ANNUAL FINANCIAL REPORT

2018–2019

Claremont Graduate University

CLAREMONT GRADUATE UNIVERSITY
ANNUAL FINANCIAL REPORT

June 30, 2019 and 2018

CONTENTS

MOSSADAMS

Report of Independent Auditors

To the Board of Trustees
Claremont Graduate University

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Claremont Graduate University (the "University"), which comprise the consolidated statements of financial position as of June 30, 2019 and June 30, 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Claremont Graduate University as of June 30, 2019 and June 30, 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the consolidated financial statements, the University adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and methods used to allocate costs to programmatic and other support information. The adoption of the standard resulted in additional footnote disclosures and changes to the classification of net assets and the disclosures related to net assets. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with accounting standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the University's 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 the University's internal control over financial reporting and compliance.

Moss Adams LLP

Los Angeles, California
December 3, 2019

CLAREMONT GRADUATE UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
Assets:		
Cash and cash equivalents	$ 1,427,933	$ 3,357,069
Accounts receivable, net (Note 3)	4,882,510	3,631,328
Prepaid expenses and deposits	3,294,971	2,960,852
Contributions receivable, net (Note 4)	2,881,163	2,688,303
Notes receivable, net (Note 5)	382,883	597,140
Funds held in trust for others	876,303	859,669
Investments (Note 6)	189,942,737	190,617,174
Plant facilities, net (Note 8)	65,321,945	66,228,006
Total assets	$ 269,010,445	$ 270,939,541
Liabilities:		
Accounts payable and accrued liabilities	$ 5,972,929	$ 6,609,333
Deposits and deferred revenues	3,843,213	1,953,407
Liability for defined contribution retirement plan (Note 16)	3,219,762	2,999,805
Life income and annuities payable (Note 2)	1,308,847	1,400,268
Notes and bonds payable (Note 9)	64,384,094	59,756,188
Government advances for student loans	256,034	528,964
Total liabilities	78,984,879	73,247,965
Net Assets: (Note 10)		
Without donor restrictions	27,013,155	32,931,156
With donor restrictions	163,012,411	164,760,420
Total net assets	190,025,566	197,691,576
Total liabilities and net assets	$ 269,010,445	$ 270,939,541

The accompanying notes are an integral part of these consolidated financial statements.

CLAREMONT GRADUATE UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2019
Revenues and releases of net assets:			
Net student revenues (Note 13)	$ 36,702,377	$ -	$ 36,702,377
Contributions	6,088,195	2,642,740	8,730,935
Federal grants	2,739,768	-	2,739,768
Spending policy income	10,888,562	685,436	11,573,998
Other investment income	345,304	343,148	688,452
Other revenue	3,015,106	74,817	3,089,923
Auxiliary enterprises	2,767,229	-	2,767,229
Release of restricted net assets	1,721,233	(1,721,233)	-
Total revenues and releases of net assets	64,267,774	2,024,908	66,292,682
Expenses:			
Instruction	32,626,881	-	32,626,881
Research	9,040,257	-	9,040,257
Academic support	7,840,361	-	7,840,361
Student services	5,427,213	-	5,427,213
Institutional support	12,964,270	-	12,964,270
Public service	228,520	-	228,520
Student aid	858,029	-	858,029
Auxiliary enterprises	3,140,635	-	3,140,635
Total expenses	72,126,166	-	72,126,166
Other changes in net assets:			
Actuarial adjustments	(7,385)	210,100	202,715
Adjustments to contributions receivable	-	(604,950)	(604,950)
Net realized and unrealized gains (losses) on investments, net of appropriations	1,674,683	(3,226,545)	(1,551,862)
Other comprehensive pension gain	18,836	-	18,836
Transfers (to) from The Claremont Colleges	190,761	(88,026)	102,735
Redesignation of net assets	63,496	(63,496)	-
Change in net assets	(5,918,001)	(1,748,009)	(7,666,010)
Net assets, beginning of year	32,931,156	164,760,420	197,691,576
Net assets, end of year	$ 27,013,155	$ 163,012,411	$ 190,025,566

The accompanying notes are an integral part of these consolidated financial statements.

CLAREMONT GRADUATE UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2018
Revenues and releases of net assets:			
Net student revenues (Note 13)	$ 37,813,694	$ -	$ 37,813,694
Contributions	5,928,384	583,315	6,511,699
Federal grants	4,246,412	-	4,246,412
Spending policy income	8,154,442	467,975	8,622,417
Other investment income	259,211	274,056	533,267
Other revenue	2,194,177	76,765	2,270,942
Auxiliary enterprises	2,729,869	-	2,729,869
Release of restricted net assets	1,935,487	(1,935,487)	-
Total revenues and releases of net assets	63,261,676	(533,376)	62,728,300
Expenses:			
Instruction	31,423,643	-	31,423,643
Research	7,081,642	-	7,081,642
Academic support	6,976,224	-	6,976,224
Student services	4,680,832	-	4,680,832
Institutional support	14,401,568	-	14,401,568
Public service	1,317,189	-	1,317,189
Student aid	1,112,905	-	1,112,905
Auxiliary enterprises	2,759,103	-	2,759,103
Total expenses	69,753,106	-	69,753,106
Other changes in net assets:			
Actuarial adjustments	85,390	97,785	183,175
Adjustments to contributions receivable	-	(1,209,901)	(1,209,901)
Net realized and unrealized gains (losses) on investments, net of appropriations	1,609,958	2,349,287	3,959,245
Gain on disposal of plant facilities	4,389,515	-	4,389,515
Loss on other	(189,122)	-	(189,122)
Transfers (to) from The Claremont Colleges	(126,248)	-	(126,248)
Redesignation of net assets	185,222	(185,222)	-
Change in net assets	(536,715)	518,573	(18,142)
Change in accounting principle (Note 2)	1,858,193		1,858,193
Net assets, beginning of year	31,609,678	164,241,847	195,851,525
Net assets, end of year	$ 32,931,156	$ 164,760,420	$ 197,691,576

The accompanying notes are an integral part of these consolidated financial statements.

CLAREMONT GRADUATE UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (7,666,010)	$ (18,142)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	2,044,829	2,073,450
Amortization expense	59,557	59,556
Accretion expense	2,836	2,846
Adjustments to contributions receivable	604,950	1,209,901
Change in allowance for doubtful accounts	(213,761)	207,041
(Gain) on disposal of plant facilities	-	(4,389,515)
Unrealized (gains) on investments	(381,675)	(6,726,049)
Other comprehensive pension gain	18,836	-
Adjustment of actuarial liability	(202,715)	(183,175)
(Increase) in accounts receivable	(1,317,553)	(179,461)
(Increase) in prepaid expenses and deposits	(334,119)	(123,674)
(Increase) decrease in contributions receivable	(779,395)	180,659
(Increase) in funds held in trust for others	(16,634)	(97,529)
Increase (decrease) in accounts payable and accrued liabilities	(646,625)	29,894
Increase in deposits and deferred revenues	1,889,806	430,073
Increase in liability for defined contribution retirement plan	201,121	1,054,898
Non-cash gifts	50,971	-
Contributions restricted for long-term purposes	(309,451)	(300,990)
Net cash (used in) operating activities	(6,995,032)	(6,770,217)
Cash flows from investing activities:		
Purchases of investments	(160,940,348)	(130,554,830)
Proceeds from sales of investments	162,262,221	138,300,293
Purchase of plant facilities	(1,189,739)	(1,539,861)
Proceeds from sales of plant facilities	-	4,721,720
Collection of student loans	494,389	295,785
Net cash provided by investing activities	626,523	11,223,107
Cash flows from financing activities:		
Payments to annuity and life income beneficiaries	(224,711)	(146,048)
Investment income for annuity and life income contracts	59,214	52,377
Proceeds from notes and line of credit	5,983,696	2,600,000
Debt issuance costs	-	(31,500)
Principal payments for notes and line of credit	(125,347)	(2,551,555)
Principal payments for bonds	(1,290,000)	(1,215,000)
Contributions restricted for endowment	309,451	300,990
Decrease in government advances for student loans	(272,930)	(241,871)
Net cash provided by (used in) financing activities	4,439,373	(1,232,607)
Net increase (decrease) in cash	(1,929,136)	3,220,283
Cash and cash equivalents at beginning of year	3,357,069	136,786
Cash and cash equivalents at end of year	$ 1,427,933	$ 3,357,069
Supplemental disclosure of cash flows:		
Interest paid	$ 2,601,045	$ 1,733,170
Supplemental disclosure of noncash investing and financing activity:		
Donated collections	$ -	$ 621,000

The accompanying notes are an integral part of these consolidated financial statements.

June 30, 2019 and 2018

NOTE 1 – ORGANIZATION:

Founded in 1925, Claremont Graduate University (the University) is a member of The Claremont Colleges, located approximately forty-five miles east of Los Angeles. The member institutions (see Note 17) are academically independent but share some central programs and services.

The University is a doctoral research intensive university with graduate programs in the social and information sciences, arts, humanities, management, education, mathematics, public health, and botany. Each school within the University has a distinctive academic focus and strong strategic goals. The University as a whole is committed to developing programs that nurture a distinctive and distinguished signature education available to students. The objective of the University as a nonprofit educational institution is to educate a diverse student population in graduate studies. The Blais Foundation (the Foundation) was formed to engage in charitable and educational activities directed toward support of academic cooperation between the University and the other Claremont Colleges. The Foundation is a separate 501(c)(3) nonprofit entity incorporated in the State of California.

CGU Student Housing, LLC was created in 2016 as a limited liability company with Claremont Graduate University being the sole member and maintaining one hundred percent (100%) of the membership interest in the company. CGU Student Housing, LLC was formed to operate the University's student housing program and to engage a student housing development firm to oversee the property management. CGU Student Housing, LLC manages five buildings north of CGU's main campus, and both the land as well as the buildings are owned by CGU. In 2016, an agreement was executed between CGU and CGU Student Housing, LLC whereby rent is paid by CGU Student Housing, LLC to CGU for the right to operate on the property. Rent is defined in the agreement as both the debt service associated with the bonds CGU issued to construct the buildings as well as any surplus from operations. The financial implications associated with the rent payments from CGU Student Housing, LLC to CGU are eliminated within these consolidated financial statements.

The University and the Foundation are nonprofit corporations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting policies of the University are in accordance with those generally accepted for colleges and universities.

Basis of Presentation:

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Consolidated Financial Statements:

The activities of Blais Foundation and CGU Student Housing, LLC are consolidated in the University's consolidated financial statements and all intercompany transactions have been eliminated in consolidation, as required by generally accepted accounting principles.

Net Asset Categories:

The accompanying consolidated financial statements present information regarding the University's consolidated financial position and activities according to the following net asset categories:

Net assets without donor restrictions: Net assets without donor restrictions include all support that is not subject to donor-imposed restrictions. The Board of Trustees has designated a portion of net assets to function as endowment (Note 10, Net Assets). Income from the funds designated by the Board of Trustees to function as endowment investments, under the University's spending policy (Note 2, Investments), supports general operating purposes. Plant facilities and other net assets include all long-lived assets, net of related long-term debt, and other support.

June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Net Asset Categories, continued:

Net assets with donor restrictions: Net assets with donor restrictions include gifts of cash, accumulated earnings on perpetual endowments, and other assets subject to donor-imposed restrictions that either lapse through the passage of time, or can be satisfied through fulfillment of purpose, or are to be held in perpetuity by the University. When a non-perpetual donor restriction expires, net assets are released to net assets without donor restrictions (Note 2, Revenue Recognition).

Revenue Recognition:

Tuition and fees revenue is recognized pro-rata over the applicable period of instruction. A contract is entered into with a student and covers a course or semester. Revenue recognition occurs once a student starts attending a course. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. The University determined there are no costs that are capitalized to obtain or to fulfill a contract with a customer.

Student housing revenue is recognized over the period the services are provided. Amounts received in advance of delivery of services are recorded as deferred revenue.

Gifts, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Gifts where donor restrictions are met within the same fiscal year as the contribution is received are included in net assets without donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received in future periods are discounted at an appropriate discount rate.

Individual grant arrangements have been evaluated and determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution—when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. These transactions are then recognized as unconditional and classified as increases to net assets without donor restrictions.

Investment income and gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is explicitly restricted by the donor.

Auxiliary enterprises includes revenue from dining services and housing, and these revenues are recognized over the period the services are provided. Amounts received in advance of delivery of services are recorded as deferred revenue. The auxiliary enterprise expenses include all costs incurred in providing these services.

The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction substantially expires. At that time, the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. It is the University's policy to release the restrictions on contributions of cash or other assets received for the acquisition of long-lived assets when the long-lived assets are placed into service.

June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Revenue Recognition, continued:

The University's receivables represent unconditional rights to consideration from its contracts with students; accordingly, students are not billed until they start attending a course and the revenue recognition process has commenced. Once a student has been invoiced, payment is due immediately. Included in each invoice to the student are all educational related items including tuition, net of scholarships, fees, etc. The University does not have any contract assets. The University's contract liabilities are reported as deposits and deferred revenues in the consolidated statements of financial position. Deferred revenue and student deposits in any period represent the excess of tuition, fees, and other student payments received as compared to amounts recognized as revenue on the consolidated statements of activities and are reflected as liabilities in the consolidated statements of financial position. The University's education programs have starting and ending dates that differ from its fiscal year-end. Therefore, at the end of each fiscal year, a portion of revenue from these programs is not yet earned.

The University has identified a performance obligation associated with the provision of its educational instruction and other educational services, housing services, and other academic related services and uses the output measure for recognition as the period of time over which the services are provided. The University has identified performance obligations related to its dining services and other auxiliary activities and recognizes revenue at the point in time goods or services are provided to its customers. The University maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws during stated refund periods. If a student withdraws at a time when only a portion, or none of the tuition is refundable, then in accordance with its revenue recognition policy, the University continues to recognize the tuition that was not refunded pro-rata over the applicable period of instruction. The University does not record revenue on amounts that may be refunded.

Expense Allocation:

The consolidated statements of activities presents expenses as decreases in net assets without donor restrictions and by functional classification. Depreciation, interest expense, and operation and maintenance of plant expense are allocated to functional classifications based on building square footage dedicated to that specific function.

Cash and Cash Equivalents:

For purposes of reporting cash flows, cash includes demand deposit bank accounts. Resources invested in money market funds and short-term investments with original maturities of three months or less are classified as cash equivalents, except that any such investments held by external investment managers are classified as investments. The University's cash and cash equivalent accounts at times may exceed federally insured limits. The University has not experienced any losses in such accounts.

Allowances for Doubtful Accounts:

The University records an allowance for doubtful accounts for estimated losses resulting from students not making their required payments. Management has determined that the allowances for doubtful accounts are appropriate based on a periodic review of accounts. Accounts are reviewed on an individual basis, taking into consideration individual facts and circumstances that may impact their ability to be collected. However, in the interest of conservatism, a percentage of aged balances are assumed uncollectible, and the University applies reserves to its receivables based upon an estimate of the risk presented by the age of the receivables. The percentages vary based on the number of months an account is outstanding. Balances that are deemed uncollectible are written off through a charge to bad debt expense or the provision for doubtful accounts and a credit to accounts receivable. The University reflects accounts receivable with an offsetting allowance as long as management believes there is a reasonable possibility of collection.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Investments:

Where permitted by law, the University pools investments for management purposes. The remaining investments are managed as separate investments. Investments are reported at fair value, except for real estate investments, trust deed loans, and certain other miscellaneous assets which are stated at the original appraisal value and are not revalued on a recurring basis. Investments are stated at fair value as of the most recent valuation prior to year end. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a readily available market for these securities existed. The cost of securities sold is determined by the average cost method and is used to compute realized gains and losses. Unrealized gains and losses reflect the changes in the fair values of investments from the prior year. In the absence of explicit donor stipulation or legal restrictions investment income and gains and losses on investments are reported as increases or decreases in net assets without donor restrictions. The date of record for investments is the trade date.

The University's investments also include a separately invested endowment which benefits doctoral studies at the University, and the funds of the Foundation included in the University's consolidated financial statements.

Concentration of Credit Risk:

Investment securities are exposed to various risks, such as changes in interest rates, credit ratings and market fluctuations. At times, balances in the University's cash and investment accounts exceed the Federal Deposit Insurance Corporation (FDIC) or Securities Investors Protection Corporation (SIPC) insured limits. Due to the level of risk associated with certain investment securities and investment contracts and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the University's account balances and the amounts reported in the consolidated statements of financial position and the consolidated statements of activities.

Management of Pooled Investments:

The University follows an investment policy that anticipates a greater long-range return through investing for capital appreciation and accepts lower current yields from dividends and interest. In order to offset the effect of lower current yields for current operations, the Board of Trustees has adopted a spending policy for pooled investments. The spending rate for the fiscal year as approved by the Board of Trustees was 7.0% and 5.0% of the average unit market value at the end of the 12 contiguous quarters the last of which ended on September 30 of the preceding fiscal year for the years ended June 30, 2019 and 2018, respectively.

Endowment Funds:

The Board of Trustees of the University interprets the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) to state that the University, in the absence of explicit donor stipulations to the contrary, may appropriate for expenditure or accumulate so much of an endowment as the University determines prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Therefore, the University classifies as net assets with donor restrictions the original value of gifts to the endowment and the accumulations made in accordance with the donor intent. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by California UPMIFA which includes the:

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Funds with Deficiencies:

From time to time, as a result of market declines, the fair value of certain donor restricted endowments falls below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature have been recorded as reductions in net assets with donor restrictions. As of June 30, 2019 and 2018, funds with an original gift value of $30,616,000 and $30,469,000 and fair value of $28,018,000 and $28,191,000, were deficient by $2,598,000 and $2,279,000, respectively. As the fair value of the investments increase, the deficiency will reverse.

Fair Value of Financial Instruments:

A financial instrument is defined as a contractual obligation that ultimately ends with the delivery of cash or an ownership interest in an entity. Disclosures included in these notes regarding the fair value of financial instruments have been derived using external market sources, estimates using present value or other valuation techniques.

The University carries most investments and its beneficial interest in trusts held by a third party at fair value. Cash and cash equivalents and other investments are carried at cost, which approximates fair value. Fair value is defined as the price that would be received to sell an asset (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. Fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 **–** Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the University has the ability to access at the measurement date;
Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active;
Level 3 **–** Inputs that are unobservable.

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

The investments in cash equivalents, cash whose use is limited, certain domestic and international equities, mutual funds, fixed income funds and other assets are valued based on quoted market prices, and are therefore typically classified within Level 1.

The investments in international equities, hedge funds, private equity funds, limited partnerships, and the University's beneficial interest in trusts held by third parties, which are recorded within contributions receivable, are valued utilizing unobservable inputs. These assets are presented in the accompanying consolidated financial statements at fair value. The University has concurred with the fair value as provided by the investment manager and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents the University's proportionate share of the partner's capital of the investment partnerships or the University's allocations in investment funds. With the exception of beneficial interest in trusts held by third parties, which are classified within Level 3, the fair value of these investments have been estimated using net asset value per share (NAV).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Fair Value of Financial Instruments, continued:

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

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

Collections:

The University capitalizes its collections of works of art at their appraised or estimated current fair value upon date of gift.

Plant Facilities:

Plant facilities consist of property, plant and equipment which are stated at cost representing the original purchase price or the fair value at the date of the gift, less accumulated depreciation computed on a straight-line basis over the estimated useful lives of buildings, permanent improvements, and equipment. The University capitalizes all buildings and building improvements with a cost basis over $100,000 as well as equipment and land improvements with a cost basis over $10,000 and an estimated useful life in excess of one year. The University has adopted time frames for depreciation of 7 years for equipment and 40 years for buildings. The cost and accumulated depreciation of assets sold or retired are removed from the accounts and the related gains or losses are included in the consolidated statements of activities. Asset retirement obligations are recorded based on estimated settlement dates and methods. Expenditures for maintenance, repairs, and renewals are charged to expense as incurred.

Proceeds from the disposal of equipment acquired with federal funds will be transferred to the federal awarding agency. No federal project equipment was disposed of during the year ended June 30, 2019 and 2018. No property or equipment has been acquired with restricted assets where title may revert to another party.

Asset Retirement Obligations:

Asset retirement obligations are estimated costs and obligations associated with the retirement of long-lived assets. These liabilities were initially recorded at fair value and the related asset retirement costs were recorded as decreases in net assets without donor restrictions. Asset retirement costs are subsequently accreted over the useful lives of the related assets. The asset retirement obligation of approximately $809,800 and $806,900 at June 30, 2019 and 2018, respectively, is included in accrued liabilities on the consolidated statements of financial position. Accretion expense was $2,836 and $2,846 for the years ending June 30, 2019 and 2018.

June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Annuity and Life Income Contracts and Agreements:

The University has legal title to annuity and life income contracts and agreements subject to life interests of beneficiaries. Life income and annuities payable represent actuarially determined liabilities for contractual obligations under gift annuities, unitrusts, and pooled income funds. No significant financial benefit is now being or can be realized until the contractual obligations are released. However, the costs of managing these contracts and agreements are included in expenditures.

The University uses the actuarial method of recording annuity and life income contracts and agreements. Under this method, the asset is recorded at fair value when a gift is received. The present value of the aggregate annuity payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as a contribution in the appropriate net asset category. The liability account is credited with investment income and gains and is charged with investment losses and payments to beneficiaries. Periodic adjustments are made between the liability account and the net asset account for actuarial gains and losses. The actuarial liability is based on the present value of future payments discounted at rates ranging from 4.6% to 7.5% and over estimated lives according to Annuity 2003 Unisex Mortality Tables at June 30, 2019 and 2018.

Use of Estimates:

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements:

Not-for-Profit Financial Statement Presentation
In 2019, the University adopted Accounting Standards Update (ASU) 2016-14 - Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 provides for additional disclosure requirements and modifies net asset reporting. The standard requires the University to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions, among other requirements.

Recognition and Measurement of Financial Assets and Financial Liabilities
As of July 1, 2018, the University adopted ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The ASU eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities.

Redesignation of Net Assets:

Certain amounts previously received from donors have been transferred among net asset categories due to changes in donor designations.

Reclassifications:

Certain 2018 amounts have been reclassified to conform to 2019 presentation.

June 30, 2019 and 2018

NOTE 3 - ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2019 and 2018 are as follows:

	2019	2018
Student accounts	$ 4,402,905	$ 2,669,514
Grants and contracts	456,724	722,632
Interest rate swap (Note 9)	-	255,133
Claremont Colleges and other	1,272,427	1,299,966
	6,132,056	4,947,245
Less allowance for doubtful accounts receivable	(1,249,546)	(1,315,917)
Net accounts receivable	$ 4,882,510	$ 3,631,328

The following table presents the interest rate swap carried on the consolidated statements of financial position by level within the valuation hierarchy as of June 30, 2018. The swap agreement was paid off and terminated in February 2019.

	Level 1	Level 2	Level 3	2018
Interest rate swap	$ -	$ 255,133	$ -	$ 255,133

Net unrealized gains (losses) on the interest rate swap are reflected as a component of "Loss on other" on the consolidated statements of activities.

NOTE 4 - CONTRIBUTIONS RECEIVABLE:

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and revenue of the appropriate net asset category. Unconditional promises to give were discounted at rates ranging from 2.3% to 5.2% and are expected to be realized in the following years ending June 30:

	2019	2018
In one year or less	$ 1,066,311	$ 980,527
Between one year and five years	1,564,745	1,275,205
More than five years	349,335	515,545
	2,980,391	2,771,277
Less discount to present value	(99,228)	(82,974)
Net contributions receivable	$ 2,881,163	$ 2,688,303

Management has determined that an allowance for doubtful accounts for contributions receivable is not necessary based on a periodic review of accounts.

Contributions receivable at June 30, 2019 and 2018 are intended for the following uses:

	2019	2018
General support	$ 2,265,358	$ 2,072,498
Endowment	615,805	615,805
Total	$ 2,881,163	$ 2,688,303

June 30, 2019 and 2018

NOTE 4 - CONTRIBUTIONS RECEIVABLE, CONTINUED:

The University also has a conditional promise to give totaling $1,000,000. This promise to give is contingent upon the University obtaining matching funds. The purpose of the promise is for an endowed professorship. As the amount is conditional, it is not recognized as revenue until the condition is met.

The University is beneficiary to certain trusts where a third party acts as trustee. The present value of these interests is recorded in contributions receivable on the consolidated statements of financial position.

The following tables present the beneficial interest in trusts carried on the consolidated statements of financial position by level within the valuation hierarchy as of June 30, 2019 and 2018:

	Level 1	Level 2	Level 3	2019
Beneficial interest in trusts held by third parties	$ -	$ -	$ 329,335	$ 329,335

	Level 1	Level 2	Level 3	2018
Beneficial interest in trusts held by third parties	$ -	$ -	$ 495,545	$ 495,545

	Balance at June 30, 2018	Additions/ (Maturities)	Actuarial Adjustment	Balance at June 30, 2019
Beneficial interest in trusts held by third parties	$ 495,545	$ (153,018)	$ (13,192)	$ 329,335

	Balance at June 30, 2017	Additions/ (Maturities)	Actuarial Adjustment	Balance at June 30, 2018
Beneficial interest in trusts held by third parties	$ 466,555	$ -	$ 28,990	$ 495,545

The significant unobservable inputs used in the fair value measurement of the University's beneficial interest in trusts are the mortality rate and risk factor used in the rate to discount the cash flow of the trusts. The mortality rate ranged from 4-19 years and the risk rate ranged from 4-5%. Significant increases (decreases) in any of the inputs would result in a significantly lower (higher) fair value measurement. Beneficial interest in trusts classified as Level 3 are valued based on the discounted cash flow of the income and expenses from the underlying assets and liabilities in the trusts over the estimated lives of the income beneficiaries of the trusts.

Net unrealized gains (losses) on beneficial interest in trusts in the tables above are reflected as a component of "actuarial adjustment" on the consolidated statements of activities.

The University receives contributions and promises to give from members of the Board of Trustees. Total contributions from trustees during fiscal years ending June 30, 2019 and 2018 totaled $474,237 and $196,592, respectively. At June 30, 2019 and 2018 contributions receivable from members of the Board of Trustees totaled $70,000 and $30,000, respectively.

June 30, 2019 and 2018

NOTE 5 - NOTES RECEIVABLE:

Notes receivable at June 30, 2019 and 2018 are as follows:

	2019	2018
Federal loan funds - student notes receivable	$ 552,915	$ 687,458
Other loans	200,418	-
	753,333	687,458
Less allowance for doubtful notes receivable	(370,450)	(90,318)
Net notes receivable	$ 382,883	$ 597,140

Federal loan funds receivable represents a revolving loan fund administered by the University, funded by the federal Perkins loan program. A corresponding liability, reporting the amount owed to the federal government should the University exit the program, is included on the consolidated statements of financial position. On October 1, 2017, the Federal Perkins Extension Act of 2015 expired and no longer permits disbursements of any kind after June 30, 2018. Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the financial condition of specific borrowers and the level of delinquent loans. Loans disbursed under the federal Perkins loan program are able to be assigned to the federal government in certain non-repayment situations. In these situations the federal portion of the loan balance is guaranteed. Allowances have been established based on experience, and balances deemed noncollectable are written off through a charge to bad debt expense or the provision for doubtful accounts and a credit to accounts receivable. The University follows federal guidelines for determining when student loans are delinquent or past due.

NOTE 6 - INVESTMENTS:

The following schedule summarizes the University's investment return for the years ended June 30, 2019 and 2018:

Investments:	2019	2018
Cash equivalents	$ 10,398,157	$ 20,934,711
Cash whose use is limited	4,341,165	3,866,493
Common stock		
Domestic	64,301,424	2,768,738
International	28,805,034	13,406
Mutual funds	23,499,197	88,301,291
Hedge funds	7,293,997	36,295,410
Private equity limited partnership interests	12,548,583	11,107,162
Fixed income funds	37,738,792	26,567,764
Real properties	53,613	53,613
Trust deed loans	430,919	199,795
Other assets	531,856	508,791
Total investments	$ 189,942,737	$ 190,617,174

June 30, 2019 and 2018

NOTE 6 - INVESTMENTS, CONTINUED:

The following schedule shows investments by category:

	2019	2018
Endowment and funds functioning as endowment:		
Pooled	$ 168,341,631	$ 169,367,624
Separately invested	18,424,804	17,132,022
Total endowment and funds functioning as endowment	$ 186,766,435	$ 186,499,646
Annuity and life income contracts and agreements:		
Pooled	$ -	$ -
Separately invested	3,197,940	3,278,817
Total annuity and life income contracts and agreements	$ 3,197,940	$ 3,278,817
Other investments:		
Pooled	$ 172,793	$ 1,096,771
Separately invested	(194,431)	(258,060)
Total other investments	$ (21,638)	$ 838,711
Total investments:		
Total pooled	$ 168,514,424	$ 170,464,395
Total separately invested	21,428,313	20,152,779
Total investments	$ 189,942,737	$ 190,617,174

The University holds certain investments at cost and does not revalue the assets on a recurring basis. At June 30, 2019 and 2018 investments held at cost were $498,532 and $267,409, respectively.

June 30, 2019 and 2018

NOTE 7 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS:

The following table presents the investments held by third parties carried on the consolidated statements of financial position by level within the valuation hierarchy as of June 30, 2019:

	Level 1	Assets Measured Using NAV Practical Expedient	2019
Cash and cash equivalents	$ 10,398,157	$ -	$ 10,398,157
Cash whose use is limited	4,341,165	-	4,341,165
Common stock			
Domestic	64,301,424	-	64,301,424
International	28,805,034	-	28,805,034
Mutual funds	23,499,197	-	23,499,197
Hedge funds	-	7,293,997	7,293,997
Private equity limited partnership interests	-	12,548,583	12,548,583
Fixed income funds	37,738,792	-	37,738,792
Other assets	517,856	-	517,856
Total	$ 169,601,625	$ 19,842,580	$ 189,444,205

The following table presents the investments held by third parties carried on the consolidated statements of financial position by level within the valuation hierarchy as of June 30, 2018:

	Level 1	Assets Measured Using NAV Practical Expedient	2018
Cash and cash equivalents	$ 20,934,711	$ -	$ 20,934,711
Cash whose use is limited	3,866,493	-	3,866,493
Common stock			
Domestic	2,768,738	-	2,768,738
International	13,406	-	13,406
Mutual funds	88,301,291	-	88,301,291
Hedge funds	-	36,295,410	36,295,410
Private equity limited partnership interests	-	11,107,162	11,107,162
Fixed income funds	26,567,764	-	26,567,764
Other assets	494,790	-	494,790
Total	$ 142,947,193	$ 47,402,572	$ 190,349,765

June 30, 2019 and 2018

NOTE 7 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS, CONTINUED:

The following table shows the fair value, unfunded commitments, and redemption restrictions for investments reported at NAV as of June 30, 2019:

	Fair Value at June 30, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Investments:					
Hedge funds:					
Growth oriented	$ 4,175,644	$ 2,744,414	Quarterly	65 days	(a),(d)
Diversifying	3,118,353	-	None	N/A	(b),(d)
Private equity limited partnership interests	12,548,583	21,540,283	None	N/A	(c),(e)
	$ 19,842,580	$ 24,284,697			

Private equity held at year-end have remaining lives ranging from 2 to 15 years with commitments due estimated as approximately $24,285,000 from 2019 through June of 2028.

(a) Investments that are expected to generate long-term capital appreciation and maintain the purchasing power of the portfolio. This group of investments is expected to exhibit both higher volatility and a significant correlation to global equity markets. These investments could include strategies such as global equities, and distressed credit and equity strategies.

(b) Investments that are intended to provide sources of low correlation to equity market beta and positive long-term returns. These investments are invested with managers whose strategies may include absolute return and multi-strategy fixed income, marketplace and direct lending.

(c) Investments that are invested with managers whose investment strategies consist of direct investments in the debt and equity of private and public companies. These include event driven, relative value investments, private equity positions including buy-outs, turnarounds, distressed hard assets, opportunistic private commercial real estate, consumer products sector, and venture capital. There are no redemptions rights available for investors other than liquidation of assets held by the fund or termination of the limited partnership which will result in a distribution of capital to investors.

(d) Includes one fund with side pockets which are illiquid and redeemed when the underlying investments are liquidated.

(e) Investments that are expected to increase potential yield and return expectations and have lower liquidity than traditional stock and bond investments. Includes globally diversified, unique return strategies and diversified across vintages.

NOTE 8 - PLANT FACILITIES:

Plant facilities are recorded at cost or estimated fair value at date of donation and consist of the following at June 30, 2019 and 2018:

	2019	2018
Land and land improvements	$ 22,093,203	$ 22,093,203
Buildings	73,304,995	70,730,706
Equipment	6,236,838	5,735,290
Construction in progress	1,996,792	3,933,862
	103,631,828	102,493,061
Less accumulated depreciation	(38,309,883)	(36,265,055)
Net plant facilities	$ 65,321,945	$ 66,228,006

NOTE 9 - NOTES AND BONDS PAYABLE:

Notes and Bonds Payable:

At June 30, 2019 and 2018 notes and bonds payable were comprised of the following:

	2019	2018
Line of credit	$ 5,983,696	$ -
Term note	2,474,653	2,600,000
Bonds issued through the California Educational Facilities Authority (CEFA):		
Series 2016 A	9,495,000	10,785,000
Series 2016 B	40,435,000	40,435,000
Series 2016 C	6,960,000	6,960,000
	65,348,349	60,780,000
Unamortized net discount, net of issuance costs	(964,255)	(1,023,812)
Total notes and bonds payable	$ 64,384,094	$ 59,756,188

In February 2016, the University issued CEFA Revenue Bonds Series 2016A, 2016B and 2016C in the aggregate principal amounts of $12,500,000, $40,435,000 and $6,960,000, respectively. The proceeds of the aforementioned bond issuances were used to refund the then outstanding CEFA 2007A and CEFA 2008A bonds.

The CEFA Series 2016A Bonds are due in annual installments ranging from $500,000 to $1,400,000. Interest is payable semiannually at 2.9%. The 2016A Bonds contain various covenants, which include the maintenance of certain financial ratios as defined in the agreement, and the bonds are not collateralized.

The CEFA Series 2016B Bonds are due beginning in 2037 with the last payment due in 2042. Payments range from $2,695,000 to $8,090,000. Interest is payable semiannually at 4.875%. The 2016B Bonds contain various covenants, which include the maintenance of certain financial ratios as defined in the agreement, and the bonds are collateralized by the leasehold interest of CGU Student Housing, LLC.

The University was not in compliance with certain of its restrictive covenants as of June 30, 2019 and obtained waivers from the third party institutions. The waiver from one third party institution included conditions with which the University must comply to maintain the waiver of default. These conditions have not yet been met as of the report date. In the event that any of the conditions are not met, the University would again be in default.

NOTE 9 - NOTES AND BONDS PAYABLE, CONTINUED:

The CEFA Series 2016C Bonds are due beginning in 2027 with the last payment due in 2038. Payments range from $200,000 to $406,667. Interest is payable semiannually at 4.625%. The 2016C Bonds contain various covenants, which include the maintenance of certain financial ratios as defined in the agreement, and the bonds are collateralized by the leasehold interest of CGU Student Housing, LLC.

The University was not in compliance with certain of its restrictive covenants as of June 30, 2019 and obtained waivers from the third party institutions. The waiver from one third party institution included conditions with which the University must comply to maintain the waiver of default. These conditions have not yet been met as of the report date. In the event that any of the conditions are not met, the University would again be in default.

In February 2016, the University entered into a seven year swap agreement designed to manage the University's interest costs and rates associated with the issuance of the aforementioned CEFA Revenue Bonds Series B and Series C. The swap agreement was paid off and terminated in February 2019.

In June 2018, the University entered into a Term Loan in the amount of $2,600,000. This Term Loan carries a fixed interest rate of 4.40% with a maturity date of 2033. Annual payments on the loan are $713,100. This Term Loan is unsecured and contains various covenants, which include the maintenance of certain financial ratios as defined in the agreement.

Line of Credit:

The University has a $3,000,000 line of credit with a bank that has the option of expanding to $6,000,000. The line of credit has an unutilized fee of 25 basis points on the unused portion of the line. Any borrowings on the line bear interest at a per annum rate equal to the Prime Rate minus 1.10%. At June 30, 2019 and 2018 the outstanding balance on the line of credit was $5,983,696 and $0, respectively. The line of credit agreement contains various restrictive covenants which include the maintenance of certain financial ratios, as defined in the agreement.

The principal maturity of notes and bonds payable at June 30, 2019 is as follows:

Fiscal Years Ending June 30,	Principal Amount
2020	$ 7,428,226
2021	1,475,324
2022	1,506,376
2023	1,557,700
2024	1,534,278
Thereafter	51,846,445
	$ 65,348,349

June 30, 2019 and 2018

NOTE 10 - NET ASSETS:

Net assets consist of the following at June 30, 2019 and 2018:

	2019	2018
Without donor restrictions:		
Funds functioning as endowment	$ 32,187,976	$ 30,161,638
Plant	7,054,840	8,279,685
Auxiliary	(6,209,177)	(5,522,824)
Other	(6,020,484)	12,657
Total without donor restrictions	27,013,155	32,931,156
With donor restrictions:		
Portion of perpetual endowment fund subject to a time restriction under California UPMIFA:		
Without specific purpose	30,007,755	32,543,053
With specific purpose	2,709,004	4,063,337
Restricted for specific purposes	6,312,837	4,906,975
Student loans	34,234	34,234
Annuity and life income contracts and agreements	2,086,881	2,233,560
Perpetual endowment	121,861,700	120,979,261
Total with donor restrictions	163,012,411	164,760,420
Total net assets	$ 190,025,566	$ 197,691,576

June 30, 2019 and 2018

NOTE 11 - ENDOWMENT NET ASSETS:

The net assets of the University include donor restricted endowment funds and funds functioning as endowment. Donor restricted endowments are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and the income only be utilized as provided for under California UPMIFA. Funds functioning as endowment are funds designated by the Board of Trustees to function as endowment, and are expendable.

Changes in the University's endowment for the years ended June 30, 2019 and 2018 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment 2019
Investment returns:			
Earned income	$ 4,257	$ (153,864)	$ (149,607)
Change in realized and unrealized gains/losses net of gain appropriations	1,749,730	(3,245,428)	(1,495,698)
Net investment returns	1,753,987	(3,399,292)	(1,645,305)
Net investment returns reinvested	159,366	757,209	916,575
Net cumulative investment returns	1,913,353	(2,642,083)	(728,730)
Other changes:			
Gifts	575	239,841	240,416
Other	112,410	(604,950)	(492,540)
Total other changes in endowed net assets	112,985	(365,109)	(252,124)
Net change in endowed net assets	2,026,338	(3,007,192)	(980,854)
Endowed net assets, beginning of year	30,161,638	157,585,651	187,747,289
Endowed net assets, end of year	$ 32,187,976	$ 154,578,459	$ 186,766,435

At June 30, 2019, endowed net assets consists of the following assets:

Contributions receivable, net	$ -	$ 615,805	$ 615,805
Investments	32,187,976	153,951,154	186,139,130
Collections and works of art	-	11,500	11,500
Total endowed net assets	$ 32,187,976	$ 154,578,459	$ 186,766,435

June 30, 2019 and 2018

NOTE 11 - ENDOWMENT NET ASSETS, CONTINUED:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment 2018
Investment returns:			
Earned income	$ 5,681	$ (165,628)	$ (159,947)
Change in realized and unrealized gains/losses net of gain appropriations	1,835,947	2,328,161	4,164,108
Net investment returns	1,841,628	2,162,533	4,004,161
Net investment returns reinvested	104,650	467,975	572,625
Net cumulative investment returns	1,946,278	2,630,508	4,576,786
Other changes:			
Gifts	325	300,990	301,315
Other	(20,734)	(1,209,901)	(1,230,635)
Total other changes in endowed net assets	(20,409)	(908,911)	(929,320)
Net change in endowed net assets	1,925,869	1,721,597	3,647,466
Endowed net assets, beginning of year	28,235,769	155,864,054	184,099,823
Endowed net assets, end of year	$ 30,161,638	$ 157,585,651	$ 187,747,289

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

Contributions receivable, net	$ -	$ 1,236,143	$ 1,236,143
Investments	30,161,638	156,338,008	186,499,646
Collections and works of art	-	11,500	11,500
Total endowed net assets	$ 30,161,638	$ 157,585,651	$ 187,747,289

At June 30, 2019 and 2018, endowment net assets consists of the following:

	2019	2018
Endowment net assets without donor restrictions		
Funds functioning as endowment	$ 32,187,976	$ 30,161,638
Endowment net assets with donor restrictions		
Portion of endowment funds subject to a time restriction under California UPMIFA		
Without purpose restriction	30,007,755	32,543,053
With purpose restriction	2,709,004	4,063,337
Perpetual	121,861,700	120,979,261
Total endowment net assets with donor restrictions	154,578,459	157,585,651
Total endowment net assets	$ 186,766,435	$ 187,747,289

June 30, 2019 and 2018

NOTE 12 - LIQUIDITY AND AVAILABILITY:

At June 30, 2019 and 2018, the University's financial assets and liquidity resources available within one year for general expenditure are as follows:

	2019	2018
Financial assets:		
Cash and cash equivalents	$ 1,427,933	$ 3,357,069
Accounts receivable, net	4,882,510	3,631,328
Contributions receivable, net	824,661	512,227
Board designations:		
Funds functioning as endowment	32,187,976	30,161,638
Total financial assets available within one year	39,323,080	37,662,262
Liquidity resources:		
Bank lines of credit (available balance)	16,304	6,000,000
Total financial assets and liquidity resources available within one year	$ 39,339,384	$ 43,662,262

The University's cash flows have seasonal variations during the year attributable to tuition billing and a concentration of contributions received at calendar and fiscal year-end. To manage liquidity, the University maintains a line of credit that may be drawn upon as needed during the year to manage cash flows.

NOTE 13 - NET STUDENT REVENUES:

Student revenues for the years ended June 30, 2019 and 2018 consist of the following:

	2019	2018
Tuition and fees	$ 49,418,957	$ 48,583,873
Less financial aid	(12,716,580)	(10,770,179)
Net student revenues	$ 36,702,377	$ 37,813,694

June 30, 2019 and 2018

NOTE 14 - NATURAL CLASSIFICATION OF EXPENSES BY FUNCTION:

Expenses by natural classification for the years ended June 30, 2019 and 2018, consist of:

	Instruction, Research, and Public Service	Academic Support	Student Services and Student Aid	Institutional Support and Auxiliary Enterprises	2019
Expenses:					
Compensation	$ 28,385,184	$ 4,219,904	$ 3,700,957	$ 7,482,619	$ 43,788,664
Occupancy, maintenance and plant	5,579,360	322,546	617,590	3,588,763	10,108,259
Services	7,263,187	3,154,881	1,765,393	4,187,898	16,371,359
Other	667,927	143,030	201,302	845,625	1,857,884
Total expenses	$ 41,895,658	$ 7,840,361	$ 6,285,242	$ 16,104,905	$ 72,126,166

	Instruction, Research, and Public Service	Academic Support	Student Services and Student Aid	Institutional Support and Auxiliary enterprises	2018
Expenses:					
Compensation	$ 27,995,533	$ 3,473,386	$ 3,252,626	$ 8,369,455	$ 43,091,000
Occupancy, maintenance and plant	4,603,933	265,011	728,577	2,979,441	8,576,962
Services	6,071,680	3,009,462	1,300,018	5,234,666	15,615,826
Other	1,151,328	228,365	512,516	577,109	2,469,318
Total expenses	$ 39,822,474	$ 6,976,224	$ 5,793,737	$ 17,160,671	$ 69,753,106

NOTE 15 - FUND RAISING EXPENSE:

Institutional support expenses in the consolidated statements of activities for the year ended June 30, 2019 and 2018 include $1,466,465 and $2,652,019 of expenses related to fund raising.

NOTE 16 - EMPLOYEE BENEFIT PLANS:

The University participates with other members of The Claremont Colleges (Note 17) in a defined contribution retirement plan that provides retirement benefits for employees through Teachers Insurance and Annuity Association and The College Retirement Equity Fund. Under this defined contribution plan, University contributions are used to purchase individual annuity contracts and investments equivalent to retirement benefits earned. Vesting provisions are full and immediate. Benefits commence upon retirement, and pre-retirement survivor death benefits are provided. University contributions to the plan for the year ended June 30, 2019 and 2018 totaled $2,694,128 and $2,733,291, respectively.

NOTE 17 - AFFILIATED INSTITUTIONS:

The University is a member of an affiliated group of institutions known as The Claremont Colleges, comprised of Pomona College, Claremont Graduate University, Scripps College, Claremont McKenna College, Harvey Mudd College, Pitzer College, Keck Graduate Institute, and The Claremont Colleges, Inc. Each member is a separate corporate entity governed by its own board of trustees. The Claremont Colleges, Inc. is the central coordinating institution that provides common student and administrative services and certain central facilities for all The Claremont Colleges. The costs of these services and facilities are shared by the members of the group. The University paid $5,141,549 and $5,238,728 for these services and facilities, which included $1,816,483 and $1,837,859 for library operations and acquisitions, for the years ended June 30, 2019 and 2018, respectively.

June 30, 2019 and 2018

NOTE 18 - COMMITMENTS AND CONTINGENCIES:

The University leases certain facilities and multi-function copier machines under lease arrangements for use in its educational programs. Minimum annual lease payments for non-cancelable operating leases are as follows:

Fiscal years ending June 30,		
2020	$	508,439
2021		221,260
2022		6,209
	$	735,908

Leases on facilities contain renewal options and rent escalation clauses per the agreement. Rental expense for operating leases was approximately $677,000 for the year ended June 30, 2019.

In 2016, the University and CGU Student Housing, LLC entered into a multi-year agreement with a service provider. The agreement had initial terms ranging from three years to five years and contains language pertaining to management fees, renewal options, performance targets, and other reasonable and customary clauses consistent with service agreements. As of June 30, 2019, the annual financial commitment is approximately $1,700,000 with the total amount being approximately $3,400,000 over the remaining length of the agreement.

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

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

NOTE 19 - SUBSEQUENT EVENTS:

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

The University has evaluated subsequent events through December 3, 2019, which is the date the consolidated financial statements are available to be issued, and concluded that there were no events or transactions requiring disclosure.