Calvin College

Financial Report
June 30, 2018

Contents

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Independent Auditor's Report

To the Board of Trustees
Calvin College

Report on the Financial Statements

We have audited the accompanying financial statements of Calvin College (the "College"), which comprise the balance sheet 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Calvin 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

As described in Note 5, the financial statements included investments of $64,977,048 and $67,364,905, or 19 and 21 percent of net assets, at June 30, 2018 and 2017, respectively, which have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Calvin College

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2018 on our consideration of Calvin College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Calvin College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 1, 2018

Balance Sheet

June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 14,445,287	$ 12,659,380
Investments (Note 3)	230,072,858	216,695,194
Accounts receivable - Net	6,097,565	3,526,993
Contributions receivable (Note 6)	8,478,422	5,274,103
Other assets:		
Other assets	2,437,268	2,005,711
Cash surrender value life insurance	1,603,550	2,483,732
Loans and notes receivable - Net	3,616,623	5,093,095
Property and equipment - Net (Note 7)	205,334,645	208,113,589
Total assets	**$ 472,086,218**	**$ 455,851,797**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 3,250,388	$ 2,811,446
Deferred tuition and fees	3,640,264	3,248,192
Annuity and trust obligations (Note 4)	5,800,107	5,819,902
Tuition gift certificates (Note 8)	4,365,482	4,363,904
Accrued liabilities and other:		
Accrued compensation	5,274,778	4,166,952
Other accrued liabilities	3,140,680	2,964,247
Investment in derivative instruments (Note 11)	13,344,686	18,608,577
Refundable Federal Perkins Loan advances	4,089,592	6,107,726
Postretirement health benefits (Note 17)	12,278,618	12,554,974
Debt obligations (Note 10)	76,504,443	78,191,797
Total liabilities	131,689,038	138,837,717
Net Assets (Note 15)		
Unrestricted	165,866,929	161,920,139
Temporarily restricted	58,289,037	46,280,927
Permanently restricted	116,241,214	108,813,014
Total net assets	340,397,180	317,014,080
Total liabilities and net assets	**$ 472,086,218**	**$ 455,851,797**

See notes to financial statements.

Statement of Activities

Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains, and Other Support								
Student tuition and fees:								
Student tuition and fees	$ 120,104,389	$ -	$ -	$ 120,104,389	$ 118,918,950	$ -	$ -	$ 118,918,950
Less financial aid	(53,973,432)	-	-	(53,973,432)	(50,541,318)	-	-	(50,541,318)
Total net student tuition and fees	66,130,957	-	-	66,130,957	68,377,632	-	-	68,377,632
Auxiliary activities	21,715,062	-	-	21,715,062	21,702,817	-	-	21,702,817
Private gifts and grants	7,427,669	12,703,684	-	20,131,353	7,677,291	10,303,535	-	17,980,826
Government grants	2,927,784	66,422	-	2,994,206	2,990,729	157,972	-	3,148,701
Endowment earnings allocated for operations	758,881	4,983,119	-	5,742,000	721,932	4,768,086	-	5,490,018
Investment income	646,493	49,981	-	696,474	1,312,986	51,737	-	1,364,723
Other income	6,232,377	1,108,810	-	7,341,187	5,347,860	1,068,532	-	6,416,392
Total revenue, gains, and other support	105,839,223	18,912,016	-	124,751,239	108,131,247	16,349,862	-	124,481,109
Net assets released from restrictions	12,183,538	(12,578,726)	395,188	-	15,053,208	(16,021,026)	967,818	-
Total revenue, gains, other support, and net assets released from restrictions	118,022,761	6,333,290	395,188	124,751,239	123,184,455	328,836	967,818	124,481,109
Operating Expenditures								
Program expenses:								
Instruction	47,393,220	-	-	47,393,220	50,152,661	-	-	50,152,661
Research	2,983,763	-	-	2,983,763	2,711,347	-	-	2,711,347
Public service	5,635,322	-	-	5,635,322	5,998,722	-	-	5,998,722
Academic support	11,175,193	-	-	11,175,193	10,617,636	-	-	10,617,636
Student services	20,117,447	-	-	20,117,447	13,365,627	-	-	13,365,627
Auxiliary activities	19,682,472	-	-	19,682,472	23,365,572	-	-	23,365,572
Support expenses - Institutional support	14,874,243	-	-	14,874,243	15,963,303	-	-	15,963,303
Allocable expenses:								
Operations and maintenance of plant	9,016,198	-	-	9,016,198	9,497,103	-	-	9,497,103
Interest	4,275,322	-	-	4,275,322	4,757,514	-	-	4,757,514
Unfunded depreciation and amortization	6,580,073	-	-	6,580,073	6,643,617	-	-	6,643,617
Other	72,034	-	-	72,034	613,897	-	-	613,897
Less allocated expenses	(19,943,628)	-	-	(19,943,628)	(21,512,131)	-	-	(21,512,131)
Total operating expenditures	121,861,659	-	-	121,861,659	122,174,868	-	-	122,174,868
(Decrease) Increase in Net Assets from Operating Activities	(3,838,898)	6,333,290	395,188	2,889,580	1,009,587	328,836	967,818	2,306,241

See notes to financial statements.

Statement of Activities (Continued)

Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Nonoperating Activities								
Private gifts and grants	$ 1,828,639	$ 877,286	$ 7,032,801	$ 9,738,726	$ 1,742,790	$ 87,998	$ 4,501,584	$ 6,332,372
Endowment earnings allocated for operations	(758,881)	(4,983,119)	-	(5,742,000)	(721,932)	(4,768,086)	-	(5,490,018)
Investment income	1,502,990	9,790,499	211	11,293,700	1,958,973	12,814,957	68	14,773,998
Change in fair value of interest rate swap agreements	5,263,891	-	-	5,263,891	8,846,661	-	-	8,846,661
Change in the value of split-interest agreements	36,468	(9,846)	-	26,622	253,415	481,002	-	734,417
Adjustment to prior service cost and actuarial liability for retiree health plan	(87,419)	-	-	(87,419)	644,688	-	-	644,688
Total nonoperating activities	7,785,688	5,674,820	7,033,012	20,493,520	12,724,595	8,615,871	4,501,652	25,842,118
Increase in Net Assets	3,946,790	12,008,110	7,428,200	23,383,100	13,734,182	8,944,707	5,469,470	28,148,359
Net Assets - Beginning of year	161,920,139	46,280,927	108,813,014	317,014,080	148,185,957	37,336,220	103,343,544	288,865,721
Net Assets - End of year	**$ 165,866,929**	**$ 58,289,037**	**$ 116,241,214**	**$ 340,397,180**	**$ 161,920,139**	**$ 46,280,927**	**$ 108,813,014**	**$ 317,014,080**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Increase in net assets	$ 23,383,100	$ 28,148,359
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	6,580,073	6,643,617
Loss on disposal of property and equipment	88,945	6,241
Permanently restricted gifts and grants	(7,032,801)	(4,501,585)
Net realized and unrealized capital gains in investments	(8,472,694)	(12,686,472)
Change in value of cash surrender value of life insurance	880,182	3,819
Change in value of tuition gift certificates and units redeemed	(819,302)	(884,238)
Change in value of postretirement health benefit liability	87,419	(644,688)
Change in the value of split-interest agreements	500,383	384,672
Change in value of interest rate swap agreements	(5,263,891)	(8,846,661)
Perkins loan administrative cost charge	85,202	(136,741)
Cash restricted for debt payments	-	(2,000,000)
Student loans advanced	(5,442)	(20,000)
Student loans collected	1,375,955	1,235,297
Changes in operating assets and liabilities which (used) provided cash:		
Accounts receivable	(5,668,932)	4,005,634
Other assets	(431,557)	(429,706)
Accounts payable	438,942	(73,034)
Accrued compensation and other liabilities	958,409	(720,929)
Deferred tuition and fees	392,072	7,927
Amounts held for other organizations	(37,925)	257,044
Net cash and cash equivalents provided by operating activities	7,038,138	9,748,556
Cash Flows from Investing Activities		
Proceeds from sales of investments	19,400,704	11,678,428
Purchases of investments	(24,305,674)	(18,599,795)
Purchase of property and equipment	(3,890,074)	(4,971,901)
Net cash and cash equivalents used in investing activities	(8,795,044)	(11,893,268)
Cash Flows from Financing Activities		
Permanently restricted gifts and grants	7,032,801	4,501,585
Payments from lines of credit - Net	-	(18,000,000)
Payments on debt	(1,687,354)	(11,023,651)
Federal Perkins Loan (repayments) advances	(2,103,336)	48,736
Tuition gift certificates sold	820,880	1,037,571
Annuity and trust contracts received	56,349	89,808
Annuity and trust beneficiary payments	(576,527)	(630,738)
Cash restricted for debt payments	-	2,000,000
Net cash and cash equivalents provided by (used in) financing activities	3,542,813	(21,976,689)
Net Increase (Decrease) in Cash and Cash Equivalents	1,785,907	(24,121,401)
Cash and Cash Equivalents - Beginning of year	12,659,380	36,780,781
Cash and Cash Equivalents - End of year	**$ 14,445,287**	**$ 12,659,380**
Supplemental Cash Flow Information - Cash paid for interest	$ 4,323,183	$ 4,757,514

See notes to financial statements.

Note 1 - Nature of Business

Calvin College (the "College" or Calvin), founded in 1876, is an educational institution of the Christian Reformed Church of North America (CRCNA) and has one campus located in Grand Rapids, Michigan. Dedicated to rigorous intellectual inquiry, Calvin students study the liberal arts and select from a broad range of majors and professional programs. The College fosters scholarship that creates new knowledge, performs creative work, and sustains natural and cultural resources. A Calvin education, marked by scholarly engagement with enduring questions and emerging concerns, prepares students to think deeply, to act justly, and to live wholeheartedly as Christ’s agents of renewal in the world.

The College generates its operating revenue primarily from student tuition, auxiliary services, and contributions.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the College have been prepared on the basis of generally accepted accounting principles (GAAP). The financial statements of the College have been prepared on the accrual basis of accounting.

Use of Estimates

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

Risks and Uncertainties

The College invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the financial statements.

Revenue Recognition of Tuition, Fees, and Other Student Revenue

The academic programs are offered in traditional fall and winter semesters along with an interim period in January. Revenue from tuition and student fees and sales and services of certain auxiliary enterprises (principally room and board) are recognized during the academic term. Tuition revenue is reported at the established rates, net of institutional financial aid and discounts provided directly by the College to students.

Scholarship Discounts and Allowances

Student tuition and fee revenue, and certain other revenue from students, is reported net of scholarship discounts and allowances in the statement of activities. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenue in the College's financial statements. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Note 2 - Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The College considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The College has cash equivalents included in its investment portfolio that are combined with total investments

Concentration of Credit Risk

The College maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The accounts, at times, exceed federally insured limits. The College evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits. The College has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash deposits.

Investments and Investment Return

Investment in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at estimated fair value. See Note 5 for methods and assumptions used by the College in estimating fair value of investments.

Investment return includes dividend, interest, and other investment income and realized and unrealized gains and losses on investments carried at fair value.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statement of activities as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Student Loans Receivable

Student loans receivable are carried at unpaid principal balances less an allowance for uncollectible loans. The College considers a loan to be in default when it has been past due for a period of nine months. Past-due accounts are subject to internal collection efforts for a period of one year and are subsequently placed with third-party collection agencies for another year. If an account is still delinquent after the two-year collection period, the loan is assigned to the Department of Education in the case of Federal Perkins Loans or written off in the case of institutional loans. The allowance for uncollectible accounts is calculated as the average of the outstanding loan balance multiplied by the cohort default rate and one-half of loans in default in the case Federal Perkins Loans, and one-half of loans in default in the case of institutional loans. The College has recorded an allowance for uncollectible loans of $870,640 as of June 30, 2018 and 2017. The Federal Perkins Loan Program has provisions for deferment, forbearance, and cancellation of individual loans. The deferment and forbearance provisions of the Federal Perkins Loan Program are generally applied to institutional loans as well. Interest continues to accrue while the loan is placed with a collection agency.

The Federal Perkins Loan Program expired as of September 30, 2017. As of June 30, 2018, the College has made $1,603,376 in institutional capital contributions, which are reflected as part of the College's refundable Federal Perkins Loan advances. Under current guidance issued by the Department of Education, at the time the College liquidates the loan portfolio and assigns the student loans to the Department of Education, the College will be forgoing its institutional capital contribution not yet received back through loan collections.

Note 2 - Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable include student accounts receivable and other receivables. Student accounts receivable are reported net of any anticipated losses due to uncollectible accounts. The collectibility of individual accounts is evaluated at the close of each fiscal year, and the allowance for uncollectible accounts is adjusted to a level that, in management's judgment, is adequate to absorb potential losses inherent to the receivable portfolio. The allowance as of June 30, 2018 and 2017 is $300,000.

Property and Equipment

Land, buildings, and equipment are recorded at cost on the date of purchase or at fair market value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which is 7 to 80 years for buildings and improvements and 3 to 15 years for furniture and equipment. Costs of maintenance and repairs are charged to expense when incurred.

Deferred Tuition and Fees

The College receives advance payments on tuition, fees, and various summer camp programs, which are reported as deferred revenue and recognized when earned.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract.

Contributions with donor-imposed time or purpose restrictions are reported as restricted support. All other contributions are reported as unrestricted support. 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 statement of activities as net assets released from restrictions. The College has adopted the policy of recording temporarily restricted contributions as unrestricted if the restriction is met and released in the same accounting period.

Classification of Net Assets

Net assets of the College are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions. Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Government Grants

The College has been awarded several grants from the federal and state governments. These grants are primarily paid on an expense reimbursement basis and are recorded as revenue as the funds are expended.

Note 2 - Significant Accounting Policies (Continued)

Allocation of Expenses

The College adheres to generally accepted accounting principles in reporting expenses by their functional classifications. Accordingly, depreciation, operations, and maintenance expenses have been allocated to functional classifications based on building square footage. During 2018, the College changed the allocation of expenses based upon management's analysis of functional uses of buildings. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Fundraising

Fundraising costs are charged to expense as incurred. Total fundraising costs totaled approximately $3,354,000 and $3,031,000 for the years ended June 30, 2018 and 2017, respectively, and are included within institutional support on the statement of activities.

Taxes

The College is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 1, 2018, which is the date the financial statements were available to be issued.

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The College's primary revenue sources are not expected to be significantly impacted by the standard, but a complete review of all revenue sources has not yet been completed. In addition, management is currently analyzing the disclosures that will be required with this pronouncement. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The College has not yet determined which application method it will use. The new guidance will be effective for the College's year ending June 30, 2020.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the College, including required disclosures about the liquidity and availability of resources. The College is currently evaluating the impact this standard and will present the two classes of net assets, add the liquidity footnote, expense matrix, and related disclosures. The new standard is effective for the College’s year ending June 30, 2019 and thereafter and must be applied on a retrospective basis.

Note 2 - Significant Accounting Policies (Continued)

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounting for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the College's year ending June 30, 2020 and will be applied on a modified prospective basis. The College does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts, but has not yet determined the impact on recognition of foundation and individual grants and contributions.

Note 3 - Investments

The details of the College's investments in trading securities at June 30 are as follows:

	2018	2017
Cash and cash equivalents	$ 13,244,233	$ 15,752,645
U.S. equity	43,961,431	38,633,450
Non-U.S. equity	17,977,685	17,231,129
Investment grade fixed income	65,005,569	52,468,060
Other fixed income	13,731,371	11,720,194
Tactical tilts	8,372,743	10,740,111
Services	2,768,480	2,768,480
Other	34,298	16,220
Alternatives	64,977,048	67,364,905
Total	$ 230,072,858	$ 216,695,194

Certain cash and cash equivalents are included in investments, given the intent that these funds are to be held for long-term appreciation. Investment income during the year consisted of unrealized and realized gains and losses and interest and dividends as follows:

	2018	2017
Net realized and unrealized gains	$ 8,991,183	$ 12,686,472
Interest and dividends (less fees)	2,998,991	3,452,249
Total return on investments	$ 11,990,174	$ 16,138,721

Investments are further classified internally by fund at June 30, 2018 and 2017 as follows:

	2018	2017
Endowment fund	$ 156,189,786	$ 143,919,328
Annuity and trusts	9,121,888	10,017,428
Other funds	64,761,184	62,758,438
Total	$ 230,072,858	$ 216,695,194

Note 4 - Beneficial Interest and Obligations Under Split-interest Agreements

The College is the beneficiary of certain trusts held in trust by others, which represent resources neither in the possession nor under the control of the College, but held in perpetuity and administered by outside trustees, with the College deriving income from a portion of the assets held in such trusts. The beneficial interests (market value of assets) related to these agreements totaled $552,992 and $555,754 at June 30, 2018 and 2017, respectively, and are included in other assets on the balance sheet. The present value is computed using discount rates ranging from 2.2 to 8.2 percent.

The College is party to split-interest agreements with certain donors. These agreements include contracts entered into with certain donors and trust agreements from which the College benefits (charitable remainder unitrusts and irrevocable trusts). Under each agreement, the donor has contributed funds to be held in trust, with the College as the beneficiary. As a condition of accepting the gift, the College is required to pay a specified amount each year to the donor or a designated beneficiary until his or her death. Upon death of the beneficiaries, the remaining funds become the property of the College. The beneficial interests (market value of assets) related to these agreements totaled $6,681,657 and $7,614,207 at June 30, 2018 and 2017, respectively, and are included in investments. The College has recorded a liability at June 30, 2018 and 2017 of $4,342,681 and $4,346,396, respectively, which represents the present value of the future beneficiary obligations.

Obligations under split-interest agreements represent the present value of payments to beneficiaries required under the agreements. The present value is computed based on the normal life expectancy of beneficiaries, using discount rates ranging from 2.2 to 8.2 percent.

The College has been the recipient of several gift annuities that require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The College has recorded a liability at June 30, 2018 and 2017 of $1,457,426 and $1,473,506, respectively, which represents the present value of the future annuity obligations. The liability has been determined using the present value based on interest rates in place at the date established with rates ranging from 4.1 to 10.4 percent and the normal life expectancy of the annuity beneficiaries. The beneficial interests (market value of invested assets) related to these gift annuities totaled $2,440,231 and $2,403,221 at June 30, 2018 and 2017, respectively, and are included in investments.

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the College's assets and liabilities measured at fair value on a recurring basis at June 30, 2018 and 2017 and the valuation techniques used by the College to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the College has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

Note 5 - Fair Value Measurements (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The College's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient are no longer classified in the fair value hierarchy.

The College has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 and investments valued at NAV fair value measurements. These processes include at least semiannual meetings with the College's investment committee for calibration and review of the Level 3 investments and investments valued at NAV, monthly or quarterly fund manager statements, and annual audited financial statements. The College cannot independently assess the value of these underlying positions through a public exchange or over-the-counter market. The College utilizes a third-party investment manager to monitor, participate in fund manager calls, and obtain underlying financial information on the Level 3 investments and investments valued at NAV.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Assets				
Investments:				
Cash and money markets	$ 13,244,233	$ -	$ -	$ 13,244,233
U.S. equity	43,961,431	-	-	43,961,431
Non-U.S. equity	17,977,685	-	-	17,977,685
Investment grade fixed income	65,005,569	-	-	65,005,569
Other fixed income	12,874,607	856,764	-	13,731,371
Tactical tilts	8,372,743	-	-	8,372,743
Other	34,298	-	-	34,298
Investments measured at net asset value:				
U.S. equity				6,747,664
Non-U.S. equity				10,584,980
Hedge funds				39,085,938
Private equity				1,876,809
Total investments owned directly	161,470,566	856,764	-	220,622,721
Assets held in trusts - Investments measured at net asset value - Hedge funds				6,681,657
Other assets - Beneficial interest in trusts	-	-	552,992	552,992
Total investments	$ 161,470,566	$ 856,764	$ 552,992	227,857,370
Total assets				$ 227,857,370
Liabilities - Derivative financial instruments	$ -	$ 13,344,686	$ -	$ 13,344,686

Note 5 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2017
Assets				
Investments:				
Cash and money markets	$ 15,752,645	$ -	$ -	$ 15,752,645
U.S. equity	38,633,450	-	-	38,633,450
Non-U.S. equity	17,231,129	-	-	17,231,129
Investment grade fixed income	35,840,610	16,627,450	-	52,468,060
Other fixed income	10,121,269	1,598,925	-	11,720,194
Tactical tilts	10,740,111	-	-	10,740,111
Other	16,220	-	-	16,220
Investments measured at net asset value:				
U.S. equity				5,270,274
Non-U.S. equity				8,731,141
Hedge funds				44,739,383
Private equity				502,112
Total investments owned directly	128,335,434	18,226,375	-	205,804,719
Assets held in trusts - Investments measured at net asset value - Hedge funds				7,614,207
Other assets - Beneficial interest in trusts	-	-	555,754	555,754
Total investments	$ 128,335,434	$ 18,226,375	$ 555,754	213,974,680
Total assets				$ 213,974,680
Liabilities - Derivative financial instruments	$ -	$ 18,608,577	$ -	$ 18,608,577

The College also holds a certain service entity equity investment valued of $2,768,480 as of June 30, 2018 and 2017 that is excluded from the table above and is disclosed in Note 12. Additionally, the table above does not include $507,788 of investments not valued at fair value on a recurring basis as of June 30, 2017, which had been liquidated during 2018.

The fair value of the beneficial interest in trusts included in the fair value tables is based on the market value of the trust assets with the College as the 100 percent beneficiary of the trust and also IRS published tables for the life expectancy of the beneficiaries, which range from 10 to 30 years.

The following tables set forth a summary of the changes in the fair value of the College's Level 3 assets for the years ended June 30, 2018 and 2017:

	Fair Value at July 1, 2017	Net Purchases and Issuances (Sales and Settlements)	Total Realized Gains (Losses)	Total Unrealized Losses	Net Transfers into (Out of) Level 3	Fair Value at June 30, 2018
Beneficial interest in trusts at fair value	$ 555,754	$ -	$ -	$ (2,762)	$ -	$ 552,992

Note 5 - Fair Value Measurements (Continued)

	Fair Value at July 1, 2016	Net Purchases and Issuances (Sales and Settlements)	Total Realized Gains (Losses)	Total Unrealized Losses	Net Transfers into (Out of) Level 3	Fair Value at June 30, 2017
Beneficial interest in trusts at fair value	$ 573,882	$ -	$ -	$ (18,128)	$ -	$ 555,754

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Transfers into and out of Level 3 are made because of the lack of or presence of observable market and activity for the securities. The College's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer.

Investments in Entities that Calculate Net Asset Value per Share

The College holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Investments Held at June 30, 2018			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private equity funds (a)	$ 1,876,809	$ 7,600,000	Ineligible	N/A
Hedge funds (b)	45,767,595	51,290,000	Ineligible	N/A
Multimanager growth funds (c)	17,332,644	-	Ineligible	N/A
Total	$ 64,977,048	$ 58,890,000		

	Investments Held at June 30, 2017			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private equity funds (a)	$ 502,112	$ 5,800,000	Ineligible	N/A
Hedge funds (b)	52,353,589	5,329,727	Ineligible	N/A
Multimanager growth funds (c)	14,001,415	-	Ineligible	N/A
Total	$ 66,857,116	$ 11,129,727		

(a) *Private Equity Funds* - The purpose is to provide endowment funds and nonprofit organizations the opportunity to invest in private limited partnerships, which, in turn, make investments in equity securities, warrants, or other options that are generally not actively traded at the time of investment. The partnerships may also invest in operating companies as direct investment or coinvestment opportunities.

Note 5 - Fair Value Measurements (Continued)

(b) *Hedge Funds* - This category includes investments in hedge funds that invest primarily in other hedge funds, limited partnerships, and investment companies. Management of these funds employs a variety of strategies and has the ability to shift investments based on market, economic, political, and government-driven events. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. These investments can be redeemed and, currently, there are no restrictions.

(c) *Multimanager Growth Funds* - The purpose is to provide endowment funds and nonprofit organizations long-term capital growth. These funds invest in a portfolio of equity investments in small capitalization issuers domiciled in the U.S. and internationally or whose securities are principally traded in the U.S and internationally. The equity investments may include common stock, preferred stock, securities convertible into common stock, warrants, rights, and American and international depositary receipts. In addition, such investments may include futures, options, swaps, and other instruments with similar economic exposures. These funds use a multimanager approach and generally seek to achieve their investment objective by dynamically allocating their assets among multiple investment managers who are unaffiliated with the investment adviser.

Note 6 - Contributions Receivable

The College has accepted contributions receivable for plant construction, endowment growth, debt repayment, academic enrichment, research, financial aid, and the Calvin Fund. Unconditional promises to give are reflected at the present value of estimated future cash flows using average discount rate of 3.6 percent at June 30, 2018 and 2017. The average discount rate is calculated using the daily treasury yield curve based on the date of the gift received and the period of payment. Pledges are analyzed annually before year end for collectibility and written off at that time if deemed uncollectible; therefore, no allowance is recorded as of June 30, 2018 and 2017.

Included in contributions receivable are several unconditional promises to give generated from a capital campaign. They are included as follows:

	2018	2017
Contributions collectible in less than one year	$ 3,417,007	$ 1,342,735
Contributions collectible in one to five years	5,562,068	3,201,166
Contributions collectible in greater than five years	173,118	1,188,256
Less present value discount	(673,771)	(458,054)
Net contributions receivable	$ 8,478,422	$ 5,274,103

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2018	2017
Land	$ 6,775,848	$ 6,805,310
Buildings and improvements	234,375,598	233,681,843
Furniture and equipment	64,087,219	62,379,927
Construction in progress	978,087	405,504
Total cost	306,216,752	303,272,584
Less accumulated depreciation	100,882,107	95,158,995
Net property and equipment	$ 205,334,645	$ 208,113,589

Depreciation expense for 2018 and 2017 was $6,580,073 and $6,643,617, respectively.

Note 8 - Tuition Gift Certificate Program

The College has established a gift certificate program to provide for the prepayment of tuition on behalf of a specified potential college student. The cost of a unit is 1.0 percent of the current year's tuition for full-time enrollment. The relative value of the units purchased remains constant with any future rate increases. The College records the purchase price of the certificate in other liabilities on the balance sheet and recognizes the income in the year the certificate is redeemed. An adjustment is made annually to carry the liability of total outstanding units at the current unit price. This adjustment, which is the result of changes in tuition rates, is reflected in the financial statements as an offset to investment income.

	Units	Amounts
Balance at July 1, 2016	13,270	$ 4,210,571
Units sold	3,270	1,037,571
Units redeemed	(3,356)	(1,064,859)
Change in unit price of tuition certificates	13,184	180,621
Balance at June 30, 2017		4,363,904
Units sold	2,480	820,880
Units redeemed	(3,047)	(1,008,557)
Change in unit price of tuition certificates	12,617	189,255
Balance at June 30, 2018		$ 4,365,482

Note 9 - Line of Credit

The College holds an $11,000,000 unsecured line of credit for general operating purposes at the bank prime rate (4.25 and 3.50 percent at June 30, 2018 and 2017, respectively) or LIBOR plus 1.50 percent (3.52 and 1.97 percent at June 30, 2018 and 2017, respectively) and matures in February 2019. The outstanding balance on the line of credit was $0 at June 30, 2018 and 2017. During 2017, the College held a $7,000,000 unsecured line of credit for general operating purposes at LIBOR plus 2.35 percent (3.41 at June 30, 2017). The line matured on January 1, 2018 and was not renewed.

Note 10 - Long-term Debt

Long-term debt at June 30 is as follows:

	2018	2017
MFA Revenue Refunding Bonds of 2016, Series A, direct bank purchase obligations, due serially each September 1 in amounts ranging from $630,000 in 2019 to $2,400,000 in 2047. The bonds were issued at a variable interest rate and are hedged with the existing swaps, effectively converting the bonds to a fixed rate of 4.81 percent per annum, payable monthly	$ 38,400,000	$ 39,000,000
MFA Revenue Refunding Bonds of 2016, Series B, direct bank purchase obligations, due serially each September 1 in amounts ranging from $630,000 in 2019 to $2,400,000 in 2047. The bonds were issued at a variable interest rate and are hedged with the existing swaps, effectively converting the bonds to a fixed rate of 5.10 percent per annum, payable monthly	38,400,000	39,000,000
Other debt	115,408	571,298
Unamortized debt issuance costs	(410,965)	(379,501)
Long-term debt less unamortized debt issuance costs	$ 76,504,443	$ 78,191,797

Note 10 - Long-term Debt (Continued)

The balance of the above debt matures as follows:

Years Ending	Amount
2019	$ 1,289,803
2020	1,351,606
2021	1,423,518
2022	1,470,481
2023	1,520,000
Thereafter	69,860,000
Total	$ 76,915,408

Interest expense for 2018 and 2017 was $4,275,322 and $4,757,513, respectively.

Under the agreements with the bank, the College is subject to various financial covenants, including the following:

- Maintain a historical debt service coverage ratio of at least 1.10 to 1.00, tested annually, at the end of each fiscal year.
- Maintain a liquidity ratio of at least 0.75 to 1.00 as of June 30 and December 31 of each year.

Effective June 21, 2018, the College refinanced the MFA Revenue Refunding Bonds of 2016, Series A and Series B. The refinancing agreements address the impact on the adjusted tax-exempt rate when there is an increase or decrease in the corporate tax rate. No other terms of the agreements were restated.

Note 11 - Derivative Financial Instruments

The College is exposed to certain risks in the normal course of its business operations. The main risks are those relating to the variability of future earnings and cash flows, which are managed through the use of derivatives. The only derivatives used by the College are interest rate swaps, which are used to manage the risks associated with interest rates on variable rate borrowings. The College has elected not to apply hedge accounting on the interest rate swaps used. Therefore, the interest rate swaps are recorded at fair value on the balance sheet within other accrued expenses, and the gain or loss recognized on the swaps is recognized in the current year earnings.

At June 30, 2018 and 2017, the College had the following interest rate swap agreements:

					Notional Amount at June 30		Fair Value at June 30	
Description	Effective Date	Swap Termination Date	Fixed Rate Paid	Variable Rate Received	2018	2017	2018	2017
MFA Revenue Refunding Bonds of 2012, Series A	7/1/2016	9/1/2033	3.725%	68% of USD-LIBOR	$ 37,505,000	$ 39,000,000	$ 4,142,371	$ 6,086,490
MFA Revenue Refunding Bonds of 2012, Series B	7/1/2016	9/1/2037	3.623%	68% of USD-LIBOR	50,395,000	52,030,000	9,202,315	12,385,162
Taxable Notes of 2012, Series A	11/1/2007	10/1/2017	4.920%	One-week USD-LIBOR	-	11,000,000	-	136,925
Total					$ 87,900,000	$102,030,000	$ 13,344,686	$ 18,608,577

For the year ended June 30, 2018 and 2017, the amounts of gain or loss and changes in fair value are recorded in the statement of activities as nonoperating expenses.

Note 12 - Related Party Transactions

The College has a 38.2 percent interest in Creative Dining Services, Inc., which is reported using the equity method and included in investments of the College. Creative Dining Services, Inc. provides catering services to the west Michigan area and several other midwestern states. Services acquired from Creative Dining Services, Inc. totaled $10,136,645 and $10,463,575 for the years ended June 30, 2018 and 2017, respectively.

The College provides a plan through which employees enrolled in courses at the College can receive tuition waivers. Such individuals must meet certain employment and academic requirements. Employees' dependents enrolled at the College can also receive tuition remission. Benefits under the plan do not vest. Total tuition charges waived under the plan during the years ended June 30, 2018 and 2017 totaled $3,309,587 and $2,923,125, respectively.

The College provides various services to Calvin Theological Seminary (the Seminary of the CRCNA), which is located adjacent to the College on property owned by the College. Various costs are allocated between the College and the seminary to the extent practicable. The seminary paid the College a monthly amount of $64,426 and $65,400 for these services rendered in 2018 and 2017, respectively. The seminary also reimburses the College for costs paid by the College on behalf of the seminary. At June 30, 2018 and 2017, the College had receivables from the seminary in the amounts of $217,234 and $41,733 respectively.

Note 13 - Employees' Retirement Plans

The College participates in a defined contribution plan, which covers substantially all full-time employees. The College contributes 5 to 10 percent of participants' salaries on a monthly basis to the Teachers Insurance and Annuity Association. The College's total contribution was approximately $3,921,222 and $4,282,161 for the years ended June 30, 2018 and 2017, respectively. All contributions vest immediately. Employees may also make voluntary contributions to this plan up to the limits allowed by law. Subsequent to year end, the plan approved an amendment that allows for automatic deferrals and a discretionary matching contribution.

Note 14 - Net Assets Released from Restrictions

Net assets released from restriction consist of the following:

	2018		2017	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Instructional	$ 1,296,872	$ -	$ 1,499,892	$ -
Research	625,400	-	832,014	-
Public service	3,868,424	-	4,102,183	-
Academic support	489,600	-	505,559	-
Student services	350,701	-	432,670	-
Institutional support	1,224,831	-	906,449	-
Operation and maintenance of plant	18,135	-	257,543	-
Financial aid	3,922,919	-	4,018,105	-
Gifts restricted for debt principal reduction	(471,613)	-	3,484,714	-
Donor redesignation of restriction	1,253,457	(395,188)	(18,103)	(967,818)
Total net assets released from restriction	$ 12,578,726	$ (395,188)	$ 16,021,026	$ (967,818)

Note 15 - Net Assets

Unrestricted net assets at June 30, 2018 and 2017 consist of the following:

	2018	2017
Available for operations	$ 16,263,677	$ 16,775,290
College-designated for loan funds	321,509	503,902
Endowment investment earnings in excess of amounts spent and quasi endowments	21,938,375	19,961,587
Gift portion of annuities held in the annuity fund	1,015,237	962,541
Investment in and funds designated for property and equipment - Net of related debt	151,951,435	154,880,370
Interest rate swap liability	(13,344,686)	(18,608,577)
Postretirement benefit obligation	(12,278,618)	(12,554,974)
Total unrestricted net assets	$ 165,866,929	$ 161,920,139

Permanently and temporarily restricted net assets at June 30, 2018 and 2017 are restricted as follows:

	2018	2017
Temporarily restricted net assets:		
Available for donor-specified projects and activities	$ 27,492,442	$ 19,342,335
Accumulated unappropriated earnings on endowments	27,904,618	23,115,016
Charitable remainder unitrusts	2,891,977	3,823,576
Total temporarily restricted net assets	$ 58,289,037	$ 46,280,927

	2018	2017
Permanently restricted net assets:		
Endowments	$ 108,723,594	$ 103,254,192
Permanently restricted to loan funds	89,420	89,352
Total permanently restricted net assets	$ 108,813,014	$ 103,343,544

Note 16 - Donor-restricted and College-designated Endowments

The College's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Note 16 - Donor-restricted and College-designated Endowments (Continued)

- The duration and preservation of the fund
- The purpose of the College and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the College
- The investment policies of the College

	Endowment Net Asset Composition by Type of Fund as of June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (372,327)	$ 27,904,617	$ 116,151,582	$ 143,683,872
College-designated endowment funds	22,310,702	-	-	22,310,702
Total funds	$ 21,938,375	$ 27,904,617	$ 116,151,582	$ 165,994,574

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ 19,961,587	$ 23,115,016	$ 108,723,594	$ 151,800,197
Investment income	1,490,999	9,790,499	-	11,281,498
Contributions	-	-	7,032,801	7,032,801
Other income	(42,875)	-	-	(42,875)
Appropriation of endowment assets for expenditure	(758,881)	(4,983,120)	-	(5,742,001)
Other changes - Transfers to create college-designated endowment funds and donor redesignations	1,287,545	(17,778)	395,187	1,664,954
Endowment net assets - End of year	$ 21,938,375	$ 27,904,617	$ 116,151,582	$ 165,994,574

	Endowment Net Asset Composition by Type of Fund as of June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (368,555)	$ 23,115,016	$ 108,723,594	$ 131,470,055
College-designated endowment funds	20,330,142	-	-	20,330,142
Total	$ 19,961,587	$ 23,115,016	$ 108,723,594	$ 151,800,197

Note 16 - Donor-restricted and College-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ 17,385,385	$ 15,049,661	$ 103,254,192	$ 135,689,238
Investment income	1,940,303	12,814,958	-	14,755,261
Contributions	-	-	4,501,584	4,501,584
Other income	92,746	-	-	92,746
Appropriation of endowment assets for expenditure	(722,637)	(4,767,381)	-	(5,490,018)
Other changes - Transfers to create college-designated endowment funds and donor redesignations	1,265,790	17,778	967,818	2,251,386
Endowment net assets - End of year	$ 19,961,587	$ 23,115,016	$ 108,723,594	$ 151,800,197

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $372,327 and $368,555 as of June 30, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees.

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that will achieve the stated endowment objectives within the constraint of a prudent level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has a policy of appropriating for distribution each year a certain percent of its endowment fund's average fair value over the prior 12 quarters leading up to the fiscal year end one year prior to the fiscal year in which the distribution is planned. The spending rate was 4.5 percent for the fiscal years ended June 30, 2018 and 2017. The endowment spending rate is evaluated on an annual basis with the objective of managing the spending rate to maintain the purchasing power of endowment assets in the long term.

Note 17 - Postretirement Health Benefit Plans

The College offers a Retiree Health Plan, which was amended during 2013. Each employee who, as of September 1, 2014, has at least 10 full years of full-time service for the College is eligible for benefits under the amended Retiree Health Plan (the "Plan") if the employee retires from the College after attaining at least age 62. The Plan is unfunded.

A retiree's benefit under the Plan is an annual contribution by the College to the retiree's health reimbursement account (HRA). The retiree can use the amounts contributed to the retiree's HRA to purchase retiree health coverage on a retiree health exchange.

The College's annual contribution to a retiree's HRA is called a stipend. The number of years that the College will provide a stipend to the retiree depends on the retiree's years of full-time service for the College as of September 1, 2014:

- If the retiree has at least 20 years of full-time service as of September 1, 2014, the stipend is provided for the retiree's lifetime.
- If the retiree has 10 to 19 years of full-time service as of September 1, 2014, the stipend is paid for the same number of years as the retiree's years of full-time service as of September 1, 2014.
- No stipend is provided if the retiree has less than 10 years of full-time service as of September 1, 2014.

The amount of a retiree's annual stipend is determined as follows:

- Retirees as of September 1, 2014 - $2,000 for retiree and $2,000 for spouse
- Current employees (regardless of age) who have at least 20 years of full-time service (determined as of September 1, 2014) - $2,000 for employee/retiree and $1,500 for spouse
- Current employees who are at least age 60 and have 10 to 19 years of full-time service (both determined as of September 1, 2014) - $2,000 for employee/retiree and $1,500 for spouse
- Current employees who are less than age 60 and have 10 to 19 years of full-time service (both determined as of September 1, 2014) - $1,500 for employee/retiree and $0 for spouse

The actuarial valuations as of June 30, 2018 and 2017 took into consideration the changes in the Plan due to the amended Retiree Health Plan adopted by the College.

The following is a reconciliation of the accrued postretirement benefit liability as of June 30, 2018 and 2017:

	2018	2017
Accumulated benefit obligation at beginning of year	$ 12,554,974	$ 13,199,662
Service cost	96,329	146,504
Interest cost	437,618	434,323
Change due to plan change and change in assumptions	74,847	(435,090)
Benefits paid	(885,150)	(790,425)
Accumulated benefit obligation at end of year	$ 12,278,618	$ 12,554,974

At June 30, 2018 and 2017, the College used a discount rate of 4.00 and 3.75 percent, respectively, in accounting for the postretirement benefit obligation.

As this is a fixed stipend plan, inflation and changes in medical healthcare cost trends are not considered for this valuation.

No contributions other than those needed to pay current retiree benefits are expected.

Note 17 - Postretirement Health Benefit Plans (Continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years Ending	Pension Benefits
2019	$ 924,845
2020	904,919
2021	896,043
2022	891,807
2023	879,489
2023-2027	4,144,752