LEWIS & CLARK COLLEGE
Portland, Oregon

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended May 31, 2018 and 2017

LEWIS & CLARK COLLEGE

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Lewis & Clark College
Portland, Oregon

We have audited the accompanying financial statements of Lewis & Clark College (the "College"), which comprise the statements of financial position as of May 31, 2018 and 2017, 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lewis & Clark College as of May 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
October 1, 2018

LEWIS & CLARK COLLEGE

STATEMENTS OF FINANCIAL POSITION
As of May 31, 2018 and 2017

ASSETS

	2018	2017
Cash and cash equivalents	$ 12,719,758	$ 14,195,633
Student accounts receivable, net	47,898	116,468
Other receivables	2,221,548	1,753,871
Prepaid expenses and other assets	423,350	886,053
Contributions receivable, net	3,954,800	2,181,720
Student loans receivable, net	5,678,512	6,235,018
Cash restricted for long-term investment	1,946,267	7,083,676
Investments	249,020,235	232,678,632
Property, plant, and equipment, net	172,213,664	174,259,987
TOTAL ASSETS	$ 448,226,032	$ 439,391,058

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable	$ 1,485,896	$ 2,528,505
Accrued and other liabilities	14,288,184	13,523,863
Deferred revenues	3,051,554	4,996,920
Liability for split interest agreements	1,110,771	944,098
Bonds and capital lease payable, net	105,896,904	106,759,504
Interest rate swaps liability	4,347,405	9,159,959
U.S. government grants refundable	4,721,605	5,489,737
Total liabilities	134,902,319	143,402,586
NET ASSETS		
Unrestricted	107,017,921	99,552,283
Temporarily restricted	84,090,255	76,087,736
Permanently restricted	122,215,537	120,348,453
Total net assets	313,323,713	295,988,472
TOTAL LIABILITIES AND NET ASSETS	$ 448,226,032	$ 439,391,058

See accompanying notes to financial statements.

LEWIS & CLARK COLLEGE

STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2018
(with comparative totals for the year ended May 31, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
OPERATING REVENUES, GAINS AND OTHER SUPPORT					
Tuition and fees	$ 139,251,238	$ -	$ -	$ 139,251,238	$ 136,391,580
Less: Scholarships and fellowships	57,533,600	-	-	57,533,600	54,174,998
Net tution and fees	81,717,638	-	-	81,717,638	82,216,582
Contributions	2,555,658	4,650,038	-	7,205,696	5,221,754
Contracts and other exchange transactions	2,707,972	-	-	2,707,972	2,266,686
Endowment earnings allocated for operations	2,713,925	8,227,280	-	10,941,205	10,932,593
Other investment returns (losses)	(2,813)	-	-	(2,813)	396,487
Other revenue	2,931,953	-	-	2,931,953	2,951,355
Sales and services of auxiliary enterprises	19,186,510	-	-	19,186,510	19,272,870
	111,810,843	12,877,318	-	124,688,161	123,258,327
Net assets released from restrictions	12,611,873	(12,611,873)	-	-	-
Total Operating Revenues, Gains and Other Support	124,422,716	265,445	-	124,688,161	123,258,327
EXPENSES					
Program expenses					
Instruction	51,727,919	-	-	51,727,919	51,115,739
Research	2,848,309	-	-	2,848,309	3,086,364
Public service	1,318,712	-	-	1,318,712	1,127,936
Academic support	12,169,072	-	-	12,169,072	12,038,434
Student services	15,048,004	-	-	15,048,004	14,976,442
Institutional support	24,315,716	-	-	24,315,716	24,052,075
Auxiliary enterprises	15,924,932	-	-	15,924,932	16,173,027
TOTAL EXPENSES	123,352,664	-	-	123,352,664	122,570,017
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	1,070,052	265,445	-	1,335,497	688,310
NON-OPERATING ACTIVITIES					
Long-term investment returns	9,109,586	13,656,910	-	22,766,496	26,759,974
Less: Endowment earnings allocated for operations	(2,713,925)	(8,227,280)	-	(10,941,205)	(10,932,593)
Long-term investment returns, net of allocation	6,395,661	5,429,630	-	11,825,291	15,827,381
Contributions	100	1,914,844	1,893,909	3,808,853	2,360,199
Contracts and exchange transactions	(175)	124,231	-	124,056	88,538
Change in value of split interest agreements	-	268,369	(26,825)	241,544	83,623
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	6,395,586	7,737,074	1,867,084	15,999,744	18,359,741
CHANGE IN NET ASSETS	7,465,638	8,002,519	1,867,084	17,335,241	19,048,051
NET ASSETS - Beginning of Year	99,552,283	76,087,736	120,348,453	295,988,472	276,940,421
NET ASSETS AT END OF YEAR	$ 107,017,921	$ 84,090,255	$ 122,215,537	$ 313,323,713	$ 295,988,472

LEWIS & CLARK COLLEGE

STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES, GAINS AND OTHER SUPPORT				
Tuition and fees	$ 136,391,580	$ -	$ -	$ 136,391,580
Less: Scholarships and fellowships	54,174,998	-	-	54,174,998
Net tution and fees	82,216,582	-	-	82,216,582
Contributions	1,868,549	3,353,205	-	5,221,754
Contracts and other exchange transactions	2,266,686	-	-	2,266,686
Endowment earnings allocated for operations	2,824,354	8,108,239	-	10,932,593
Other investment income	396,487	-	-	396,487
Other revenue	2,951,355	-	-	2,951,355
Sales and services of auxiliary enterprises	19,272,870	-	-	19,272,870
	111,796,883	11,461,444	-	123,258,327
Net assets released from restrictions	11,145,925	(11,145,925)	-	-
Total Operating Revenues, Gains and Other Support	122,942,808	315,519	-	123,258,327
EXPENSES				
Program expenses				
Instruction	51,115,739	-	-	51,115,739
Research	3,086,364	-	-	3,086,364
Public service	1,127,936	-	-	1,127,936
Academic support	12,038,434	-	-	12,038,434
Student services	14,976,442	-	-	14,976,442
Institutional support	24,052,075	-	-	24,052,075
Auxiliary enterprises	16,173,027	-	-	16,173,027
TOTAL EXPENSES	122,570,017	-	-	122,570,017
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	372,791	315,519	-	688,310
NON-OPERATING ACTIVITIES				
Long-term investment returns	8,566,136	16,946,811	1,247,027	26,759,974
Less: Endowment earnings allocated for operations	(2,824,354)	(8,108,239)	-	(10,932,593)
Long-term investment returns, net of allocation	5,741,782	8,838,572	1,247,027	15,827,381
Contributions	15,200	386,145	1,958,854	2,360,199
Contracts and exchange transactions	-	88,538	-	88,538
Change in value of split interest agreements	-	(2,666)	86,289	83,623
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	5,756,982	9,310,589	3,292,170	18,359,741
CHANGE IN NET ASSETS	6,129,773	9,626,108	3,292,170	19,048,051
NET ASSETS - Beginning of Year	93,422,510	66,461,628	117,056,283	276,940,421
NET ASSETS AT END OF YEAR	$ 99,552,283	$ 76,087,736	$ 120,348,453	$ 295,988,472

LEWIS & CLARK COLLEGE

STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 17,335,241	$ 19,048,051
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Contribution of marketable securities	(1,001,952)	(634,457)
Depreciation and amortization	7,827,798	7,570,212
Write-off pledge receivable	-	40
Loss (Gain) on disposal of property, plant and equipment	189,173	-
Gain on disposal of real estate held for sale	-	(1,082,910)
Unrealized (gain) loss on interest rate swap agreement	(2,226,593)	(2,447,345)
Actuarial (gain) loss on split interest agreement obligations	(264,171)	8,079
Change in contributions receivable discount	162,601	18,474
Contributions restricted for endowment, trust, and capital projects	(3,808,853)	(2,360,200)
Interest and dividends restricted for long-term investment	(106,145)	(72,210)
Net realized and unrealized gains on investments	(21,077,161)	(25,316,282)
New split interest agreement obligations	430,844	262,292
Increase (decrease) in cash due to changes in assets and liabilities:		
Accounts and other receivables	(399,107)	820,369
Prepaid expense ond other assets	462,703	534,273
Contributions receivable	(1,665,422)	(195,038)
Accounts payable	(564,140)	35,260
Accrued and other liabilities	764,321	(74,122)
Deferred revenues	(1,945,366)	158,713
Net cash from operating activities	(5,886,229)	(3,726,800)
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances of student loans receivable	(679,999)	(1,071,607)
Payments on student loans receivable	1,236,505	1,530,375
Payments on U.S. government grants refundable, net	(768,132)	(684,428)
Purchases of land, property, plant and equipment	(7,047,385)	(4,791,673)
Disposal of real estate held for sale	-	1,510,000
Proceeds from sale of land, property, plant, and equipment	653,711	-
Proceeds from sales of investments	60,164,458	62,796,843
Termination payment on interest rate swap agreement	(1,778,000)	-
Purchases of investments	(55,234,909)	(47,010,487)
Net cash used by investing activities	(3,453,751)	12,279,023
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment, trust, and capital projects	3,538,594	2,158,383
Interest and dividends restricted for long-term reinvestment	106,145	72,210
Principal payments on capital lease	(293,043)	(273,950)
Principal payments on bonds payable	(625,000)	(600,000)
Maturities of split interest obligations	-	(18,987)
Net cash provided by financing activities	2,726,696	1,337,656
Net increase (decrease) in cash and cash equivalents	(6,613,284)	9,889,879
Cash and cash equivalents at beginning of year	21,279,309	11,389,430
Cash and cash equivalents at end of year	$ 14,666,025	$ 21,279,309
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 7,294,258	$ 7,583,669
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchases of property, plant and equipment included in accounts payable	370,125	848,594

See accompanying notes to financial statements.

NOTE 1 – 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 (ED). Disbursements under each program are subject to disallowance by the ED 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 ED.

NOTE 1 – 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.

Contracts and exchange transactions – 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, food services, transportation services, and conventions / conferences. Accordingly, the auxiliary enterprise expenses include all costs incurred in providing those services.

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, interest on long-term indebtedness and depreciation.

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 investments, except those held for long-term investment, 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Student accounts receivable – Student accounts receivable are recorded at the invoiced amount and do not bear interest. At May 31, 2018 and 2017, student accounts receivable totaled $47,898 and $116,468, net of allowance for doubtful accounts of $247,682 and $295,052 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. 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 balances are charged off against the allowance after all means of collection have been exhausted and the potential recovery is considered remote.

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 are determined from valuations prepared by independent appraisers at the time of gift and, subsequently, 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, 2018 and 2017, no allowance for uncollectible receivables was recorded.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The College has reflected appropriate liabilities for such trusts in the accompanying statements of financial position. For the years ended May 31, 2018 and 2017, the College distributed $249,935 and $138,104, respectively, in split-interest beneficiary payments.

New accounting pronouncements not yet effective – The following Accounting Standards Updates have been issued, but are not, yet, effective:

- ASU 2014-09, *Revenue from Contracts with Customers*: ASU 2014-09 is effective for fiscal years beginning after December 15, 2017, with early application permitted for fiscal years beginning after December 15, 2016.

- ASU 2016-02, *Leases*: ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted.

- ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 (fiscal year 2019).

- ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is effective for fiscal years beginning after June 15, 2018 and is intended to be adopted concurrently with ASU 2014-09.

The College is assessing the impact these standards will have on its financial statements.

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 management and external investment advisors, reviews the valuation of the investments on a quarterly basis. The Investment Committee reports to the Board of Trustees.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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, 2018 and 2017, the College recognized no interest and penalties.

The College had no unrecognized tax benefits at May 31, 2018 and 2017. 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.

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.

Reclassifications – Certain amounts appearing in the 2017 financial statements have been reclassified to conform with the 2018 presentation. The reclassifications have no effect on the reported amounts of total net assets or changes in total net assets.

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, 2018. Contributions made by members of the College's Board of Trustees totaled approximately $3,120,000 and $1,290,000 for the years ending May 31, 2018 and 2017, respectively.

NOTE 1 – 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 has evaluated subsequent events through October 1, 2018, 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% and 5% 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, 2018 and 2017, student loans funded through the Perkins loan program were $5,678,512 and $6,235,018, 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 $4,721,605 and $5,489,737 at May 31, 2018 and 2017, 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. 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, 2018 and 2017 to account for those amounts advanced by the College.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Conditional promises – At May 31, 2018 and 2017, the College had received conditional promises to give of approximately $585,000 and $3,003,000. 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. During 2018, the College determined that a conditional pledge in the amount of $2,784,350 was no longer valid.

Unconditional promises – Payments due beyond one year were discounted using an adjusted risk free interest rate commensurate with the period over which the contribution will be received. The weighted average rate was 1.71% and 0.48% for the years ended May 31, 2018 and 2017, respectively.

Amounts due are as follows:

	2018	2017
Amounts receivable in less than one year	$ 1,172,000	$ 1,529,500
Amounts receivable in one to five years	3,028,662	682,660
	4,200,662	2,212,160
Unamortized discount	(245,862)	(30,440)
Total contributions receivable	$ 3,954,800	$ 2,181,720

NOTE 4 – INVESTMENTS

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

	2018	2017
Pooled investments		
Equity securities		
International mutual funds	$ 3,880,997	$ 7,611,069
Domestic mutual funds	16,462,034	14,522,843
Marketable domestic equity securities	127,605	3,565
Real estate investment trust	2,122,452	2,086,369
Debt securities		
Domestic fixed income mutual funds	8,255,024	6,052,680
Marketable domestic fixed income securities	3,404,589	2,284,856
Marketable municipal fixed income securities	1,297,089	1,230,534
U.S. Treasury securities	1,851,968	1,256,572
Commingled trusts		
Marketable international equity securities	68,089,405	62,767,525
Marketable domestic equity securities	27,179,621	32,535,356
U.S. Treasury securities	14,743,066	13,901,944
Alternative investments		
Hedge funds		
Long/short equity	15,225,585	17,929,819
Multi-strategy	6,901,441	7,767,551
Credit opportunities	4,280,416	4,146,547
Global macro	6,835,720	2,502,176
Domestic private equity funds	7,050,897	5,964,009
International private equity funds	6,830,308	6,060,280
Venture capital funds	26,838,367	20,250,071
Natural resources funds	9,541,849	7,874,156
Real estate funds	3,656,380	3,751,069
Total pooled investments	234,574,813	220,498,991
Separate investments		
Assets held in charitable remainder trusts		
Fixed income mutual funds	1,207,058	954,700
Equity mutual funds	1,972,702	1,205,022
Marketable municipal fixed income securities	618,855	728,239
Equity securities		
Marketable domestic equity securities	69,348	26,852
Domestic mutual funds	-	21,155
Balanced mutual funds	1,997,281	1,893,245
Debt securities		
U.S. Treasury securities	-	3,048
Domestic fixed income mutual funds	8,481,044	7,248,235
Collateralized debt securities	4,997	5,008
Real estate and others (reported at cost)	94,137	94,137
Total separate investments	14,445,422	12,179,641
Total investments	$ 249,020,235	$ 232,678,632

NOTE 4 – INVESTMENTS (Continued)

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

	2018	2017
Endowment		
Pooled investments	$ 234,574,813	$ 220,498,991
Separately invested	2,006,359	1,902,323
Total endowment	236,581,172	222,401,314
Annuity and life income contracts		
Separately invested	3,798,615	2,887,961
Total annuity and life income contracts	3,798,615	2,887,961
Separately invested		
Operations	8,481,044	7,269,390
Other	159,404	119,967
Total separately invested	8,640,448	7,389,357
Total investments by category	$ 249,020,235	$ 232,678,632

NOTE 5 – SPLIT INTEREST AGREEMENTS

As of May 31, 2018 and 2017, the College had 27 and 25 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, 2018 and 2017, the fair value of the total assets held was $1,321,296 and $1,251,777, respectively. The reserve was $658,682 and $793,140, respectively, leaving $662,614 and $458,637 of net assets in excess, respectively. During the fiscal years ended May 31, 2018 and 2017, distributions to annuitants totaled $81,376 and $60,029, 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, 2018 and 2017, the College's actuarially determined future payments and other obligations were as follows:

	2018	2017
Gift annuity reserve	$ 658,682	$ 793,140
Present value of future payments - annuity trusts	48,308	64,332
Present value of future payments - fixed rate unitrust	403,781	86,626
Total liability for split-interest agreements	$ 1,110,771	$ 944,098

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.

Assets held in charitable remainder trusts – Assets held in charitable remainder trusts are comprised of marketable securities, mutual funds and real property. Marketable securities and mutual funds 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.

NOTE 6 – FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

There were no changes in fair value methods or assumptions during the years ended May 31, 2018 or 2017. The following is a summary categorization of the College's assets and liabilities based on the level of inputs utilized in determining the value of such investments:

	At May 31, 2018			
	Level 1	Level 2	Level 3	Total
Investments				
Equity securities				
International mutual funds	$ 3,880,997	$ -	$ -	$ 3,880,997
Domestic mutual funds	16,462,034	-	-	16,462,034
Balanced mutual funds	1,997,281	-	-	1,997,281
Domestic equity securities	196,953	-	-	196,953
Real estate investment trust	2,122,452	-	-	2,122,452
Debt securities				
U.S. Treasury securities	-	1,851,968	-	1,851,968
Municipal fixed income securities	-	1,297,089	-	1,297,089
Domestic fixed income mutual funds	16,736,068	-	-	16,736,068
Domestic fixed income securities	-	3,404,589	-	3,404,589
Collateralized debt securities	-	4,997	-	4,997
Assets held in charitable remainder trusts				
Fixed income mutual funds	1,207,058	-	-	1,207,058
Equity mutual funds	1,972,702	-	-	1,972,702
Marketable fixed income securities	-	618,855	-	618,855
Total investments in the fair value hierarchy	44,575,545	7,177,498	-	51,753,043
Alternative investments measured using NAV (practical expedient)	-	-	-	197,173,055
Total investments measured at fair value	44,575,545	7,177,498	-	248,926,098
Interest rate swaps liability	-	(4,347,405)	-	(4,347,405)
Total assets and liabilities at fair value	$ 44,575,545	$ 2,830,093	$ -	$ 244,578,693

NOTE 6 – FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

	At May 31, 2017			
	Level 1	Level 2	Level 3	Total
Investments				
Equity securities				
International mutual funds	$ 7,611,069	$ -	$ -	$ 7,611,069
Domestic mutual funds	14,543,998	-	-	14,543,998
Balanced mutual funds	1,893,245	-	-	1,893,245
Domestic equity securities	30,417	-	-	30,417
Real estate investment trust	2,086,369	-	-	2,086,369
Debt securities				
U.S. Treasury securities	-	1,259,621	-	1,259,621
Domestic fixed income mutual funds	13,300,915	-	-	13,300,915
Domestic fixed income securities	-	3,515,390	-	3,515,390
Collateralized debt securities	-	5,008	-	5,008
Assets held in charitable remainder trusts				
Fixed income mutual funds	954,700	-	-	954,700
Equity mutual funds	1,205,022	-	-	1,205,022
Marketable fixed income securities	-	728,239	-	728,239
Total investments in the fair value hierarchy	41,625,735	5,508,258	-	47,133,993
Alternative investments measured using NAV (practical expedient)	-	-	-	185,450,502
Total investments measured at fair value	41,625,735	5,508,258	-	232,584,495
Interest rate swaps liability	-	(9,159,959)	-	(9,159,959)
Total assets and liabilities at fair value	$ 41,625,735	$ (3,651,701)	$ -	$ 223,424,536

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, 2018	Fair Value May 31, 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
Commingled trusts (a)						
Marketable international equity securities	$ 68,089,405	$ 62,767,525	$ -	Range from monthly to quarterly	6 - 30 days	3 year lockup
Marketable domestic equity securities	27,179,621	32,535,356	-	Quarterly	60 days	None
U.S. Treasury securities	14,743,066	13,901,944	-	Daily	2 - 5 days	None
Hedge funds (b)						
Global macro funds	6,835,720	2,502,176	-	Range from daily to quarterly	1 - 33 days	Funds delivered 90 days after redemption request
Multi-strategy funds	6,901,441	7,767,551	-	Range from quarterly to annually	30 - 90 days	Rolling one to two year lockup
Long/Short funds	15,225,585	17,929,819	-	Range from monthly to annually	30 - 90 days	Rolling 12 month lockup
Credit opportunities funds	4,280,416	4,146,547	-	Range from quarterly to bi-annually	60 - 90 days	Rolling one to two year lockup
Private equity funds (c)	7,050,897	5,964,008	8,625,780	N/A*	N/A*	N/A*
International private equity funds (c)	6,830,308	6,060,280	481,500	N/A*	N/A*	N/A*
Venture capital funds (c)	26,838,367	20,250,071	17,885,278	N/A*	N/A*	N/A*
Natural resources funds (d)	9,541,849	7,874,156	2,187,902	N/A*	N/A*	N/A*
Real estate funds (e)	3,656,380	3,751,069	2,800,695	N/A*	N/A*	N/A*
	$ 197,173,055	$ 185,450,502	$ 31,981,155			

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

NOTE 6 – FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

(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 41% multi-strategy, 13% distressed opportunities, 46% 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 major 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 funds-of-funds, which invest in 15-30 natural resource funds created to invest in the exploration or development of energy-related reserves.

(e) The 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, buildings, equity-like investments in mortgages or land leases that include substantial participation in revenues, capital appreciation, and private-operating companies.

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 with a cost of $10,000 or more, and expenditures for major repairs and improvements exceeding $20,000 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 and related improvements are 20 to 100 years; and furniture and equipment are 4 to 7 years.

	May 31, 2018		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 17,784,427	$ -	$ 17,784,427
Land improvements	16,227,934	10,570,616	5,657,318
Buildings and improvements	220,257,723	82,693,023	137,564,700
Art and artifacts collection	2,579,192	-	2,579,192
Furniture and equipment	50,548,630	43,745,828	6,802,802
Construction in progress	1,825,225	-	1,825,225
	$ 309,223,131	$ 137,009,467	$ 172,213,664

	May 31, 2017		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 17,865,336	$ -	$ 17,865,336
Land improvements	16,037,543	10,104,070	5,933,473
Buildings and improvements	216,909,205	77,505,976	139,403,229
Art and artifacts collection	2,562,692	-	2,562,692
Furniture and equipment	49,600,333	42,113,660	7,486,673
Construction in progress	1,008,584	-	1,008,584
	$ 303,983,693	$ 129,723,706	$ 174,259,987

NOTE 8 – BONDS AND CAPITAL LEASE PAYABLE

Capital Lease

At May 31, 2018, the College leased certain equipment under capital lease obligations. Future minimum payments associated with capital lease agreements for succeeding years are as follows:

Years Ending May 31	
2019	$ 340,340
2020	77,075
Total minimum payments	417,415
Less amount representing interest	(31,892)
	$ 385,523

Bonds Payable

At May 31, bonds payable consist of the following:

	2018	2017
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 which began October 2015, with maturity in 2041	$ 106,805,000	$ 107,430,000
Less unamortized discount	(386,349)	(402,909)
Less bond issuance costs	(907,270)	(946,153)
Total bonds payable	$ 105,511,381	$ 106,080,938

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. 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.

Interest expense for all bonds payable was $5,891,933 and $5,916,600 for the years ended May 31, 2018 and 2017, respectively. Total interest expense, including payments connected to the interest rate swaps, was $7,170,040 and $7,557,891 for the years ended May 31, 2018 and 2017, respectively.

NOTE 8 – BONDS AND CAPITAL LEASE PAYABLE (Continued)

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, 2018:

	2011 Bonds Repayment Requirements	
	Principal	Interest
Years Ending May 31		
2019	$ 650,000	$ 5,870,600
2020	680,000	5,844,000
2021	1,440,000	5,801,600
2022	1,495,000	5,742,900
2023	1,570,000	5,671,788
Thereafter	100,970,000	69,749,143
	$ 106,805,000	$ 98,680,031

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

NOTE 9 – INTEREST RATE SWAPS

In the past, the College had used variable-rate debt to finance the acquisition of property, plant, and equipment. 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'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, 2018 and 2017 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, 2017 was equal to $10,000,000. The College terminated the $10,000,000 notional value swap with Deutsche Bank during April 2018 for a settlement amount of $1,778,000. 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, 2018 and 2017 was equal to $27,890,000 and $29,620,000, 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 and are included in investment returns in the statement of activities. As of May 31, 2018 and 2017, the valuation of the swap resulted in an unrealized gain of $2,226,593 and $2,447,345, respectively. The College recognized a gain on settlement of the terminated swap agreement in the amount of $807,961. 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:

	2018	2017
Endowment funds		
Without purpose restrictions	$ 2,973,914	$ 2,739,900
With purpose restrictions		
Scholarships	40,217,175	37,101,863
Faculty and staff compensation	12,652,599	11,706,217
Facilities	11,175,747	10,538,625
Departmental	5,649,009	5,152,504
	72,668,444	67,239,109
Split interest agreements	1,651,796	771,656
Student loans	1,549,933	1,552,743
Restricted for specific projects	8,220,082	6,524,228
Total temporarily restricted net assets	$ 84,090,255	$ 76,087,736

NOTE 11 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of:

	2018	2017
Endowment funds	$ 113,665,179	$ 111,798,655
Trusts held for endowment	1,262,651	1,262,091
Property held for College use in perpetuity	7,287,707	7,287,707
Total permanently restricted net assets	$ 122,215,537	$ 120,348,453

The income from the investments related to these net assets, together with the income on net endowment investment gains, is restricted 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 $15,066 and $112,009 as of May 31, 2018 and 2017, 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.

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 4.5% of the sixteen quarter rolling average endowment market value in addition to a supplemental amount approved by the Board not to exceed 1.5%. In 2018 and 2017, the endowment spending rate was 5.1% and 5.3%, respectively. In February 2016, the Board of Trustees approved a long-term phased reduction in the supplemental spending policy until it eventually reaches a 4.5% annual spending rate. The spending rate will be reduced annually by either 0.1% or 0.2% depending upon the annual growth in the College's budget.

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.

NOTE 12 – ENDOWMENTS (Continued)

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

Endowment net assets consist of the following at May 31, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (15,066)	$ 72,668,444	$ 113,665,179	$ 186,318,557
Board-designated endowment funds	49,295,370	-	-	49,295,370
Total endowment net assets	$ 49,280,304	$ 72,668,444	$ 113,665,179	$ 235,613,927

Endowment net assets consist of the following at May 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (112,009)	$ 67,239,109	$ 111,798,655	$ 178,925,755
Board-designated endowment funds	42,996,552	-	-	42,996,552
Total endowment net assets	$ 42,884,543	$ 67,239,109	$ 111,798,655	$ 221,922,307

NOTE 12 – ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended May 31 are as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 42,884,543	$ 67,239,109	$ 111,798,655	$ 221,922,307
Total investment returns	9,109,586	13,656,910	-	22,766,496
Contributions	100	-	1,816,297	1,816,397
Matured trusts and other transfers	-	(295)	50,227	49,932
Appropriation of endowment assets for expenditure (spending rate)	(2,713,925)	(8,227,280)	-	(10,941,205)
Endowment net assets, end of year	$ 49,280,304	$ 72,668,444	$ 113,665,179	$ 235,613,927

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 37,127,561	$ 58,356,363	$ 108,555,355	$ 204,039,279
Total investment returns	8,566,136	16,946,811	1,247,027	26,759,974
Contributions	15,200	-	1,958,854	1,974,054
Matured trusts and other transfers	-	44,174	37,419	81,593
Appropriation of endowment assets for expenditure (spending rate)	(2,824,354)	(8,108,239)	-	(10,932,593)
Endowment net assets, end of year	$ 42,884,543	$ 67,239,109	$ 111,798,655	$ 221,922,307

NOTE 13 – RETIREMENT 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 TIAA.

Once an employee becomes eligible for the employer contribution, the College makes monthly payments of 9% 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, 2018 and 2017, was approximately $4,111,000 and $4,064,000, respectively.

NOTE 14 – POST-RETIREMENT HEALTHCARE BENEFITS

In addition to providing retirement plan 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 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. The liability is included in accrued and other liabilities on the statement of financial position.

Obligations and funded status at May 31 are as follows:

	2018	2017
Amounts recognized in the statements of financial position		
Accrued postretirement healthcare benefits liability	$ 1,270,287	$ 1,310,113
Change in benefit obligation		
Benefit obligation, beginning of year	$ 1,310,113	$ 1,603,936
Service cost	62,831	84,915
Interest cost	49,683	57,718
Actuarial gain	(102,565)	(387,781)
Benefits paid	(49,775)	(48,675)
Benefit obligation, end of year	$ 1,270,287	$ 1,310,113
Reconciliation of funded status		
End of year	$ 1,270,287	$ 1,310,113
Unrecognized net actuarial loss	-	-
Net amount recognized	$ 1,270,287	$ 1,310,113

NOTE 14 – POST-RETIREMENT HEALTHCARE BENEFITS (Continued)

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

	2018	2017
Net periodic benefit cost		
Service cost	$ 62,831	$ 84,915
Interest cost	49,683	57,718
Recognition of actuarial (gains)/losses	(102,565)	(387,781)
Net periodic benefit cost	$ 9,949	$ (245,148)

The discount rate used in determining the accumulated post-retirement benefit obligation was 4.0% at May 31, 2018 and 3.9% at May 31, 2017. To determine the accumulated post-retirement benefit obligation at May 31, 2018 and 2017, 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, 2018 and 2017, the College made healthcare insurance premium payments for the participants of approximately $49,775 and $48,675, respectively.

The healthcare insurance premium payments for the participants are expected to be paid as follows as of May 31, 2018:

Years Ending May 31	
2019	$ 50,433
2020	53,643
2021	57,483
2022	60,431
2023	63,103
Thereafter	365,301
	$ 650,394

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.

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 $1,090,988. 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.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (Continued)

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 (2.3% at May 31, 2018). The scheduled maturity on the line of credit is October 31, 2018. As of May 31, 2018 and 2017, no amounts were outstanding on the line of credit. No loans were taken from the line of credit during the years ended May 31, 2018 and 2017. 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, 2018.

Operating Lease Commitments

The College leases office space for clinics associated with the Law & Graduate Schools and various equipment under operating lease obligations. Future minimum payments associated with operating lease agreements for succeeding years are as follows:

Years Ending May 31	
2019	$ 392,214
2020	395,628
2021	142,365
2022	51,905
2023	11,743
	$ 993,855

NOTE 16 – CONCENTRATIONS

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. Investments are diversified in order to limit credit risk.

As of May 31, 2018 and 2017, the College had investments of $27,179,621 and $23,732,017, respectively, which were concentrated in one fund.

As of May 31, 2018 and 2017, gross contributions receivable of $1,725,000 and $3,000,000, were due from three and four donors, respectively.