Report of Independent Auditors in accordance with OMB Circular A-133 and Financial Statements (with Supplementary Information) for

Lewis & Clark College

May 31, 2014 and 2013

MOSS ADAMS LLP

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Lewis & Clark College

Report on the Financial Statements

We have audited the accompanying financial statements of Lewis & Clark College (the College), which comprise the statements of financial position as of May 31, 2014 and 2013 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

REPORT OF INDEPENDENT AUDITORS (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lewis & Clark College as of May 31, 2014 and 2013 and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
September 30, 2014

STATEMENTS OF FINANCIAL POSITION

	May 31, 2014	May 31, 2013
ASSETS		
Cash and cash equivalents	$ 3,997,844	$ 11,092,261
Asset held for construction costs	-	-
Student accounts receivable, net	159,708	173,919
Other receivables	2,223,743	1,975,442
Real estate held for sale	789,780	3,088,000
Prepaid expenses and other assets	1,201,914	1,459,844
Student loans receivable, net	7,918,943	7,967,163
Investments	241,350,471	221,980,742
Contributions receivable, net	2,860,795	4,872,833
Bond issuance costs, net	1,062,802	1,101,685
Property, plant, and equipment, net	181,001,055	178,805,081
Total assets	$ 442,567,055	$ 432,516,970
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 2,028,272	$ 3,058,668
Accrued and other liabilities	12,765,676	13,271,895
Deferred revenues	4,744,833	3,749,170
Liability for split interest agreements	730,693	690,208
Bonds payable	108,157,411	108,140,851
Interest rate swaps liability	9,347,251	10,556,728
U.S. government grants refundable	6,231,042	6,265,049
Total liabilities	144,005,178	145,732,569
NET ASSETS		
Unrestricted	99,724,758	97,347,379
Temporarily restricted	87,255,166	79,689,449
Permanently restricted	111,581,953	109,747,573
Total net assets	298,561,877	286,784,401
Total liabilities and net assets	$ 442,567,055	$ 432,516,970

See accompanying notes.

LEWIS & CLARK COLLEGE
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
Revenues and gains:				
Tuition and fees, net of scholarships and fellowships of $42,066,670 in 2014	$ 81,172,102	$ -	$ -	$ 81,172,102
Contributions	2,108,762	-	-	2,108,762
Contracts and other exchange transactions	3,118,032	-	-	3,118,032
Investment earnings from endowment, distributed	9,664,052	-	-	9,664,052
Other investment income	479,199	-	-	479,199
Other revenue	3,219,697	-	-	3,219,697
Sales and services of auxiliary enterprises	16,048,738	-	-	16,048,738
Total revenues and gains	115,810,582	-	-	115,810,582
Net assets released from restrictions and other redesignations	5,070,691	(5,028,013)	(42,678)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	120,881,273	(5,028,013)	(42,678)	115,810,582
Expenses:				
Educational and general:				
Instruction	53,579,946	-	-	53,579,946
Research	4,267,313	-	-	4,267,313
Public service	1,077,524	-	-	1,077,524
Academic support	13,334,730	-	-	13,334,730
Student services	12,351,629	-	-	12,351,629
Institutional support	19,668,433	-	-	19,668,433
Total educational and general	104,279,575	-	-	104,279,575
Auxiliary enterprises	16,569,692	-	-	16,569,692
TOTAL EXPENSES	120,849,267	-	-	120,849,267
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	32,006	(5,028,013)	(42,678)	(5,038,685)
NON-OPERATING ACTIVITIES				
Contributions	462,005	3,865,406	1,801,761	6,129,172
Contracts & exchange transactions	-	134,221	-	134,221
Endowment earnings, net of amounts distributed	673,891	8,603,493	59,092	9,336,476
Change in value of split interest agreements	-	(9,390)	16,205	6,815
Gain on interest rate swaps related to bonds	1,209,477	-	-	1,209,477
INCREASE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	2,345,373	12,593,730	1,877,058	16,816,161
INCREASE IN NET ASSETS	2,377,379	7,565,717	1,834,380	11,777,476
NET ASSETS AT BEGINNING OF YEAR	97,347,379	79,689,449	109,747,573	286,784,401
NET ASSETS AT END OF YEAR	$ 99,724,758	$ 87,255,166	$ 111,581,953	$ 298,561,877

See accompanying notes.

LEWIS & CLARK COLLEGE
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
Revenues and gains:				
Tuition and fees, net of scholarships and fellowships of $40,392,647 in 2013	$ 84,560,331	$ -	$ -	$ 84,560,331
Contributions	1,839,412	-	-	1,839,412
Contracts and other exchange transactions	2,882,054	-	-	2,882,054
Investment earnings from endowment, distributed	8,530,384	-	-	8,530,384
Other investment income	76,758	-	-	76,758
Other revenue	2,342,999	-	-	2,342,999
Sales and services of auxiliary enterprises	16,490,459	-	-	16,490,459
Total revenues and gains	116,722,397	-	-	116,722,397
Net assets released from restrictions and other redesignations	4,142,475	(4,461,923)	319,448	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	120,864,872	(4,461,923)	319,448	116,722,397
Expenses:				
Educational and general:				
Instruction	52,273,799	-	-	52,273,799
Research	3,780,934	-	-	3,780,934
Public service	980,651	-	-	980,651
Academic support	13,490,404	-	-	13,490,404
Student services	12,324,329	-	-	12,324,329
Institutional support	21,872,879	-	-	21,872,879
Total educational and general	104,722,996	-	-	104,722,996
Auxiliary enterprises	14,816,838	-	-	14,816,838
TOTAL EXPENSES	119,539,834	-	-	119,539,834
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	1,325,038	(4,461,923)	319,448	(2,817,437)
NON-OPERATING ACTIVITIES				
Contributions	-	4,047,677	1,595,784	5,643,461
Contracts & exchange transactions	175,802	-	-	175,802
Endowment earnings, net of amounts distributed	5,841,439	14,591,846	1,781,108	22,214,393
Change in value of split interest agreements	-	3,970	(41,395)	(37,425)
Gain on interest rate swaps related to bonds	3,873,812	-	-	3,873,812
INCREASE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	9,891,053	18,643,493	3,335,497	31,870,043
INCREASE IN NET ASSETS	11,216,091	14,181,570	3,654,945	29,052,606
NET ASSETS AT BEGINNING OF YEAR	86,131,288	65,507,879	106,092,628	257,731,795
NET ASSETS AT END OF YEAR	$ 97,347,379	$ 79,689,449	$ 109,747,573	$ 286,784,401

See accompanying notes.

LEWIS & CLARK COLLEGE
STATEMENTS OF CASH FLOWS

	Years Ended May 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 12,366,537	$ 29,052,606
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Contribution of marketable securities	(486,417)	(986,689)
Depreciation and amortization	7,126,458	6,372,247
Write-off of pledge receivable	10,000	-
Gain on disposal of property, plant, and equipment	(40,406)	-
Contribution of real estate held for sale	-	(2,248,000)
Loss in market value of real estate held for sale	50,220	-
Unrealized gain on interest rate swaps related to bonds	(1,209,477)	(3,873,812)
Actuarial gain on split interest agreement obligations	(52,640)	(18,958)
Change in contributions receivable discount	(38,142)	(16,513)
Contributions restricted for endowment, trust, and capital projects	(1,873,636)	(1,659,413)
Interest and dividends restricted for long-term investment	(139,946)	(220,026)
Net realized and unrealized gains	(5,749,780)	(27,656,053)
Increase (decrease) in cash due to changes in assets and liabilities:		
Assets held for construction costs	-	4,496,834
Accounts and other receivables	(234,090)	(171,567)
Prepaid expense and other assets	257,930	(466,691)
Contributions receivable	2,040,180	498,750
Accounts payable	(1,030,396)	1,001,199
Accrued and other liabilities	(506,219)	847,611
New split interest agreement obligations	93,125	173,533
Deferred revenues	406,602	245,665
Net cash from operating activities	10,989,903	5,370,723
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on student loans receivable, net	48,220	19,865
Payments on U.S. government grants refundable, net	(34,007)	(76,080)
Purchases of land, property, plant and equipment	(9,679,043)	(11,740,369)
Proceeds from sales of property, plant, and equipment	2,700,460	-
Proceeds from sales of investments	51,284,009	93,849,481
Purchases of investments	(64,417,541)	(81,864,897)
Net cash from investing activities	(20,097,902)	188,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment, trust, and capital projects	1,873,636	1,659,413
Interest and dividends restricted for long-term reinvestment	139,946	220,026
Maturities of split interest obligations	-	(68,684)
Net cash from financing activities	2,013,582	1,810,755
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,094,417)	7,369,478
CASH AND CASH EQUIVALENTS, beginning of year	11,092,261	3,722,783
CASH AND CASH EQUIVALENTS, end of year	$ 3,997,844	$ 11,092,261
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 7,878,002	$ 7,724,454

See accompanying notes.

Note 1 – Organization and Summary of Significant Accounting Policies

General – Lewis & Clark College (the College) is a private, nonprofit institution of higher education based in Portland, Oregon. The College provides education and training services for undergraduate students through the College of Arts and Sciences, for graduate students through the Graduate School of Education and Counseling, and for law students through the Lewis & Clark Law School. The College performs research, training, and other services under grants and contracts with sponsoring organizations, which are primarily departments and agencies of the United States government.

Basis of accounting – The financial statements of the College have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The definitions used to classify and report net assets are as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – net assets subject to donor-imposed restrictions that will be met either by actions of the College or the passage of time.

Permanently restricted net assets – net assets subject to donor-imposed restrictions that are permanently maintained by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Revenue recognition – Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions.

Tuition and fees – Student tuition and fees are recorded as revenue in the term that the last day of classes occur. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. The majority of the College's students rely on funds received from various federal financial aid programs under Title IV of the Higher Education Act of 1965, as amended, to pay for a substantial portion of their tuition. These programs are subject to periodic review by the United States Department of Education (DOE). Disbursements under each program are subject to disallowance by the DOE and repayment by the College. In addition, as an educational institution, the College is subject to licensure from various accrediting and state authorities and other regulatory requirements of the DOE.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Contributions – Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Unconditional promises to give are initially recorded at fair value using the present value of future cash flows, discounted using a risk adjusted rate. Subsequent measurements of unconditional promises to give do not represent fair value. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortized discounts are recorded as additional contribution revenue and are subject to donor-imposed restrictions.

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

Investment return – Investment income and realized and unrealized gains and losses are recorded and reported as increases or decreases to the appropriate net asset category. Income and net gains on investments of endowment and similar funds are reported as follows:

- Increases in permanently restricted net assets if the terms of the gift or the College's interpretation of relevant state law require they be added to the principal of a permanently restricted net asset.
- Increases in temporarily restricted net assets if the terms of the gift impose restrictions on the timing or the use of the income.
- Increases in unrestricted net assets in all other cases.

Auxiliary enterprises – Auxiliary enterprises include income primarily from student housing, the bookstore, food services, transportation services, conventions and conferences, athletics, and student performance groups. Accordingly, the auxiliary enterprise expenses include all costs incurred in providing those services. Athletic and student performance group revenues consist only of ticket sales, while the expenses include all costs related to the administration and operation of the College's athletic and student performance group programs.

The College's measure of operations presented in the Statement of Activities includes revenues from tuition and fees, grants and contracts, unrestricted contributions, investment income from unrestricted investments except those gains and losses earned by unrestricted funds functioning as endowments that have not been appropriated for expenditure in the current year, amounts appropriated for expenditure from restricted endowments in the current year, and revenues from auxiliary enterprises and other sources, as well as net assets released from restriction based upon the satisfaction of those restrictions. Operating expenses are reported by functional categories, after allocating costs for plant maintenance, information services, interest on long term indebtedness and depreciation.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Non-operating activities presented in the Statement of Activities include gifts for buildings and other depreciable assets, unconditional promises to give, investment gains and losses on loan funds and permanently restricted endowments, gains and losses earned by unrestricted funds functioning as endowments that have not been appropriated for expenditure in the current year, changes in the value of split-interest agreements, and gains and losses from changes in the value of assets due to the fluctuation of exchange rates.

Cash and cash equivalents – The College considers all highly-liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. Cash equivalents are invested in money market accounts or commercial paper and are stated at cost.

Student accounts and loans receivable – Student accounts receivable are recorded at the invoiced amount and do not bear interest. At May 31, 2014 and 2013, student accounts receivable totaled $159,708 and $173,919, respectively, net of allowance for doubtful accounts of $180,000 for each year. Student loans receivable totaled $7,918,943 and $7,967,163, respectively, net of allowance for doubtful accounts of $485,200 for each year. The allowance for doubtful accounts represents the College's best estimate of the amount of probable credit losses in the College's existing accounts receivable and student loans receivable. The College determines the allowance by performing on-going evaluations of its students and their ability to make payments. The College determines the adequacy of the allowance based on length of time past due, historical experience, and judgment of economic conditions. Account and loan balances are charged off against the allowance after all means of collection have been exhausted and the potential recovery is considered remote. The College follows federal guidelines for determining when student loans are delinquent or past due for both federal and institutional loans.

Real estate held for sale – Real estate held for sale consists of the following:

- 59.50 acres of undeveloped land in Yamhill County – A trust and the College are actively seeking a buyer for the property. At May 31, 2014 and 2013, the property was valued at $789,780 and $840,000, respectively. The 2014 estimate was based on the property tax assessment. As of May 31, 2014, the College has recorded a cumulative write down of $5,112,420 on this property. A loss on write down was recognized in the amount of $50,220 in the fiscal year ended May 31, 2014. No losses on write down were recognized in the fiscal year ended 2013.

- Two commercial buildings in the city of Portland, Oregon – Prior to 2013, these properties were included in a trust at a cost basis of $944,000. During the year ended May 31, 2013, the related trust matured and these assets were contributed to the College at an appraised value of $2,248,000. In 2014, the College sold these properties in the amount of $2,141,000.

Inventories – Inventories consist primarily of books and supplies and are recorded at the lower of cost (first-in, first-out) or market and are included in other assets in the statement of financial position.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Investments – Investments are stated at fair value. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations from national securities exchanges. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed. The value of real estate investments is determined from valuations prepared by independent appraisers at the time of gift and these investments are carried at cost. Management will assess these investments for impairment when circumstances indicate a decline in value is other than temporary.

The College invests in a variety of investment securities which are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near-term and such changes could materially affect the amounts reported in the financial statements.

Contributions receivable – An allowance for uncollectible receivables is provided based upon management's judgment, including such factors as prior collection history and type of receivable. Accounts are charged off when all collection efforts have been exhausted. At May 31, 2014 and 2013, no allowance for uncollectible receivables was recorded.

Bond issuance costs – Bond issuance costs are amounts paid by the College in connection with bond financing. Amortization is calculated using the straight-line method, which approximates the effective interest method, over the life of the bonds.

Split-interest agreements – The College uses the actuarial method of recording certain split-interest agreements. Under this method, the present value of the payments to beneficiaries is determined based upon life expectancy tables when the gift is received. The present value of those payments is recorded as a liability and the remainder as net assets. Discount rates ranging from 1.00% to 8.60% were used to calculate the present value of the liability based on the estimated life expectancies of the beneficiaries. The discount rates represent the Federal Applicable Rates that were effective when the gift agreements were established. Periodic adjustments are made between the liability and the net assets to record actuarial gains or losses. There were three new agreements during the year ended May 31, 2014.

The College is named as beneficiary of various trust funds where the College's ultimate receipt of the funds is uncertain because of stipulations in the trust agreement. These trust funds are comprised of agreements which name third parties as co-beneficiaries and agreements where the named beneficiary can be revoked by the donor. The College has reflected appropriate liabilities for such trusts in the accompanying statements of financial position. For the years ended May 31, 2014 and 2013, the College distributed $185,877 and $276,408, respectively, in split-interest beneficiary payments.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Fair value measurements – Accounting literature defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The valuation techniques used are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the College's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 – Inputs are unadjusted, and represent quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted prices included in level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date.

Level 3 – Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and/or the risk inherent in the inputs to the model. Securities classified within level 3 investments are based on valuations provided by the external investment managers. The valuations consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information. The Investment Committee, in conjunction with the Vice President for Business & Finance and external investment advisors, reviews the valuation of the investments on a quarterly basis. The Investment Committee reports to the Board of Trustees.

A financial instrument is defined as a contractual obligation that ultimately ends with the delivery of cash or an ownership interest in an entity. Disclosures included in these notes regarding the fair value of financial instruments have been derived using external market sources, estimates using present value, or other valuation techniques. Most financial assets and liabilities for which the carrying amount approximates fair value are considered by the College to be level 1 measurements in the fair value hierarchy.

Determination of the fair value of loan fund receivables, which are primarily federally sponsored student loans 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. The College issued OFA (Oregon Facilities Authority) bonds that are reported at an amortized cost of $108,157,411 and $108,140,851, respectively, in the Statement of Financial Position. These OFA bonds have an approximate fair value of $121,503,000 and $121,567,000 as of May 31, 2014 and 2013, respectively. The College determined these OFA bonds to be level 2 measurements in the fair value hierarchy. See Note 8 for other disclosures of debt obligations.

Income taxes – The College is a tax-exempt organization and is not subject to federal or state income taxes, except for unrelated business income, in accordance with Section 501(c)(3) of the Internal Revenue Code. In addition, the College qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

The College recognizes interest accrued and penalties related to unrecognized tax benefits as an administrative expense. During the years ended May 31, 2014 and 2013, the College recognized no interest and penalties.

The College had no unrecognized tax benefits at May 31, 2014 and 2013. The College files an exempt organization income tax return and an unrelated business income tax return in the U.S. federal jurisdiction and unrelated business income tax returns in various state jurisdictions. With few exceptions, the College is no longer subject to U.S. federal or state/local income tax examinations by tax authorities for years before 2010.

Use of estimates – The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

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

Related party transactions – Members of the College's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the College. For senior management, the College requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the College. These annual disclosures cover both senior management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the College. The College has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the College, and in accordance with applicable conflict of interest laws. No such associations are considered to be financially significant at May 31, 2014.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

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

The College has evaluated subsequent events through September 30, 2014, which is the date the financial statements were issued.

Note 2 – Student Loans Receivable

Student loans receivable represents loans from the Perkins loan funds that are generally payable with interest between 3.00% and 5.00% over approximately 11 years following college attendance. Principal payments, interest, and losses due to cancellation are shared by the College and the U.S. government in proportion to their share of funds provided. The program provides for cancellation of loans if the student is employed in certain occupations following graduation. Losses from employment cancellations are absorbed in full by the U.S. government. At May 31, 2014 and 2013, student loans funded through the Perkins loan program were $7,897,489 and $7,944,819, respectively.

The availability of funds for loans under the Perkins program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of $6,231,042 and $6,265,049 at May 31, 2014 and 2013, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At May 31, 2014 and 2013, the following amounts were past due under student loan programs:

	1-60 Days	61-90 Days	91+ Days	Total Past Due
May 31, 2014	$ 129,760	$ 99,903	$ 386,075	$ 615,738
May 31, 2013	129,804	206,094	357,461	693,359

Amounts due under the Perkins loan program are guaranteed by the government; however, a reserve in the amount of $485,200 was recorded at May 31, 2014 and 2013 to account for those amounts advanced by the College.

Note 3 – Promises to Give

Conditional promises – At May 31, 2014 and 2013, the College had received conditional promises to give of approximately $2,825,000. These conditional promises are not recognized as assets and, if they are received, will generally be restricted for specific purposes stipulated by the donors primarily for endowment, general operational support, or plant facilities.

Unconditional promises – At May 31, 2014 and 2013, the College had uncollected unconditional promises to give of $3,012,320 and $5,062,500, respectively, which are shown as contributions receivable, net of unamortized discounts of $151,525 and $189,667, respectively. Contributions receivable after one year were discounted using an adjusted risk free interest rate commensurate with the period over which the contribution will be received for the years ended May 31, 2014 and 2013. The weighted average rate was 1.89% and 2.43% for the years ended May 31, 2014 and 2013, respectively.

Amounts due are as follows:

	May 31,	
	2014	2013
Amounts receivable in less than one year	$ 1,469,320	$ 1,613,165
Amounts receivable in one to five years	1,543,000	3,449,335
	3,012,320	5,062,500
Unamortized discount	(151,525)	(189,667)
Total contributions receivable	$ 2,860,795	$ 4,872,833

Note 4 – Investments

At May 31, the values of investments by type are as follows:

	2014	2013
Pooled investments		
Equity securities		
International mutual funds	$ 8,368,348	$ 20,084,500
Real estate investment trust	5,201,901	-
Marketable domestic equity securities	5,124,799	4,185,543
Domestic mutual funds	3,737,685	4,737,407
Commodity mutual funds	1,890,440	1,874,354
Debt securities		
International fixed income mutual funds	9,038,266	8,909,557
Domestic fixed income mutual funds	4,175,498	4,061,080
Domestic high yield mutual funds	4,089,641	7,738,936
Commingled Trusts		
Marketable international equity securities	55,388,199	37,226,240
Marketable domestic equity securities	20,191,584	13,142,235
US Treasury securities	15,048,411	14,895,526
Marketable international fixed income securities	8,469,203	8,094,181
Real estate investment trust	-	4,851,291
Alternative investments		
Hedge funds		
Multi-strategy	39,717,170	32,818,095
Long/short equity funds	13,244,499	14,800,928
Credit opportunities	7,205,975	6,427,249
Global macro	5,968,228	6,113,044
Venture capital funds	6,171,109	3,676,765
Natural resources funds	4,865,734	3,756,591
Domestic private equity funds	4,713,686	4,742,644
International private equity funds	4,658,286	4,203,397
Real estate funds	1,477,588	1,623,541
Real estate and others (reported at cost)	18,465	55,399
Total pooled investments	$ 228,764,715	$ 208,018,503

Note 4 – Investments (continued)

	2014	2013
Separate investments		
Assets held in charitable remainder trusts		
Equity mutual funds	$ 1,701,977	$ 1,729,409
Fixed income mutual funds	1,041,578	1,402,757
Marketable fixed income securities	757,638	681,036
Real estate and others (reported at cost)	13,063	13,063
Equity securities		
Balanced mutual funds	1,651,582	1,395,809
Marketable domestic equity securities	250	-
Debt securities		
Domestic fixed income mutual funds	6,444,871	6,232,656
Collateralized debt securities	489,659	488,540
US Treasury securities	-	1,558,831
Real estate and others (reported at cost)	485,138	460,138
Total separate investments	12,585,756	13,962,239
Total investments	$ 241,350,471	$ 221,980,742

At May 31, the values of investments by category are as follows:

	2014	2013
Endowment		
Pooled investments	$ 228,764,715	$ 208,018,503
Separately invested	2,013,576	3,316,633
Total endowment	230,778,291	211,335,136
Annuity and life income contracts		
Separately invested	3,514,256	3,826,265
Total annuity and life income contracts	3,514,256	3,826,265
Separately invested		
Construction funds	489,659	488,540
Operations	6,445,121	6,232,656
Other	123,144	98,145
Total separately invested	7,057,924	6,819,341
Total investments by category	$ 241,350,471	$ 221,980,742

Note 5 – Split Interest Agreements

As of May 31, 2014 and 2013, the College had 14 and 11 gift annuity contracts issued and outstanding, respectively. The College maintains a reserve adequate to meet the actuarially determined future payments of these contracts. As of May 31, 2014 and 2013, the fair value of the total assets held was $759,860 and $576,750, respectively. The reserve was $547,095 and $445,264, respectively, leaving $212,765 and $121,486 of net assets in excess, respectively. During the fiscal year ended May 31, 2014 and 2013, distributions to annuitants totaled $52,468 and $38,670, respectively.

The College acts as trustee for a variety of split-interest agreements, mainly in the form of charitable remainder trusts, including both annuity trusts and uni-trusts. At May 31, 2014 and 2013, the College's actuarially determined future payments and other obligations were as follows:

	2014	2013
Gift annuity reserve	$ 547,095	$ 455,264
Present value of future payments – annuity trusts	73,733	120,575
Present value of future payments – fixed rate unitrusts	109,865	114,369
Total liability for split-interest agreements	$ 730,693	$ 690,208

Note 6 – Fair Value of Assets and Liabilities

The College used the following methods and significant assumptions to estimate fair value for its assets and liabilities measured and carried at fair value in the financial statements:

Investments – Investments are comprised of marketable securities, commingled trusts, hedge funds, and alternative investments. Marketable security fair values are based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. Commingled trusts and hedge funds are valued using net asset value. Alternative investments are valued at fair value using significant unobservable inputs. The value of these investments is determined by fund managers and valuation experts, using relevant market data. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of similar investments, and other pertinent information. The private investments have a high concentration of pre-initial public offering securities, subjecting these investments to market value volatility. The valuation methods utilized by the fund managers and valuation experts are subject to regular review by management.

Note 6 – Fair Value of Assets and Liabilities (continued)

Assets held in charitable remainder trusts – Assets held in charitable remainder trusts are comprised of marketable securities and real property. Marketable security fair values are based on quoted market prices and discounted, when appropriate. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. The real estate investments are held at cost and management assesses these investments for impairment when circumstances indicate a decline in value is other than temporary.

Interest rate swap agreements – The fair values of interest rate swap agreements are the estimated amount the College would receive or pay to terminate the agreement at the reporting date, taking into consideration the current interest rates and creditworthiness of counter parties.

The following is a summary categorization, as of May 31, 2014 and 2013, of the College's assets and liabilities based on the level of inputs utilized in determining the value of such investments:

	At May 31, 2014			
	Level 1	Level 2	Level 3	Totals
Investments				
Equity securities				
International mutual funds	$ 8,368,348	$ -	$ -	$ 8,368,348
Real estate investment trust	5,201,901	-	-	5,201,901
Marketable domestic equity securities	5,125,049	-	-	5,125,049
Domestic mutual funds	3,737,685	-	-	3,737,685
Commodity mutual funds	1,890,440	-	-	1,890,440
Balanced mutual funds	1,651,582	-	-	1,651,582
Debt securities				
Domestic fixed income mutual funds	10,620,369	-	-	10,620,369
International fixed income mutual funds	9,038,266	-	-	9,038,266
Domestic high yield mutual funds	4,089,641	-	-	4,089,641
Collateralized debt securities	-	489,659	-	489,659
Commingled Trusts				
Marketable international equity securities	-	50,563,539	4,824,660	55,388,199
Marketable domestic equity securities	-	20,191,584	-	20,191,584
US Treasury securities	-	15,048,411	-	15,048,411
Marketable international fixed income securities	-	8,469,203	-	8,469,203
Hedge fund investments				
Multi-strategy funds	-	-	39,717,170	39,717,170
Long/short equity funds	-	42,896	13,201,603	13,244,499
Credit opportunities funds	-	-	7,205,975	7,205,975
Global macro funds	-	1,716,869	4,251,359	5,968,228
Domestic private equity funds	-	-	4,397,534	4,397,534
International private equity funds	-	-	4,974,438	4,974,438
Natural resources funds	-	-	4,865,734	4,865,734
Venture capital funds	-	-	6,171,109	6,171,109
Real estate funds	-	-	1,477,588	1,477,588
Assets held in charitable remainder trusts				
Equity mutual funds	1,041,578	-	-	1,041,578
Fixed income mutual funds	1,701,977	-	-	1,701,977
Marketable fixed income securities	-	757,638	-	757,638
Total investments	52,466,836	97,279,799	91,087,170	240,833,805
Interest rate swaps liability	-	(9,347,251)	-	(9,347,251)
Total assets and liabilities measured at fair value	$ 52,466,836	$ 87,932,548	$ 91,087,170	$ 231,486,554

Note 6 – Fair Value of Assets and Liabilities (continued)

	At May 31, 2013			
	Level 1	Level 2	Level 3	Totals
Investments				
Equity securities				
International mutual funds	$ 20,084,500	$ -	$ -	$ 20,084,500
Marketable domestic equity securities	4,185,543	-	-	4,185,543
Domestic mutual funds	4,737,407	-	-	4,737,407
Commodity mutual funds	1,874,354	-	-	1,874,354
Balanced mutual funds	1,395,809	-	-	1,395,809
Debt securities				
Domestic fixed income mutual funds	10,293,736	-	-	10,293,736
International fixed income mutual funds	8,909,557	-	-	8,909,557
Domestic high yield mutual funds	7,738,936	-	-	7,738,936
US Treasury securities	-	1,558,831	-	1,558,831
Collateralized debt securities	-	488,540	-	488,540
Commingled Trusts				
Marketable international equity securities	-	37,226,240	-	37,226,240
Marketable domestic equity securities	-	13,142,235	-	13,142,235
US Treasury securities	-	14,895,526	-	14,895,526
Marketable international fixed income securities	-	8,094,181	-	8,094,181
Real estate investment trust	-	4,851,291	-	4,851,291
Hedge fund investments				
Multi-strategy funds	-	77,230	32,740,865	32,818,095
Long/short equity funds	-	5,032,037	9,768,891	14,800,928
Credit opportunities funds	-	-	6,427,249	6,427,249
Global macro funds	-	2,000,280	4,112,764	6,113,044
Domestic private equity funds	-	-	4,742,644	4,742,644
International private equity funds	-	-	4,203,397	4,203,397
Natural resources funds	-	-	3,756,591	3,756,591
Venture capital funds	-	-	3,676,765	3,676,765
Real estate funds	-	-	1,623,541	1,623,541
Assets held in charitable remainder trusts				
Equity mutual funds	1,729,409	-	-	1,729,409
Fixed income mutual funds	1,402,757	-	-	1,402,757
Marketable fixed income securities	-	681,036	-	681,036
Total investments	62,352,008	88,047,427	71,052,707	221,452,142
Interest rate swaps liability	-	(10,556,728)	-	(10,556,728)
Total assets and liabilities measured at fair value	$ 62,352,008	$ 77,490,699	$ 71,052,707	$ 210,895,414

Note 6 – Fair Value of Assets and Liabilities (continued)

The following tables provide a reconciliation of assets measured at fair value using significant unobservable inputs (Level 3) on a recurring basis during the years ended May 31, 2014 and 2013:

	Level 3 Instruments										
	Multi-strategy funds	Long/short equity funds	Credit opportunities funds	Global macro funds	Domestic private equity funds	International private equity funds	Natural resources funds	Venture capital funds	Misc Private Equity funds	Real estate funds	Total
Beginning balances, May 31, 2013	$ 32,740,865	$ 9,768,891	$ 6,427,249	$ 4,112,764	$ 4,742,644	$ 4,203,397	$ 3,756,591	$ 3,676,765	$ -	$ 1,623,541	$ 71,052,707
Gains and losses (realized/unrealized)	2,976,305	32,712	778,726	138,595	(160,758)	267,106	(181,706)	1,018,141	824,660	144,763	5,838,544
Purchases and issuances	4,000,000	8,500,000	-	-	616,534	913,397	1,585,000	1,538,398	4,000,000	203,881	21,357,210
Sales and settlements	-	(5,100,000)	-	-	(800,886)	(409,462)	(294,151)	(62,195)	-	(494,597)	(7,161,291)
Ending balances, May 31, 2014	$ 39,717,170	$ 13,201,603	$ 7,205,975	$ 4,251,359	$ 4,397,534	$ 4,974,438	$ 4,865,734	$ 6,171,109	$ 4,824,660	$ 1,477,588	$ 91,087,170
The total amount of gains (losses) for the period included in changes in net assets attributable to the change in unrealized gains (losses) relating to assets still held at May 31, 2014	$ 4,831,901	$ 1,201,603	$ 2,105,975	$ (317,772)	$ (703,802)	$ 527,856	$ 241,939	$ 742,878	$ 824,660	$ 2,368	$ 9,457,605

	Level 3 Instruments									
	Multi-strategy funds	Long/short equity funds	Credit opportunities funds	Global macro funds	Domestic private equity funds	International private equity funds	Natural resources funds	Venture capital funds	Real estate funds	Total
Beginning balances, May 31, 2012	$ 26,504,521	$ 9,213,967	$ 5,377,400	$ -	$ 3,875,464	$ 3,345,046	$ 2,654,631	$ 2,563,441	$ 1,511,093	$ 55,045,563
Gains and losses (realized/unrealized)	4,782,942	656,498	1,049,849	112,764	63,482	147,848	27,558	60,412	104,416	7,005,769
Purchases and issuances	2,000,000	-	-	4,000,000	1,457,056	1,116,263	1,477,567	1,088,317	244,023	11,383,226
Sales and settlements	(546,598)	(101,574)	-	-	(653,358)	(405,760)	(403,165)	(35,405)	(235,991)	(2,381,851)
Ending balances, May 31, 2013	$ 32,740,865	$ 9,768,891	$ 6,427,249	$ 4,112,764	$ 4,742,644	$ 4,203,397	$ 3,756,591	$ 3,676,765	$ 1,623,541	$ 71,052,707
The total amount of gains (losses) for the period included in changes in net assets attributable to the change in unrealized gains (losses) relating to assets still held at May 31, 2013	$ 3,302,997	$ 1,600,928	$ 1,327,249	$ 112,764	$ (998,690)	$ 260,750	$ 423,645	$ 163,054	$ (142,395)	$ 6,050,302

The College's policy is to recognize transfers in and out as of the actual date of the event or change in circumstances that caused the transfer.

Note 6 – Fair Value of Assets and Liabilities (continued)

The College uses the Net Asset Value (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 investments in other investment companies (in partnership format) by major category:

	Fair Value May 31, 2014	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
Commingled trusts (a)					
Marketable international equity securities	$ 55,388,199	$ -	Range from monthly to quarterly	6-30 days	3 year lockup
U.S. Treasury securities	15,048,411	-	Daily	2-5 days	none
Marketable domestic equity securities	20,191,584	-	Quarterly	60 days	none
Marketable international fixed income securities	8,469,203	-	Monthly	10 days	Funds delivered between 5 and 15 days after valuation date
Hedge Funds (b)					
Multi-Strategy Funds (b)	39,717,170	-	Range from quarterly to annually	30 – 90 days	rolling one to two year lockup
Long/Short Funds (b)	13,244,499	-	Range from monthly to annually	30 – 90 days	rolling 12 month lockup
Credit Opportunities Funds (b)	7,205,975	-	Range from annually to bi-annually	90 days	rolling one to two year lockup
Global Macro Funds (b)	5,968,228	-	Range from daily to quarterly	1-33 days	Funds delivered 90 days after redemption request
Domestic private equity funds (c)	4,397,534	3,796,349	N/A *	N/A *	N/A *
International private equity funds (c)	4,974,438	1,227,000	N/A *	N/A *	N/A *
Natural resources funds (d)	4,865,734	4,709,500	N/A *	N/A *	N/A *
Venture capital funds (c)	6,171,109	4,950,000	N/A *	N/A *	N/A *
Real estate funds (e)	1,477,588	2,282,669	N/A *	N/A *	N/A *
	$ 187,119,672	$ 16,965,518			

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

(a) These are directional investments, invested in domestic and international debt and equity securities. These funds invest mostly in long-term securities, and some invest both long and short-term. The investments are public securities, and the funds are held in partnership or trust format.
(b) Hedge fund strategies and allocations include 53% multi-strategy, 12% distressed opportunities, 35% long/short.
(c) This category includes investments in both dedicated private equity or venture capital funds and in fund-of-funds, which invest in 15-30 private equity or venture capital funds. Private equity funds, through negotiation or tender offer, attempt to take over a majority percentage of a company's equity, with the purpose of acquiring its assets and operations. Venture capital funds invest in non-marketable securities of new companies or companies considered to be in the early stages of growth.
(d) This category invests in fund-of-funds, which invest in 15-30 natural resource funds created to invest in the exploration or development of energy-related reserves.
(e) This category includes investments in fund-of-funds, which invest in 15-30 private real estate funds. Private real estate funds take ownership positions in land and buildings, equity-like investments in mortgages or land leases that include substantial participation in revenues, capital appreciation, and private operating companies.

Note 6 – Fair Value of Assets and Liabilities (continued)

Funds noted above held at year end have remaining lives ranging from 1 to 15 years with estimated commitments due as follows as of May 31, 2014:

		Amount
Years ending May 31,	2015	$ 5,303,688
	2016	8,608,673
	2017	2,551,280
	2018	501,877
		$ 16,965,518

Investment returns for the years ended May 31 are summarized as follows:

	2014	2013
Interest and dividend income	$ 1,124,753	$ 1,109,822
Net realized and unrealized gains on investments carried at fair value	18,354,974	29,711,713
Total investment return	19,479,727	30,821,535
Less: Operating investment return	10,143,251	8,607,142
Non-operating investment return	$ 9,336,476	$ 22,214,393

Interest, dividends, realized, and unrealized income on the College's unrestricted endowment funds is included in operating activities in the statements of activities as those investment types are used for activities closely related to the College's educational and residential mission, as well as any necessary ancillary activities. All other investment return is considered non-operating.

Note 7 – Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or fair value on the date contributed. New equipment and expenditures for major repairs and improvements exceeding $10,000 for equipment and buildings are capitalized; conversely, maintenance, repairs, and routine replacements are charged to expense as incurred. All plant assets except land and art and artifacts collections are depreciated over their estimated useful lives using the straight-line method. Estimated useful lives of land improvements and buildings are 50 to 100 years; building improvements are 20 years; and furniture and equipment are 5 to 7 years.

	May 31, 2014		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 18,132,443	$ -	$ 18,132,443
Land improvements	15,487,853	8,003,958	7,483,895
Buildings and improvements	207,067,229	62,907,597	144,159,632
Art & artifacts collection	2,546,669	-	2,546,669
Furniture and equipment	44,259,570	36,855,197	7,404,373
Construction in progress	1,274,043	-	1,274,043
	$ 288,767,807	$ 107,766,752	$ 181,001,055

	May 31, 2013		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 18,132,443	$ -	$ 18,132,443
Land improvements	14,153,610	7,374,558	6,779,052
Buildings and improvements	201,204,065	58,128,271	143,075,794
Art & artifacts collection	2,546,469	-	2,546,469
Furniture and equipment	41,734,575	35,223,693	6,510,882
Construction in progress	1,760,441	-	1,760,441
	$ 279,531,603	$ 100,726,522	$ 178,805,081

Note 8 – Bonds Payable

At May 31, bonds payable consist of the following:

	2014	2013
State of Oregon Revenue Bonds, 2011 Series A, fixed interest rates ranging from 4.00% to 5.75%, secured by a Uniform Commercial Code security interest in the unrestricted revenues of the College, payable in annual installments beginning October 2015, with maturity in 2041	$ 108,157,411	$ 108,140,851

On March 7, 2011, the College entered into a loan agreement and trust indenture with the State of Oregon Facilities Authority that provided for the issuance of $108,610,000 2011 Series A Revenue Bonds with mandatory final redemption on October 1, 2041. The bonds were issued to refund all of the College's 2008 Series A Bonds, and to finance the costs associated with construction of a new residence hall for students. Included in the outstanding balances at May 31, 2014 and 2013 are unamortized discounts of $452,589 and $469,149, respectively.

Interest expense for all bonds payable was $7,876,149 and $7,724,968 for the years ended May 31, 2014 and 2013, respectively.

Dates fixed for redemption occur annually on October 1, and continue through 2041. Future principal and interest payments are as follows as of May 31, 2014:

	2011 Bonds Repayment Requirements	
	Principal	Interest
Years ending May 31, 2015	$ -	$ 5,955,800
2016	580,000	5,944,200
2017	600,000	5,920,600
2018	625,000	5,896,100
2019	650,000	5,870,600
Thereafter	105,702,411	92,809,431
	$ 108,157,411	$ 122,396,731

The agreement contains certain restrictive covenants as to additional indebtedness, as defined in the agreement.

Note 9 – Interest Rate Swaps

The College had used variable-rate debt to finance the acquisition of property, plant, and equipment as indicated in Note 8. These debt obligations had exposed the College to variability in interest payments due to changes in interest rates.

The College had swapped virtually 100% of its variable-rate cash flow exposure on these debt obligations for fixed-rate cash flows by entering into receive-variable, pay-fixed interest rate swaps. Under the interest rate swaps, the College received variable-rate interest payments and made fixed interest rate payments, thereby creating substantially fixed interest rate payments on the related debt obligations. The College does not enter into derivative instruments for investment purposes. The College's existing swaps were contracted as cash flow hedges.

In March 2011, the College novated a 30-year swap to the Bank of New York, at an annual fixed rate of 3.85%. The notional amount at May 31, 2014 and 2013 was equal to $10,000,000. Also in March 2011, the College novated a 30-year swap to Deutsche Bank, at an annual fixed rate of 3.85%. The notional amount at May 31, 2014 and 2013 was equal to $10,000,000. In January 2007, the College executed a 25-year swap with the Bank of New York at an annual fixed rate of 3.42%. The notional amount at May 31, 2014 and 2013 was equal to $34,600,000 and $35,940,000, respectively.

In each of these swaps, the College's variable-rate receipts are tied to a percentage of one-month LIBOR.

Changes in the fair market value of the interest rate swaps are reported as unrealized gains or losses on interest rate swaps in unrestricted other revenue or expense in the statements of activities. As of May 31, 2014 and 2013, the valuation of the swap resulted in an unrealized gain of $1,209,477 and $3,873,812, respectively. Providing the College holds the swaps to maturity, the value of the derivatives will be zero. These swapping transactions can be terminated at market rates at any time during the term of the swap.

Note 10 – Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes:

	May 31, 2014	May 31, 2013
The portion of perpetual endowment funds subject to a time restriction under UPMIFA		
Without purpose restrictions	$ 2,988,170	$ 2,749,481
With purpose restrictions:		
Scholarships	42,035,885	37,219,128
Chairs	13,102,107	11,848,448
Facilities	11,803,831	10,810,550
Departmental	6,097,314	5,033,214
Total temporarily restricted endowment net assets	76,027,307	67,660,821
Split interest agreements	410,852	256,532
Student loans	1,565,362	1,565,362
Restricted for specific projects	9,251,645	10,206,734
Total temporarily restricted net assets	$ 87,255,166	$ 79,689,449

Note 11 – Permanently Restricted Net Assets

Permanently restricted net assets consist of:

	May 31, 2014	May 31, 2013
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 101,107,226	$ 98,665,422
Total endowments	101,107,226	98,665,422
Trusts held for endowment	3,200,521	3,807,945
Property held for College use in perpetuity	7,274,206	7,274,206
Total permanently restricted net assets	$ 111,581,953	$ 109,747,573

The income from these investments together with the income on net endowment investment gains is spendable for instruction, scholarships, distribution to trust beneficiaries, and operations.

Note 12 – Endowments

The College's endowment consists of approximately 600 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $205,789 and $576,605 as of May 31, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Trustees.

The College invests its endowment investment portfolio and allocates the related earnings for expenditure in accordance with the total return concept. A distribution of endowment return that is independent of the cash yield and appreciation of investments earned during the year is provided for program support. The College has adopted an endowment spending policy designed specifically to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time.

Note 12 – Endowments (continued)

The spending policy attempts to achieve these two objectives by using a long-term targeted spending rate combined with a smoothing rule, which adjusts spending gradually to changes in the endowment market value.

The College uses a spending rate of 4.50% of the sixteen quarter rolling average endowment market value in addition to a supplemental amount approved by the Board not to exceed 1.50%. The supplemental spending will be reduced by 0.10% per year until the maximum is 0.50%. The actual spending rate, including supplemental spending, in 2014 and 2013 was 5.60% of a maximum allowable spending of 5.60% and 5.10% of a maximum allowable spending of 5.70%, respectively.

Effective January 1, 2008, the state of Oregon enacted UPMIFA, the provisions of which apply to endowment funds existing on or established after that date. The Board of Trustees of the College has interpreted the Act as requiring the 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 as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the College and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the College
(7) The investment policies of the College

Note 12 – Endowments (continued)

Endowment net assets consist of the following at May 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (205,789)	$ 76,027,307	$ 101,107,226	$ 176,928,744
Board-designated endowment funds	47,432,415	-	-	47,432,415
Total funds	$ 47,226,626	$ 76,027,307	$ 101,107,226	$ 224,361,159

Endowment net assets consist of the following at May 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (576,605)	$ 67,660,821	$ 98,665,422	$ 165,749,638
Board-designated endowment funds	45,457,860	-	-	45,457,860
Total funds	$ 44,881,255	$ 67,660,821	$ 98,665,422	$ 211,207,498

Changes in the endowment net assets for the year ended May 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2013	$ 44,881,255	$ 67,660,821	$ 98,665,422	$ 211,207,498
Investment return				
Investment income	209,186	491,265	-	700,451
Net appreciation (realized and unrealized)	5,976,074	15,239,959	-	21,216,033
Total investment return	6,185,260	15,731,224	-	21,916,484
Contributions	462,005	-	1,801,762	2,263,767
Matured trusts and other transfers	-	402,099	640,042	1,042,141
Appropriation of endowment assets for expenditure	(4,672,710)	(7,396,021)	-	(12,068,731)
Change in underwater endowments	370,816	(370,816)	-	-
Endowment net assets, end of year May 31, 2014	$ 47,226,626	$ 76,027,307	$ 101,107,226	$ 224,361,159

Note 12 – Endowments (continued)

Changes in the endowment net assets for the year ended May 31, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2012	$ 35,170,389	$ 53,712,389	$ 93,387,435	$ 182,270,213
Investment return				
Investment income	562,343	884,112	-	1,446,455
Net appreciation (realized and unrealized)	11,254,719	21,988,869	-	33,243,588
Total investment return	11,817,062	22,872,981	-	34,690,043
Contributions	-	-	1,595,784	1,595,784
Matured trusts and other transfers	-	-	3,682,203	3,682,203
Appropriation of endowment assets for expenditure	(4,042,731)	(6,988,014)	-	(11,030,745)
Change in underwater endowments	1,936,535	(1,936,535)	-	-
Endowment net assets, end of year May 31, 2013	$ 44,881,255	$ 67,660,821	$ 98,665,422	$ 211,207,498

Note 13 – Pension Plan

The College participates in a contributory retirement plan covering substantially all personnel. All employees are eligible to make voluntary deferrals to the plan immediately upon employment. All regular employees working at least half time receive College contributions after one year of employment. The plan is administered by the Teachers' Insurance and Annuity Association and College Retirement Equities Fund.

Once an employee becomes eligible for the employer contribution, the College makes monthly payments of 9.00% of the employee's compensation. There is no requirement for the employee to make a contribution in order to receive the College's contribution. All funds vest immediately. Aggregate pension expense for the years ended May 31, 2014 and 2013, was approximately $3,883,000 and $3,834,000, respectively.

Note 14 – Post-Retirement Healthcare Benefits

In addition to providing pension benefits, the College provides certain healthcare benefits for retired employees. Employees who retire with at least five years of full-time service may purchase a Medicare supplement through the Retiree Medical Insurance Program. The College pays a portion of the premium.

The College recognizes the funded status of defined benefit post-retirement plans be recognized as either an asset or liability on the statements of financial position. The benefit plan is not funded in separate accounts and costs are paid from the College's general cash accounts on a pay-as-you-go basis.

Obligations and funded status at May 31 are as follows:

	2014	2013
Amounts recognized in the statements of financial position:		
Accrued postretirement healthcare benefits liability	$ 2,030,988	$ 1,778,949
Amounts recognized in the accompanying statements of activities:		
Transition obligation	$ 33,968	$ 67,938
Net gain	(392,218)	(538,468)
Total	$ (358,250)	$ (470,530)

	2014	2013
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 1,778,949	$ 1,707,886
Service cost	112,573	103,939
Interest cost	78,998	84,140
Actuarial (gain) loss	109,457	(70,156)
Benefits paid	(48,989)	(46,860)
Benefit obligation, end of year	$ 2,030,988	$ 1,778,949
Reconciliation of funded status:		
End of year	$ 2,030,988	$ 1,778,949
Unrecognized net actuarial loss	-	-
Net amount recognized	$ 2,030,988	$ 1,778,949

Note 14 – Post-Retirement Healthcare Benefits (continued)

The net periodic benefit costs for the years ended May 31 included the following components:

	2014	2013
Net periodic benefit cost:		
Service cost	$ 112,573	$ 103,939
Interest cost	78,998	84,140
Amortization of prior service cost	33,970	33,970
Amortization of actuarial loss	(36,793)	(34,198)
Net periodic benefit cost	$ 188,748	$ 187,851

The discount rate used in determining the accumulated post-retirement benefit obligation was 4.10% at May 31, 2014 and 4.50% at May 31, 2013. To determine the accumulated post-retirement benefit obligation at May 31, 2014 and 2013, the College's portion of each eligible employee's total premium was assumed to remain at $55 per month ($660 per year). During the years ended May 31, 2014 and 2013, the College made healthcare insurance premium payments for the participants of approximately $66,228 and $46,860, respectively.

The healthcare insurance premium payments for the participants are expected to be paid as follows as of May 31, 2014:

Years ending May 31,	2015	$ 66,228
	2016	96,853
	2017	102,749
	2018	108,443
	2019	116,882
	2020 through 2024 in the aggregate	681,741
		$ 1,172,896

Note 15 – Commitments and Contingencies

The College has placed its liability insurance coverage with the College Liability Insurance Company, Ltd. (CLIC), established by ten similar western colleges and universities for the purpose of providing liability insurance to higher education institutions. As a portion of its capital, CLIC has placed a $2,000,000 standby letter of credit, of which the College is contingently liable for a pro rata portion based upon premium contributions from covered institutions. In the event the losses of CLIC exceed its capital and secondary coverage, the maximum contingent liability exposure to the College is approximately $207,000. As of May 31, 2014 and 2013, no amounts were outstanding against the standby letter of credit.

Note 15 – Commitments and Contingencies (continued)

The College has placed a portion of its medical insurance coverage with Pioneer Educators Health Trust (the Trust, formerly Oregon Independent Colleges Employee Benefits Trust). The Trust was formulated by seven similar western colleges and universities for the purpose of providing medical, dental, and vision insurance to higher education institutions. Under the agreement, member institutions are required to make contributions to the fund at such times and in an amount as determined by the Trustees for the various benefit programs sufficient to provide the benefits, pay the administrative expenses of the Trust which are not otherwise paid by the College directly, and to establish and maintain a minimum reserve as determined by the Trustee. In the event losses of the Trust exceed its capital and secondary coverage, the maximum contingent liability exposure to the College is approximately $1,182,000. This exposure will fluctuate based on factors including changes in actuarial assumptions, medical trend rates, and reinsurance amounts. The level of reinsurance is not expected to fluctuate significantly in the future.

The College has an operating line of credit totaling $10,000,000 at a bank for the purpose of financing short-term operating cash flow requirements. Interest is due monthly at the prime interest rate (3.25% at May 31, 2014). The scheduled maturity on the line of credit is January 31, 2015. As of May 31, 2014 and 2013, no amounts were outstanding on the line of credit. No loans were taken from the line of credit during the year ended May 31, 2014, and $2,500,000 was borrowed during the year ended May 31, 2013. The agreement establishes various positive and negative covenants, including liquid asset requirements.

The College receives and expends monies under federal grant programs and is subject to audits by governmental agencies. Management believes that any liabilities resulting from such audits will not have a material impact on the College.

The College is involved in legal proceedings, claims, and litigation arising in the ordinary course of operations. In the opinion of management, these matters will not materially affect the College's financial position as of May 31, 2014.

Note 16 – Concentration of Credit Risk

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents. The College places substantially all of its cash and liquid investments with financial institutions; however, cash balances may periodically exceed federally insured limits.

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
Lewis & Clark College

Report on the Financial Statements

We have audited, in accordance with the 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, the financial statements of Lewis & Clark College (the College) which comprise the statement of financial position as of May 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
September 30, 2014

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The Board of Trustees
Lewis & Clark College

Report on Compliance for each Major Federal Program

We have audited Lewis & Clark College's (the College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended May 31, 2014. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on each Major Federal Program
In our opinion, Lewis & Clark College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended May 31, 2014.

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE (continued)

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on the major federal program is not modified with respect to these matters.

The College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
September 30, 2014

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____ yes __✓__ no
- Significant deficiency(ies) identified? ____ yes __✓__ none reported

Noncompliance material to financial statements noted? ____ yes __✓__ no

Federal awards

Internal control over major programs:

- Material weakness(es) identified? ____ yes __✓__ no
- Significant deficiency(ies) identified? ____ yes __✓__ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ____ yes __✓__ no

SECTION I – SUMMARY OF AUDITOR'S RESULTS (continued)

Identification of major programs:

CFDA Numbers	*Name of Federal Program or Cluster*
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.379	Teacher Education Assistance for College and Higher Education Grants
	Research and Development Cluster:
47.049	Mathematical and Physical Sciences
47.074	Biological Sciences
47.076	Education and Human Resources
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders
93.859	Biomedical Research and Research Training

Dollar threshold used to distinguish between type A and type B programs? $300,000

Auditee qualified as low-risk auditee? __✓__ yes ______ no

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2014-001 – Special Tests and Provisions: Student Status Changes (Repeat Finding), Noncompliance

Federal Program: Federal Direct Student Loans (CFDA #84.268)

Federal Agency: U.S. Department of Education

Award Year: 2013-14

Criteria: Under the Direct Loan program, institutions must complete and return within 30 days of receipt the Roster File sent by the National Student Loan Data System (NSLDS) (*OMB No. 1845-0035*). The Roster File is transmitted electronically. The institution determines how often it receives the Roster File, but the minimum is twice a year. Once received, the institution must update the information for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS web site. Unless the institution expects to complete its next Roster File within 60 days, the institution must notify NSLDS within 30 days if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis (Direct Loan, 34 CFR section 685.309). Although many institutions use a third-party service organization to perform this function, the responsibility for submission to NSLDS remains with the institution.

Condition: During our testing of student status change reporting, we identified in 6 of the 25 students tested a status change was not reported to the NSLDS within the required timeframes. All noted exceptions were students that attended the Law school.

Questioned Costs: None to be reported.

Context: The College has three registrars, one for each school (College of Arts & Sciences (CAS), Law and Graduate). In the prior year, we noted there were procedures in place, but these procedures had not been consistently documented and followed. It was further noted in the current year that there continues to be inconsistencies within the Law school, specifically as it relates to the differences between reporting in a particular roster file and reporting students individually. As a result of our audit procedures, we noted the following errors in our testing sample: six Law students graduated in May 2014 and were not reported until 42 days after the student's graduation date. Our total population of Law students requiring a status change to be reported was 178, of which 140 students were reported within the 60-day window and 38 students were reported outside of the 60-day window, 6 of which were in our testing sample.

Cause/Effect: The College did not adequately monitor student status changes to ensure that all necessary data is transmitted to NSLDS within required federal timelines. Failure to report student status changes results in non-compliance with federal requirements.

FINDING 2014-001 – Special Tests and Provisions: Student Status Changes (Repeat Finding) (continued)

Recommendation: We recommend the College, specifically the Law school, consistently adhere to their procedures in order to ensure that all student status changes are reported to the NSLDS in a complete, accurate and timely manner. Those procedures should include periodic verification with NSLDS as to the receipt of submissions.

Views of responsible officials and planned corrective actions (unaudited): Since this is a repeat finding and the College recognizes the importance of accurate and timely reporting under Title IV, a consultant will be hired to assist all schools in developing workflows to ensure that correct data is submitted on time. Additionally the deans of CAS, Law, and Graduate schools have been tasked with responsibility for compliance with Title IV regulations.

FINDING 2013-01 – Special Tests and Provisions: Student Status Changes

Federal Program: Federal Direct Student Loans (CFDA #84.268)

Federal Agency: U.S. Department of Education

Award Year: 2012-13

Criteria: Under the Direct Loan program, institutions must complete and return within 30 days of receipt the Roster File sent by the National Student Loan Data System (NSLDS) (*OMB No. 1845-0035*). The Roster File is transmitted electronically. The institution determines how often it receives the Roster File, but the minimum is twice a year. Once received, the institution must update the information for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS web site. Unless the institution expects to complete its next Roster File within 60 days, the institution must notify NSLDS within 30 days if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis (Direct Loan, 34 CFR section 685.309). Although many institutions use a third-party service organization to perform this function, the responsibility for submission to NSLDS remains with the institution.

Condition: During our testing of student status change reporting, we noted that in 8 of 25 students tested a status change was not reported to the National Student Loan Data System within the required timeframes.

Questioned Costs: None to be reported.

Context: The College has three registrars, one for each school (College of Arts & Sciences (CAS), Law and Graduate) and in our discussions with these registrars, we noted there are procedures in place but these procedures have not been consistently documented and followed in all three schools. Additionally, we noted there was turnover within the registrar positions. As a result of our audit procedures, we noted the following errors in our testing sample by school: two Graduate students graduated in Summer 2012 and were not reported until June 2013; four Law students graduated in May 2013 and were not reported until July 2013; two Law students were not reported accurately within the required timeframes. Our total population of students requiring a status change to be reported was 627, of which 14 were not reported timely, 8 of which were in our testing sample. We did not note any instances of noncompliance during our testing of the Undergraduate status change reporting sample.

Cause/Effect: The College did not adequately monitor student status changes to ensure that all necessary data is transmitted to NSLDS within required federal timelines. Failure to report student status changes results in non-compliance with federal requirements.

Recommendation: Moss Adams recommended the College document and consistently adhere to their procedures in order to ensure that all student status changes are reported to the NSLDS in a complete, accurate and timely manner. Those procedures should include periodic verification with NSLDS as to the receipt of submissions.

Views of responsible officials and planned corrective action (unaudited): The Graduate School and Law School have both gained access and will begin, effective with our summer 2013 term, directly reporting late graduate status updates to NSLDS.

Current Status: Not resolved; see Finding 2014-001.

LEWIS & CLARK COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MAY 31, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Agriculture Direct Program:			
Rural Business Enterprise Grants	10.769		$ 20,000
Department of the Treasury/Internal Revenue Service Direct Program:			
Low Income Taxpayer Clinics	21.008		97,070
National Endowment for the Arts Direct Program:			
Promotion of the Arts-Partnership Agreements	45.025		975
National Endowment for the Humanities Direct Programs:			
Promotion of the Humanities-Professional Development	45.163		1,141
Promotion of the Humanities-Office of Digital Humanities	45.169		13,564
Total National Endowment for the Humanities			14,705
Department of Education:			
Department of Education Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		337,498
Federal Work Study Program	84.033		502,663
Federal Perkins Loan Program	84.038		1,405,051
Federal Pell Grant Program	84.063		1,940,086
Federal Direct Student Loans	84.268		45,501,810
Teacher Education Assistance for College and Higher Education Grants	84.379		22,764
Total Student Financial Assistance Cluster			49,709,872
Gaining Early Awareness & Readiness for Undergraduate Pgms	84.334		11,100
Subtotal Department of Education Direct Programs			49,720,972
Department of Education Pass-Through Programs From:			
The Teaching Research Institute, Western Oregon University			
Improving Teacher Quality Grants- SAHEs	84.367B	TRSUB13.03	89,701
University of California at Berkeley/National Writing Project Corp			
Supporting Effective Educator Development Grant Program	84.367D	92-OR03-SEED2012	19,859
Total Department of Education			49,830,532
Research and Development Cluster:			
National Science Foundation Direct Programs:			
Mathematical and Physical Sciences	47.049		23,750
Biological Sciences	47.074		636,528
Education and Human Resources	47.076		53,412
Subtotal National Science Foundation Direct Programs			713,690
National Science Foundation Pass-Through Programs From:			
Willamette University			
Mathematical and Physical Sciences	47.049	WU-NSFREU 01-2011	24,661
Museum of Science Boston			
Education and Human Resources	47.076	4552-LCC-01	43,026
Total National Science Foundation			781,377
Department of Health and Human Services --			
National Institutes of Health Direct Programs:			
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		78,284
Biomedical Research and Research Training	93.859		155,796
Total Department of Health and Human Services - National Institutes of Health Direct Programs			234,080
Total Research and Development Cluster			1,015,457
Total expenditures of federal awards			$ 50,978,739

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Lewis & Clark College (the College) under programs of the federal government for the year ended May 31, 2014. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Education Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if applicable, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 – Non-Cash Federal Financial Assistance

Non-cash federal financial assistance provided to the College totaled $45,501,810 for the year ended May 31, 2014. The amounts shown approximate loans made to eligible students by third party lenders. The College's responsibility over these loans is to determine eligibility and act as the disbursing agent for the loans. The amount of loans made to the College's students in prior years for which the federal government is still at risk are held by independent third party lenders.

Note 4 – Loan Program

The federal student loan program listed below is administered directly by the College and balances and transactions relating to this program are included in the College's basic financial statements. Loans made during the year are included in the federal expenditures presented in the schedule. The balance of loans outstanding at May 31, 2014 consists of:

	CFDA Number	Outstanding Balance at May 31, 2014
U.S. Department of Education		
Federal Perkins Loan Program	84.038	$ 8,382,689

An administrative cost allowance of $90,000 was claimed for the 2013–2014 school year.