WASHINGTON COLLEGE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

WASHINGTON COLLEGE
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2018 AND 2017

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Visitors and Governors
Washington College
Chestertown, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Washington College (the 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College'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 College'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 Washington 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.

Emphasis of Matter Regarding a Correction of an Error

As discussed in Note 17 to the financial statements, an error was discovered during the current year regarding the calculation of depreciation expense and accumulated depreciation. Accordingly, an adjustment has been made to the net assets as of July 1, 2016, depreciation expense for the year ended June 30, 2017 and accumulated depreciation as of June 30, 2017. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
November 26, 2018

WASHINGTON COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017 (As Restated)
ASSETS		
Cash and Cash Equivalents	$ 20,039,289	$ 25,274,413
Accounts Receivable, Net	1,077,120	2,022,167
Prepaid Expenses and Other Assets	1,482,130	685,451
Pledges Receivable, Net	7,764,841	4,543,027
Student Loans Receivable, Net	80,507	83,886
Investments		
Investments - Operating	21,072,744	17,564,859
Investments of Endowed Funds	226,922,045	212,154,998
Assets Held in Annuity Trusts	910,512	964,162
Total Investments	248,905,301	230,684,019
Land, Buildings, and Equipment, Net	172,870,746	169,208,342
Total Assets	$ 452,219,934	$ 432,501,305
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 4,945,688	$ 3,204,582
Accrued Salaries and Wages	2,083,907	2,429,765
Deferred Revenues and Deposits	988,752	1,663,144
Funds Held for Others	665,461	649,034
Annuities Payable	566,292	603,059
Interest Rate Swaps	5,223,490	7,495,515
Long-Term Debt, Net	66,849,945	68,884,527
Total Liabilities	81,323,535	84,929,626
NET ASSETS		
Unrestricted	117,082,609	114,671,067
Temporarily Restricted	105,146,664	92,506,057
Permanently Restricted	148,667,126	140,394,555
Total Net Assets	370,896,399	347,571,679
Total Liabilities and Net Assets	$ 452,219,934	$ 432,501,305

See accompanying Notes to Financial Statements.

WASHINGTON COLLEGE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017 (As Restated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES, GAINS AND OTHER SUPPORT								
Tuition and Fees, Net	$ 32,467,392	$ -	$ -	$ 32,467,392	$ 34,310,651	$ -	$ -	$ 34,310,651
U.S. Government Grants	129,907	712,495	-	842,402	121,564	869,543	-	991,107
State and Local Grants	1,756,730	498,848	-	2,255,578	1,622,873	520,636	944,000	3,087,509
Private Gifts	2,038,671	10,661,258	8,253,377	20,953,306	1,613,990	6,701,973	8,489,428	16,805,391
Endowment Return Used for Operations	938,499	11,501,719	-	12,440,218	767,929	9,579,736	-	10,347,665
Investment Income	373,363	12,464	-	385,827	277,504	(16,116)	-	261,388
Change in Value of Split-Interest Agreements	(1,459)	5,512	24,687	28,740	12	8,466	48,322	56,800
Sales, Auxiliary Enterprises	15,913,621	76,790	-	15,990,411	16,160,961	128,782	-	16,289,743
Other Sources	930,484	435,709	-	1,366,193	1,320,044	562,937	-	1,882,981
Total Revenues and Gains	54,547,208	23,904,795	8,278,064	86,730,067	56,195,528	18,355,957	9,481,750	84,033,235
Net Assets Released from Restrictions	17,083,556	(17,083,556)	-	-	13,728,320	(13,728,320)	-	-
Total Operating Revenues, Gains and Other Support	71,630,764	6,821,239	8,278,064	86,730,067	69,923,848	4,627,637	9,481,750	84,033,235
Operating Expenses								
Educational and General								
Instructional	23,306,139	-	-	23,306,139	22,667,833	-	-	22,667,833
Academic Support								
Library	1,924,074	-	-	1,924,074	2,160,401	-	-	2,160,401
Other	2,214,374	-	-	2,214,374	2,264,875	-	-	2,264,875
Student Services	13,408,444	-	-	13,408,444	12,481,479	-	-	12,481,479
General Administration	3,095,364	-	-	3,095,364	3,792,569	-	-	3,792,569
General Institutional	15,414,946	-	-	15,414,946	14,076,578	-	-	14,076,578
Auxiliary Enterprises	12,298,668	-	-	12,298,668	12,451,914	-	-	12,451,914
Total Operating Expenses	71,662,009	-	-	71,662,009	69,895,649	-	-	69,895,649
Change in Net Assets from Operating Activities	(31,245)	6,821,239	8,278,064	15,068,058	28,199	4,627,637	9,481,750	14,137,586
NONOPERATING ACTIVITIES								
Net Gain on Investments	807,009	17,614,794	-	18,421,803	1,232,515	18,903,610	-	20,136,125
Withdrawn for Endowment Payout	(938,499)	(11,501,719)	-	(12,440,218)	(767,929)	(9,579,736)	-	(10,347,665)
Loss on Disposal of Fixed Assets	3,052	-	-	3,052	(844,532)	700	-	(843,832)
Change in Fair Value of Interest Rate Swaps	2,272,025	-	-	2,272,025	3,818,727	-	-	3,818,727
Mandatory Transfer	-	5,493	(5,493)	-	8,500	(198,982)	190,482	-
Net Assets Released from Restrictions - Capital	299,200	(299,200)	-	-	6,939,769	(6,939,769)	-	-
Total Nonoperating Activities	2,442,787	5,819,368	(5,493)	8,256,662	10,387,050	2,185,823	190,482	12,763,355
CHANGE IN NET ASSETS	2,411,542	12,640,607	8,272,571	23,324,720	10,415,249	6,813,460	9,672,232	26,900,941
Net Assets - Beginning of Year, As Restated (Note 17)	114,671,067	92,506,057	140,394,555	347,571,679	104,255,818	85,692,597	130,722,323	320,670,738
NET ASSETS - END OF YEAR	$ 117,082,609	$ 105,146,664	$ 148,667,126	$ 370,896,399	$ 114,671,067	$ 92,506,057	$ 140,394,555	$ 347,571,679

See accompanying Notes to Financial Statements.

WASHINGTON COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 23,324,720	$ 26,900,941
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	8,769,487	8,610,172
Amortization	19,418	21,450
Bad Debt Expense	259,809	306,117
Loss on Retirement of Fixed Assets	30,559	844,531
Net Realized and Unrealized Gains on Investments	(18,421,803)	(20,136,125)
Change in Value of Split-Interest Agreements	16,883	6,823
Change in Fair Value of Interest Rate Swaps	(2,272,025)	(3,818,727)
Contributions Restricted for Long-Term Investment	(8,253,377)	(9,433,428)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	884,830	(629,815)
Prepaid Expenses and Other Assets	(796,679)	(190,207)
Pledges Receivable, Net	(3,412,662)	(460,905)
Accounts Payable, Accrued Expenses, and Accrued Salaries and Wages	1,395,248	(1,876,461)
Deferred Revenues and Deposits	(674,392)	(105,599)
Funds Held for Others	16,427	(11,553)
Net Cash Provided by Operating Activities	886,443	27,214
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(12,496,063)	(9,269,770)
Proceeds from Sale of Fixed Assets	33,612	700
Purchases of Investments	(80,400,722)	(54,795,439)
Proceeds from Sales of Investments	80,547,590	54,524,195
(Advances) Repayments on Student Loans	(5,361)	14,083
Net Cash Used by Investing Activities	(12,320,944)	(9,526,231)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Long-Term Investment	8,253,377	9,433,428
Payments on Long-Term Debt	(2,054,000)	(1,973,000)
Net Cash Provided by Financing Activities	6,199,377	7,460,428
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,235,124)	(2,038,589)
Cash and Cash Equivalents - Beginning of Year	25,274,413	27,313,002
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 20,039,289	$ 25,274,413
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 2,210,511	$ 2,572,888
Noncash Gifts	$ 102,684	$ 1,165,074
Capital Assets Included in Accounts Payable	$ 3,141,842	$ 1,927,241

See accompanying Notes to Financial Statements.

NOTE 1 NATURE OF OPERATIONS

Washington College (the College) is a private, nonprofit College of Arts and Sciences chartered by the State of Maryland in 1782. Washington College is situated on the Chester River on Maryland's Eastern Shore. The College enrolls approximately 1,450 undergraduate students.

Washington College seeks to develop in its students the habits of analytic thought, aesthetic insight, imagination, ethical sensitivity, and clarity of expression. These qualities of the mind are the result of excellent teaching, of active inquiry, and of a wide range of experiences and social interactions in an intimate community of cultural, social, and political diversity. The College also strives to enrich the cultural and intellectual life of its regional community.

Each student explores a range of disciplines in the humanities, the social sciences, and the natural sciences and concentrates on a major academic program that culminates in a significant independent project. Unhurried conversation and personal associations complement instruction and study. Thus, the College affirms the importance of its residential tradition with its opportunities to engage in the arts and sciences, athletics, service, and social activities in the company of people of varied backgrounds, experience, and interests. The College also offers certification programs, graduate studies, and opportunities for lifelong learning.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies employed by the College are described below.

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, College resources are classified and reported as separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets – Include expendable resources that are used to carry out the College's operations and are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by the College or may be limited by contractual agreement with outside parties.

Temporarily Restricted Net Assets – Include funds received from contributions, purchases of annuities, and income including realized and unrealized gains on assets whose use by the College is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the College pursuant to those stipulations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Permanently Restricted Net Assets – Include funds from contributions and other inflows of assets which require the corpus to be maintained in perpetuity by the College. Income earned from these investments is available for general or specific purposes, according to restrictions, if any, imposed by the donors.

Revenues and gains and losses on investments and other assets are reported as changes in unrestricted net assets unless limited by explicit donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets and are allocated into functional categories depending upon the ultimate purpose of the expenditure. Expirations of temporary restrictions on net assets, where the donor-imposed purpose has been accomplished or the stipulated time period has elapsed, are reported as net assets released from restrictions.

Cash and Cash Equivalents

The College defines cash equivalents as highly liquid financial instruments with original maturities of three months or less. The College invests excess cash in bank overnight repurchase agreements, short-term securities, and money market funds, which are converted into cash as needed to meet the College's obligations.

Investments

General

Investment securities are reflected in the accompanying financial statements at quoted fair values except for alternative investments, which include limited partnerships, real estate funds and hedge funds, for which quoted market prices are not readily available. The estimated fair value of these investments is based on net asset values provided by the general partner or investment managers during the year. The College believes that such valuations are appropriate. Because the alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

In accordance with the policy of stating investments at fair value, the change in unrealized appreciation (depreciation) of investment securities is reflected in the accompanying statements of activities. All gains and losses arising from sales, purchases, or other disposition of investments under the control of the College are accounted for on a specific identification basis calculated as of the trade date. Investment gains or losses on pooled endowment assets are distributed quarterly among the individual endowment funds on the basis of the number of units of the pool held by each individual endowment account.

Investments of Endowed Funds

The College has, from time to time, received gifts in which the donor has specified that the gift must be held in perpetuity and only the income from the gift be utilized for general or specific purposes. Such gifts, generally called endowments, are subject to the restrictions of gift instruments of the State of Maryland. See Note 12.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided based upon management's judgments including such factors as prior collection history and type of receivables. The College writes off receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Allowances for doubtful student loans are established 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. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Reserves are placed on any past-due balances under the program until they are turned over to the government.

The allowance for pledges receivable was calculated by review of individual pledge balances for collectability and was based in part on historical collection trends of College donors.

Assets Held in Annuity Trusts

Assets held in annuity trusts consist of gift annuities and charitable remainder trusts. Gift annuities are agreements between donors and the College, which provide that the College pay stipulated amounts for the remaining lives of specific beneficiaries in return for a payment of a specific sum. Generally, donor payments are in excess of the present value of the stipulated payments. These agreements are regulated by the Insurance Commissioner of the State of Maryland. The initial payment is invested separately by the College at the time of receipt; the stipulated amounts are paid from the income, appreciation or corpus of the initial payment, or, if the initial payment has been expended, from the general assets of the College.

Charitable remainder trusts consist of funds subject to irrevocable agreements whereby the assets are made available to the College on the condition that the College pays stipulated amounts, limited to the assets of the trusts, for specified periods of time to designated individuals. Upon the death of the annuitants, the remaining proceeds of the trust revert to the College and may be used as stipulated by the donor. When the College is the trustee of the trusts, the assets held in the trust are recorded at fair value when received and the liability to the annuitant is recorded at the present value of the estimated future payments to be distributed over the annuitant's expected life.

For both annuities and charitable remainder annuity trusts, corresponding liabilities are included in the accompanying statements of financial position. Annually, management undertakes a revaluation of the actuarially determined liability of the annuities. The revaluation resulted in a decrease in annuities payable of $36,767 for FY 2018 and a decrease of $6,826 for FY 2017. New annuity gifts for 2018 and 2017 were $26,107 and $26,462, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Student Loans Receivable, Net

College loan funds held are temporarily restricted funds issued as grants per donor instructions. The College continues to collect old loans issued from these funds, and they are stated at actual amounts owed.

As of June 30, 2018 and 2017, student loans receivable is stated net of an allowance for doubtful loans of approximately $6,000 and $15,000, respectively.

Land, Buildings, and Equipment

Land, buildings, and equipment with useful lives greater than one year are stated at cost, or estimated fair market value at date of gift, if donated. Buildings financed in whole or in part by State of Maryland capital grants are stated at the combined cost to the College and the State. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Generally, the cost of maintenance and repairs is charged to expense when incurred, while major acquisitions, additions, renewals, and betterments are capitalized. The College's threshold for capitalizing assets is $2,000 for an individual item and $5,000 for bulk purchases. Depreciation of buildings and equipment is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and improvements	20 to 40 years
Furniture and equipment	4 to10 years

Bond Issuance Costs

These costs related to charges incurred upon debt issuances. These costs are being amortized over the term of the respective debt. Accumulated amortization totaled $91,497 and $72,079 at June 30, 2018 and 2017, respectively.

Operations

The accompanying statements of activities distinguish between operating and non-operating activities. Operating activities principally include all revenues, including student tuition and fees, sales, auxiliary enterprises, government grants and contracts, private gifts and endowment return used for operations, and expenses that are an integral part of the College's educational programs and supporting activities. Non-operating activities include gains (losses) on disposals of fixed assets or other financial instruments, investment earnings, change in value of interest rate swaps, re-designations of net assets, net assets released from restriction for capital projects and other activities considered to be more of an unusual or non-recurring nature.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Net Assets Released from Restrictions

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the market risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

The College reports gifts of cash or other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

The College has been notified of certain intentions to give from donors, which if received, would be used for general operations, program activities, and scholarships. These amounts are not included as a part of pledges receivable due to their conditional nature.

Tuition and Fee Revenue

Tuition and fee revenue consists of all tuition and fee revenue earned net of student discounts. For the years ended June 30, 2018 and 2017, these discounts amounted to $31,472,953 and $28,677,121, respectively.

Fundraising

Included in general institutional expenses for the years ended June 30, 2018 and 2017 were fundraising costs of $2,364,001 and $2,230,007, respectively.

Interest Rate Swaps

The College uses interest rate swaps to manage its exposure to changes in interest rates and to fix the overall cost of its variable rate financing. The interest rate swaps are recorded at fair value in the accompanying financial statements as a liability.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP 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. The most significant management estimates and assumptions related to the determination of allowances for doubtful accounts for student accounts, loans, and pledges receivable; alternative investment values; useful lives of fixed assets; conditional asset retirement obligations; actuarial estimates of annuities payable; and the reported fair values of certain of the College's assets and liabilities. Actual results could differ from those estimates.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

Cash, cash equivalents, and investments are exposed to various risks, such as interest rate, market volatility, and credit. To minimize such risks, the College has a diversified investment portfolio managed by several independent investment managers in a variety of asset classes. The College regularly evaluates its investments including performance thereof. The College maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. The College's cash accounts were placed with high credit quality financial institutions. However, due to inherent risks and potential volatility in investment valuations, the amounts reported in the accompanying financial statements can vary substantially from year to year. It is reasonably possible that changes in investments will occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

Income Tax Status

Under provisions of the Internal Revenue Code Section 501(c)(3) and applicable income tax regulations of the State of Maryland, the College is exempt from taxes on income, other than unrelated business income.

The College recognizes or derecognizes a tax position based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The College does not believe its financial statements include any material uncertain tax positions.

NOTE 3 INVESTMENTS

Investments, assets held in annuity trusts, investments of endowed funds and beneficial interest in assets held by trustee by investment type at June 30 are as follows:

	2018		2017	
	Market	Cost	Market	Cost
Short-Term Investments	$ 2,753,750	$ 2,862,532	$ 6,352,304	$ 6,352,304
Federal, State and Local Government Bonds and Notes	60,018	57,781	70,233	66,686
Corporate Bonds and Notes	39,351,185	37,717,007	29,243,308	26,274,944
Common and Preferred Stock	136,320,843	86,787,957	127,684,726	85,041,163
Hedge Funds	45,367,197	35,861,129	35,955,856	28,013,357
Limited Partnerships	16,480,818	14,159,778	12,742,860	11,386,704
Real Estate	8,571,490	12,903,952	18,634,732	26,614,361
Total	$ 248,905,301	$ 190,350,136	$ 230,684,019	$ 183,749,519

Certain investments and investments of endowed funds are invested in units of pooled investment funds on a market value basis. The pooled investment funds are managed under contract by professional management firms. The fund subscribes to or disposes of units on the basis of the per unit market value at the beginning of the calendar month within which the transaction takes place.

During the years ended June 30, 2018 and 2017, the net realized gains on the investment funds were $6,801,138 and $7,546,494, respectively. Net unrealized gains were $11,620,665 and $12,589,631 at June 30, 2018 and 2017, respectively.

Investment management and custodian fees, which are netted against investment return, totaled $1,113,752 and $778,543 for the years ended June 30, 2018 and 2017, respectively.

NOTE 4 ACCOUNTS RECEIVABLE, NET

A summary of accounts receivable at June 30, is as follows:

	2018	2017
Students	$ 310,811	$ 387,264
Conferences	90,990	228,094
Employees	5,350	19,869
Bequests	287,000	645,234
Grants	295,495	254,393
Other	109,231	343,318
Utility Rebate	-	172,919
	1,098,877	2,051,091
Less: Allowance	(21,757)	(28,924)
Total	$ 1,077,120	$ 2,022,167

NOTE 5 PLEDGES RECEIVABLE, NET

At June 30, contributors to the College have unconditionally promised to give as follows:

	2018	2017
Pledges Receivable	$ 8,470,028	$ 5,091,558
Less Discount to Present Value at Rates from 3.4% - 4.46%	(299,747)	(351,090)
	8,170,281	4,740,468
Less: Allowance for Doubtful Accounts	(405,440)	(197,441)
Pledges Receivable, Net	$ 7,764,841	$ 4,543,027

	2018	2017
Gross Contributions to be Collected		
Within One Year	$ 2,474,188	$ 2,165,737
One to Five Years	5,934,359	2,925,821
Total	$ 8,470,028	$ 5,091,558

NOTE 6 STUDENT LOANS RECEIVABLE, NET

At June 30, 2018 and 2017, student loans consisted of the following:

	2018	2017
Institutional Loan Program	$ 86,566	$ 98,689
Less: Allowance for Doubtful Accounts	(6,059)	(14,803)
Total	$ 80,507	$ 83,886

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

	1-60 Days Past Due	60-90 Days Past Due	90+ Days Past Due	Total Past Due
June 30,2018	$ 33,225	$ -	$ 53,341	$ 86,566
June 30,2017	$ 42,398	$ -	$ 56,291	$ 98,689

NOTE 7 LAND, BUILDINGS, AND EQUIPMENT, NET

	2018	2017
Land Improvements	$ 9,443,969	$ 8,773,409
Buildings	215,755,852	212,290,071
Furniture and Equipment	27,897,870	26,819,343
	253,097,691	247,882,823
Less: Accumulated Depreciation	(102,543,719)	(94,913,747)
	150,553,972	152,969,076
Land	11,422,877	11,422,877
Construction in Progress	10,893,897	4,816,389
Total	$ 172,870,746	$ 169,208,342

Depreciation expense was $8,769,487 and $8,610,172 (as restated) for the years ended June 30, 2018 and 2017, respectively.

Construction in progress at June 30, 2018 consists of costs incurred to rehabilitate several residential dorms and to construct an academic building and a boathouse. Estimated outstanding construction contract commitments at June 30, 2018 were $20,900,000 and will be funded through contributions or operating sources.

NOTE 8 BONDS AND FINANCING ARRANGEMENTS

Bonds and financing arrangements consist of the following at June 30:

Description	2018	2017
Town of Chestertown, Maryland Economic Development Refunding Revenue Bonds, Washington College Project, 2013 Series:		
Bonds payable used to finance the design, construction, renovation and outfitting of the new academic building known as Cromwell Hall and the new residential housing known as Corsica Hall. Interest at a fixed rate of 3.476% is paid monthly. Series principal payments are due monthly in graduated amounts commencing at $39,000 through June 2046.	$ 19,381,000	$ 19,837,000
Bonds payable used to finance the design, construction, renovation and outfitting of the Gibson Performing Arts Center, Hodson Hall, the Chester and Sassafras dormitories and to advance the refunds of the 1997, 2004 and 2008A and 2010 bonds. Interest at a variable rate of 65% of (LIBOR plus 1.1%) is paid monthly. Interest rate at June 30, 2018 was 2.45%. Series principal payments are due annually in graduated amounts commencing at $1,040,000 on March 1, 2014 through March 2038.	47,960,000	49,558,000
	67,341,000	69,395,000
Less: Unamortized Debt Issuance Costs	(491,055)	(510,473)
Total Long-Term Debt, Net	$ 66,849,945	$ 68,884,527

The College expensed interest of $1,647,142 and $1,273,199 under financing arrangements for the years ended June 30, 2018 and 2017, respectively.

Annual debt service requirements for the above debt is as follows:

Year Ending June 30,	Principal
2018	$ 2,180,000
2019	2,210,000
2020	2,306,000
2021	2,411,000
2022	2,515,000
Thereafter	55,719,000
Total	$ 67,341,000

NOTE 8 BONDS AND FINANCING ARRANGEMENTS (CONTINUED)

Under the terms of the Town of Chestertown, Maryland Revenue Bond and the Town of Chestertown, Maryland Economic Development Refunding Revenue Bond agreements, the College has granted the issuer of the bonds a claim on and collateral interest in all of its gross revenues (as defined in the agreements). The loan agreements also contain covenants and prohibitions which, among other things, limit the College's ability to incur additional indebtedness and contain an acceleration clause in the event of default. Management is not aware of any violations of the covenants. In July, 2020, the variable rate portion of bond debt will be renegotiated and/or refinanced. The fixed rate portion of the bond is set for review in 2025.

NOTE 9 INTEREST RATE SWAP AGREEMENTS

The College has entered into interest rate swap agreements in order to hedge interest rate exposure on the underlying Variable Rate Revenue Bonds. The swap agreements had a fair value liability of $5,223,490 and $7,495,515 at June 30, 2018 and 2017, respectively, which is reflected in the statements of financial position. A noncash gain of $2,272,025 and $3,818,727 for the years ended June 30, 2018 and 2017, respectively, is included in the statements of activities, under non-operating activities. The swap agreements contain certain derivative risks including tax and/or basis risk, counterparty risk and amortization risk, among others.

	Notional Amount	Start Date	Maturity Date	Fixed Rate	Floating Rate*
PNC Bank	$ 22,130,000	9/17/2010	3/1/2038	3.20%	65% of USD-LIBOR-BBA
Royal Bank	22,130,000	5/6/2008	3/1/2038	3.20%	65% of USD-LIBOR-BBA

*Monthly Rate

The College expensed interest of $1,009,553 and $1,323,044 under the interest rate swap agreements for the years ended June 30, 2018 and 2017, respectively.

NOTE 10 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

The components of the major classifications of net assets at June 30 are described below. Included in unrestricted net assets is $7,745,376 and $7,567,078 at June 30, 2018 and 2017, respectively, of board-designated endowment.

	2018	2017
Temporarily Restricted Net Assets		
Unexpended Income for Instruction and Scholarships	$ 14,163,834	$ 15,807,426
Unexpended Income for Capital Expenditures	15,200,550	5,922,939
Annuities	187,488	1,161,973
Endowment Earnings in Excess of Spending Policy	75,594,792	69,613,719
Total	$ 105,146,664	$ 92,506,057
Permanently Restricted Net Assets		
General Operations and Capital	$ 11,682,921	$ 11,687,921
Financial Aid	72,576,107	67,977,482
Instruction and Research	64,226,750	60,490,265
Annuities	181,348	238,887
Total	$ 148,667,126	$ 140,394,555

NOTE 11 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes or by occurrence of other events as specified by the respective donors. During the years ended June 30, 2018 and 2017, purpose restrictions were accomplished as follows:

	2018	2017
General Operations	$ 609,404	$ 380,346
Financial Aid	9,132,447	6,817,442
Instruction and Research	6,560,058	6,097,590
Student Services	781,647	432,942
Total	$ 17,083,556	$ 13,728,320
Capital Expenditures	$ 299,200	$ 6,939,769

NOTE 12 ENDOWMENTS

As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The College's endowment consists of a portfolio of actively managed funds established to provide both a source of operating funds as well as long-term financial stability. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as quasi-endowments. The endowment assets are recorded on the statements of financial position in investments of endowed funds, beneficial interest in assets held by trustees and portions of assets held in annuity trusts and investments.

Interpretation of Relevant Law

The Board of Trustees of the College has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA) as establishing a standard of conduct in managing and investing endowment funds. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is regarded as the "principal value" of the endowed fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets and is regarded as "net appreciation" is classified as temporarily restricted net assets in accordance with UPMIFA until those amounts are appropriated for expenditure by the College in a manner consistent with the College's spending policy.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "principal value." Deficiencies of this nature are reported by a charge to unrestricted net assets and a corresponding increase to temporarily restricted net assets. There were no such deficiencies as of June 30, 2018 and 2017.

Endowment Investment Policy

The College has adopted an investment policy that is intended to provide a predictable stream of funding to programs from its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity as well as board-designated funds. Under this approach, as approved by the Investment Committee of the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that equal the total of the amount drawn annually for operations plus the rate of inflation plus investment management fees. The College expects its endowment funds, over time, to provide an average rate of return of approximately 8-1/2% annually. Actual returns in any given year may vary from this amount.

NOTE 12 ENDOWMENTS (CONTINUED)

Endowment Spending Policy

Unless otherwise specified by law or agreement with the donor, the annual amount of endowment assets and earnings available to support the operations of the College during the fiscal year shall be 5% of the average of the assets of the endowment as of December 31 of each of the three preceding fiscal years. The Board has elected a 6.5% and 5.5% draw for June 30, 2018 and 2017, respectively and for the trailing three preceding year average balance for permanently donor-restricted endowed funds absent explicit donor stipulations to the contrary. The Board has approved a 6.5% draw for the upcoming June 30, 2019 fiscal year.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Previously, the College determined that best governance practice was not to internally manage the investment portfolio and that outsourcing of the management was clearly the best course. A consultant was hired to assist the Investment Committee of the Board of Directors in this process. Different managers have been employed over the years and have included a wide range of investments, including alternative strategies. The rationale for including alternative strategy managers for the College's portfolio is to reduce overall volatility while providing equity-like returns. Alternative asset classes have historically demonstrated lower volatility on a stand-alone basis compared to traditional asset classes. Additionally, they have had low correlations, thus providing diversification benefits at the total fund level. See Note 2 for more detail on how these are valued. Appropriations and income distributed from endowment assets are shown net of gains and losses in the face of the financial statements.

NOTE 12 ENDOWMENTS (CONTINUED)

Endowment Fund Activity

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2018				
Net Assets, Beginning of Year	$ 7,567,078	$ 69,613,719	$ 140,394,555	$ 217,575,352
Investment Return*				
Investment Income	-	243	-	243
Net Realized Gains	395,523	6,724,663	-	7,120,186
Net Unrealized Gains	721,274	10,899,391	-	11,620,665
Net Investment Gains	1,116,797	17,624,297	-	18,741,094
Change in Value of Annuities	-	-	24,687	24,687
Contributions	-	-	8,253,377	8,253,377
Income Distributed or Drawn on	-	-	-	
Endowments	(938,499)	(11,501,719)	-	(12,440,218)
Redesignation of Net Assets	-	5,493	(5,493)	-
Net Assets, End of Year	$ 7,745,376	$ 75,741,790	$ 148,667,126	$ 232,154,292
Donor-Restricted Endowment Funds	$ -	$ 75,741,790	$ 148,667,126	$ 224,408,916
Board-Designated Funds	7,745,376	-	-	7,745,376
Total	$ 7,745,376	$ 75,741,790	$ 148,667,126	$ 232,154,292

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2017				
Net Assets, Beginning of Year	$ 7,091,201	$ 60,321,896	$ 130,722,323	$ 198,135,420
Investment Return*				
Investment Income	-	62	-	62
Net Realized Gains	468,629	7,051,583	-	7,520,212
Net Unrealized Gains	804,246	11,855,744	-	12,659,990
Net Investment Gains	1,272,875	18,907,389	-	20,180,264
Change in Value of Annuities	-	-	48,322	48,322
Contributions	-	-	9,433,428	9,433,428
Income Distributed or Drawn on				
Endowments	(767,929)	(9,579,735)	-	(10,347,664)
Redesignation of Net Assets	-	-	190,482	190,482
Adjustment	(29,069)	(35,831)	-	(64,900)
Net Assets, End of Year	$ 7,567,078	$ 69,613,719	$ 140,394,555	$ 217,575,352
Donor-Restricted Endowment Funds	$ -	$ 69,613,719	$ 140,394,555	$ 210,008,274
Board-Designated Funds	7,567,078	-	-	7,567,078
Total	$ 7,567,078	$ 69,613,719	$ 140,394,555	$ 217,575,352

*The portion of a donor-restricted endowment fund that is regarded as “net appreciation” is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the College’s spending policy.

NOTE 13 FAIR VALUE MEASUREMENTS

The College has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. 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 hierarchy are described below:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Financial assets and liabilities whose values are based on one or more of the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; or
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The College's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Both observable and unobservable inputs may be used to determine the fair value of positions that the College has classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

A review of the fair value hierarchy classifications is conducted on an annual basis. Changes in the type of inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the year in which reclassifications occur.

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

	June 30, 2018				June 30, 2017			
	Quoted Priced in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance	Quoted Priced in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
ASSETS								
Short-Term Investments	$ 2,753,750	$ -	$ -	$ 2,753,750	$ 6,352,304	$ -	$ -	$ 6,352,304
Federal, State and Local Government Bonds and Notes	60,018	-	-	60,018	70,233	-	-	70,233
Corporate Bonds and Notes	15,900,653	-	-	15,900,653	13,445,796	-	-	13,445,796
Common and Preferred Stock	45,413,375	-	-	45,413,375	40,327,729	-	-	40,327,729
Real Estate	-	-	7,974,918	7,974,918	-	-	7,974,918	7,974,918
Total Assets	$ 64,127,796	$ -	$ 7,974,918	72,102,714	$ 60,196,062	$ -	$ 7,974,918	68,170,980
Investments Measured at Fair Value Using Net Asset Value Per Share								
Hedge Funds				45,367,197				35,955,856
Commingled Funds Stock				23,450,532				15,797,512
Commingled Funds Bonds				90,907,469				87,356,997
Limited Partnerships				16,480,818				12,742,860
Real Estate, LPs				596,571				10,659,814
Total Investments Measured at Fair Value Using Net Asset Value Per Share				176,802,587				162,513,039
Total Assets				$ 248,905,301				$ 230,684,019
LIABILITIES								
Interest Rate Swaps	$ -	$ 5,223,490	$ -	$ 5,223,490	$ -	$ 7,495,515	$ -	$ 7,495,515

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following table presents additional information about assets and liabilities measured at fair value on a recurring basis and for which the College has utilized Level 3 inputs to determine fair value for the years ended June 30, 2018 and 2017:

	Real Estate
June 30, 2016	$ 11,724,918
Transfer in/out	971,500
Unrealized Loss	(4,721,500)
June 30, 2017	7,974,918
Sales	-
Unrealized Loss	-
June 30, 2018	$ 7,974,918

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2018 are as follows:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Distressed/Credit [a]	$ 3,102,854	$ -	annually	90 days
Distressed/Credit [a]	3,572,505	-	quarterly	70 days
Event-driven [b]	35,740	-	n/a	awaiting liquidation
Event-driven [b]	8,173,788	-	quarterly	65-90 days
Event-driven [b]	2,769,153	-	anniversary	45-90 days
Event-driven [b]	2,874,270	-	annually	44 days
Global Macro [c]	14,428	-	n/a	awaiting liquidation
Global Macro [c]	2,550,149	-	monthly	3 days
Global/Regional Long/Short [d]	3,609,490	-	annually	45 days
Global/Regional Long/Short [d]	3,294,721	-	quarterly	60-65 days
Global/Regional Long/Short [d]	7,236,469	-	monthly	14-180 days
Global/Regional Long/Short [d]	20,322	-	n/a	awaiting liquidation
Opportunistic [e]	3,442,200	-	annually	60 days
U.S. Long/Short [f]	4,671,108	-	quarterly	45-60 days
U.S. Equity [g]	40,135,096	-	quarterly	60
Global Equity ex US [g]	13,033,630	-	monthly	10
Global Equity ex US [g]	13,153,923	-	bi-monthly	15
Emerging Markets [g]	14,901,204	-	monthly	30
Emerging Markets [g]	4,786,158	-	daily	1
Natural Resources [g]	4,897,458	-	weekly	7
U.S. Bonds [h]	23,450,532	-	daily	1
Real Estate LPs [i]	596,571	-	n/a	n/a
Private Equity [j]	16,480,818	14,957,019	n/a	n/a
	$ 176,802,587	$ 14,957,019		

a. This class includes investments in hedge funds that generally invest in securities, bank debt, and trade obligations of companies or structures that have filed Chapter 11 or are in other ways in financial distress. In addition, the managers may invest in various arbitrage strategies. The fair values have been estimated using the net asset value (NAV) per share of the investments.

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

b. This class includes investments in hedge funds. These funds typically invest in publically announced corporate events and other special situations where the outcome is largely dependent of an uncorrelated event within the broad markets. The managers tend to focus on merger, corporate restructuring, corporate takeovers, and spin-offs, with the two main strategies being merger arbitrage and distressed securities.

c. This class is an investment strategy that seeks to generate returns from: 1) macroeconomic trends and shifts in the world's economies, 2) political developments that have an economic impact, and 3) changes of global supply and demand for physical and financial resources. Macro managers implement their portfolios by investing long and/or short positions (e.g., equities, fixed income, currencies, and commodities) in any market around the world, while taking directional and/or relative value positions.

d. This class includes investments in hedge funds that take long and short positions primarily in common stock of companies based in the U.S. and/or outside U.S. Management of the funds has the ability to shift investments from value to growth strategies, from small to larger capitalizations stocks, and from a net long to a net short position.

e. This class includes investments in hedge funds that primarily take long and short positions in common stock of companies based in the U.S. and/or outside of the U.S. The managers in this class may also invest in an opportunistic basis in credit and other arbitrage strategies.

f. This class includes investments in hedge funds that take long and short positions primarily in common stock of companies based in the U.S. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to larger capitalization stocks, and from a net long to a net short position.

g. This class includes funds of publicly traded U.S. and/or outside U.S. Stocks.

h. This class includes various marketable fixed income assets.

i. This class includes real estate limited partnerships.

j. This class includes investments in global secondary purchases of venture capital, leverages buyout and other private equity assets.

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The following provides a brief description of the types of recurring financial instruments the College holds, the methodology for estimating fair value, and the level within the hierarchy of the estimate.

Investments

Short-Term Investments – These investments are cash and low risk money market funds provided as sweep vehicles by the custodian bank. The College considers these investments Level 1.

Federal, State and Local Government Bonds and Notes – These are securities or mutual funds which invest in securities which are traded on a recognized liquid exchange. The closing price of the security as of the reporting date is used to determine fair value. These are considered Level 1 inputs in the hierarchy.

Corporate Bonds and Notes – These are securities or mutual funds which invest in bonds or notes which are traded on a recognized liquid exchange. The closing price of the security as of the reporting date is used to determine fair value. This is considered a Level 1 value in the hierarchy. In some instances, where trading volume is thin or non-existent, assets may be measured at Net Asset Value and therefore are not presented in the hierarchy.

Common and Preferred Stock – These are securities or mutual funds which invest in common and preferred stock which are traded on a recognized liquid exchange. The closing price of the security as of the reporting date is used to determine fair value. This is considered a Level 1 value in the hierarchy. In some instances, where trading volume is thin or non-existent, assets may be measured at Net Asset Value and therefore are not presented in the hierarchy.

Hedge Funds – These are investments in pools of assets whose underlying values and composition of both long and short positions determine the fair market value of the investment. The reporting entity has the ability to redeem its investment with the investee at NAV per share (or its equivalent) at the measurement date.

Real Estate – Net Asset Value are those represented by an investment in a mutual fund which invests in real estate and real asset commodities such as energy. Level 3 assets are direct investments in real property and investment in limited partnerships whose value is based on the underlying real estate asset.

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Limited Partnerships – Limited partnerships are investments in pools of assets whose underlying values and composition determine the fair market value of the investment either as reported by the general partner or for certain investments, the reporting entity has the ability to redeem its investment with the investee at NAV per share (or its equivalent) at the measurement date.

Interest Rate Swap – These are measured by alternative pricing sources with reasonable levels of price transparency in markets that may not be continuously active. Based on the complex nature of interest rate swap agreements, these instruments trade in markets that are not as efficient and are less liquid than that of the more mature Level 1 markets. These markets do however have comparable, observable inputs in which an alternative pricing source values these assets in order to arrive at a fair value. These characteristics classify interest rate swap agreements as a Level 2 input.

The College's Investment Committee, which consists of members of the College's senior management and board of visitors and governors, is responsible for valuation policies and procedures for the College's Level 3 investments. Interaction occurs formally on a biannual basis and informally as needed. The Investment Committee meets at least on a quarterly basis to evaluate the valuation methodology used for the Level 3 investments.

NOTE 14 RETIREMENT BENEFIT PLANS

The College participates in defined contribution retirement annuity plans sponsored by the Teacher's Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). Retirement benefits are provided to eligible faculty and administrative personnel through direct payments to these plans. For eligible employees, the College contributes a portion of the employee's salary to the plans based on the employee's contribution. Contributions made under these plans are fully vested in employees' accounts, and retirement payments are limited to the amount of the annuities purchased. Costs charged to current operations for the College's portion of the contributions to the plans were $1,623,517 and $1,578,260 for the years ended June 30, 2018 and 2017, respectively.

NOTE 15 EXPENSE ALLOCATION

The College allocates interest and amortization on indebtedness based on loan proceeds borrowed for construction of respective buildings. The College has reverted to an allocation of institutional expenses across functional lines to better represent expenses shared. Operations and maintenance of plant consists of insurance, dues, maintenance, and utilities applied to square footage of all buildings. Operating expenses consist of unemployment insurance and education waivers. For the years ended June 30, 2018 and 2017, the following allocations of expenses were included in the accompanying statements of activities:

	Allocated Expenses					
	Operations	Ops & Maint of Plant	Interest	Amortization	Direct	Total
2018						
Instructional	$ 340,650	$ 974,271	$ 908,219	$ 6,638	$ 21,076,361	$ 23,306,139
Library	87,766	173,907	-	-	1,662,401	1,924,074
Other Support	105,633	40,988	-	-	2,067,753	2,214,374
Student Services	285,964	830,707	-	-	12,291,773	13,408,444
General Administration	89,193	44,670	-	-	2,961,501	3,095,364
General Institutional	345,091	596,421	-	-	14,473,434	15,414,946
Auxiliary	7,284	1,732,575	1,748,476	12,780	8,797,553	12,298,668
Total	$ 1,261,581	$ 4,393,539	$ 2,656,695	$ 19,418	$ 63,330,776	$ 71,662,009

	Allocated Expenses					
	Operations	Ops & Maint of Plant	Interest	Amortization	Direct	Total
2017						
Instructional	$ 33,463	$ 943,362	$ 887,553	$ 7,333	$ 20,706,597	$ 22,578,308
Library	171,376	166,699	-	-	1,821,468	2,159,543
Other Support	115,666	49,844	-	-	2,099,365	2,264,875
Student Services	288,384	870,706	-	-	11,255,773	12,414,863
General Administration	108,895	47,179	-	-	3,625,958	3,782,032
General Institutional	554,438	727,915	-	-	12,382,434	13,664,787
Auxiliary	7,140	1,696,790	1,708,690	14,117	8,973,368	12,400,105
Total	$ 1,279,362	$ 4,502,495	$ 2,596,243	$ 21,450	$ 60,864,963	$ 69,264,513

NOTE 16 TRANSFERS

The College transferred gifts into new and already established accounts as instructed by donors. Transfers during the years ended June 30, 2018 and 2017 are reflected on the statement of activities and have been recorded to change these classifications.

NOTE 17 PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2018 it was discovered that depreciation was calculated incorrectly for certain assets placed into service in FY16. Management of the College, in conjunction with the Audit Committee, made a collective decision to restate the financial statements presented to appropriately present accurate and comparative data to the users of such financial information. Net assets, depreciation expense and accumulated depreciation have been restated as follows:

Beginning Unrestricted Net Assets (originally stated), July 1, 2016	$	104,612,384
Prior Period Adjustment:		
Additional depreciation		356,566
Beginning Unrestricted Net Assets, As Restated, July 1, 2016	**$**	**104,255,818**
Beginning Unrestricted Change in Net Assets (originally stated), June 30, 2017	$	11,046,385
Prior Period Adjustment:		
Additional depreciation		631,136
Beginning Unrestricted Change in Net Assets, As Restated, June 30, 2017	**$**	**10,415,249**
Beginning Total Change in Net Assets (originally stated), June 30, 2017	$	27,532,077
Prior Period Adjustment:		
Additional depreciation		631,136
Beginning Total Change in Net Assets, As Restated, June 30, 2017	**$**	**26,900,941**
Depreciation expense (originally stated), year ended June 30, 2017	$	7,979,036
Prior Period Adjustment:		
Additional depreciation		631,136
Depreciation, As Restated, year ended June 30, 2017	**$**	**8,610,172**
Operating Expenses (originally stated), year ended June 30, 2017	$	69,264,513
Prior Period Adjustment:		
Additional depreciation		631,136
Operating Expenses, As Restated, year ended June 30, 2017	**$**	**69,895,649**
Accumulated depreciation (originally stated), June 30, 2017	$	93,926,045
Prior Period Adjustment:		
Additional depreciation		987,702
Accumulated depreciation, As Restated, June 30, 2017	**$**	**94,913,747**
Land, buildings and equipment (originally stated), June 30, 2017	$	170,196,044
Prior Period Adjustment:		
Additional depreciation		987,702
Accumulated depreciation, As Restated, June 30, 2017	**$**	**169,208,342**

NOTE 18 SUBSEQUENT EVENTS

The College evaluated its June 30, 2018 financial statements for subsequent events through November 26, 2018 and is not aware of any subsequent event that would require recognition or disclosure in the financial statements.

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