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MARTIN, HARPS, SYPHOE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

SPELMAN COLLEGE

Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

KPMG

MARTIN, HARPS, SYPHOE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

Independent Auditors' Report

The Board of Trustees
Spelman College:

We have audited the accompanying financial statements of Spelman College, which comprise the statements of financial position as of June 30, 2017 and 2016, 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 U.S. generally accepted accounting principles; 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 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 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 Spelman College as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Martin, Harps, Syphoe + Co.

Atlanta, Georgia
October 23, 2017

SPELMAN COLLEGE

Statements of Financial Position

June 30, 2017 and 2016

Assets		**2017**	**2016**
Cash and cash equivalents	$	25,729,033	22,461,440
Student accounts receivable (net of allowance for doubtful accounts of $2,580,000 in 2017 and $2,271,000 in 2016)		1,721,247	1,913,614
Grants and other receivables		1,681,110	1,236,658
Contributions receivable, net (note 2)		4,236,239	7,207,750
Student notes receivable (net of allowance for doubtful accounts of $1,200,000 in 2017 and 2016)		1,371,996	1,471,839
Investments (notes 3 and 9)		366,226,708	346,981,172
Other assets		1,014,009	1,245,122
Property and equipment, net (notes 5 and 6)		163,231,591	164,439,620
Total assets	$	565,211,933	546,957,215
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	6,777,413	4,687,642
Accrued compensation and related expenses		6,570,369	6,208,459
Deferred revenue		659,171	1,090,161
Bonds and note payable (note 6)		80,359,815	85,743,741
Advances from federal government		1,616,525	1,603,538
Total liabilities		95,983,293	99,333,541
Net assets:			
Unrestricted:			
Undesignated		874,884	231,850
Designated by the board of trustees as follows:			
Quasi-endowment, net (note 4)		61,776,935	58,322,151
Student loans		182,344	184,149
Facilities expansion		6,787,988	5,334,319
Investment in property and equipment		75,794,294	74,350,271
Total unrestricted net assets		145,416,445	138,422,740
Temporarily restricted (notes 4 and 8)		199,777,921	186,485,605
Permanently restricted (notes 4 and 8)		124,034,274	122,715,329
Total net assets		469,228,640	447,623,674
Commitments and contingencies (notes 3, 6, 11, and 12)			
Total liabilities and net assets	$	565,211,933	546,957,215

See accompanying notes to financial statements.

SPELMAN COLLEGE

Statement of Activities

Year ended June 30, 2017
(With summarized financial information for the year ended June 30, 2016)

	2017				2016
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Operating revenue:					
Tuition and fees	$ 55,721,784	—	—	55,721,784	53,822,412
Less student aid	(17,472,928)	—	—	(17,472,928)	(17,343,402)
Tuition and fees, net	38,248,856	—	—	38,248,856	36,479,010
Government grants and contracts	457,802	6,777,513	—	7,235,315	7,094,964
Private gifts and grants	3,383,360	6,858,024	—	10,241,384	15,194,864
Investment income (note 3)	112,432	599	—	113,031	36,808
Realized and unrealized gains on investments, net (note 3)	767	—	—	767	1,837
Endowment spending in accordance with the College's spending rule (notes 3 and 4)	4,950,723	13,449,522	—	18,400,245	18,344,580
Sales and services of auxiliary enterprises	21,942,522	—	—	21,942,522	21,212,157
Other	984,846	—	—	984,846	1,188,152
Net assets released from restrictions (note 7)	28,734,734	(28,734,734)	—	—	—
Total operating revenue	98,816,042	(1,649,076)	—	97,166,966	99,552,372
Operating expenses (note 10):					
Instruction	29,359,615	—	—	29,359,615	28,848,794
Research	5,657,386	—	—	5,657,386	4,435,754
Public service	277,462	—	—	277,462	267,379
Academic support	7,828,709	—	—	7,828,709	7,726,859
Student services	11,529,590	—	—	11,529,590	12,475,549
Institutional support	24,570,112	—	—	24,570,112	25,532,987
Auxiliary enterprises	16,155,725	—	—	16,155,725	15,433,864
Total operating expenses	95,378,599	—	—	95,378,599	94,721,186
Change in net assets from operating activities	3,437,443	(1,649,076)	—	1,788,367	4,831,186
Nonoperating activities:					
Contributions	(16,739)	507,000	1,318,945	1,809,206	3,116,031
Investment income (note 3)	459,612	2,331,439	—	2,791,051	2,640,067
Change in present value of split-interest agreements	—	(810)	—	(810)	(14,327)
Realized and unrealized gains on investments, net (note 3)	8,750,728	25,872,305	—	34,623,033	(2,453,017)
Endowment spending in accordance with the College's spending rule (notes 3 and 4)	(4,950,723)	(13,449,522)	—	(18,400,245)	(18,344,580)
Net assets released from restriction for construction (note 7)	303,767	(303,767)	—	—	—
Net assets released from restriction for expired term annuities	16,739	(16,739)	—	—	—
Capital campaign expenditures	(1,007,788)	—	—	(1,007,788)	(1,381,717)
Other nonoperating income	666	1,486	—	2,152	5,644
Change in net assets from nonoperating activities	3,556,262	14,941,392	1,318,945	19,816,599	(16,431,899)
Change in net assets	6,993,705	13,292,316	1,318,945	21,604,966	(11,600,713)
Net assets at beginning of year	138,422,740	186,485,605	122,715,329	447,623,674	459,224,387
Net assets at end of year	$ 145,416,445	199,777,921	124,034,274	469,228,640	447,623,674

See accompanying notes to financial statements.

SPELMAN COLLEGE

Statement of Activities

Year ended June 30, 2016

	2016			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Operating revenue:				
Tuition and fees	$ 53,822,412	—	—	53,822,412
Less student aid	(17,343,402)	—	—	(17,343,402)
Tuition and fees, net	36,479,010	—	—	36,479,010
Government grants and contracts	546,422	6,548,542	—	7,094,964
Private gifts and grants	2,685,466	12,509,398	—	15,194,864
Investment income (note 3)	36,446	362	—	36,808
Realized and unrealized gains on investments, net (note 3)	1,837	—	—	1,837
Endowment spending in accordance with the College's spending rule (notes 3 and 4)	4,789,952	13,554,628	—	18,344,580
Sales and services of auxiliary enterprises	21,212,157	—	—	21,212,157
Other	1,188,152	—	—	1,188,152
Net assets released from restrictions (note 7)	28,043,718	(28,043,718)	—	—
Total operating revenue	94,983,160	4,569,212	—	99,552,372
Operating expenses (note 10):				
Instruction	28,848,794	—	—	28,848,794
Research	4,435,754	—	—	4,435,754
Public service	267,379	—	—	267,379
Academic support	7,726,859	—	—	7,726,859
Student services	12,475,549	—	—	12,475,549
Institutional support	25,532,987	—	—	25,532,987
Auxiliary enterprises	15,433,864	—	—	15,433,864
Total operating expenses	94,721,186	—	—	94,721,186
Change in net assets from operating activities	261,974	4,569,212	—	4,831,186
Nonoperating activities:				
Contributions	(16,956)	181,870	2,951,117	3,116,031
Investment income (note 3)	421,742	2,218,325	—	2,640,067
Change in present value of split-interest agreements	—	(14,327)	—	(14,327)
Realized and unrealized gains on investments, net (note 3)	1,955,950	(4,408,967)	—	(2,453,017)
Endowment spending in accordance with the College's spending rule (notes 3 and 4)	(4,789,952)	(13,554,628)	—	(18,344,580)
Net assets released from restriction for construction (note 7)	1,096,970	(1,096,970)	—	—
Net assets released from restriction for expired term annuities	16,956	(16,956)	—	—
Capital campaign expenditures	(1,381,717)	—	—	(1,381,717)
Other nonoperating income (expenses)	70,176	(14,828)	(49,704)	5,644
Change in net assets from nonoperating activities	(2,626,831)	(16,706,481)	2,901,413	(16,431,899)
Change in net assets	(2,364,857)	(12,137,269)	2,901,413	(11,600,713)
Net assets at beginning of year	140,787,597	198,622,874	119,813,916	459,224,387
Net assets at end of year	$ 138,422,740	186,485,605	122,715,329	447,623,674

See accompanying notes to financial statements.

SPELMAN COLLEGE

Statements of Cash Flows

Years ended June 30, 2017 and 2016

		2017	2016
Cash flows from operating activities:			
Change in net assets	$	21,604,966	(11,600,713)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		5,129,314	5,007,156
Amortization of bond issuance costs		89,512	97,087
Amortization of bond premium		(909,828)	(954,320)
Loss on disposal of property and equipment		—	1,559,818
In-kind contribution of property and other		(120,407)	(8,913)
Net realized and unrealized (gains) losses on investments		(34,623,800)	2,451,180
Private gifts and grants restricted for long-term investment		(4,797,456)	(3,400,180)
Decrease (increase) in student accounts receivable		192,367	(392,559)
(Increase) decrease in grants and other receivables		(444,452)	330,175
Decrease in contributions receivable, net		2,971,511	267,193
Decrease in other assets		351,520	87,963
Increase (decrease) in accounts payable and accrued expenses, and accrued compensation and related expenses		819,056	(1,770,731)
Decrease in deferred revenue		(430,990)	(428,724)
Net cash used in operating activities		(10,168,687)	(8,755,568)
Cash flows from investing activities:			
Purchases and acquisitions of property and equipment		(2,288,660)	(2,665,848)
Loans advanced to students, net		99,843	11,639
Proceeds from sales of investments		95,788,495	137,698,512
Purchases of investments		(80,410,231)	(124,144,459)
Net cash provided by investing activities		13,189,447	10,899,844
Cash flows from financing activities:			
Principal repayments on bonds and notes payable		(4,563,610)	(4,128,610)
Increase in advances from federal government		12,987	13,950
Proceeds from private gifts and grants restricted for long-term investment		4,797,456	3,400,180
Net cash provided by (used in) financing activities		246,833	(714,480)
Increase in cash and cash equivalents		3,267,593	1,429,796
Cash and cash equivalents at beginning of year		22,461,440	21,031,644
Cash and cash equivalents at end of year	$	25,729,033	22,461,440
Supplemental disclosures:			
Cash paid for interest	$	3,571,134	3,727,850
In-kind gift – property and other		120,407	8,913

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) General

Spelman College (the College) is a private, nonprofit institution of higher education located in Atlanta, Georgia. The College provides education and training services for students at the undergraduate level and performs research, training, and other services under grants, contracts, and similar agreements with sponsoring organizations and governmental agencies.

(b) Basis of Presentation

The financial statements of the College have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles.

The College's net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, the net assets of the College and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

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

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

Revenue from sources other than contributions is reported as increases in unrestricted net assets. Contributions are reported as increases in the appropriate net asset category. Contributions of assets other than cash and cash equivalents are initially recorded at their estimated fair value at the date of the gift, as determined by independent appraisal or other valuation methods as deemed appropriate by management. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue and classified in accordance with donor-imposed restrictions, if any, on the contributions.

Expenses are reported as decreases in unrestricted net assets. Net realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired and placed in service and are reported as reclassifications from temporarily restricted net assets to unrestricted net assets.

(c) Investments

Investments consist of marketable securities, privately held limited partnerships, and real estate.

Marketable securities are stated at fair value based on quoted market prices. The net realized and unrealized gains on investments are reflected in the statements of activities. Net realized and unrealized gains are allocated to net asset classes dependent upon donor specifications.

Investments in private limited partnership interests are valued using the most current information provided by the general partner. The change in net assets related to limited partnership interests is presented as net realized and unrealized gains based upon the estimated fair value of each partnership as determined by the general partner. General partners typically value privately held companies at cost as adjusted based on recent arm's length transactions. Real estate partnerships and funds are valued based on appraisals of properties held and are conducted by third-party appraisers retained by the general partner or investment manager. General partners of funds invested in marketable securities provide values based on quoted market prices and exchange rates for publicly held securities and valuation estimates of derivative instruments. Investment managers are authorized to employ derivative instruments, including swaps, futures, forwards, and options. These derivatives are generally used for managing interest rate or foreign currency risk or to attain or hedge a specific financial market position. The College does not have direct investments in such instruments. Management reviews and evaluates valuation information provided by general partners and investment managers, and management believes such values are reasonable estimates of fair value.

The College's investments include various types of investment securities and investment vehicles. Investment securities are exposed to various risks, such as liquidity, interest rate, currency, market, and credit risks.

Liquidity risk represents the possibility that the College may be unable to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price. If the College was compelled to dispose of a liquid investment at an inopportune time, it may be required to do so at a substantial discount to fair value.

The College invests in alternative investments, which can be highly illiquid. Under adverse market or economic conditions, the secondary market for certain of these alternative investments could contract. As a result, the College could find it more difficult to sell these securities or may only be able to sell the securities at prices lower than if such securities were more widely traded. The College's interests in alternative investments are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the College's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2017, the College had no plans or intentions to sell investments at amounts different from NAV.

The College holds investments denominated in currencies other than the U.S. dollar. Thus, there is exposure to currency risk because the value of the investments denominated in other currencies may fluctuate due to changes in currency exchange rates, and this can have an adverse effect on the reported value of assets and liabilities denominated in currencies other than the U.S. dollar.

The College's investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolio is also subject to the risk where the issuer of a security is not able to pay interest or repay principal when it is due.

The value of securities held by the College may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio. Those events impacting valuation may include (but are not limited to) economic changes, market fluctuations, regulatory changes, global and political instability, and currency, interest rate, and commodity price fluctuations. The College attempts to manage these risks through diversification, ongoing due diligence of fund managers, and monitoring of economic conditions.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the College’s financial statements.

(d) Property and Equipment

Property and equipment are stated at cost at date of acquisition or at estimated fair value at date of donation, less accumulated depreciation.

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. A summary of depreciable lives is as follows:

Land improvements	25 years
Buildings	50 years
Furniture and equipment	5 years
Investment in the Robert W. Woodruff library at the Atlanta University Center Consortium, Inc.	7 years

(e) Advances from Federal Government for Student Loans

The College owns a one-tenth interest in its Federal Perkins Loan fund used to advance loans to students. The remaining nine-tenths is distributable to the federal government upon liquidation of the federal loan program and is recorded as a liability in the accompanying statements of financial position.

(f) Income Tax Status

The College is recognized as an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3), whereby only unrelated business income, as defined by Section 512(a) of the Code, is subject to federal income tax. The College reviews its tax positions annually and has determined that there are no material uncertain tax positions that require recognition in the financial statements at June 30, 2017 or 2016.

(g) Atlanta University Center Consortium, Inc.

The College records as expense an allocated share of expenditures made through Atlanta University Center Consortium, Inc., an affiliated organization, for the benefit of the four affiliated institutions.

(h) Cash Equivalents

Cash equivalents consist primarily of money market accounts, commercial paper, and any other short-term investments with original maturities of three months or less. Cash and cash equivalents that are part of the pooled investments are shown within investments as these funds are generally not used for daily operating needs.

(i) Use of Estimates

Management of the College has made certain estimates and assumptions relating to the reporting of the allowance for uncollectible student receivables and contributions receivable, useful lives of property and equipment, investments without readily determinable fair values, and accrued expenses to prepare the financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

(j) Bond Issuance Costs

Bond issuance costs related to the registration and issuance of bonds are carried at cost, less accumulated amortization, and are being amortized over the life of the related bonds. Unamortized bond issuance costs are recorded as a direct deduction from bonds and notes payable on the accompanying statements of financial position.

(k) Conditional Asset Retirement Obligations

The College has identified asbestos and lead paint abatement as conditional asset retirement obligations (ARO). Asbestos and lead paint abatement costs were estimated using a per-square-foot estimate. The College is required to recognize period-to-period changes in an ARO liability resulting from the passage of time (accretion expense) and revisions in cash flow estimates. The College's ARO are included in accounts payable and accrued expenses in the accompanying statements of financial position.

The following table presents the activity of the College's ARO for the years ended June 30, 2017 and 2016:

		2017	2016
Balance at beginning of year	$	1,708,690	1,619,670
Accretion expense		97,549	89,020
Balance at end of year	$	1,806,239	1,708,690

(l) Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects that consideration to which the entity expects to be entitled in exchange for those goods or services. An entity also should disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for the College for fiscal years beginning after December 15, 2017 (as amended in August 2015 by ASU No. 2015-14, *Deferral of Effective Date*). The College has not yet completed its assessment of the impact of the new guidance on its financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2018, with early adoption restricted to certain provisions and within certain time periods. Under the ASU, not-for-profit and private entities are no longer required to disclose fair value information concerning financial instruments measured at amortized cost such as long-term debt. The College early adopted this provision of ASU 2016-01 as of June 30, 2016. The College will adopt the remaining provisions of the ASU during fiscal year 2020.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). The amendments in ASU 2016-02 create FASB Accounting Standards Codification (ASC) Topic 842, *Leases*, and supersede the requirements in ASC Topic 840, *Leases*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. The ASU is effective for all business entities for fiscal years beginning after December 15, 2018. The College will implement the provisions of ASU 2016-02 during fiscal year 2020. The College has not yet determined the impact of the new standard on its current policies for lessee accounting.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Non-for-Profit Entities* (ASU 2016-14). ASU 2016-14 (1) reduces the number of net asset classes presented from three to two, (2) requires the presentation of expenses by functional and natural classification in one location, and (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The College will implement the provisions of ASU 2016-14 during fiscal year 2019. The College has not yet determined the impact of the new standard on its current policies.

(2) Contributions Receivable, Net

Contributions receivable as of June 30, 2017 and 2016 are summarized as follows:

		2017	2016
Unconditional promises expected to be collected in:			
Less than one year	$	3,005,841	5,367,188
One year to five years		1,772,948	2,672,108
Greater than five years		—	2,241
		4,778,789	8,041,537
Less allowance for uncollectible contributions		238,945	402,084
Less unamortized discount		303,605	431,703
	$	4,236,239	7,207,750

Contributions are discounted at rates ranging from 2.71% to 7.71% for the years ended June 30, 2017 and 2016, commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue and classified in accordance with donor-imposed restrictions. The College’s allowance for uncollectible contributions is estimated by using past collection history as an indication of future collections. At June 30, 2017 and 2016, the College’s two largest outstanding donor pledge balances represented 41% and 51%, respectively, of the College’s gross contributions receivable.

(3) Investments

The fair value of investments is summarized as follows at June 30, 2017 and 2016:

		2017	2016	2017 Unfunded capital commitments	2016 Unfunded capital commitments
Short-term investments	$	4,878,511	9,098,847	—	—
U.S. equity		52,026,988	37,269,983	—	—
Non-U.S. equity:					
Developed markets		17,265,552	13,592,798	—	—
Emerging markets		34,471,848	28,209,010	—	—
		51,737,400	41,801,808	—	—
Marketable alternatives		70,230,954	77,491,243	—	—
Real assets:					
Natural resources		7,003,791	7,231,775	4,909,754	5,983,459
Real estate		16,020,899	16,862,646	128,222	231,437
		23,024,690	24,094,421	5,037,976	6,214,896
Private equity:					
Private and venture capital		122,141,526	120,827,227	38,180,494	49,455,220
Distressed		16,029,113	13,182,802	5,041,410	10,141,659
		138,170,639	134,010,029	43,221,904	59,596,879
Fixed income		26,157,526	23,214,841	11,536,882	8,850,622
Total investments, at fair value	$	366,226,708	346,981,172	59,796,762	74,662,397

The College has investments in certain partnerships, and is obligated under the related partnership agreements to invest additional capital amounts. The College estimates that the additional capital amounts will be paid over the next five years depending on timing of potential investment opportunities identified by investment fund managers.

The following is a summary of the liquidation terms of investments as of June 30, 2017 and 2016:

	2017 Redemption period							
	Daily	Monthly	Quarterly	Semiannually	Annually	Illiquid	Total	Day(s) notice
Short-term investments (a)	$ 4,878,511	—	—	—	—	—	4,878,511	1
U.S. equity (b)	17,995,373	391,061	16,261,826	—	17,378,728	—	52,026,988	1–90
Non-U.S. equity (b)	7,010,960	19,839,429	5,153,657	—	16,043,997	3,689,357	51,737,400	60–120
Marketable alternatives (c)	—	—	33,636,978	10,656,030	5,158,011	20,779,935	70,230,954	30–90
Real assets (d)	—	—	—	—	—	23,024,690	23,024,690	5–90
Private equity (e)	—	—	—	—	—	138,170,639	138,170,639	—
Fixed income (f)	—	15,509,896	—	—	—	10,647,630	26,157,526	3–90
Total	$ 29,884,844	35,740,386	55,052,461	10,656,030	38,580,736	196,312,251	366,226,708	

	2016 Redemption period							
	Daily	Monthly	Quarterly	Semiannually	Annually	Illiquid	Total	Day(s) notice
Short-term investments (a)	$ 9,098,847	—	—	—	—	—	9,098,847	1
U.S. equity (b)	22,489,949	377,879	14,402,155	—	—	—	37,269,983	1–90
Non-U.S. equity (b)	5,182,269	15,550,060	4,503,108	—	13,574,842	2,991,529	41,801,808	60–120
Marketable alternatives (c)	—	9,880,547	14,913,308	11,697,289	35,386,700	5,613,399	77,491,243	30–90
Real assets (d)	—	—	—	—	12,743	24,081,678	24,094,421	5–90
Private equity (e)	—	—	—	—	—	134,010,029	134,010,029	—
Fixed income (f)	—	14,557,282	—	—	—	8,657,559	23,214,841	3–90
Total	$ 36,771,065	40,365,768	33,818,571	11,697,289	48,974,285	175,354,194	346,981,172	

(a) This category includes assets that are cash or readily convertible to cash, such as money market funds.

(b) This category includes investments in funds that take long positions in publicly traded equity securities. Approximately 50% of these investments are in U.S. companies and 50% are in non-U.S. companies. A range of styles, market caps, and geographic focuses is included. The public nature of the securities makes this category very liquid.

(c) This category includes investments in hedge funds that take long and short positions largely in equity securities, credit securities, and event-driven situations. Managers vary in style, market cap focus, geographic focus, sectors of focus, and types of securities, with some having considerable flexibility in each of these areas. The funds also vary in net long/short positioning with most equity funds generally maintaining a low net and little or no leverage. Most credit funds generally maintain a moderate net long position and little or no leverage.

(d) This category includes investments in real estate equity funds and commodity funds that take ownership of properties ranging from office, retail, multifamily, land, hotel, and various other commodities. These are investments that cannot be redeemed since the investment is distributed as the underlying investments are liquidated, which generally takes 4–10 years. There are currently no plans to sell any of these investments prior to their liquidation so the assets are carried at NAV as estimated by the investment fund manager.

(e) This category includes investments in private equity funds that provide growth equity or take full ownership of the companies in which they invest. Private equity funds take significant ownership positions in start-up or early-stage companies largely in the technology or healthcare spaces. These are private investments that cannot be redeemed since the investment is distributed as the underlying investments are liquidated, which generally takes 4–8 years. There are currently no plans to sell any of these investments prior to their liquidation, so the assets are carried at NAV as estimated by the investment fund manager.

(f) This category includes investments in funds that take long positions in publicly traded fixed income securities. Derivatives may be used to replicate securities or change the positioning of the portfolio without the need to buy or sell securities. The public nature of the securities makes this category very liquid.

As of June 30, 2017 and 2016, the College has approximately $319,000,000 and $296,000,000, respectively, of investments that are reported at estimated fair value based on NAV of the funds. Unless it is probable that all or a portion of the investment will be sold for an amount different from NAV, the College has applied a practical expedient and concluded that the NAV reported by the underlying fund approximates the fair value of these investments. Management estimates of fair value are based upon information provided by general partners and investment managers. At June 30, 2017 and 2016, the College did not have any investments with redemption lock-up provisions.

The College's investment return for the years ended June 30, 2017 and 2016 is as follows:

		2017	2016
Operating realized and unrealized gains on investments	$	767	1,837
Nonoperating realized and unrealized gains (losses) on investments		34,623,033	(2,453,017)
Total realized and unrealized gains (losses) on investments		34,623,800	(2,451,180)
Operating investment income		113,031	36,808
Nonoperating investment income		2,791,051	2,640,067
Total investment income		2,904,082	2,676,875
Total investment return		37,527,882	225,695
Investment return designated for current operations and endowment spending:			
Operating endowment spending		18,400,245	18,344,580
Nonoperating endowment spending		13,375	13,915
		18,413,620	18,358,495
Investment return in excess of (less than) amounts designated for current operations and endowment spending	$	19,114,262	(18,132,800)

Investment management fees approximated $1,943,000 and $1,972,000 for the years ended June 30, 2017 and 2016, respectively.

(4) Endowment Net Assets

The College's endowment consists of 300 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. 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.

(a) Interpretation of Relevant Law

The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act), as adopted in Georgia, as providing among other things, expanded spending flexibility by allowing, subject to a standard of prudence, an institution to spend from an endowment fund without regard to the book value of the corpus of the fund. This flexibility under UPMIFA allows an expenditure that lowers the value of the corpus of a donor restricted endowment fund below its book value, which was previously not allowed. 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) accumulation 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

Endowment net assets consisted of the following at June 30, 2017 and 2016:

		2017			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$	(197,217)	182,072,921	124,034,274	305,909,978
Board-designated endowment funds		61,974,152	—	—	61,974,152
Total endowed net assets	$	61,776,935	182,072,921	124,034,274	367,884,130

	2016			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ (540,396)	167,370,914	122,715,329	289,545,847
Board-designated endowment funds	58,862,547	—	—	58,862,547
Total endowed net assets	$ 58,322,151	167,370,914	122,715,329	348,408,394

Changes in endowment net assets for the years ended June 30, 2017 and 2016 were as follows:

	2017			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, June 30, 2016	$ 58,322,151	167,370,914	122,715,329	348,408,394
Investment return:				
Investment income	459,612	2,331,439	—	2,791,051
Net appreciation	8,750,728	25,872,305	—	34,623,033
Total investment return	9,210,340	28,203,744	—	37,414,084
Contributions	—	—	1,318,945	1,318,945
Appropriation of endowment assets for:				
Operations	(3,064,231)	(13,462,897)	—	(16,527,128)
Support of the College's investments office	(1,886,492)	—	—	(1,886,492)
Appropriation of endowment assets for campaign support	(1,007,788)	(30,000)	—	(1,037,788)
Transfers – other	202,955	—	—	202,955
Transfer of annuity funds, net	—	(8,840)		(8,840)
Endowment net asset, June 30, 2017	$ 61,776,935	182,072,921	124,034,274	367,884,130

	2016			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, June 30, 2015	$ 62,045,952	183,169,467	119,813,916	365,029,335
Investment return:				
Investment income	421,742	2,218,325	—	2,640,067
Net appreciation (depreciation)	1,955,950	(4,408,967)	—	(2,453,017)
Total investment return (loss)	2,377,692	(2,190,642)	—	187,050
Contributions	—	—	2,951,117	2,951,117
Appropriation of endowment assets for:				
Operations	(2,842,505)	(13,638,719)	—	(16,481,224)
Support of the College's investments office	(1,877,271)	—	—	(1,877,271)
Appropriation of endowment assets for campaign support	(1,381,717)	(30,000)	—	(1,411,717)
Transfers – other	—	49,704	(49,704)	—
Transfer of annuity funds, net	—	11,104	—	11,104
Endowment net asset, June 30, 2016	$ 58,322,151	167,370,914	122,715,329	348,408,394

(b) Funds with Deficiencies

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 Act requires the College to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted endowment net assets were $197,217 and $540,396 as of June 30, 2017 and 2016, 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 was deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted endowment net assets.

(c) Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark composed of 60% of the Russell 3000, 10% of the European and Far East

(MSCI) Index, and 30% of the Barclays Aggregate Bond Index, while assuming a moderate level of investment risk. The College expects its endowment funds, over three to five years, to provide an average annual real rate of return of approximately 5%–6% annually. Actual returns in any given year may vary from this amount.

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places emphasis on investments in equities, fixed income, hedge funds, and alternative assets (distressed, real estate, venture capital, and private equities) to achieve its long-term objectives within prudent risk parameters.

(e) Spending Policy

The College utilizes the total return concept (income yield and appreciation) in the management of its endowment. The College has implemented a spending policy designed to stabilize annual spending levels and preserve the real value of the endowment over time. In accordance with the College's policy, a predetermined endowment spending rate, consistent with the College's total return objective, has been established. Should the actual return be insufficient to support this policy, the balance is provided from net accumulated appreciation. Should the return exceed the amounts withdrawn in accordance with the spending policy, the balance is reinvested in the endowment.

The College has a policy of appropriating for distribution each year 4.80% of a weighted average of its endowment funds values as of September 30 for each of the four fiscal years preceding the fiscal year in which the distribution is planned. In establishing these policies, the College considered the expected return on its endowment. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate at least equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. The College withdrew an additional 0.29% and 0.38% of the fair value of the endowment as of the beginning of the year for each of the years ended June 30, 2017 and 2016, respectively, in order to support its capital campaign. The actual spending rate used to support the College's operating budget for the years ended June 30, 2017 and 2016, calculated as a percentage of the fair value of the endowment as of the beginning of the year, was approximately 5.60% and 5.44%, respectively.

(Continued)

(5) Property and Equipment

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

		2017	2016
Land	$	14,687,722	14,687,722
Land improvements		22,280,251	22,256,371
Buildings		202,484,612	202,196,441
Furniture and equipment		29,904,397	29,165,423
Robert W. Woodruff Library at the Atlanta University Center Consortium, Inc.		547,000	547,000
Construction in progress		4,720,756	1,850,496
		274,624,738	270,703,453
Less accumulated depreciation		111,393,147	106,263,833
	$	163,231,591	164,439,620

Depreciation expense totaled $5,129,314 and $5,007,156 in 2017 and 2016, respectively.

(6) Bonds and Note Payable

Bonds and note payable as of June 30, 2017 and 2016 consist of the following:

	Interest rates	Maturity (serially)	Original issue	Outstanding as of June 30 2017	Outstanding as of June 30 2016
Private colleges and universities:					
Authority Revenue Bonds – 2003 Series	2.00%–5.25%	2022	$ 29,780,000	$ 2,895,000	3,395,000
Development Authority of Fulton County:					
Adjustable rate demand:					
Revenue Bonds of 1999	2.38 %	2019	8,000,000	2,700,000	3,600,000
Fixed rate:					
Revenue Bonds of 2007	4.00 %	2017	34,760,000	—	535,000
Revenue Bonds of 2012	2.00%–5.00%	2029	25,145,000	15,350,000	17,765,000
Revenue Bonds of 2012	4.00 %	2029	725,000	725,000	725,000
Revenue Bonds of 2015	3.25%–5.00%	2032	52,080,000	52,080,000	52,080,000
				73,750,000	78,100,000
Unamortized premium				7,556,183	8,466,011
Bond issuance costs				(946,368)	(1,035,880)
Total bonds payable, net				80,359,815	85,530,131
2011 note payable to equipment supplier	N/A	2016	N/A	—	213,610
Total bonds and note payable				$ 80,359,815	85,743,741

Under the terms of the agreements related thereto, the Authority Revenue Bonds of 2003 (the 2003 bonds) are unsecured general obligations of the College. The proceeds of the 2003 bonds were for the purpose of financing or refinancing all or a portion of various projects and advance refunding of the 1994 bonds. In April 2012, $17,010,000 of the proceeds from the issuance of the Revenue Bonds of 2012 was held in escrow for advance refunding of a portion of the 2003 bonds.

Under the terms of the bond financing documents related thereto, the Revenue Bonds of 1999 are general obligations of the College. The bonds were secured by irrevocable, direct-pay letters of credit issued by a commercial bank from the date of the original issuance of the bonds until September 21, 2009. On that date, the bond financing documents were amended to include a tax-exempt bank qualified option. This allowed the bonds to be purchased by the bank, which previously issued the letter of credit. The interest rate on the bonds changed to 0.67% of the sum of LIBOR plus 2.50%. The College continues to pledge “Unrestricted College Revenue” as security for its repayment obligations under the bonds. The maturity dates of the bonds did not change.

Under the terms of the agreements related thereto, the Revenue Bonds of 2007 (the 2007 bonds) are unsecured general obligations of the College. The proceeds of the 2007 bonds were for the purpose of financing all or a portion of various projects, as well as refunding the 1994 bonds, and repayment in full of the 2004 note payable. In April 2015, $53,820,000 of the proceeds from the issuance of the Revenue Bonds of 2015 was held in escrow for advance refunding of a portion of the 2007 bonds.

Under the terms of the agreements related thereto, the Revenue Bonds of 2012 (the 2012 bonds) are unsecured general obligations of the College. The proceeds of the 2012 bonds were for the purpose of advance refunding a portion of the 2003 bonds and refunding the outstanding principal balances of the 2005 and 2008 notes payable to a commercial bank. Approximately $18,559,000 of the proceeds from the issuance of the 2012 bonds was placed in escrow in order to refund $17,010,000 of the 2003 bonds on June 1, 2012.

Under the terms of the agreements related thereto, the Revenue Bonds of 2015 (the 2015 bonds) are unsecured general obligations of the College. The proceeds of the 2015 bonds were for the purpose of advance refunding a portion of the 2007 bonds. Approximately $59,683,000 of the proceeds from the issuance of the 2015 bonds was placed in escrow in order to refund $53,820,000 of the 2007 bonds based on an amended maturity date of June 1, 2017.

On September 16, 2011, the College entered into a computer equipment financing agreement with a manufacturer in the amount of $1,281,659. The note required annual payments of $213,610, was noninterest bearing, and was secured by equipment having a book value of $213,610 at June 30, 2016. The note matured on September 16, 2016.

The maturity schedule for bonds and notes payable as of June 30, 2017 is as follows:

	Year ending June 30						
	2018	2019	2020	2021	2022	Thereafter	Total
Revenue Bonds of 1999	$ 900,000	900,000	900,000	—	—	—	2,700,000
Revenue Bonds of 2003	520,000	555,000	585,000	600,000	635,000	—	2,895,000
Revenue Bonds of 2012	2,510,000	2,590,000	2,685,000	2,725,000	2,840,000	2,725,000	16,075,000
Revenue Bonds of 2015	—	—	—	800,000	825,000	50,455,000	52,080,000
	$ 3,930,000	4,045,000	4,170,000	4,125,000	4,300,000	53,180,000	73,750,000

The terms of the bonds and note provide for certain nonfinancial covenants. The College's management believes it is in compliance with these requirements at June 30, 2017.

Interest expense related to bonds and note payable approximated $2,661,000 and $2,774,000 for the years ended June 30, 2017 and 2016, respectively.

(7) Net Assets Released from Restrictions

Net assets were released from donor-imposed temporary restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30, 2017 and 2016, as follows:

		2017	2016
Operating:			
Scholarships and fellowships	$	13,380,004	13,481,816
Instruction		5,710,397	6,178,482
Research		4,022,290	2,951,181
Public service		67,770	69,028
Academic support		713,456	680,599
Student services		1,132,814	1,086,106
Institutional support		620,883	662,249
Auxiliary enterprises		21,021	21,544
Other		3,066,099	2,912,713
		28,734,734	28,043,718
Nonoperating:			
Construction		303,767	1,096,970
Expired term annuities		16,739	16,956
	$	29,055,240	29,157,644

(8) Net Assets

Temporarily restricted net assets as of June 30, 2017 and 2016 were available for the following purposes:

		2017	2016
Scholarships and fellowships	$	97,674,167	86,768,033
Programs and other operating purposes		99,283,519	97,100,570
Purchase of property and equipment		2,820,235	2,617,002
	$	199,777,921	186,485,605

(Continued)

Permanently restricted net assets totaling $124,034,274 and $122,715,329 as of June 30, 2017 and 2016, respectively, consist of endowment investments whose income and net realized and unrealized gains are available for the College's operations, scholarships, and various academic programs.

(9) Fair Value

The College's estimates of fair value for financial assets and liabilities are based on the framework established in ASC Topic 820, *Fair Value Measurement*. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 inputs – Quoted prices for instruments that are identical or similar in markets that are not active and model-derived valuations for which all significant inputs are observable, either directly or indirectly, in active markets.
- Level 3 inputs – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

As of June 30, 2017 and 2016, the College has $12,789,267 and $13,039,269, respectively, of investments classified as either Level 2 or Level 3. While the College's investment in these funds is classified as Level 2 or 3, the underlying investments of the fund may be classified as Level 1 within the fund itself. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment to the investor and does not necessarily correspond to the perceived risk of that investment. The hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The funds and the College use inputs in applying various valuation techniques that consider assumptions, which market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, operating statistics, specific and broad credit data, liquidity statistics, recent transactions, earnings forecasts, future cash flows, market multiples, discount rates, and other factors.

Underlying fund investments made directly by the College whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include actively traded common and preferred stock, U.S. government fixed income instruments, and non-U.S. government fixed income instruments. Level 1 investments may also include listed mutual funds, exchange-traded funds, and money market funds.

Investments that trade in markets that are considered to be active, but are based on dealer quotations or alternative pricing sources supported by observable inputs or investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs, are classified within Level 2 and are redeemable within 90 days of the financial reporting date. Alternative pricing sources include quotations from market participants and pricing models, which are based on accepted industry modeling techniques.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all and are not redeemable within 90 days of the financial reporting date. Level 3 investments include limited partnerships and private placement fund investments. Inputs used may include the original transaction price, recent transactions in the same or a similar market, completed or pending third-party transactions in the underlying investment or comparable issuers, and subsequent rounds of financing. When observable prices are not available, these investments are valued using one or a combination of the valuation techniques described below:

- Market approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Income approach: This approach determines a valuation by discounting future cash flows.
- Cost approach: This approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset.

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable.

In accordance with ASC Subtopic 820-10, *Fair Value Measurement–Overall*, certain investments that are measured at fair value using NAV as a practical expedient to fair value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

The following tables present, for each level within the fair value hierarchy, the College's recurring and nonrecurring fair value measurements for assets as of June 30, 2017 and 2016:

	June 30, 2017				
	Level 1	**Level 2**	**Level 3**	**Investments measured at NAV**	**Total**
Recurring:					
Assets:					
Cash and cash equivalents	$ 25,729,033	—	—	—	25,729,033
Investments:					
Short-term investments	4,878,511	—	—	—	4,878,511
U.S. equity	18,386,434	—	—	33,640,554	52,026,988
Non-U.S. equity	6,614,365	—	—	45,123,035	51,737,400
Marketable alternatives	—	—	—	70,230,954	70,230,954
Real assets	—	—	12,789,267	10,235,423	23,024,690
Private equity	—	—	—	138,170,639	138,170,639
Fixed income	4,532,018	—	—	21,625,508	26,157,526
Total investments	34,411,328	—	12,789,267	319,026,113	366,226,708
	$ 60,140,361	—	12,789,267	319,026,113	391,955,741

	June 30, 2016				
	Level 1	**Level 2**	**Level 3**	**Investments measured at NAV**	**Total**
Recurring:					
Assets:					
Cash and cash equivalents	$ 22,461,440	—	—	—	22,461,440
Investments:					
Short-term investments	9,098,847	—	—	—	9,098,847
U.S. equity	22,867,828	—	—	14,402,155	37,269,983
Non-U.S. equity	1,072,680	—	—	40,729,128	41,801,808
Marketable alternatives	—	—	—	77,491,243	77,491,243
Real assets	—	—	13,039,269	11,055,152	24,094,421
Private equity	—	—	—	134,010,029	134,010,029
Fixed income	4,432,936	—	—	18,781,905	23,214,841
Total investments	37,472,291	—	13,039,269	296,469,612	346,981,172
	$ 59,933,731	—	13,039,269	296,469,612	369,442,612

The carrying amounts of cash and cash equivalents, student accounts receivable, grants, and other receivables approximate fair value because of the terms and relatively short maturity of these financial instruments. Split-interest obligation carrying amounts approximate fair value because these instruments are recorded at estimated net present value of future cash flows determined as of the date of the gift. Investments are reported at fair value as of the date of the financial statements.

Contributions receivable for current year gifts are initially measured at fair value in the year the receivable is recorded based on the present value of future cash flows discounted at a rate commensurate with risks involved, which is an application of the income approach. Current year gifts included in contributions receivable reflected at fair value at June 30, 2017 and 2016 were approximately $400,000 and $4,500,000, respectively.

A reasonable estimate of the fair value of advances from the federal government and student loans could not be made because the notes receivable are not salable and can only be assigned to the federal government or its designees. The carrying value of institutional student notes receivable approximates fair value.

The carrying amounts of accounts payable, accrued compensation and related expenses, and other related accruals approximate fair value because of the relatively short maturity of these financial instruments.

The following tables present additional information about Level 3 financial instruments measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that were classified within the Level 3 category. As a result, the unrealized gains and losses for financial instruments within the Level 3 category in the table below may include changes in fair value that were attributable to both observable and unobservable inputs.

Level 3 rollforward		**Real assets**
Fair value at June 30, 2015	$	16,941,809
Acquisitions		—
Dispositions		(1,929,182)
Net realized and unrealized losses		(1,973,358)
Fair value at June 30, 2016		13,039,269
Acquisitions		30,738
Dispositions		(85,714)
Net realized and unrealized losses		(195,026)
Fair value at June 30, 2017	$	12,789,267

		2017	**2016**
Net losses in Level 3 attributable to net unrealized gains (losses) relating to those investments still held at June 30	$	(195,026)	(2,333,358)

The College's accounting policy is to recognize transfers among levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. During 2017 and 2016, there were no transfers into or out of Level 2 or 3.

(10) Operating Expenses

Expenses are reported in the accompanying statements of activities in categories recommended by the National Association of College and University Business Officers. The College's primary program service is instruction. Expenses reported as academic support, student services, institutional support, and auxiliary enterprises are incurred in support of this primary program service. Institutional support includes fund-raising expenses approximating $3,700,000 and $4,100,000 for the years ended June 30, 2017 and 2016, respectively.

Operating expenses classified by natural type for the years ended June 30, 2017 and 2016 were as follows:

		2017	2016
Salaries and wages	$	40,334,941	38,601,213
Fringe benefits		10,956,205	11,300,080
Depreciation		5,129,314	5,007,156
Interest on indebtedness		2,661,306	2,773,530
Other expenses		36,296,833	37,039,207
Total operating expenses	$	95,378,599	94,721,186

The College allocates operation and maintenance of plant, interest and depreciation to the program and support expenses reported in the accompanying statements of activities based upon various methods. The following tables report the amount of these expenses included in the accompanying statements of activities for the years ended June 30, 2017 and 2016:

		2017				
Functional category		**Direct expenses**	**Operation and maintenance of plant**	**Interest**	**Depreciation**	**Total expenses**
Instruction	$	24,676,963	3,566,251	—	1,116,401	29,359,615
Research		5,416,674	—	—	240,712	5,657,386
Public service		277,462	—	—	—	277,462
Academic support		7,482,915	323,122	—	22,672	7,828,709
Student services		9,573,154	1,458,972	—	497,464	11,529,590
Institutional support		20,761,038	1,553,862	951,515	1,303,697	24,570,112
Auxiliary enterprises		12,083,205	414,361	1,709,791	1,948,368	16,155,725
	$	80,271,411	7,316,568	2,661,306	5,129,314	95,378,599

		2016				
Functional category		**Direct expenses**	**Operation and maintenance of plant**	**Interest**	**Depreciation**	**Total expenses**
Instruction	$	24,163,571	3,577,585	—	1,107,638	28,848,794
Research		4,157,567	—	—	278,187	4,435,754
Public service		267,379	—	—	—	267,379
Academic support		7,415,957	307,963	—	2,939	7,726,859
Student services		10,813,987	1,365,457	—	296,105	12,475,549
Institutional support		21,102,487	1,846,358	1,143,480	1,440,662	25,532,987
Auxiliary enterprises		11,590,733	331,456	1,630,050	1,881,625	15,433,864
	$	79,511,681	7,428,819	2,773,530	5,007,156	94,721,186

(11) Pension Plan

The College has a defined-contribution retirement plan with Teacher's Insurance and Annuity Association and College Retirement Equities Fund, which covers substantially all full-time employees at the time of employment. Employees are fully vested in the College's contributions after completing three full years of service.

Total pension expense under this plan approximated $1,975,000 and $1,958,000 for the years ended June 30, 2017 and 2016, respectively.

(12) Commitments and Contingencies

(a) Federal Compliance Audits

Certain federally funded financial aid programs are routinely subject to compliance audit. The reports on the examinations, which are conducted pursuant to specific regulatory requirements by the independent auditors for the College, are required to be submitted to both the College and the U.S. Department of Education. Such agency has the authority to determine liabilities, as well as to limit, suspend, or terminate federal student aid programs.

These audits could result in claims against the resources of the College. No provision has been recorded for any liabilities that may arise from such audits, since the amounts, if any, cannot be determined at this date. Management believes that any such amounts would not have a material adverse effect on its financial position at June 30, 2017.

(b) Litigation

The College is a defendant in various litigation considered to be in the normal course of business. Although the final results of any litigation cannot be predicted with certainty, the College believes the outcome of pending litigation will not have a material adverse effect on its financial position, changes in net assets, or cash flows.

(c) Operating Leases

The College has several noncancelable operating leases for equipment and real estate with expiration dates through 2021.

Future minimum lease payments for years ending June 30 are as follows:

2018	$	903,000
2019		404,000
2020		241,000
2021		85,000
	$	1,633,000

Rent expense related to noncancelable operating leases with terms in excess of one year approximated $571,000 and $580,000 for the years ended June 30, 2017 and 2016, respectively.

(Continued)

(13) Subsequent Events

The College evaluated subsequent events from the financial reporting date of June 30, 2017 through October 23, 2017, which is the date the College's financial statements were available to be issued, and determined that there were no significant subsequent events requiring disclosure.