income.

As required by GAAP, the College and Otway have identified and evaluated their significant tax positions and have determined that there are no material unrecognized benefit or liability to be recorded. There are no uncertain tax positions for the years ended June 30, 2017 or June 30, 2016. There have been no related tax penalties or interest, which would be classified as a tax expense in the consolidated statements of activities.

Fair value of financial instruments – Except for investments and estates and trusts, which are discussed above, for the other financial instruments for which it is practical, the following methods and assumptions are used to estimate fair value:

> *Receivables* – Amounts receivable under student accounts receivable, contracts and grants receivable, contributions receivable, and trust deeds receivable are carried at cost, less allowance for doubtful accounts, which approximates fair value. Determination of the fair value of student notes receivable, which are primarily federally sponsored student notes with U.S. governmental mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs.
>
> *Long-term debt* – Fair value was estimated based upon the discounted amount of future cash outflows based on current rates available to the College for debt of the same remaining maturities.

Note 2 – Summary of Significant Accounting Policies (continued)

Recent accounting pronouncements – In August 2014, the Financial Accounting Standards Update No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40), which requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the consolidated financial statements are issued and to provide related footnote disclosures in certain circumstances. The guidance is effective for annual periods ending after December 15, 2016. The College has implemented this guidance as of and for the year ended June 30, 2017. There was no impact to the College as a result of this guidance.

Redesignation of net assets – Certain amounts previously received from donors have been transferred among net asset categories due to changes in donor designations.

Reclassifications – Certain reclassifications have been made to the prior year amounts to conform to the current year presentation. These reclassifications have had no net effect on the ending balance of net assets as of June 30, 2016.

Note 3 – Investments

The following schedule summarizes the assets in pooled investments and the assets held as separate investments at June 30:

	2017	2016
Cash and cash equivalents	$ 88,819,333	$ 66,630,500
U.S. equities	97,720,589	90,338,976
Global equities (developed) funds	58,324,177	49,438,335
Emerging markets equities funds	40,569,522	38,683,374
Domestic fixed income funds	46,285,663	35,109,471
Global fixed income funds	5,648,839	6,441,254
Absolute return funds	58,310,206	57,177,923
Marketable inflation hedging assets funds	33,654,736	35,536,437
Private equity and venture capital	74,671,205	69,306,265
Real estate	1,058,071	1,058,071
	$ 505,062,341	$ 449,720,606

Note 3 – Investments (continued)

The following schedule summarizes the College's investment return for the years ended June 30:

	2017	2016
Dividends, interest and rents	$ 10,527,200	$ 8,848,000
Realized gains (losses), net	17,771,019	(17,027)
Unrealized gains (losses), net	28,849,376	(22,742,553)
	57,147,595	(13,911,580)
Less: Investment expense	(1,460,094)	(1,469,953)
Investment income designated for operations	(20,212,431)	(19,204,848)
Investment gain (loss), net of allocation to operations and investment expense	$ 35,475,070	$ (34,586,381)

Investment income was classified as follows for the years ended June 30:

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends, interest and rents	$ 2,251,135	$ 7,634,142	$ 641,923	$ 10,527,200
Realized gains, net	3,438,217	13,935,884	396,918	17,771,019
Unrealized losses, net	5,383,837	22,250,348	1,215,191	28,849,376
Total	$ 11,073,189	$ 43,820,374	$ 2,254,032	$ 57,147,595

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends, interest and rents	$ 2,248,277	$ 5,540,568	$ 1,059,155	$ 8,848,000
Realized (losses) gains, net	(123,600)	(82,964)	189,537	(17,027)
Unrealized losses, net	(6,313,454)	(15,013,311)	(1,415,788)	(22,742,553)
Total	$ (4,188,777)	$ (9,555,707)	$ (167,096)	$ (13,911,580)

Note 3 – Investments (continued)

Where permitted by gift agreement and/or applicable government regulations, investments are pooled. Pooled investments and allocations of pooled investment income are accounted for on a unit-making value method. The following schedule summarizes the College's pooled investments for the years ended June 30:

	2017	2016
Unit-market value at end of year	$ 417.89	$ 385.30
Units owned:		
Unrestricted:		
Funds functioning as endowment	190,544	179,530
Total unrestricted	190,544	179,530
Temporarily and Permanently restricted:		
Endowment funds	797,032	784,098
Total temporarily and permanently restricted	797,032	784,098
Total units	987,576	963,628

At June 30, 2017 and 2016, investments include approximately $30,216,000 and $29,570,000 respectively, in securities related to life income and annuity contracts.

Note 4 – Fair Value Measurements

The College accounts for its investments at fair value. Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*, defined fair value, established a framework used to measure fair value, and expanded disclosures about fair value measurements. The standard prioritized, within the measurement of fair value, the use of market-based information over College-specific information and established a three-level hierarchy for fair value measurement based on the transparency of information, such as the pricing source used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.

Note 4 – Fair Value Measurements (continued)

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable of the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or to other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The College evaluates its hierarchy disclosures each reporting period and, based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the College expects that changes in classifications between different levels will be rare.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The College's valuation methodologies used for alternative investments measured at fair value is based on net asset value ("NAV") of shares held by the College at fiscal year-end. The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 4 – Fair Value Measurements (continued)

The following table presents the investments and assets held by others carried on the consolidated balance sheets by level within the valuation hierarchy at June 30:

	June 30, 2017				
	Level 1	Level 2	Level 3	Assets Valued Using NAV Practical Expedient	Total
Cash and cash equivalents (including assets whose use is limited)	$ 96,720,422	$ -	$ -	$ -	$ 96,720,422
U.S. equities	36,062,109	-	-	61,658,480	97,720,589
Global equities (developed) funds	7,154,223	-	-	51,169,954	58,324,177
Emerging markets equities funds	7,906,867	-	-	32,662,655	40,569,522
Domestic fixed income funds	35,705,737	-	-	10,579,926	46,285,663
Global fixed income funds	-	-	-	5,648,839	5,648,839
Absolute return funds	-	-	-	58,310,206	58,310,206
Marketable inflation hedging assets funds	33,321,383	-	-	333,352	33,654,735
Private equity and venture capital	-	-	-	74,671,205	74,671,205
Assets held in trust by others	-	-	6,172,987	-	6,172,987
Total	$ 216,870,741	$ -	$ 6,172,987	$ 295,034,617	$ 518,078,345

	June 30, 2016				
	Level 1	Level 2	Level 3	Assets Valued Using NAV Practical Expedient	Total
Cash and cash equivalents (including assets whose use is limited)	$ 74,803,361	$ -	$ -	$ -	$ 74,803,361
U.S. equities	39,055,053	-	-	51,283,923	90,338,976
Global equities (developed) funds	7,276,079	-	-	42,162,256	49,438,335
Emerging markets equities funds	7,612,060	-	-	31,071,314	38,683,374
Domestic fixed income funds	24,312,773	-	-	10,796,698	35,109,471
Global fixed income funds	-	-	-	6,441,254	6,441,254
Absolute return funds	-	-	-	57,177,923	57,177,923
Marketable inflation hedging assets funds	35,067,442	-	-	468,995	35,536,437
Private equity and venture capital	-	-	-	69,306,265	69,306,265
Assets held in trust by others	-	-	7,318,458	-	7,318,458
Total	$ 188,126,768	$ -	$ 7,318,458	$ 268,708,628	$ 464,153,854

At both June 30, 2017 and 2016, investments held at cost totaled $1,058,071.

The following table summarizes the reconciliation of the College's Level 3 assets for the years ended June 30:

	June 30, 2017						
	Beginning balance July 1, 2016	Purchases	Redemptions	Realized gain/(loss)	Unrealized gain/(loss)	Interest and dividends	Ending balance June 30, 2017
Assets held in trust by others	$ 7,318,458		$ (1,457,879)	$ -	$ 312,408		$ 6,172,987

	June 30, 2016						
	Beginning balance July 1, 2015	Purchases	Redemptions	Realized gain/(loss)	Unrealized gain/(loss)	Interest and dividends	Ending balance June 30, 2016
Assets held in trust by others	$ 11,757,065	$ -	$ -	$ (4,084,221)	$ (354,386)	$ -	$ 7,318,458

Note 4 – Fair Value Measurements (continued)

The College uses the NAV to determine the 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 those investments by major class:

	Fair Value June 30, 2017	Strategy	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds	$ 161,719,854	These funds invest mostly in public domestic and international debt and equity securities. The commingled funds are held in partnership or trust format.	$ -	Range from daily to quarterly	7 - 90 days notice
Absolute return funds	58,310,206	Hedge funds looking to generate steady returns in the range of 7 to 12 percent with relatively low volatility and relatively low correlations to the equity markets.	-	Range from quarterly to annually	15 - 95 days notice
Marketable inflation hedging assets funds	333,352	Investments in natural resource equities, that are meant to generate long term returns similar to the US stock market but would also be expected to perform better in a market in which inflation is rapidly rising.	-	N/A	N/A
Private equity	51,438,789	Investments in leveraged buyout, distressed securities, real estate, and energy private limited partnership funds that are meant to generate long term returns similar to the US stock market but would also be expected to perform better in a market in which inflation is rapidly rising.	41,990,787	N/A	N/A
Venture capital	23,232,416	Investments in privately held start up and or fast growing companies expected to generate returns above traditional equity markets.	18,044,613	N/A	N/A
Total	$ 295,034,617		$ 60,035,400		

Note 5 – Contributions Receivable

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and gift revenue in the appropriate net asset category. Contributions are recorded after discounting at the risk adjusted rate. The risk adjusted rates range from .21% and 3.48% for the years ended June 30, 2017 and 2016. Amortization of the discount is included in gift revenue.

Note 5 – Contributions Receivable (continued)

As of June 30, unconditional promises to give are expected to be collected in the following periods:

	2017	2016
Less than one year	$ 1,896,584	$ 1,391,063
Between one year and five years	3,365,615	3,274,211
Later than five years	1,350,000	1,250,000
	6,612,199	5,915,274
Less: Discount	(708,586)	(693,744)
Allowance for uncollectible amounts	(177,108)	(156,646)
Contributions receivable, net	$ 5,726,505	$ 5,064,884

Contributions receivable at June 30, 2017 have the following restrictions:

Endowment for programs, activities and scholarships	$ 2,326,626
Education and general	1,484,501
Building construction	2,801,072
Total contributions receivable, gross	$ 6,612,199

Unconditional promises to give include amounts from members of the College’s Board of Trustees of approximately $3,452,000 and $3,040,000 as of June 30, 2017 and 2016, respectively.

Note 6 – Student Notes Receivable

The College makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. At June 30, 2017 and 2016, student loans represented 3.1% and 3.4% of total assets, respectively.

Note 6 – Student Notes Receivable (continued)

At June 30, student loans consisted of the following:

	2017	2016
Federal government programs	$ 4,878,618	$ 4,929,633
Institutional programs	20,647,399	21,371,910
	25,526,017	26,301,543
Less allowance for doubtful accounts:		
Beginning of year	(3,084,976)	(3,096,676)
Decreases/(increases)	67,232	(28,960)
Write-offs	5,000	40,660
End of year	(3,012,744)	(3,084,976)
Student loans receivable, net	$ 22,513,273	$ 23,216,567

The College participated in the Federal Perkins revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of $4,262,957 and $4,167,674 at June 30, 2017 and 2016, respectively, are ultimately refundable to the government and are classified as liabilities in the consolidated balance sheets.

As of October 1, 2017, under Federal law, the College may no longer award new Perkins loans to undergraduate students and may not make subsequent disbursements to undergraduate students after June 30, 2018.

Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

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

June 30,	In default less than 240 days	In default between 240 days and 2 years	In default more than 2 years	Total past due
2017	$ 873,020	$ 359,514	$ 1,652,472	$ 2,885,006
2016	$ 998,931	$ 441,512	$ 1,607,808	$ 3,048,251

Allowances for doubtful accounts are established based on prior collection experience and current economic factors, which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

Note 7 – Property and Equipment

Property and equipment consists of the following at June 30:

	2017	2016
Land and improvements	$ 10,152,805	$ 10,126,582
Buildings	239,111,322	238,033,031
Furniture and equipment	17,425,917	18,916,654
Construction-in-progress	10,275,927	8,784,688
	276,965,971	275,860,955
Less: Accumulated depreciation	(110,755,605)	(104,903,971)
Property and equipment, net	$ 166,210,366	$ 170,956,984

Depreciation expense for the years ended June 30, 2017 and 2016 was $8,531,354 and $8,615,902, respectively.

Note 8 – Debt

Note payable – On September 25, 2014, the College obtained a $600,000 note with an individual to purchase real estate. The loan carries an interest rate of 4% per annum and is secured by the real property. Principal and interest are payable over a 20 year term and will be paid in full on October 3, 2029. At June 30, 2017 and 2016, the unpaid balance under the current note was $515,099 and $547,056, respectively. Interest expense for the fiscal years ended June 30, 2017 and 2016 was $21,301 and $22,552, respectively.

California Educational Facility Authority (“CEFA”) Bonds – In June 2013, the College issued $54,995,000 in bonds through the CEFA (Series 2013A and 2013B Bonds), with a premium of $7,391,497. The College issued serial bonds with fixed-interest rates ranging from 0.40% to 5.00%, payable on April 1 and October 1 through 2043. The CEFA Series 2013A and 2013B Bonds were used to legally defease $44,435,000 of the College’s previously issued and outstanding CEFA serial 2005A bonds, as well as to provide funds for certain capital projects. The loan agreements for the 2013A and 2013B Bonds contain no restrictive covenants.

In December 2015, the College issued $34,270,000 in bonds through the CEFA (Series 2015 Bonds), with a premium of $4,786,583. The College issued serial bonds with fixed-interest rates ranging from 3.00% to 5.00%, payable on April 1 and October 1 through 2046. The CEFA Series 2015 Bonds were used to refund $13,855,000 of the College’s previously issued and outstanding CEFA serial bonds (series 2005B bonds and series 2008 bonds), as well as to provide funds for certain capital projects. The amount recorded as loss due to the defeasance was $2,472,055. The loan agreements for the 2015 Bonds contain no restrictive covenants.

Note 8 – Debt (continued)

Bonds payable at June 30, 2017 are summarized as follows:

	Authorized and Issued	Remaining Interest Rates	Remaining Bonds Outstanding
CEFA Revenue Bonds:			
Series 2013A & 2013B	$ 54,995,000	1.5% to 5.0%	$ 53,790,000
Series 2015	34,270,000	3.0% to 5.0%	32,315,000
Bond premiums, net	12,178,080		10,933,461
Bond issuance costs	(1,039,167)		(933,013)
Total	$ 100,403,913		$ 96,105,448

Bonds payable at June 30, 2016 are summarized as follows:

	Authorized and Issued	Remaining Interest Rates	Remaining Bonds Outstanding
CEFA Revenue Bonds:			
Series 2013A & 2013B	$ 54,995,000	1.5% to 5.0%	$ 54,105,000
Series 2015	34,270,000	3.0% to 5.0%	34,270,000
Bond premiums, net	12,178,080		11,340,056
Bond issuance costs	(1,039,167)		(967,662)
Total	$ 100,403,913		$ 98,747,394

Future principal payment requirements on the bonds payable are summarized as follows:

Years Ending June 30,	Series 2013A & 2013B CEFA Bonds	Series 2015 CEFA Bonds	Total
2018	$ 330,000	$ 2,025,000	$ 2,355,000
2019	485,000	1,960,000	2,445,000
2020	1,030,000	1,505,000	2,535,000
2021	1,430,000	1,235,000	2,665,000
2022	1,470,000	1,300,000	2,770,000
2023 and thereafter	49,045,000	24,290,000	73,335,000
Total	$ 53,790,000	$ 32,315,000	$ 86,105,000

Note 8 – Debt (continued)

The estimated fair value of the College’s bonds payable was approximately $97,008,000 and $104,275,000 at June 30, 2017 and 2016, respectively. This fair value was estimated based upon the discounted amount of future cash outflows based on current rates available to the College for debt of the same remaining maturities (Level 2).

Line of credit – On May 3, 2016, the College renewed a $5,000,000 line of credit with a bank, expiring on February 1, 2018. Interest at the bank’s prime rate is payable monthly. The line of credit is collateralized by an all blanket UCC filing. No amounts were drawn on the line of credit as of or during the year ended June 30, 2017. The College’s prior $5,000,000 line of credit, issued on February 1, 2013, expired on February 1, 2016 and had similar terms as the current line of credit. No amounts were drawn on the line of credit as of or during the year ended June 30, 2017 and June 30, 2016.

Note 9 – Net Assets

Net assets consist of the following at June 30, 2017 and 2016:

	2017	2016
Unrestricted		
Designated - educational and general	$ 21,187,111	$ 21,917,789
Designated - functioning as endowment	79,912,974	66,990,868
Designated - student loan funds	5,771,895	5,436,174
Designated - renewal and replacement	14,062,163	8,875,631
Invested in property and equipment	70,953,448	72,265,805
Total unrestricted net assets	191,887,591	175,486,267
Temporarily restricted		
Restricted for specific purposes	1,626,664	1,060,398
Accumulated endowment investment gains	179,483,624	155,823,731
Life income and annuity contracts	9,348,506	8,827,283
Property and equipment funds	19,328,125	13,373,513
Contributions receivable, net	3,567,150	3,207,970
Assets held in trust by others	4,228,447	5,453,062
Total temporarily restricted net assets	217,582,516	187,745,957
Permanently restricted		
Endowment corpus	154,033,266	148,865,891
Life income and annuity contracts	6,101,703	5,885,320
Student loan funds	12,132,239	12,113,281
Contributions receivable, net	2,159,355	1,856,914
Assets held in trust by others	1,944,540	1,865,396
Total permanently restricted net assets	176,371,103	170,586,802
Total net assets	$ 585,841,210	$ 533,819,026

Note 9 – Net Assets (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors, as follows:

	June 30, 2017	June 30, 2016
Operating activities	$ 16,810,587	$ 15,564,880
Capital expenditures	1,918,213	3,183,975
	$ 18,728,800	$ 18,748,855

Note 10 – Retirement Plan

All academic and nonacademic employees are eligible to participate in the Teachers Insurance and Annuity Association ("TIAA") and/or the College Retirement Equity Fund ("CREF") defined contribution programs. TIAA is a nonprofit, legal reserve life insurance and annuity company and CREF is a nonprofit corporation companion to TIAA.

Benefits are funded by contributions from both the College and participating employees. All contributions are credited to participant accounts, and all College contributions are fully vested. The College's contributions for the years ended June 30, 2017 and 2016 were approximately $4,262,000 and $4,188,000, respectively, which are included as expenditures in the consolidated statements of activities.

Note 11 – Fundraising Expenses

During the years ended June 30, 2017 and 2016, the College incurred fundraising expenses of approximately $5,197,000 and $5,169,000, respectively, exclusive of communication, publication and event related expenses for the purposes of maintaining alumni and public relations.

Note 12 – Related Parties

As discussed in Note 5, some members of the Board of Trustees contributed to the College in the form of gifts and pledges, during the years ended June 30, 2017 and 2016. In addition, members of the Board of Trustees are often also affiliated with separate private foundations that provide financial support in the form of gifts and pledges to the College.

Note 13 – Commitments and Contingencies

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

In September 2013, the Department of Education, Office of Federal Student Aid ("FSA") notified the College that it was conducting a program review to evaluate the College's compliance with the Jeanne Clery Disclosure of Campus Security Police and Campus Crime Statistics Act. The U.S. Department of Education recently completed its review of the college's compliance with the Clery Act. While the Department of Education found the College currently is in compliance, it found numerous violations of the Clery Act in the 2009 to 2013 timeframe and levied fines totaling $83,000 for those violations.

Certain federal grants which the College administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time. The College expects that such amounts, if any, would not have a significant impact on the consolidated financial position of the College.

Note 14 – Endowment Funds

The Board of Trustees of the College interpreted the California Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to state that the College, in the absence of explicit donor stipulations to the contrary, may appropriate for expenditure or accumulate so much of an endowment fund as the College determines prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. As a result of this interpretation, the College classifies as permanently restricted net assets, the original value of gifts donated to the endowment, original value of subsequent gifts to the endowment, and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the College in a manner consistent with the standard of prudence prescribed by UPMIFA which includes the:

1) Duration and preservation of the fund
2) Mission of the College and the donor-restricted endowment fund
3) General economic conditions
4) Possible effects of inflation and deflation
5) Expected total return from income and appreciation of investments
6) Other resources of the College
7) Investment policy of the College

Note 14 – Endowment Funds (continued)

The following represents a description of the changes in net endowment assets for the years ended June 30:

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net endowment assets, beginning of year	$ 66,990,868	$ 155,823,731	$ 148,865,891	$ 371,680,490
Investment return:				
Investment income, net	4,769,686	20,244,572	23,024	25,037,282
Net appreciation	5,167,661	21,991,397		27,159,058
Total investment return	9,937,347	42,235,969	23,024	52,196,340
New gifts	163,747	-	2,779,929	2,943,676
Matured life income and annuity contracts	132,216	-	1,275,631	1,407,847
Asset held in trust by others distribution	1,457,879	-	-	1,457,879
Pledge payments	-	-	712,354	712,354
Other changes, including redesignations	2,867,272	-	376,437	3,243,709
Appropriation for expenditures	(3,765,704)	(16,446,727)	-	(20,212,431)
Change in underwater endowments	2,129,349	(2,129,349)	-	-
Net endowment assets, end of year	$ 79,912,974	$ 179,483,624	$ 154,033,266	$ 413,429,864

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net endowment assets, beginning of year	$ 72,205,375	$ 181,677,898	$ 138,283,367	$ 392,166,640
Investment return:				
Investment income, net	3,408,118	13,127,316	(4,367)	16,531,068
Net depreciation	(6,236,940)	(25,511,317)	-	(31,748,258)
Total investment loss	(2,828,822)	(12,384,001)	(4,367)	(15,217,190)
New gifts	767,816	-	4,135,033	4,902,849
Matured life income and annuity contracts	-	-	2,390,947	2,390,947
Pledge payments	-	-	3,488,267	3,488,267
Other changes, including redesignations	2,581,181	-	572,644	3,153,825
Appropriation for expenditures	(3,535,573)	(15,669,275)	-	(19,204,848)
Change in underwater endowments	(2,199,109)	2,199,109	-	-
Net endowment assets, end of year	$ 66,990,868	$ 155,823,731	$ 148,865,891	$ 371,680,490

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts. Deficits of this nature were reported as an adjustment to unrestricted net assets of $69,760 and ($2,199,109) as of June 30, 2017 and 2016, respectively.

Note 15 – Subsequent Events

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

The College evaluated its consolidated financial statements for subsequent events through October 20, 2017, the date the consolidated financial statements were available to be issued. The College is not aware of any subsequent events, which would require recording or disclosure in the consolidated financial statements.