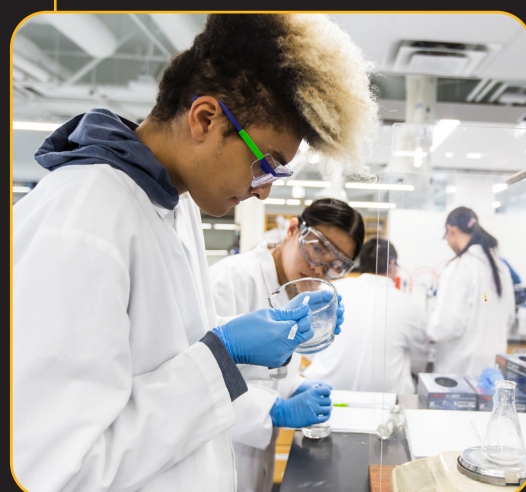
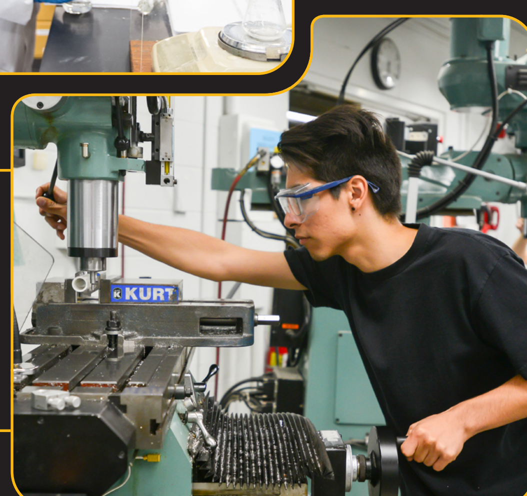
HARVEY
MUDD
COLLEGE

Audited Financial Statements

2017–2018





Harvey Mudd College
Business Affairs Office
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HARVEY MUDD COLLEGE
ANNUAL FINANCIAL REPORT

2018 and 2017

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Report of Independent Auditors

The Board of Trustees
Harvey Mudd College

Report on the Financial Statements

We have audited the accompanying financial statements of Harvey Mudd College, 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 Harvey Mudd College as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Los Angeles, California
October 30, 2018

HARVEY MUDD COLLEGE
STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash	$ 1,043,819	$ 1,309,058
Accounts receivable, net (Note 2)	2,076,106	1,696,630
Prepaid expenses, deposits and other	2,845,310	2,598,360
Notes receivable, net (Note 2)	3,076,993	3,148,297
Contributions receivable, net (Note 3)	19,209,197	9,577,298
Investments (Note 4)	350,624,713	332,003,028
Plant facilities, net (Note 6)	122,482,141	122,646,703
Total assets	$ 501,358,279	$ 472,979,374
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 5,461,505	$ 5,733,032
Deposits and deferred revenues	953,082	960,438
Life income and annuities payable	4,575,854	4,637,274
Note and bonds payable, net (Note 7)	41,986,913	42,947,032
Government advances for student loans	2,459,791	2,603,860
Funds held in trust for others (Note 8)	847,080	872,437
Asset retirement obligation (Note 9)	1,562,378	1,492,736
Total liabilities	57,846,603	59,246,809
NET ASSETS (Note 10)		
Unrestricted	156,541,713	151,912,806
Temporarily restricted	134,991,127	112,003,017
Permanently restricted	151,978,836	149,816,742
Total net assets	443,511,676	413,732,565
Total liabilities and net assets	$ 501,358,279	$ 472,979,374

See accompanying notes to the financial statements

HARVEY MUDD COLLEGE
STATEMENT OF ACTIVITIES

For the year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018
Revenues and release of net assets				
Tuition, fees, room and board	$ 59,064,769	$ -	$ -	$ 59,064,769
Less financial aid	(18,298,394)	-	-	(18,298,394)
Net student revenues (Note 11)	40,766,375	-	-	40,766,375
Federal grants	3,194,058	-	-	3,194,058
Private gifts and grants	4,544,845	13,281,766	714,729	18,541,340
Private contracts	2,082,125	-	-	2,082,125
Endowment payout (Note 4)	13,629,850	1,008,109	61,824	14,699,783
Other investment income, net (Note 4)	299,147	1,675	(2,653)	298,169
Other revenue	984,912	4,500	-	989,412
Release and reclassification of net assets	3,945,225	(3,945,225)	-	-
Total revenues and release of net assets	69,446,537	10,350,825	773,900	80,571,262
Expenses				
Instruction	28,616,839	-	-	28,616,839
Research	3,088,005	-	-	3,088,005
Public service	999,387	-	-	999,387
Academic support	6,858,370	-	-	6,858,370
Student services	7,775,031	-	-	7,775,031
Institutional support	10,913,435	-	-	10,913,435
Auxiliary enterprises	9,128,811	-	-	9,128,811
Total expenses	67,379,878	-	-	67,379,878
Excess of revenues over expenses	2,066,659	10,350,825	773,900	13,191,384
Other changes in net assets				
Redesignation of net assets	(1,243,223)	33,204	1,210,019	-
Gain (loss) on disposal of plant assets	(4,193)	-	-	(4,193)
Other investment returns (losses) (Note 4)	(3,204)	(81,172)	141,226	56,850
Pooled investment gains (losses), net of allocations to operations (Note 4)	3,763,579	12,368,717	-	16,132,296
Transfers to other Claremont Colleges	(124,433)	-	-	(124,433)
Actuarial adjustment	173,722	316,536	36,949	527,207
Change in net assets	4,628,907	22,988,110	2,162,094	29,779,111
Net assets, beginning of year	151,912,806	112,003,017	149,816,742	413,732,565
Net assets, end of year	$ 156,541,713	$ 134,991,127	$ 151,978,836	$ 443,511,676

See accompanying notes to the financial statements

HARVEY MUDD COLLEGE
STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017
Revenues and release of net assets				
Tuition, fees, room and board	$ 55,840,906	$ -	$ -	$ 55,840,906
Less financial aid	(17,077,944)	-	-	(17,077,944)
Net student revenues (Note 11)	38,762,962	-	-	38,762,962
Federal grants	2,858,852	-	-	2,858,852
Private gifts and grants	4,435,160	3,751,117	2,939,428	11,125,705
Private contracts	1,951,001	-	-	1,951,001
Endowment payout (Note 4)	13,677,936	848,418	61,077	14,587,431
Other investment income, net (Note 4)	115,702	1,933	4,720	122,355
Other revenue	1,628,064	1,467	-	1,629,531
Release and reclassification of net assets	5,316,271	(5,316,271)	-	-
Total revenues and release of net assets	68,745,948	(713,336)	3,005,225	71,037,837
Expenses				
Instruction	28,503,483	-	-	28,503,483
Research	3,279,187	-	-	3,279,187
Public service	975,124	-	-	975,124
Academic support	6,637,346	-	-	6,637,346
Student services	7,135,840	-	-	7,135,840
Institutional support	10,567,808	-	-	10,567,808
Auxiliary enterprises	8,289,090	-	-	8,289,090
Total expenses	65,387,878	-	-	65,387,878
Excess (deficit) of revenues over expenses	3,358,070	(713,336)	3,005,225	5,649,959
Other changes in net assets				
Redesignation of net assets	(3,431,680)	856,948	2,574,732	-
Other investment returns (losses) (Note 4)	(7,414)	-	(18,955)	(26,369)
Pooled investment gains (losses), net of allocations to operations (Note 4)	7,381,857	14,103,967	-	21,485,824
Transfers to other Claremont Colleges	(95,724)	-	-	(95,724)
Actuarial adjustment	50,244	330,603	(58,544)	322,303
Change in net assets	7,255,353	14,578,182	5,502,458	27,335,993
Net assets, beginning of year	144,657,453	97,424,835	144,314,284	386,396,572
Net assets, end of year	$ 151,912,806	$ 112,003,017	$ 149,816,742	$ 413,732,565

HARVEY MUDD COLLEGE
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Tuition, fees, room, board, and sales and services of auxiliary enterprises, net of scholarships and fellowships	$ 40,863,219	$ 39,031,767
Gifts, grants and contracts revenue	8,698,516	9,619,778
Investment income	3,658,339	2,783,298
Proceeds from sale of donated securities	580,210	289,678
Other revenue	1,161,113	2,229,980
Interest paid	(1,811,984)	(1,766,816)
Payments to employees and suppliers	(61,128,726)	(57,932,663)
Net cash used in operating activities	(7,979,313)	(5,744,978)
Cash flows from investing activities:		
Purchase of plant facilities	(4,676,692)	(11,419,736)
Proceeds from sale of investments	242,848,452	144,343,983
Purchase of investments	(233,826,111)	(132,231,670)
Loans made to students and employees	(450,263)	(517,461)
Collection of student and employee loans	521,567	620,683
Net cash provided by investing activities	4,416,953	795,799
Cash flows from financing activities:		
Payments to life income beneficiaries	(397,106)	(324,450)
Investment income (losses) on life income investments	28,904	108,832
Capital lease obligation assignment	-	(434,300)
Principal payments on debt	(970,588)	(666,519)
Contributions restricted for endowment	1,632,304	2,774,562
Contributions restricted for life income contracts	369,733	403,424
Contributions restricted for plant expenditures	994,387	2,702,855
Contributions restricted for long-term investments	1,808,913	1,169,581
Increase (decrease) in funds held in trust for others	(25,357)	87,598
Increase (decrease) in government advances for student loans	(144,069)	(444,829)
Net cash provided by financing activities	3,297,121	5,376,754
Change in cash	(265,239)	427,575
Cash, beginning of year	1,309,058	881,483
Cash, end of year	$ 1,043,819	$ 1,309,058

See accompanying notes to the financial statements

HARVEY MUDD COLLEGE
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2018 and 2017

	2018	2017
Reconciliation of change in net assets to cash flows from operating activities:		
Change in net assets	$ 29,779,111	$ 27,335,993
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	4,837,061	4,496,595
Amortization of bond (premium) discount and cost of issuance	10,469	17,315
Change in asset retirement obligation	69,642	66,530
Realized (gains) losses on sale of investments	(24,632,367)	(10,158,250)
Unrealized (gains) losses on investments	(2,839,543)	(23,242,276)
Adjustment of actuarial liability	(353,485)	(283,986)
Gifts in kind	89,211	(44,244)
Contributions restricted for long-term investments	(13,998,996)	(6,707,767)
Loss on disposition of assets	4,193	-
Changes in operating assets and liabilities		
Prepaid expenses, deposits and other	(246,950)	(111,561)
Accounts receivable	(379,476)	1,285,944
Contributions receivable	(39,300)	4,909
Accounts payable and accrued liabilities	(271,527)	1,237,589
Deposits and deferred revenue	(7,356)	358,231
Net cash used in operating activities	$ (7,979,313)	$ (5,744,978)

See accompanying notes to the financial statements

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Founded in 1955, Harvey Mudd College (the "College") is a premier independent liberal arts college that seeks to educate engineers, scientists, and mathematicians, well versed in all of these areas and in the humanities and the social sciences so that they may assume leadership in their fields with a clear understanding of the impact of their work on society.

The College is a nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. The primary purpose of the accounting and reporting is for resources received and applied rather than the determination of net income. The following accounting policies of the College are in accordance with those generally accepted for private colleges and universities:

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 the College's financial position and results of activities according to the following net asset categories:

• Unrestricted net assets include all support that is not subject to donor-imposed restrictions. The Board of Trustees has designated a portion of unrestricted net assets to function as endowment, loan funds and for other specific purposes. Plant facilities includes all long-lived assets and renewal and replacement funds net of related liabilities.

• Temporarily restricted net assets include primarily gifts of cash and other assets subject to donor-imposed restrictions that either lapse through the passage of time or can be satisfied through the actions of the College, and endowment gains available for appropriation under the College's spending policy (Note 1, Management of Pooled Investments). When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets (Note 1, Release of Donor-Imposed Restrictions). Term Endowment is included in temporarily restricted net assets and is similar to permanently restricted endowment, except that at some future time or upon the occurrence of a specified future event, the resources originally contributed become available for unrestricted or purpose-restricted use by the entity.

• Permanently restricted net assets include gifts and income subject to donor-imposed restrictions that they be maintained permanently by the College. The donors of endowment funds generally allow the College to use the income and a portion of the gains earned on these assets for general or specific purposes under the College's spending policy. Annuity and life income contracts and agreements are reclassified as endowment funds when the terms of the contracts and agreements expire.

Revenue Recognition:
Tuition and Fees – Student tuition and fees are recorded as revenue in the year during which the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Collectability of student accounts and notes receivable is reviewed both individually and in the aggregate. Allowances have been established based on experience through a charge to bad debt expense and a credit to a provision for doubtful accounts. Balances deemed uncollectible are written off through a charge to the provision for doubtful accounts and a credit to accounts receivable. The College follows federal guidelines for determining when student loans are delinquent or past due for both federal and institutional loans.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued:*

Revenue Recognition, C*ontinued:*
Gifts - Gifts, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Unconditional promises to give are initially recorded at fair value using the present value of future cash flows, discounted using a risk adjusted rate. Subsequent measurements of unconditional promises to give do not represent fair value. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Gifts of assets other than cash are recorded at their estimated fair value. Gifts to be received in future periods are discounted to net present value at an appropriate discount rate. Individual uncollectible accounts are written off against the allowance when collection of the individual contribution receivable appears doubtful.

Investment Return – Investment income and realized and unrealized gains and losses are recorded and reported as increases or decreases to the appropriate net asset category.

Release of Donor-Imposed Restrictions:
The release of a donor-imposed restriction on a gift or on endowment income is recognized in the period in which the restriction substantially expires. At that time, the related resources are reclassified 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. The College follows the policy of reporting donor-imposed restricted gifts and endowment income whose restrictions are met in the same period received as unrestricted support. It is also the College's policy to release the restrictions on gifts of cash or other assets received for the acquisitions of long-lived assets when the long-lived assets are placed into service. These releases of net assets are reported in the release and reclassification of net assets section of the Statements of Activities.

Expense Recognition:
Expenses are generally reported as decreases in unrestricted net assets. The financial statements present expenses by functional classification in accordance with the overall educational and research missions of the College.

Allocation of Certain Expenses:
The Statements of Activities present expenses by functional classification. Depreciation and the cost of operation and maintenance of plant facilities are allocated to functional categories based on building square footage dedicated to that specific function. Interest expense is allocated based on the use of the related borrowings, which is primarily to finance auxiliary enterprise and academic facility construction or renovation.

Cash:
For the purposes of reporting cash flows, cash includes demand deposit bank accounts.

Cash Held in Separate Accounts:
The California Student Aid Commission requires institutions participating in the Cal Grant program to maintain funds advanced in a separate interest bearing account to properly handle and manage the funds. The funds are the property of the State and unspent funds are to be returned to the State along with interest earned.

Concentration of Credit Risk:
Financial instruments that potentially subject the College to concentrations of credit risk consists principally of cash deposits at financial institutions and investments in marketable securities. At times, balances in the College's cash and investment accounts exceed the Federal Deposit Insurance Corporation (FDIC) or Securities Investors Protection Corporation (SIPC) limits.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued:*

Investments:
Investments are reported at fair value, although the College holds certain investments at the original appraisal value and does not revalue the assets on a recurring basis. At June 30, 2018 and 2017, investments held at cost totaled approximately $1,963,000.

Management of Pooled Investments:
The College 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, the Board of Trustees has adopted a spending policy for pooled investments whereby a rate ranging from 4% and 5% is applied to the average market value of pooled investments. If ordinary income is insufficient to provide the full amount of investment return specified, the balance may be appropriated from realized gains of the pooled investments. Cumulative net realized gains and transfers of ordinary income in excess of the spending policy ("cumulative gains") are recorded in temporarily restricted net assets and are available for appropriation under the College's spending policy. At June 30, 2018 and 2017, these cumulative gains totaled approximately $80,856,000 and $67,624,000, respectively.

Endowment Investment Strategy:
During the fiscal year ended June 30, 2018, the College transitioned from using multiple fund managers to using a single multi-strategy investment fund (the "Fund") whose investment strategy focuses on varied investment opportunities to provide a diversified single portfolio for investors. The College's interest in the Fund is redeemable at net asset value following the fifth anniversary of the College's first deposit date and requiring a written full withdrawal request at least 180 days prior to the annual redemption date.

Endowment Funds:
The Board of Trustees of the College interprets the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) to state that the College, in the absence of explicit donor stipulations to the contrary, may appropriate for expenditure or accumulate endowment so much of an endowment as the College determines prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Therefore, the College classifies as permanently restricted net assets the original value of gifts to the endowment and the accumulations made in accordance with the donor intent. The remaining portion of the donor-restricted endowment fund 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 California UPMIFA which includes the:

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

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 approximately $260,000 and $910,000 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued:*

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.

The College carries most investments and its beneficial interest in trusts held by third parties at fair value in accordance with generally accepted accounting principles in the United States of America. 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, and 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 that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the College 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.

Inputs are used in applying the valuation techniques and broadly refer to the assumptions that the College uses to make valuation decisions, including assumptions about risk. Inputs may include quoted market prices, recent transactions, manager statements, including monthly, quarterly and annual reports, 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 the College's perceived risk of that investment.

The investments in cash equivalents, and certain debt and equity securities are valued based on quoted market prices and are therefore typically classified within Level 1.

The investments in certain debt securities are valued based on quoted market prices of comparable assets and are typically classified within Level 2.

Level 3 investments are presented in the accompanying financial statements at fair value. The College's beneficial interest in trusts and other assets are valued utilizing unobservable inputs and are therefore classified within Level 3.

The investments in certain debt and equity securities, hedge funds, private equity and venture capital funds, and limited partnerships are valued at net asset value (NAV) and are therefore classified under net asset value (NAV) per share (or equivalent). The College'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 the College's proportionate share of the partner's capital of the investment partnerships as reported by their general partners. For these investments, the College has determined, through its monitoring activities, to rely on the fair value as determined by the investment managers.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued:*

Fair Value Measurement of Financial Instruments, *Continued:*
The investment managers and general partners of investments generally value their investments at fair value and in accordance with generally accepted accounting principles in the United States of America. Investments with no readily available market are generally recorded at an estimated market value, which attempts to apply a fair value standard by referring to 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 may be carried at acquisition price (cost) if little has changed since the initial investment of the company 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 the College uses its best judgment in determining the fair value of investments, 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.

Plant Facilities:
Plant facilities consist of property, plant and equipment which are stated at cost representing the original purchase price or the fair value at the date of the gift, less accumulated depreciation. Plant purchases with a useful life of five years or more and a cost equal to or greater than $100,000 for land improvements and buildings and $25,000 for equipment are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings, permanent improvements and equipment (generally 7 years for equipment and permanent improvements and 50 years for buildings). Depreciation expense is funded through operations and gifts. The cost and accumulated depreciation of assets sold or retired are removed from the accounts and the related gains or losses are included in the Statements of Activities. Asset retirement obligations are recorded based on estimated settlement dates and methods.

No significant property or equipment has been pledged as collateral or otherwise subject to lien for the years ended June 30, 2018 and 2017. Proceeds from the disposal of equipment acquired with federal funds will be transferred to the federal awarding agency. No federal project equipment was disposed of during the years ended June 30, 2018 or 2017. No property or equipment has been acquired with restricted assets where title may revert to another party.

Annuity and Life Income Contracts and Agreements:
The College has legal title to annuity and life income contracts and agreements subject to life interests of beneficiaries. No significant financial benefit is now being or can be realized until the contractual obligations are released. However, the costs of managing these contracts and agreements are included in unrestricted expenses.

The College uses the actuarial method of recording annuity and life income contracts and agreements. Under this method, the asset is recorded at fair value when a gift is received. The present value of the aggregate annuity payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as a gift in the appropriate net asset category. The liability account is credited with investment income and gains and is charged with investment losses and payments to beneficiaries. Periodic adjustments are made between the liability account and the net asset account for actuarial gains and losses. The actuarial liability is based on the present value of future payments discounted at rates ranging from 1.8% to 7.5% and over estimated lives according to the 2012 Individual Annuity Reserving Unisex projected to 2018 Life Expectancy Table.

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued:*

Annuity and Life Income Contracts and Agreements, *Continued*

On December 2, 1998, the Insurance Commission Chief Counsel granted the College permission to invest its reserves for California annuities pursuant to Insurance Code Section 11521.2(b). This approval is subject to the following conditions: (1) maintain a nationally recognized statistical rating organization bond rating of "A" or better, and (2) maintain an endowment to gift annuity ratio of at least 10:1.

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:

In accordance with generally accepted accounting principles, the College had no unrecognized tax benefits at June 30, 2018 and 2017.

Reclassifications:

Certain 2017 amounts have been reclassified to conform to 2018 presentation.

NOTE 2 - ACCOUNTS AND NOTES RECEIVABLE:

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

	2018	2017
Federal grants	$ 1,083,250	$ 507,148
Clinics	334,000	264,974
Other Claremont Colleges	310,801	416,612
Employees	187,581	146,276
Student accounts	102,326	150,391
Private grants and contracts	1,897	80,953
Other	61,367	139,203
	2,081,222	1,705,557
Less allowance for doubtful accounts receivable	(5,116)	(8,927)
Net accounts receivable	$ 2,076,106	$ 1,696,630

Notes receivable at June 30, 2018 and 2017 are as follows:

	2018	2017
Student notes receivable	$ 487,997	$ 500,532
Federal loan funds - student notes receivable	2,638,466	2,662,896
Faculty loans and other	-	26,840
	3,126,463	3,190,268
Less allowance for doubtful notes receivable	(49,470)	(41,971)
Net notes receivable	$ 3,076,993	$ 3,148,297

June 30, 2018 and 2017

NOTE 3 - CONTRIBUTIONS RECEIVABLE:

Contributions receivable are recorded after discounting to the present value of future cash flows at rates ranging from 1.4% to 3.8%. At June 30, 2018, 66.0% of contributions receivable, net were due from three donors. At June 30, 2017, 45.9% of contributions receivable, net were due from four donors. Contributions receivable at June 30, 2018 and 2017 are expected to be realized in the following periods:

	2018	2017
Within one year	$ 11,567,385	$ 10,414,465
Between one year and five years	11,569,434	2,325,599
Thereafter	3,109,815	3,416,776
	26,246,634	16,156,840
Less discount	(1,365,219)	(761,806)
Less allowance for doubtful contributions receivable	(5,672,218)	(5,817,736)
Net contributions receivable	$ 19,209,197	$ 9,577,298

Contributions receivable at June 30, 2018 and 2017 are intended for the following uses:

	2018	2017
Endowment for scholarships and professorships	$ 3,568,491	$ 4,484,166
Facilities and equipment	11,372,313	772,549
Beneficial interest in trusts held by third parties	2,504,241	2,389,714
Other	1,764,152	1,930,869
Total	$ 19,209,197	$ 9,577,298

NOTE 4 - INVESTMENTS:

The following is a summary of data that pertains to the unit value method for pooled investments at June 30, 2018 and 2017:

	2018	2017
Unit market value at end of year	$ 359.69	$ 341.33
Units owned:		
Unrestricted:		
Funds functioning as endowment	184,616	187,127
Temporarily restricted:		
Endowment	3,852	3,989
Annuity and life income contracts and agreements	41	41
Permanently restricted:		
Endowment	692,173	683,307
Annuity and life income contracts and agreements	1,123	1,198
Total units	881,805	875,662
Spending rate per unit	$ 16.75	$ 16.86

June 30, 2018 and 2017

NOTE 4 - INVESTMENTS, *Continued:*

The following schedule summarizes the College's investment returns for the years ended June 30, 2018 and 2017:

	2018	2017
Dividends and interest	$ 4,884,028	$ 4,392,977
Rent and other investment income	4,249	6,776
Gains	27,484,234	33,393,552
	32,372,511	37,793,305
Less: Investment expense	(1,185,413)	(1,624,064)
Net investment return	$ 31,187,098	$ 36,169,241

The following schedule summarizes the College's investment returns (losses) as presented on the Statements of Activities for the years ended June 30, 2018 and 2017:

	2018	2017
Endowment payout	$ 14,699,783	$ 14,587,431
Other investment income, net	298,169	122,355
Other investment returns (losses)	56,850	(26,369)
Pooled investment gains, net of allocations to operations	16,132,296	21,485,824
Net investment return	$ 31,187,098	$ 36,169,241

The following schedule summarizes the College's investments at June 30, 2018 and 2017:

By asset type:	2018	2017
Cash equivalents	$ 46,408,023	$ 29,187,534
Equity securities	184,512,755	188,531,074
Debt securities	40,998,790	33,846,391
Hedge funds	36,169,291	50,542,376
Private equity/Venture capital	40,489,829	27,569,936
Real properties	1,962,500	1,962,500
Other assets	83,525	363,217
Total by asset type	$ 350,624,713	$ 332,003,028

The following schedule summarizes the College's investments at June 30, 2018 and 2017:

By category:	2018	2017
Endowment and funds functioning as endowment:		
Pooled investments	$ 316,783,550	$ 298,475,176
Separately invested	31,797	383,595
Total endowment and funds functioning as endowment	316,815,347	298,858,771
Annuity and life income contracts and agreements:		
Pooled investments	388,601	414,924
Separately invested	6,935,171	8,622,139
Total annuity and life income contracts and agreements	7,323,772	9,037,063
Other		
Separately invested	26,485,594	24,107,194
Total by category	$ 350,624,713	$ 332,003,028

June 30, 2018 and 2017

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS:

The following tables present the investments and beneficial interest in trusts held by third parties carried on the Statements of Financial Position at fair value as of June 30, 2018 and 2017:

	Level 1	Level 2	Level 3	Assets Valued Using NAV Practical Expedient	2018
Investments:					
Cash equivalents	$ 46,408,023	$ -	$ -	$ -	$ 46,408,023
Equity securities					
U.S. equity	29,033,914	-	-	31,131,944	60,165,858
International equity	-	-	-	84,379,261	84,379,261
Global inflation protection equity	24,503,096	-	-	15,464,540	39,967,636
Debt securities					
U.S. treasuries	-	34,909,536	-	-	34,909,536
Corporate bonds	-	1,902,285	-	4,186,969	6,089,254
Hedge funds - multi strategy	-	-	-	36,169,291	36,169,291
Private equity/Venture capital	-	-	-	40,489,829	40,489,829
Other assets	-	-	83,525	-	83,525
Beneficial interest in trusts	-	-	2,504,241	-	2,504,241
Total	$ 99,945,033	$ 36,811,821	$ 2,587,766	$ 211,821,834	$ 351,166,454

	Level 1	Level 2	Level 3	Assets Valued Using NAV Practical Expedient	2017
Investments:					
Cash equivalents	$ 29,187,534	$ -	$ -	$ -	$ 29,187,534
Equity securities					
U.S. equity	55,272,377	-	-	16,829,263	72,101,640
International equity	20,732,284	-	-	69,032,393	89,764,677
Global inflation protection equity	20,634,177	-	-	6,030,580	26,664,757
Debt securities					
U.S. treasuries	-	24,607,243	-	-	24,607,243
Corporate bonds	8,267,454	971,694	-	-	9,239,148
Hedge funds - multi strategy	-	-	-	50,542,376	50,542,376
Private equity/Venture capital	-	-	-	27,569,936	27,569,936
Other assets	233,146	-	130,071	-	363,217
Beneficial interest in trusts	-	-	2,389,714	-	2,389,714
Total	$ 134,326,972	$ 25,578,937	$ 2,519,785	$ 170,004,548	$ 332,430,242

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS, *Continued:*

The following table is a rollforward of the amounts for the years ended June 30, 2018 and 2017 for assets classified within Level 3:

	Other Assets	Beneficial Interest in Trusts	Total
Balance at July 1, 2016	$ 380,085	$ 2,271,629	$ 2,651,714
Unrealized gain (loss), net	(250,014)	-	(250,014)
Actuarial adjustment	-	118,085	118,085
Balance at June 30, 2017	130,071	2,389,714	2,519,785
Unrealized gain (loss), net	(46,546)	-	(46,546)
Actuarial adjustment	-	114,527	114,527
Balance at June 30, 2018	$ 83,525	$ 2,504,241	$ 2,587,766

The College's policy is to recognize transfers in and transfers out of Level 1, Level 2 and Level 3 at the beginning of the reporting period.

Net realized and unrealized gains (losses) on investments in the table above are reflected in the lines "Pooled investment gains (losses), net of allocations to operations" and "Other investment returns (losses)" on the Statements of Activities. Actuarial adjustment on beneficial interest in trusts in the table above is reflected in the line "Actuarial adjustment" on the Statements of Activities.

The significant unobservable inputs used in the fair value measurement of the College's Other Assets are the 5 year average income multiplied by the production and cash flow multiple. Significant increases (decreases) in any of the inputs would result in a significantly lower (higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the College's Beneficial Interest in Trusts are the mortality rate and risk factor used in the rate to discount the cash flow of the trusts. Significant increases (decreases) in any of the inputs would result in a significantly lower (higher) fair value measurement.

Investment	Valuation Techniques	Unobservable Input	
Other assets	Average income	Production and cash flow multiple	6
Beneficial interest in Trusts	Discounted Cash Flow	Risk Factor	1-2%
		Life Expectancy rate	4-36 yrs

Other Assets classified as Level 3 are valued based on the 5 year average income from the underlying assets in the trusts.

Beneficial Interest in Trusts classified as Level 3 are valued based on the discounted cash flow of the income and expenses from the underlying assets and liabilities in the trusts over the estimated lives of the income beneficiaries of the trusts.

Securities classified as Level 3 investments are based on valuations provided by the external investment managers. The valuations consider variables such as financial performance of investments, recent sales prices of investments and other pertinent information.

June 30, 2018 and 2017

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS, *Continued:*

The following table presents fair value measurements of investments that calculate net asset value per share (or its equivalent) as of June 30, 2018:

	Fair Value	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Investments:				
Equity securities				
U.S. equity	$ 31,131,944	Daily to Monthly	10 days	(a)
International equity	84,379,261	Monthly	5-30 days	(b)
Global inflation protection equity	15,464,540	Monthly	15 days	(c)
Corporate bonds	4,186,969	Monthly	10 days	(d)
Hedge funds - multi strategy	36,169,291	Monthly to Annually	45-90 days	(e)
Private equity/Venture capital	40,489,829	N/A	N/A	(f)
Total	$ 211,821,834			

As of June 30, 2018, there were unfunded private equity commitments of $29,289,547 that are due upon demand.

(a) This category includes investments in U.S. equity securities.
(b) This category includes investments in international equity securities with a value bias.
(c) This category includes investments in portfolios designed to act as an inflation hedge. Portfolio holdings include investments in real estate.
(d) This category includes investments in fixed income securities, including corporate bonds.
(e) This category includes investments in hedge funds invested across multiple strategies. Some funds have initial lockup periods of up to two years and redemption gates of 10% or 25%. One fund limits liquidity to one third per year over three years.
(f) This category includes investments in limited partnership funds of private equity and venture capital investments and funds. The investments in these funds cannot be redeemed. Distributions will be received as the underlying investments are realized.

NOTE 6 - PLANT FACILITIES:

Plant facilities are recorded at cost or estimated fair value at the date of donation, and at June 30, 2018 and 2017, consists of the following:

	2018	2017
Land and land improvements	$ 14,376,279	$ 14,376,279
Buildings	160,056,161	155,002,440
Equipment	13,562,859	12,222,598
Construction in progress	1,001,292	2,727,849
	188,996,591	184,329,166
Less accumulated depreciation	(66,514,450)	(61,682,463)
Net plant facilities	$ 122,482,141	$ 122,646,703

Depreciation expense was approximately $4,837,000 and $4,497,000 for the years ended June 30, 2018 and 2017, respectively.

June 30, 2018 and 2017

NOTE 7 - NOTE AND BONDS PAYABLE:

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

	2018	2017
California Educational Facilities Authority - Series 2011	$ 13,345,000	$ 13,630,000
California Municipal Finance Authority 2013 Tax-Exempt Loan	28,897,883	29,583,471
	42,242,883	43,213,471
Plus unamortized premium	125,451	130,977
Less issuance costs	(381,421)	(397,416)
Total note and bonds payable	$ 41,986,913	$ 42,947,032

In May 2011, the College issued California Educational Facilities Authority (CEFA) Revenue Bonds Series 2011 in the aggregate principal amount of $15,065,000. The bonds are due in annual installments ranging from $285,000 to $940,000 through 2041, with interest rates ranging from 4.0% to 5.3%.

In November 2013, the College signed a California Municipal Finance Authority (CMFA) Tax-Exempt Loan agreement not to exceed $30,000,000 that matures December 2043. The note requires monthly interest only payments through December 2016 and monthly principal and interest payment thereafter, with an interest rate of 3.5%.

Interest expense was approximately $1,732,000 and $1,765,000 for the years ended June 30, 2018 and 2017, respectively. Amortization of premium and costs of issuance was ($10,469) and ($17,315) for the years ended June 30, 2018 and 2017,

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

Fiscal Years Ending June 30,	Principal Amount
2019	$ 1,010,317
2020	1,043,220
2021	1,087,384
2022	1,129,882
2023	1,178,373
Thereafter	36,793,707
	$ 42,242,883

The CEFA Series 2011 bond agreement and CMFA loan agreement contain various restrictive covenants, as defined in the agreements.

The estimated fair value of the College's CEFA bonds was approximately $14,656,000 and $15,509,000 at June 30, 2018 and 2017, respectively. This fair value was estimated based upon the discounted amount of future cash outflows based on current rates available to the College for debt of the same remaining maturities. The College determined the CEFA bonds to be Level 2 measurements in the fair value hierarchy.

In August 2011, the College entered into a secured line of credit with a bank. The line is secured by assets custodied at the lending bank. Any borrowings under the line would bear interest payable monthly at the lesser of the lending bank's prime rate or 0.5% above LIBOR in effect on the first day of the applicable fixed rate. There were no outstanding borrowings on the line at June 30, 2018 and 2017.

June 30, 2018 and 2017

NOTE 8 - FUNDS HELD IN TRUST FOR OTHERS:

Funds held in trust for others totaled approximately $847,000 and $872,000 at June 30, 2018 and 2017, respectively. These amounts represent other Claremont College funds and third-party remainder interests held in trust by the College.

NOTE 9 - ASSET RETIREMENT OBLIGATION:

The College has recorded asset retirement obligations related to certain property and equipment, 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	$ 1,492,736	$ 1,426,206
Accretion expense	69,642	66,530
Ending balance	$ 1,562,378	$ 1,492,736

NOTE 10 - NET ASSETS:

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

	2018	2017
Unrestricted:		
For operations	$ 1,995,143	$ 1,797,114
For designated purposes	8,117,659	9,013,702
Loans	952,109	951,748
Funds functioning as endowment	66,496,241	63,974,343
Plant facilities	78,980,561	76,175,899
Total unrestricted	$ 156,541,713	$ 151,912,806
Temporarily restricted:		
Restricted for specific purposes	$ 12,285,447	$ 11,890,735
Endowment	104,532,257	92,217,203
Plant facilities	12,547,916	2,671,427
Annuity and life income contracts and agreements	5,625,507	5,223,652
Total temporarily restricted	$ 134,991,127	$ 112,003,017
Permanently restricted:		
Student loans	$ 1,177,523	$ 1,180,178
Endowment	149,355,340	147,151,391
Annuity and life income contracts and agreements	1,445,973	1,485,173
Total permanently restricted	$ 151,978,836	$ 149,816,742

June 30, 2018 and 2017

NOTE 10 - NET ASSETS, *Continued:*

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

	2018	2017
Unrestricted endowment		
Funds functioning as endowment	$ 66,756,315	$ 64,884,302
Funds with deficiencies	(260,074)	(909,959)
Total unrestricted endowment funds	66,496,241	63,974,343
Temporarily restricted endowment		
Term endowment	434,262	482,942
Portion of endowment funds subject to a time restriction under California UPMIFA		
Without purpose restriction	92,113,695	81,692,582
With purpose restriction	11,984,300	10,041,679
Total temporarily restricted endowment funds	104,532,257	92,217,203
Permanently restricted endowment	149,355,340	147,151,391
Total endowment net assets	$ 320,383,838	$ 303,342,937

NOTE 11 - NET STUDENT REVENUES:

Student revenues for the years ended June 30, 2018 and 2017 consist of the following:

	2018	2017
Tuition and fees	$ 45,876,927	$ 43,471,991
Room and board	13,187,842	12,368,915
Gross student revenues	59,064,769	55,840,906
Less:		
Sponsored student aid	(4,245,847)	(4,235,411)
Unsponsored student aid	(14,052,547)	(12,842,533)
Financial aid	(18,298,394)	(17,077,944)
Net student revenues	$ 40,766,375	$ 38,762,962

Sponsored student aid consists of funds provided by gifts, grants and endowment payout, whereas unsponsored student aid consists of funds provided by the College.

NOTE 12 - INSTITUTIONAL SUPPORT FUNDRAISING EXPENSE:

Included in institutional support expenses are approximately $3,516,000 and $3,415,000 of expenditures related to fundraising for the years ended June 30, 2018 and 2017, respectively.

June 30, 2018 and 2017

NOTE 13 - ENDOWMENT:

The net assets of the College include permanent endowment and funds functioning as endowment. Permanent 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 UPMIFA. While funds functioning as endowment have been established by the Board of Trustees to function as endowment, any portion of such funds may be expended.

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018
Investment returns:				
Earned income	$ 3,388,777	$ -	$ -	$ 3,388,777
Change in net appreciation (depreciation) of investments	15,111,874	12,363,733	141,226	27,616,833
Net investment returns	18,500,651	12,363,733	141,226	31,005,610
Endowment returns distributed for operations	(14,720,524)	-	-	(14,720,524)
Spending reinvested	-	1,321	61,824	63,145
Net investment returns	3,780,127	12,365,054	203,050	16,348,231
Other changes in endowed equity:				
Gifts	1,900	-	714,729	716,629
Other additions, net	(1,260,129)	(50,000)	1,286,170	(23,959)
Total other changes in endowed equity	(1,258,229)	(50,000)	2,000,899	692,670
Net change in endowed equity	2,521,898	12,315,054	2,203,949	17,040,901
Endowed equity, beginning of year	63,974,343	92,217,203	147,151,391	303,342,937
Endowed equity, end of year	$ 66,496,241	$ 104,532,257	$ 149,355,340	$ 320,383,838

At June 30, 2018, endowed equity consists of the following assets:

Contributions receivable, net	$ -	$ -	$ 3,568,491	$ 3,568,491
Investments	66,496,241	104,532,257	145,786,849	316,815,347
Total endowed equity	$ 66,496,241	$ 104,532,257	$ 149,355,340	$ 320,383,838

June 30, 2018 and 2017

NOTE 13 - ENDOWMENT, *Continued:*

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017
Investment returns:				
Earned income	$ 2,672,730	$ -	$ -	$ 2,672,730
Change in net appreciation (depreciation) of investments	19,240,001	14,095,083	(19,096)	33,315,988
Net investment returns	21,912,731	14,095,083	(19,096)	35,988,718
Endowment returns distributed for operations	(14,525,087)	-	-	(14,525,087)
Spending reinvested	-	1,265	61,077	62,342
Net investment returns	7,387,644	14,096,348	41,981	21,525,973
Other changes in endowed equity:				
Gifts	4,000	-	2,939,428	2,943,428
Other additions, net	(925,093)	(11,415)	2,858,871	1,922,363
Total other changes in endowed equity	(921,093)	(11,415)	5,798,299	4,865,791
Net change in endowed equity	6,466,551	14,084,933	5,840,280	26,391,764
Endowed equity, beginning of year	57,507,792	78,132,270	141,311,111	276,951,173
Endowed equity, end of year	$ 63,974,343	$ 92,217,203	$ 147,151,391	$ 303,342,937

At June 30, 2017, endowed equity consists of the following assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017
Contributions receivable, net	$ -	$ -	$ 4,484,166	$ 4,484,166
Investments	63,974,343	92,217,203	142,667,225	298,858,771
Total endowed equity	$ 63,974,343	$ 92,217,203	$ 147,151,391	$ 303,342,937

NOTE 14 - RELATED PARTY TRANSACTIONS:

The College had an interest free faculty loan with 1 faculty member that matured in August 2017. As of June 30, 2018 and 2017, the faculty loan receivable balance was approximately $0 and $27,000, respectively.

Trustee support of the College consists of contributions to the College. Total contributions from Trustees during fiscal years ended June 30, 2018 and 2017 totaled approximately $8,165,000 and $4,900,000, respectively. At June 30, 2018 and 2017, Trustee contributions receivable totaled approximately $6,259,000 and $1,674,000, respectively.

June 30, 2018 and 2017

NOTE 15 - EMPLOYEE BENEFIT PLANS:

The College maintains, with other members of The Claremont Colleges (Note 16), a defined contribution retirement plan which provides retirement benefits to eligible personnel through Teachers Insurance and Annuity Association and The College Retirement Equity Fund ("TIAA-Cref"). Under this defined contribution plan, College 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. College contributions to the plan for the years ended June 30, 2018 and 2017, totaled approximately $3,212,000 and $3,160,000, respectively.

The Claremont Colleges, Inc. ("TCC", formerly Claremont University Consortium) administered a defined benefit plan (the "Plan") covering substantially all nonacademic employees of the College, along with those of the other Claremont Colleges, in accordance with the Employer Retirement Income Security Act of 1974 (ERISA). The Plan was curtailed in the year ended June 30, 2004 subsequent to the Plan's measurement date. Participants in this plan participated in the College's defined contribution plan effective July 1, 2005, subject to eligibility requirements. The impact of the curtailment is a reduction to the benefit obligation. On March 4, 2014, the Administrative Council of the Claremont Colleges ("Council") passed a resolution to terminate the Plan effective June 30, 2014, and to amend the Plan to offer a single lump sum distribution option in addition to the other forms of distribution available under the Plan. As of June 30, 2016, all Plan assets were liquidated to fund the financial obligation of the Plan termination. Accrued benefit liability and employer contributions were allocated to each of The Claremont Colleges based on participant data or other methods deemed appropriate by the Plan's actuary. The College's allocation of the net pension cost for the years ended June 30, 2018 and 2017 was approximately $0 and $1,000, respectively. Additional information on the Plan can be obtained from the audited financial statements of TCC.

NOTE 16 - AFFILIATED INSTITUTIONS:

The College is a member of an affiliated group of colleges known as The Claremont Colleges. Each college is a separate corporate entity governed by its own Board of Trustees. TCC, a member of this group, is the central coordinating institution which provides common student and administrative services, including certain central facilities utilized by all The Claremont Colleges. The costs of these services and facilities are shared by the members of the group. Amounts paid by Harvey Mudd College for such services and use of facilities for the years ended June 30, 2018 and 2017 totaled approximately $4,363,000 and $3,779,000, respectively.

NOTE 17 - COMMITMENTS AND CONTINGENCIES:

Federal Funding:
Certain federal grants, including financial aid which the College administers and for which it receives reimbursements, are subject to audit and final acceptance by federal granting agencies. Current and prior year costs of such grants are subject to adjustment upon audit. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time, although the College expects such amounts, if any, would not have a significant impact on the financial position of the College.

Contracts:
The College has remaining contract commitments to renovate existing buildings and to begin construction of a new building totaling approximately $1,009,000 as of June 30, 2018.

Litigation:
Occasionally, the College is involved in lawsuits arising in the ordinary course of its operations. In the opinion of management, the ultimate resolution of these lawsuits is not expected to have a material effect on the College's financial position or change in net assets.

June 30, 2018 and 2017

NOTE 18 - SUBSEQUENT EVENTS:

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

The College has evaluated subsequent events through October 30, 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.

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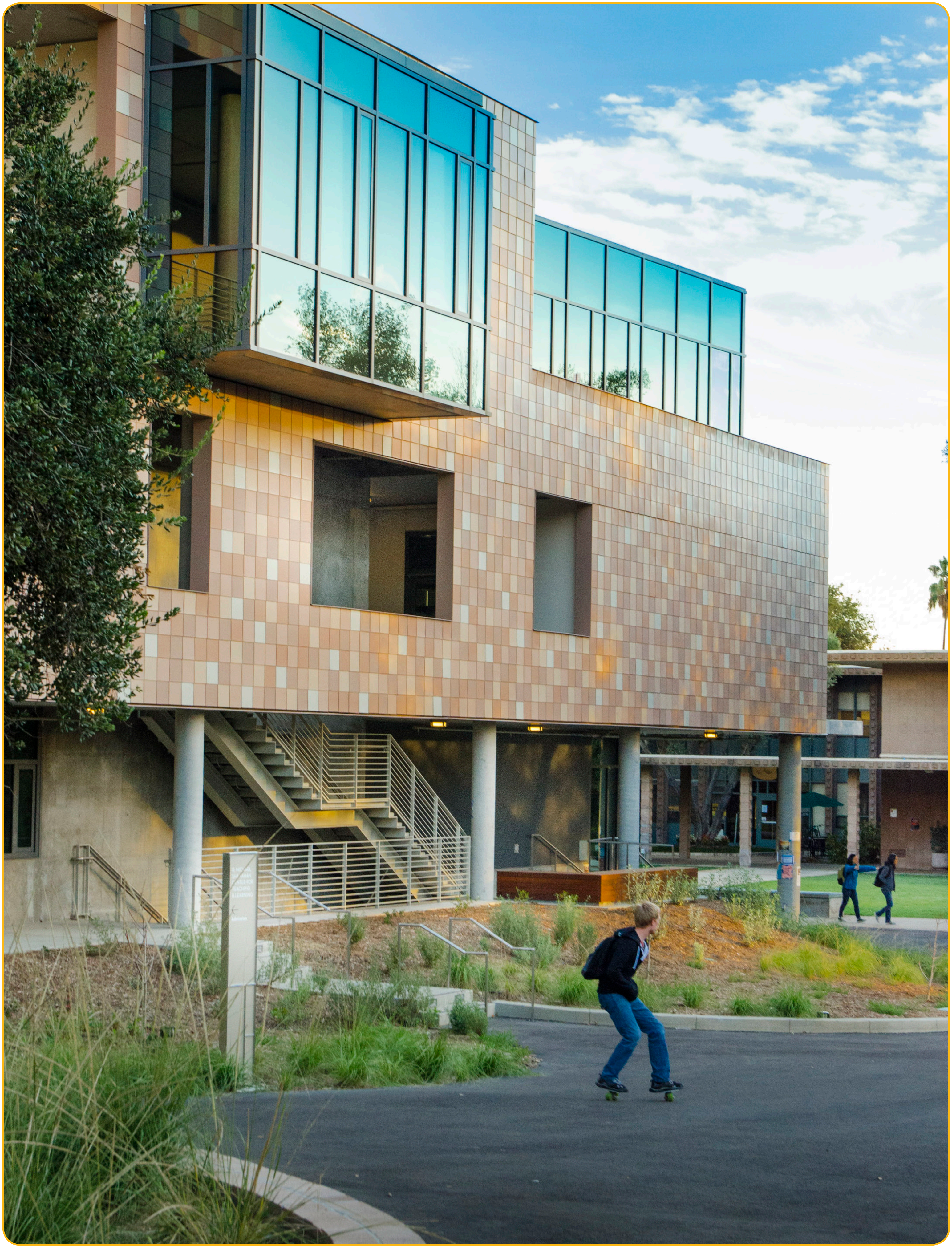

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