The Claremont Colleges

2017-2018 Financial Report

THE CLAREMONT COLLEGES, INC.
ANNUAL FINANCIAL REPORT

June 30, 2018 and 2017

CONTENTS

"My own very deep hope is that instead of one great, undifferentiated university, we might have a group of institutions divided into small colleges - somewhat on the Oxford type - around a library and other utilities which they would use in common. In this way I should hope to preserve the inestimable personal values of the small college while securing the facilities of a great university. Such a development would be a new and wonderful contribution to American education."

James A. Blaisdell, 1923

MOSSADAMS

Report of Independent Auditors

The Committee on Audit and Risk Management
The Claremont Colleges, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Claremont Colleges, Inc., which comprise the statements of financial position as of June 30, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Claremont Colleges, Inc. as of June 30, 2018 and 2017, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Los Angeles, California
October 5, 2018

THE CLAREMONT COLLEGES, INC.
STATEMENTS OF FINANCIAL POSITION

As of June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 1,136,821	$ 6,360,446
Accounts receivable (Note 3)	8,600,974	4,523,461
Prepaid expenses, deposits and other assets	3,226,330	3,514,660
Other long-lived assets, net	7,659,232	6,313,778
Student loans receivable (Note 4)	2,712,513	2,425,790
Investments (Note 5)	78,450,074	73,803,336
Property, plant and equipment, net (Note 6)	43,688,387	41,097,123
Total assets	$ 145,474,331	$ 138,038,594
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable, accrued liabilities and other liabilities	$ 7,780,099	$ 7,577,701
Note payable (Note 7)	4,198,874	3,906,623
Lines of credit (Note 8)	2,242,708	2,861,661
Bonds payable (Note 9)	13,264,497	13,973,977
Funds held in trust for others	3,555	27,370
Asset retirement obligation (Note 6)	236,871	278,526
Total liabilities	27,726,604	28,625,858
Net assets (Note 12):		
Unrestricted	86,775,515	78,547,365
Temporarily restricted	18,220,480	18,165,481
Permanently restricted	12,751,732	12,699,890
Total net assets	117,747,727	109,412,736
Total liabilities and net assets	$ 145,474,331	$ 138,038,594

THE CLAREMONT COLLEGES, INC.
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Sales and services	$ 43,133,579	$ -	$ -	$ 43,133,579
Spending policy income	646,096	350,754	-	996,850
Rental income	218,719	-	-	218,719
Interest and dividends on separate investments	702,022	78,619	-	780,641
Gifts and grants	211,171	135,493	2,550	349,214
Release and reclassifications of restricted net assets	1,205,907	(1,205,767)	(140)	-
Total revenues and release of net assets	46,117,494	(640,901)	2,410	45,479,003
Expenses:				
Academic support services	15,621,694	-	-	15,621,694
Student services	6,364,285	-	-	6,364,285
Institutional support services	18,904,729	-	-	18,904,729
Administration and general	5,904,315	-	-	5,904,315
Total expenses	46,795,023	-	-	46,795,023
Revenues over (under) expenses	(677,529)	(640,901)	2,410	(1,316,020)
Other changes in net assets:				
Realized and unrealized gain on investments net of spending policy income	2,242,391	743,448	-	2,985,839
Redesignation of net assets	1,941	(51,373)	49,432	-
Net gain on sale of property and equipment	4,968,572	-	-	4,968,572
Actuarial adjustments	196,564	3,825	-	200,389
Transfers from other Claremont Colleges	1,496,211	-	-	1,496,211
Total other changes in net assets	8,905,679	695,900	49,432.00	9,651,011
Change in net assets	8,228,150	54,999	51,842	8,334,991
Net assets at beginning of year	78,547,365	18,165,481	12,699,890	109,412,736
Total net assets at end of year	$ 86,775,515	$ 18,220,480	$ 12,751,732	$ 117,747,727

THE CLAREMONT COLLEGES, INC.
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Sales and services	$ 40,052,557	$ -	$ -	$ 40,052,557
Spending policy income	650,831	352,178	-	1,003,009
Rental income	426,263	-	-	426,263
Interest and dividends on separate investments	559,186	85,333	-	644,519
Gifts and grants	52,129	1,502,091	2,050	1,556,270
Release and reclassifications of restricted net assets	824,229	(824,229)	-	-
Total revenues and release of net assets	42,565,195	1,115,373	2,050	43,682,618
Expenses:				
Academic support services	14,509,243	-	-	14,509,243
Student services	5,908,185	-	-	5,908,185
Institutional support services	17,844,045	-	-	17,844,045
Administration and general	4,443,601	-	-	4,443,601
Total expenses	42,705,074	-	-	42,705,074
Revenues over (under) expenses	(139,879)	1,115,373	2,050	977,544
Other changes in net assets:				
Realized and unrealized gain on investments net of spending policy income	60,197	1,144,030	-	1,204,227
Redesignation of net assets	-	10,000	(10,000)	-
Net gain on sale of property and equipment	13,198,828	-	-	13,198,828
Actuarial adjustments	95,358	4,005	-	99,363
Transfers from other Claremont Colleges	1,428,596	-	-	1,428,596
Total other changes in net assets	14,782,979	1,158,035	(10,000)	15,931,014
Change in net assets	14,643,100	2,273,408	(7,950)	16,908,558
Net assets at beginning of year	63,904,265	15,892,073	12,707,840	92,504,178
Total net assets at end of year	$ 78,547,365	$ 18,165,481	$ 12,699,890	$ 109,412,736

THE CLAREMONT COLLEGES, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 8,334,991	$ 16,908,558
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	2,138,399	2,081,185
Amortization of bond premium, asset retirement obligation and other long-lived assets	1,571,585	578,459
Realized and unrealized gain on investments	(4,199,691)	(2,470,854)
Gain on disposal of property, plant and equipment	(4,968,572)	(13,198,828)
Actuarial adjustments	(200,389)	(99,363)
Transfers from other Claremont Colleges	(1,496,211)	(1,428,596)
Contributions restricted for long term investments	(8,050)	(24,142)
Changes in operating assets and liabilities:		
Accounts receivable	(4,073,688)	(223,475)
Prepaid expenses, deposits and other	54,810	(1,431,286)
Accounts payable, accrued liabilities and other	286,606	(656,868)
Funds held in trust for others	(23,815)	(30,455)
Net cash provided by (used in) operating activities	(2,584,025)	4,335
Cash flows from investing activities:		
Proceeds from sales of property, plant and equipment	7,518,044	13,469,370
Purchase of property, plant and equipment	(7,320,790)	(3,381,264)
Purchase of other long lived assets	(2,657,033)	(3,681,049)
Proceeds from sale of investments	26,643,623	40,689,650
Purchase of investments	(27,090,670)	(53,635,625)
Loans made to students	(682,612)	(478,879)
Collection of student loans	452,279	707,909
Net cash used in investing activities	(3,137,159)	(6,309,888)
Cash flows from financing activities:		
Proceeds from borrowings	3,039,491	3,506,674
Principal payments on note payable	(570,836)	(661,208)
Principal payments on bonds payable	(680,000)	(655,000)
Principal payments on lines of credit	(2,795,357)	-
Transfers from other Claremont Colleges	1,496,211	1,428,596
Contributions restricted for long term investments	8,050	24,142
Net cash provided by financing activities	497,559	3,643,204
Net decrease in cash	(5,223,625)	(2,662,349)
Cash at beginning of year	6,360,446	9,022,795
Cash at end of year	$ 1,136,821	$ 6,360,446
Supplemental disclosure of cash flows:		
Interest paid	$ 701,143	$ 603,704

June 30, 2018 and 2017

NOTE 1 – ORGANIZATION:

The Claremont Colleges, Inc. ("TCC"; formerly Claremont University Consortium) is the support organization for an affiliated group of independent colleges known as The Claremont Colleges. Each college within the group is a separate corporate entity governed by its own board of trustees. TCC is governed by its Board of Directors, which consists of the presidents and board chairs of the seven colleges, the TCC CEO, and outside directors.

Support services provided to The Claremont Colleges by TCC include: a central library system, health and counseling services, ethnic centers, an interfaith chaplaincy, central bookstore, campus safety, physical plant and facilities support, and financial, real estate, risk management and employee benefits services. Additional functions include managing land for future institutions and college expansion and promoting cooperation among members to enhance educational excellence. These services and facilities are shared by members of the group through a combination of cost allocations based on use and direct charges for services rendered. The objective of TCC as a nonprofit support institution is service, and the primary obligation of accounting and reporting is for resources received and applied rather than the determination of net income. The following accounting policies of TCC are in accordance with those generally accepted for nonprofit organizations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation
The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Asset Categories
The accompanying financial statements present information regarding TCC's financial position and activities according to the following net asset categories:

Unrestricted net assets include all support that is not subject to donor-imposed restrictions.

Temporarily restricted net assets include gifts of cash and securities primarily for plant construction, library and other academic support with donor imposed restrictions and accumulated earnings on temporarily and permanently restricted assets. When a donor restriction expires or the accumulated earnings are appropriated for expenditure, temporarily restricted net assets are released to unrestricted net assets.

Permanently restricted net assets include contributions and income subject to donor-imposed restrictions that they be maintained permanently by TCC. The donors of endowment funds generally allow TCC to use the income and a portion of the gains earned on these assets for general or specific purposes under TCC's spending policy.

Revenue Recognition
Sales and services revenues are recorded when the services are provided.

June 30, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

Revenue Recognition, *Continued*

Gifts from donors, including contributions receivable (unconditional promises to give), are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Gifts of assets other than cash are recorded at their estimated fair value. Contributions to be received in future periods are discounted at an appropriate credit adjusted discount rate. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Rental income from operating leases is recognized on a straight-line basis over the initial lease term.

Investment returns, including investment income and gains and losses, are recorded on a trade date and reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

Unrestricted Revenue and Expenses

TCC reports operating revenues and expenses in the unrestricted net assets section of the Statement of Activities. Operations are those annual activities which support the core mission of TCC.

Operating revenues include charges for business, student and academic services. Business services include community and government relations, benefits administration, campus safety, engineering and construction, utilities, repairs and maintenance, construction management and facilities planning, accounting, audit and other financial services, food service contract administration, human resources, information services, real estate and housing administration, and risk management administration. Student and academic services include health and wellness, bookstore, library, chaplains and ethnic student affairs. Operating revenues also include gifts, certain investment income, releases of temporarily restricted net assets and miscellaneous income.

Operating expenses (for which the operating revenues are used) include salaries and benefits, departmental expenses, depreciation, amortization and interest. These expenses are reported by functional expense categories as defined in IPEDS: academic support services, student services, institutional support services and administration and general. Program service expenses fall under the categories of academic support services, student services and institutional support services. Administration and general expenses represent Consortium support costs. Certain components of administration and general expenses are determined by allocating costs from combined use operations. These allocations are based on use estimates. Depreciation, interest and operation and maintenance of plant expense are allocated to all functional categories based on building square footage.

Concentrations of Revenue Risk

TCC receives a significant percentage of its revenues from the five undergraduate and two graduate institutions in The Claremont Colleges group, which are all located in the same geographic area.

Expiration of Donor-Imposed Restrictions

The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction substantially expires. At that time, the related resources are released to unrestricted net assets. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both and for unexpended earnings of endowment when appropriated by the Board. It is TCC's policy to release the restrictions on contributions of cash or other assets received for the acquisitions of long-lived assets when the long-lived assets are placed into service.

June 30, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: ***Continued***

Cash and Cash Equivalents

For the purposes of reporting cash funds, cash and cash equivalents includes demand deposit bank accounts and sweep accounts. TCC maintains cash on deposit at one institution. The amount on deposit fluctuates and at times exceeds the insured limit of $250,000 by the Federal Deposit Insurance Corporation, which potentially subjects TCC to credit risk.

Investments

Where permitted by law, TCC pools investments for management purposes. The remainder of the investments are managed as separate investments. Marketable securities are reported at fair value. Alternative investments are carried at estimated fair value provided by the management of alternative investment partnerships or funds. TCC 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. Because alternative investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the fair value that would have been used had a readily available market for the investment existed, and such differences could be material. At times the balances of TCC's investment accounts exceed the Securities Investors Protection Corporation (SIPC) limits.

The cost of securities sold is determined by the fair value and is used to compute realized gains and losses. Unrealized gains and losses reflect the changes in fair values of investments from the prior year. Investment income and gains and losses on investments are reported as increases and decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. The date of record for investments is the trade date. TCC utilizes the equity method of accounting when required.

Management of Pooled Investments

TCC follows an investment policy which anticipates a greater long-range return through investing for capital appreciation and accepts lower current yields from dividends and interest. In order to offset the effect of lower current yields for current operations, the Board of Directors has adopted a spending policy for pooled investments whereby annually, if the ordinary income of pooled investments is insufficient to provide the full amount of investment return specified, the balance may be appropriated from cumulative realized gains of the pooled investments. At June 30, 2018 and 2017, cumulative net gains totaling $14,477,999 and $13,656,536, respectively, are recorded in temporarily restricted and unrestricted net assets and are available for appropriation under TCC spending policy. The spending policy for the fiscal years ended June 30, 2018 and 2017 was 4.5% of the trailing twenty-quarter moving average market value of pooled investments or $996,850 and $1,003,009, respectively.

Endowment Funds

The Board of Directors of TCC interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) to state that TCC, in the absence of explicit donor stipulations to the contrary, may appropriate for expenditure or accumulate so much of an endowment fund as TCC determines prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. As a result of this interpretation, TCC classifies as permanently restricted net assets (a) the value of gifts donated to the endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by TCC in a manner consistent with the standard of prudence prescribed by California UPMIFA. Board designated funds or "Funds functioning as endowment" and their unappropriated earnings are classified as unrestricted net assets.

June 30, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

Endowment Funds, *Continued*

In accordance with California UPMIFA, TCC 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 mission of TCC 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 TCC
(7) The investment policies of TCC.

Funds with Deficiencies

From time to time, as a result of market declines, the fair value of certain donor restricted endowments were less than the historical dollar value. Deficiencies of this nature have been recorded as reductions in unrestricted net assets and were $53,867 and $123,007 at June 30, 2018 and 2017, respectively. Future market gains will be used to restore this deficiency in unrestricted net assets before any net appreciation above the historical cost value of such funds increases permanently restricted net assets or temporarily restricted net assets.

Fair Value Measurement of Financial Instruments

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.

TCC carries most investments at fair value in accordance with generally accepted accounting principles. Most financial assets and financial liabilities for which the carrying amount equals fair value are considered to be Level 1 measurements in the fair value hierarchy. Under this standard, fair value is defined as the price that would be received to sell an asset (i.e. the “exit price”) in an orderly transaction between market participants at the measurement date. A fair value hierarchy that prioritizes the inputs to valuation techniques was 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 that reflect unadjusted quoted prices in active markets for identical assets or liabilities that TCC has the ability to access at the measurement date;
Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active;
Level 3 – Inputs that are unobservable.

June 30, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

Fair Value Measurement of Financial Instruments, *Continued*

Inputs are used in applying the valuation techniques and broadly refer to the assumptions that TCC uses to make valuation decisions, including assumptions about risk. Inputs may include quoted market prices, recent transactions, manager statements, periodicals, newspapers, provisions within agreements with investment managers and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to TCC's perceived risk of that investment.

The investments in cash equivalents, mutual funds, and certain domestic and international equities are valued based on quoted market prices, and are therefore typically classified within Level 1. Cash equivalents are intended for long-term reinvestment.

The investments in hedge funds, private equity funds, and limited partnerships are valued at net asset value (NAV), and are therefore classified under net asset value (NAV) per share (or equivalent). These assets are presented in the accompanying financial statements at fair value. TCC's determination of fair value is based upon the best available information provided by the investment manager and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents TCC's proportionate share of the partner's capital of the investment partnerships as reported by their general partners. For these investments, TCC, through its monitoring activities, agrees with the fair value as determined by the investment managers.

The general partners of the underlying investment partnerships generally value their investments at fair value and in accordance with generally accepted accounting principles. Investments with no readily available market are valued at estimated fair value using meaningful third-party transactions, comparable public market valuations and/or the income approach. Consideration is also given to financial condition and operating results of the investment, the amount that the investment partnerships can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant. An investment can be carried at acquisition price (cost) if little has changed since the initial investment of TCC and is most representative of fair value. Investments with a readily available market (listed on a securities exchange or traded in the over-the-counter market) are valued at quoted market prices or at an appropriate discount from such price if marketability of the securities is restricted.

Although TCC uses its best judgment in determining the fair value, there are inherent limitations in any methodology. Future confirming events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon liquidation of the investments.

Property, Plant and Equipment

Property, plant and equipment are stated at cost representing the original purchase price or the fair value at the date of the gift, less accumulated depreciation. TCC capitalizes plant asset purchases with a useful life of five years or more and a cost equal to or greater than $100,000 for buildings and land improvements, $25,000 for equipment, and all land and vehicles. Depreciation expense is computed on a straight-line basis over the estimated useful lives of buildings, permanent improvements and equipment (generally 40 years for buildings, 25 years for land improvements and 7 years for equipment). The costs and accumulated depreciation of assets sold or retired are removed from the accounts and related gains and losses are included in the Statement of Activities.

June 30, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

Other Long-Lived Assets

Other long-lived assets consists of software as a service (SaaS) agreements which are amortized over the life of the contract. SaaS is a software delivery method that provides access to software and its functions remotely as a web-based service over the internet. Contracts range from 60 to 81 months. As of June 30, 2018 and 2017, other long lived assets included $7,659,232 and $6,313,778 for SaaS agreements net of amortization, respectively. Amortization expense for the years ended June 30, 2018 and 2017 was $1,311,579 and $595,712, respectively.

Insurance Policies

TCC administers workers' compensation, short-term disability and unemployment insurance programs for The Claremont Colleges. Premiums are allocated to the member institutions based on participation. Each institution self-insures for unemployment and short-term disability. Workers' compensation is insured under a loss sensitive program and the member institutions have exposure that exceeds premiums paid which are accrued for under Accounts payable, accrued liabilities and other liabilities on the Statement of Financial Position. TCC believes that amounts reserved are adequate to fund projected claims.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

TCC is exempt from Federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, except for taxes on unrelated business income. Since TCC had no material unrelated business income for the years ended June 30, 2018 and 2017, no provision for income taxes has been made in the accompanying financial statements. In accordance with generally accepted account principles, TCC had no uncertain tax positions at June 30, 2018 and 2017.

Reclassifications

Certain prior year amounts have been reclassified for consistency with current year presentations. These reclassifications had no net effect on the ending balance of net assets as of June 30, 2017.

June 30, 2018 and 2017

NOTE 3 - ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2018 and 2017 were as follows:

	2018	2017
The Claremont Colleges	$ 7,371,655	$ 3,378,491
Due from broker	7,948	4,988
Due from affiliates	1,184,163	356,599
Contribution receivable	-	750,000
Other	37,208	33,383
Total accounts receivable	$ 8,600,974	$ 4,523,461

At June 30, 2018, TCC had knowledge of promises totaling up to $20 million that are contingent upon the Claremont Colleges satisfying certain donor conditions. These promises will be recognized when the conditions have been substantially met. As of June 30, 2018, The Claremont Colleges have met certain conditions and received $171,395. The remainder will be received as additional conditions are met.

NOTE 4 - STUDENT LOANS RECEIVABLE:

TCC entered into a renewable agreement with a private lender to administer loans to international students attending the Keck Graduate Institute (KGI), a member of The Claremont Colleges. KGI has agreed to bear all risk of defaults on loan and interest payments by program participants. As a guarantee against default, KGI has granted TCC an interest in its endowment funds of up to $750,000. Student loans receivable was $2,712,513 and $2,425,790 for the years ended June 30, 2018 and 2017, respectively.

At June 30, 2018 and 2017, the following amounts were past due under the student loan program:

		less than 270 days past due	270 days to 2 years past due	2 to 5 years past due	over 5 years past due	Total past due
2018	Donor restricted program	$ 172,204	$ 108,547	$ 207,810	$ 44,732	$ 533,293
2017	Donor restricted program	$ 64,879	$ 182,431	$ 178,634	$ 23,166	$ 449,110

An allowance for doubtful accounts has not been recorded based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Additionally, all loans are guaranteed by KGI. See Footnote 7 for note payable associated with the loan agreement.

June 30, 2018 and 2017

NOTE 5 - INVESTMENTS:

Where permitted by gift agreement and/or applicable government regulations, investments are pooled. Pooled investments and allocation of pooled investment income are accounted for on a unit value method. The following is a summary of data pertaining to this method at June 30, 2018 and 2017:

	2018	2017
Unit fair value at end of year	$ 221.80	$ 215.33
Net ordinary income per average unit	$ 8.06	$ 6.59
Units owned:		
Unrestricted net assets	5,188	5,152
Temporarily restricted net assets	9,572	9,311
Permanently restricted net assets	116,499	116,486
Total units	131,259	130,949

TCC's policy is to maintain a diversified investment portfolio. The following schedule summarizes the assets in pooled investments and the assets held as separate investments at June 30, 2018 and 2017. The carrying value of investments is based on quoted market prices and analytical pricing methods are utilized for investments for which there is no market and for the carrying value of limited partnership net assets in proportion to TCC's interest. The carrying values are considered fair values.

	2018	2017
Pooled investments:		
Cash equivalents	$ 2,021,200	$ 624,302
Mutual funds:		
Domestic equity	994,704	881,609
International equity	5,835,236	5,587,804
Fixed income	3,468,453	3,551,240
Real assets	3,963,253	3,639,690
Limited partnerships:		
Absolute return	4,158,665	5,789,399
Domestic equity	4,661,921	4,429,790
International equity	1,653,386	1,522,304
Global Opportunities - Domestic	468,603	348,903
Global Opportunities - International	654,673	501,337
Venture capital	892,060	902,207
Distressed debt	341,628	429,543
Total pooled investments	$ 29,113,782	$ 28,208,128

June 30, 2018 and 2017

NOTE 5 - INVESTMENTS: ***Continued***

		2018		2017
Separate investments:				
Cash equivalents	$	7,477,259	$	19,212,194
Mutual funds:				
Domestic equity		4,016,480		2,542,364
International equity		11,060,225		7,247,886
Fixed income		6,734,322		4,914,886
Real assets		5,876,353		3,314,011
Limited partnerships:				
Absolute return		5,948,421		3,473,472
Domestic equity		5,556,140		3,213,510
International equity		2,667,092		1,676,885
Total separate investments		49,336,292		45,595,208
Total investments	$	78,450,074	$	73,803,336

		2018		2017
By category:				
Endowment and funds functioning as endowment	$	28,587,759	$	27,698,507
Other		49,862,315		46,104,829
Total investments	$	78,450,074	$	73,803,336

Investment returns related to TCC's investments for years ended June 30, 2018 and 2017 were as follows:

		2018		2017
Interest and dividends	$	1,057,920	$	863,111
Realized and unrealized gains and losses		4,199,691		2,470,854
Less income allocated for endowments administered for other colleges		(288,418)		(290,773)
Less investment management fees		(205,863)		(191,437)
Total investment income	$	4,763,330	$	2,851,755
Spending policy income	$	996,850	$	1,003,009
Interest and dividends on separate investments		780,641		644,519
Realized and unrealized gains on investments net of spending policy income		2,985,839		1,204,227
Net investment return	$	4,763,330	$	2,851,755

June 30, 2018 and 2017

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consist of the following at June 30, 2018 and 2017:

	2018	2017
Land and land improvements	$ 10,826,384	$ 11,539,127
Buildings	48,140,895	47,101,081
Equipment	14,576,645	13,704,877
Construction in progress	5,027,723	1,504,270
	78,571,647	73,849,355
Less accumulated depreciation	(34,883,260)	(32,752,232)
Total plant facilities	$ 43,688,387	$ 41,097,123

In April 2018, land held at cost was sold to another member of The Claremont Colleges for approximately $7.5 million. Gain on the sale is reflected on the line Net gain on sale of property and equipment on the Statement of Activities.

TCC has recorded asset retirement obligations under generally accepted accounting principles related to certain fixed assets, primarily for disposal of regulated materials upon eventual retirement of the assets. The following schedule summarizes asset retirement obligation activity for the years ended June 30, 2018 and 2017:

	2018	2017
Beginning balance	$ 278,526	$ 266,299
Accretion expense / Disposal of property	(41,655)	12,227
Ending balance	$ 236,871	$ 278,526

NOTE 7 - NOTE PAYABLE

In February 2010, TCC entered an agreement with a private lender to finance student loans for international students attending KGI. TCC may borrow up to $4,000,000 to issue such loans. At times, the balance of the note may exceed $4,000,000 due to the timing of payments made to and received from the private lender. Borrowings are to be repaid to the lender in annual installments over eight years commencing 30 months after the receipt of the initial loan. Interest payable is calculated annually at the June 1 prime rate plus 2% (6.75% and 6.00% as of June 30, 2018 and 2017, respectively). The amounts payable on the loan as of June 30, 2018 and 2017 were $4,198,874 and $3,906,623, respectively. See Footnote 4 for student loan receivables associated with the loan agreement. The following is a summary of future payments including principal and interest:

Fiscal Years Ending June 30,	Loan Payments
2019	$ 687,072
2020	765,777
2021	793,036
2022	702,039
2023	614,778
Thereafter	636,172
Total	$ 4,198,874

Interest expense was $180,475 and $175,407 for the years ended June 30, 2018 and 2017, respectively.

June 30, 2018 and 2017

NOTE 8 - LINES OF CREDIT

TCC has negotiated various lines of credit and other agreements with banks or financing companies for up to $12,750,710 to purchase/lease equipment, software, licenses, and services. The terms of the agreements range from 5 up to 10 years with various renewal terms and bear rates that are either fixed or prime plus 1%, the rates range from 0.0% to 9.8% and expire between 2019 and 2026. Total borrowings outstanding as of June 30, 2018 and 2017 were $2,242,708 and $2,861,661, respectively.

Interest expense was $128,600 and $33,419 for the years ended June 30, 2018 and 2017, respectively.

TCC also has an unsecured revolving line of credit agreement with a bank for $10,000,000. The term of the line is for two years and expires on August 31, 2019, with an annual renewal term. Any borrowings on the line would bear interest at the LIBOR daily floating rate plus 0.57%. The line of credit is subject to an unused commitment fee. As of June 30, 2018, TCC was not in compliance with one financial covenant of the agreement, however, a waiver letter was issued by the bank. The agreement contains an optional conversion to a term loan feature, which has not been activated as of the financial statement issuance date. There were no borrowings outstanding on the line as of June 30, 2018.

In December 2016, TCC entered into an irrevocable standby letter of credit with a bank in the amount of $518,854 for new improvements relating to a parcel of land owned by TCC from which a water company is entitled to draw, should nonperformance of the obligation occur. The term of the letter is one year with automatic renewals without amendment for successive one year periods, but not beyond December 12, 2022.

NOTE 9 - BONDS PAYABLE:

At June 30, 2018 and 2017, bonds payable were comprised of:

	2018	2017
California Educational Facilities Authority (CEFA) 2011	$ 6,280,000	$ 6,710,000
California Educational Facilities Authority (CEFA) 2012	6,530,000	6,780,000
Subtotal bonds payable	12,810,000	13,490,000
Plus premium	903,117	959,083
Less cost of issuance	(448,620)	(475,106)
Total bonds payable	$ 13,264,497	$ 13,973,977

The CEFA 2011 bonds were issued in April 2011. The bond proceeds were used to refund CEFA 1999 as well as for the renovation and equipping of administrative facilities. Annual principal payments range from $185,000 to $1,025,000. Interest is payable semiannually at rates ranging from 3.0% to 5.3%. Bonds maturing after October 1, 2022 with principal balances totaling $4,680,000 are subject to mandatory redemption prices ranging from 97.84% to 98.60%.

The CEFA 2012 bonds were issued in August 2012. The bond proceeds were used to refund CIEDB 2003. Annual principal payments range from $225,000 to $595,000. Interest is payable semiannually at rates ranging from 3.0% to 5.0%.

Interest expense was $561,859 and $588,209 for the years ended June 30, 2018 and 2017, respectively, and includes amortized premium and cost of issuance of $29,480 and $29,480, respectively.

June 30, 2018 and 2017

NOTE 9 - BONDS PAYABLE: *Continued*

As of June 30, 2018, bond maturities were as follows:

Fiscal Years Ending June 30,	Principal Amount
2019	$ 680,000
2020	710,000
2021	735,000
2022	620,000
2023	645,000
Thereafter	9,420,000
Total	$ 12,810,000

Management believes that it is in compliance with the various restrictive covenants required by the CEFA Series 2012 and 2011 bond agreements.

NOTE 10 - EMPLOYEE BENEFIT PLANS:

Defined Contribution Plan

TCC maintains a defined contribution retirement plan which provides retirement benefits for certain administrative personnel through Teachers Insurance and Annuity Association, College Retirement Equity Fund, Fidelity and Vanguard mutual funds. Under this defined contribution plan, TCC and participant contributions are used to purchase individual annuity contracts and investments equivalent to retirement benefits earned. Vesting provisions are full and immediate. Benefits commence upon retirement and pre-retirement survivor death benefits are provided. TCC contributions to the plan for the years ended June 30, 2018 and 2017 totaled $1,680,965 and $1,590,925, respectively.

June 30, 2018 and 2017

NOTE 11 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS:

The following tables present the investments carried on the Statement of Financial Position by level within the valuation hierarchy as of June 30, 2018 and 2017 :

	Level 1	Assets Valued Using NAV Practical Expedient	2018
Redeemable securities:			
Cash equivalents	$ 9,498,459	$ -	$ 9,498,459
Mutual funds			
Domestic equity	5,011,184	-	5,011,184
International equity	16,895,461	-	16,895,461
Fixed income	10,202,775	-	10,202,775
Real assets	9,839,606	-	9,839,606
Limited partnerships			
Domestic equity	-	10,218,061	10,218,061
International equity	-	4,320,478	4,320,478
Absolute return	-	10,107,086	10,107,086
Total redeemable securities	51,447,485	24,645,625	76,093,110
Nonredeemable securities:			
Limited partnerships			
Global Opportunities - Domestic	-	468,603	468,603
Global Opportunities - International	-	654,673	654,673
Venture capital	-	892,060	892,060
Distressed debt	-	341,628	341,628
Total nonredeemable securities	-	2,356,964	2,356,964
Total investment securities	$ 51,447,485	$ 27,002,589	$ 78,450,074

June 30, 2018 and 2017

NOTE 11 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS: *Continued*

The following tables present the investments carried on the Statement of Financial Position by level within the valuation hierarchy as of June 30, 2017:

	Level 1	Assets Valued Using NAV Practical Expedient	2017
Redeemable securities:			
Cash equivalents	$ 19,836,496	$ -	$ 19,836,496
Mutual funds			
Domestic equity	3,423,973	-	3,423,973
International equity	12,835,690	-	12,835,690
Fixed income	8,466,126	-	8,466,126
Real assets	6,953,701	-	6,953,701
Limited partnerships			
Domestic equity	-	7,643,300	7,643,300
International equity	-	3,199,189	3,199,189
Absolute return	-	9,262,871	9,262,871
Total redeemable securities	51,515,986	20,105,360	71,621,346
Nonredeemable securities:			
Limited partnerships			
Global Opportunities - Domestic	-	348,903	348,903
Global Opportunities - International	-	501,337	501,337
Venture capital	-	902,207	902,207
Distressed debt	-	429,543	429,543
Total nonredeemable securities	-	2,181,990	2,181,990
Total investment securities	$ 51,515,986	$ 22,287,350	$ 73,803,336

The following table shows the fair value, unfunded commitments and redemption restrictions for investments reported at 'Net Asset Value' as of June 30, 2018:

	Fair Value at June 30, 2018	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Limited Partnerships:					
Domestic equity	$ 10,218,061	$ -	Monthly	30 days	(1)
International equity	4,320,478	-	Monthly	10 days	(2)
Absolute return	10,107,086	-	Quarterly / Annually	65 - 90 days	(3)
Global Opportunities - Domestic	468,603	-	N/A	N/A	(4)
Global Opportunities - International	654,673	24,000	N/A	N/A	(4)
Venture capital	892,060	1,203,246	N/A	N/A	(4)
Distressed debt	341,628	102,500	N/A	N/A	(4)
Total	$ 27,002,589	$ 1,329,746			

June 30, 2018 and 2017

NOTE 11 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS: ***Continued***

Private equity funds held at year-end have remaining lives ranging from 1 to 10 years with commitments due estimated as follows:

Years Ending June 30,	Amount
2019	$ 531,500
2020	273,246
2021	75,000
2022	75,000
2023	75,000
Thereafter	300,000
	$ 1,329,746

(1) The Domestic equity funds are organized as Cayman Islands exempted limited partnerships whose investment objective is to achieve long-term growth through investments in exchange-traded funds that invest in the equity securities of U.S. companies.

(2) The International equity fund is organized as a Delaware limited partnership whose investment objective is to achieve long-term growth through investments in exchange-traded closed-end funds that invest primarily in the equity securities of non-U.S. companies.

(3) The Absolute return funds are organized as Delaware limited partnerships and as Cayman Islands exempt funds. They are multi-manager, multi-strategy "fund of funds" formed to invest predominantly in limited partnerships and similar pooled investment vehicles. Shares may be redeemed quarterly or annually with prior notice.

(4) Limited partnerships are invested with managers whose investment strategies consist of absolute return with long/short, event driven and relative value investments, private equity with investments in fund of funds that include buy-outs, turnarounds, and distressed hard assets and venture capital with investments in fund of funds. There are no redemption rights available for investors other than the liquidation of assets held by the fund, which will result in a distribution of capital to investors.

NOTE 12 - NET ASSETS:

At June 30, 2018 and 2017, net assets consisted of the following:

	2018	2017
Unrestricted:		
Funds functioning as endowment	$ 398,377	$ 313,874
Operating and other designated funds	39,420,378	36,447,365
Property, plant and other	46,956,760	41,786,126
Total unrestricted	$ 86,775,515	$ 78,547,365
Temporarily restricted:		
Endowment	$ 15,437,650	$ 14,684,742
Other	2,782,830	3,480,739
Total temporarily restricted	$ 18,220,480	$ 18,165,481
Permanently restricted:		
Endowment	$ 12,751,732	$ 12,699,890

June 30, 2018 and 2017

NOTE 13 - ENDOWED NET ASSETS AND ENDOWED EQUITY:

Net assets of TCC include permanently restricted endowment, temporarily restricted endowment and funds functioning as endowment. Permanently restricted endowments are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized as provided for under the California Uniform Prudent Management of Institutional Funds Act. Unutilized income from permanently restricted endowments are held in temporarily restricted endowment. Any portion of such funds may be expended provided that the restricted funds functioning as endowment are expended in accordance with donor restrictions. Funds functioning as endowment have been established by the governing board to function as endowment (Note 2), any portion of such funds may be expended.

	2018	2017
Unrestricted endowment		
Funds functioning as endowment	$ 452,244	$ 436,881
Funds with deficiencies	(53,867)	(123,007)
Total unrestricted endowment	398,377	313,874
Temporarily Restricted		
Portion of perpetual endowment fund subject to a time restriction under California UPMIFA:		
Without purpose restriction	60,109	30,270
With purpose restriction	15,377,541	14,654,472
Total temporarily restricted endowment funds	15,437,650	14,684,742
Permanently restricted endowment	12,751,732	12,699,890
Total endowment	$ 28,587,759	$ 27,698,506

June 30, 2018 and 2017

NOTE 13 - ENDOWED NET ASSETS AND ENDOWED EQUITY: ***Continued***

Changes in endowed equity as of June 30, 2018 and 2017 are displayed in the following tables:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018
Investment returns:				
Interest and dividends	$ 280,165	$ 6,012	$ -	$ 286,177
Change in realized and unrealized gains and losses	1,295,960	743,448	-	2,039,408
Less investment management fees	(205,863)	-	-	(205,863)
Net investment returns	1,370,262	749,460	-	2,119,722
Endowment returns distributed to other Claremont Colleges	(288,418)	-	-	(288,418)
Endowment returns distributed to TCC	(1,000,341)	3,491	-	(996,850)
Net investment returns	81,503	752,951	-	834,454
Gifts	-	-	2,550	2,550
Transfers	3,000	(43)	49,292	52,249
Net change in endowed equity	84,503	752,908	51,842	889,253
Endowed equity, beginning of year	313,874	14,684,742	12,699,890	27,698,506
Endowed equity, end of year	$ 398,377	$ 15,437,650	$ 12,751,732	$ 28,587,759

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017
Investment returns:				
Interest and dividends	$ 243,526	$ -	$ -	$ 243,526
Change in realized and unrealized gains and losses	1,368,050	1,144,030	-	2,512,080
Less investment management fees	(191,437)	-	-	(191,437)
Net investment returns	1,420,139	1,144,030	-	2,564,169
Endowment returns distributed to other Claremont Colleges	(290,773)	-	-	(290,773)
Endowment returns distributed to TCC	(1,006,381)	3,372	-	(1,003,009)
Net investment returns	122,985	1,147,402	-	1,270,387
Gifts	-	-	2,050	2,050
Transfers	20,000	-	(10,000)	10,000
Net change in endowed equity	142,985	1,147,402	(7,950)	1,282,437
Endowed equity, beginning of year	170,889	13,537,340	12,707,840	26,416,069
Endowed equity, end of year	$ 313,874	$ 14,684,742	$ 12,699,890	$ 27,698,506

June 30, 2018 and 2017

NOTE 14 - OPERATING LEASES:

TCC enters into operating leases and space rentals during the normal course of business. The lease payments for the years ended June 30, 2018 and 2017 were $351,451 and $368,419, respectively. The following is a summary of future minimum rental payments for operating leases that have initial or remaining non-cancelable terms in excess of one year as of June 30, 2018:

Fiscal Years Ending June 30,	Lease Payments
2019	$ 369,981
2020	45,239
2021	27,437
	$ 442,657

NOTE 15 - RELATED PARTY TRANSACTIONS:

It is the policy of TCC to provide disclosure to the Audit Committee of the Board of Directors of any related party transactions. There were no material related party transactions which required disclosure in the financial statements other than transactions with affiliated institutions.

TCC operates a service on a ground lease from one of the member colleges for which no rent is charged. This arrangement is designed for the mutual benefit of all The Claremont Colleges members.

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

Occasionally TCC is involved in certain lawsuits arising in the ordinary course of its operations. The ultimate resolution of these lawsuits is not expected to have a material effect on TCC's financial position or changes in net assets.

TCC is currently in a lawsuit related to a potential land sale. TCC has determined that no risk of loss exists as a result of the case, except the legal expenses incurred to date.

NOTE 17 - SUBSEQUENT EVENTS:

TCC has evaluated subsequent events through October 5, 2018, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that need to be disclosed.

In August 2018, land held at cost was sold to another member of The Claremont Colleges for approximately $3.3 million.

THE CLAREMONT COLLEGES
SERVICES

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