THE COLORADO COLLEGE AND SUBSIDIARIES
Colorado Springs, Colorado

FINANCIAL STATEMENTS
June 30, 2014 and 2013

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CliftonLarsonAllen LLP
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Independent Auditors' Report

Board of Trustees
The Colorado College and Subsidiaries
Colorado Springs, Colorado

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of The Colorado College and Subsidiaries (the College), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, 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.

Auditors' 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 audit 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 auditors' 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 the College as of June 30, 2014 and 2013, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014, on our consideration of the College'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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 College's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 6, 2014

THE COLORADO COLLEGE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 19,554,438	$ 32,260,552
Investments	20,159,792	34,591,621
General accounts receivable (net of allowance for doubtful accounts of $5,080 and $379 at June 30, 2014 and 2013, respectively)	1,497,470	869,864
Students accounts receivable (net of allowance for doubtful accounts of $220,121 and $223,654 at June 30, 2014 and 2013, respectively)	3,940,184	3,467,816
Grants receivable	225,469	177,746
Interest receivable	1,038,059	476,534
Contributions receivable (net of allowance for doubtful pledges and unamortized discounts of $309,101 and $288,768 at June 30, 2014 and 2013, respectively)	10,200,713	12,185,432
Loans to students (net of allowance for doubtful loans of $233,929 and $248,299 at June 30, 2014 and 2013, respectively)	5,085,426	5,149,499
Other assets	3,404,720	1,978,249
Long-term investments	656,746,175	558,833,783
Land, buildings and equipment (net of accumulated depreciation of $96,237,733 and $89,053,152 at June 30, 2014 and 2013, respectively)	214,397,258	207,236,342
Beneficial interest in perpetual trusts	37,138,015	33,433,549
Total assets	$ 973,387,719	$ 890,660,987
LIABILITIES AND NET ASSETS		
Accounts payable	$ 3,994,678	$ 7,979,610
Student accounts payable	827,839	647,281
Salaries and benefits payable	6,038,415	5,953,021
Deferred revenue	4,310,097	1,926,106
Deposits	303,593	328,654
Grants refundable	4,671,471	4,671,471
Assets held for others	4,376,686	3,920,527
Early retirement accrual	502,867	558,962
Capital lease obligations	85,808	174,832
Other postretirement benefit plan payable	1,084,866	1,311,496
Bonds payable (net of unamortized bond discount of $87,495 and $92,355 at June 30, 2014 and 2013, respectively, and unaccreted bond premium of $7,716,953 and $8,683,761 at June 30, 2014 and 2013, respectively)	95,659,458	102,666,406
Asset retirement obligation	3,759,220	3,601,800
Annuities payable	1,340,995	1,385,326
Other life income funds payable	3,062,188	3,129,538
Total liabilities	130,018,181	138,255,030
Net assets		
Unrestricted	285,806,129	262,710,875
Temporarily restricted	390,242,320	333,024,750
Permanently restricted	167,321,089	156,670,332
Total net assets	843,369,538	752,405,957
Total liabilities and net assets	$ 973,387,719	$ 890,660,987

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

THE COLORADO COLLEGE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Year Ended June 30, 2014 (with Comparative Totals for the Year Ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
Operating activity					
Revenues, gains and other support:					
Tuition and fees	$ 94,087,574	$ -	$ -	$ 94,087,574	$ 88,219,709
Less scholarship allowances	(30,330,779)	-	-	(30,330,779)	(27,472,013)
Net tuition and fees	63,756,795	-	-	63,756,795	60,747,696
Contributions	9,174,506	1,606,886	-	10,781,392	7,856,009
Government grants and contracts	1,321,115	-	-	1,321,115	1,128,146
Endowment distribution	7,746,105	16,783,577	-	24,529,682	22,884,163
Other investment income	355,021	680,443	-	1,035,464	977,778
Auxiliary enterprises	17,935,851	-	-	17,935,851	17,178,037
Other revenue	6,411,440	25,534	-	6,436,974	6,321,228
Net assets released from restrictions	21,253,796	(21,253,796)	-	-	-
Total operating revenue	127,954,629	(2,157,356)	-	125,797,273	117,093,057
Expenses:					
Educational and general expenses					
Instruction	46,141,566	-	-	46,141,566	43,327,187
Research	1,615,289	-	-	1,615,289	1,199,022
Public service	2,238,015	-	-	2,238,015	2,184,743
Academic support	9,442,696	-	-	9,442,696	9,222,146
Student services	22,342,014	-	-	22,342,014	22,007,404
Institutional support	24,997,282	-	-	24,997,282	23,727,418
Total educational and general expenses	106,776,862	-	-	106,776,862	101,667,920
Auxiliary enterprises	12,850,017	-	-	12,850,017	12,464,679
Total operating expenses	119,626,879	-	-	119,626,879	114,132,599
Increase (decrease) in net assets from operating activities	8,327,750	(2,157,356)	-	6,170,394	2,960,458
Non-operating activity					
Contributions	-	199,656	6,389,439	6,589,095	5,605,828
Investment return on endowment, reinvested	14,810,255	59,360,615	-	74,170,870	47,271,364
Change in value of split interest agreements	(42,751)	260,986	3,814,987	4,033,222	1,594,661
Transfer of restrictions	-	(446,331)	446,331	-	-
Increase in net assets from non-operating activities	14,767,504	59,374,926	10,650,757	84,793,187	54,471,853
Total change in net assets	23,095,254	57,217,570	10,650,757	90,963,581	57,432,311
Net assets, beginning of year	262,710,875	333,024,750	156,670,332	752,405,957	694,973,646
Net assets, end of year	$ 285,806,129	$ 390,242,320	$ 167,321,089	$ 843,369,538	$ 752,405,957

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

THE COLORADO COLLEGE AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating activity				
Revenues, gains and other support:				
Tuition and fees	$ 88,219,709	$ -	$ -	$ 88,219,709
Less scholarship allowances	(27,472,013)	-	-	(27,472,013)
Net tuition and fees	60,747,696	-	-	60,747,696
Contributions	7,360,193	495,816	-	7,856,009
Government grants and contracts	1,124,062	4,084	-	1,128,146
Endowment distribution	7,190,894	15,693,269	-	22,884,163
Other investment income	312,520	665,258	-	977,778
Auxiliary enterprises	17,178,037	-	-	17,178,037
Other revenue	6,247,016	74,212	-	6,321,228
Net assets released from restrictions	18,851,182	(18,851,182)	-	-
Total operating revenue	119,011,600	(1,918,543)	-	117,093,057
Expenses:				
Educational and general expenses				
Instruction	43,327,187	-	-	43,327,187
Research	1,199,022	-	-	1,199,022
Public service	2,184,743	-	-	2,184,743
Academic support	9,222,146	-	-	9,222,146
Student services	22,007,404	-	-	22,007,404
Institutional support	23,727,418	-	-	23,727,418
Total educational and general expenses	101,667,920	-	-	101,667,920
Auxiliary enterprises	12,464,679	-	-	12,464,679
Total operating expenses	114,132,599	-	-	114,132,599
Increase (decrease) in net assets from operating activities	4,879,001	(1,918,543)	-	2,960,458
Non-operating activity				
Contributions	-	321,118	5,284,710	5,605,828
Investment return on endowment, reinvested	9,660,340	37,611,024	-	47,271,364
Change in value of split interest agreements	2,647	296,212	1,295,802	1,594,661
Transfer of restrictions	2,276,196	(2,637,717)	361,521	-
Increase in net assets from non-operating activities	11,939,183	35,590,637	6,942,033	54,471,853
Total change in net assets	16,818,184	33,672,094	6,942,033	57,432,311
Net assets, beginning of year	245,892,691	299,352,656	149,728,299	694,973,646
Net assets, end of year	$ 262,710,875	$ 333,024,750	$ 156,670,332	$ 752,405,957

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

THE COLORADO COLLEGE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
June 30, 2014 and 2013

	2014	2013
OPERATING ACTIVITIES		
Change in net assets	$ 90,963,583	$ 57,432,311
Items not requiring (providing) operating activities cash flows:		
Realized and unrealized (gains) losses on investments	(75,005,921)	(50,773,654)
Depreciation, amortization and accretion	7,051,252	5,857,504
(Gain) loss on disposal of capital equipment and property	131,396	(15,950)
Change in value of split-interest agreements	(3,243,616)	(2,259,449)
Contributions and investment income restricted for long-term investment	(7,916,294)	(6,561,325)
Change in allowance for doubtful loans to students	(14,370)	176,389
Changes in:		
Accounts, grants and interest receivable	(1,709,222)	(157,782)
Contributions receivable	1,984,719	2,209,700
Other assets	(1,426,471)	(260,025)
Accounts payable	(3,984,934)	750,753
Student accounts payable	180,558	519,615
Salaries and benefits payable	85,394	(155,461)
Deferred revenue	2,383,991	(745,611)
Deposits	(25,061)	(71,275)
Assets held for others	456,159	442,532
Early retirement accrual	(56,095)	(235,276)
Other postretirement benefit plan payable	(226,630)	70,731
Net cash provided by operating activities	9,628,438	6,223,727
INVESTING ACTIVITIES		
Purchase of land, buildings and equipment	(15,288,297)	(29,369,024)
Proceeds on sales of land, buildings and equipment	140,205	15,950
Loan advances to students	(871,290)	(941,276)
Payments received on loans to students	949,733	823,171
Proceeds from sales or maturities of investments	51,947,165	57,857,739
Purchase of investments	(60,994,338)	(48,552,704)
Net cash used in investing activities	(24,116,822)	(20,166,144)
FINANCING ACTIVITIES		
Contributions and investment income restricted for investment in endowment	7,916,294	6,561,325
Payments on capital leases	(89,024)	(81,071)
Payments on bonds payable	(6,045,000)	(6,065,000)
Net cash provided by financing activities	1,782,270	415,254
DECREASE IN CASH AND CASH EQUIVALENTS	(12,706,114)	(13,527,163)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	32,260,552	45,787,715
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 19,554,438	$ 32,260,552

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

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Colorado College (the College) is an independent college of liberal arts and sciences. The College was established as a coeducational, residential institution in 1874. The College provides undergraduate and master-of-arts in teaching degree programs to approximately 2,000 students each year. The College's distinctive class calendar divides the year into segments called blocks. Under this system, students take, and faculty teach, only one course at a time. The student-teacher ratio is 11 to 1, typically with no more than 25 students per class. The College's revenues are predominately earned from tuition and fees, contributions, auxiliary enterprises and investments.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities, net assets and financial activities of the College and two wholly-owned for-profit subsidiaries of the College, Dale Street Properties, LLC, and Cascade Avenue Medical Building, Inc. All significant intercompany balances and transactions have been eliminated. Dale Street Properties, LLC was formed on November 1, 2004, to hold certain rental properties, and the College is the sole member of the LLC. As of June 30, 2006, all assets and liabilities for Cascade Avenue Medical Building, Inc. have been distributed to the College. The College maintains this corporation as an inactive entity.

Basis of Presentation

Net assets and revenues, gains and losses are classified based on the existence or absence of externally imposed restrictions. Accordingly, net assets of the College are classified and reported as follows:

Permanently restricted – Net assets subject to externally imposed restrictions that require they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes. Donor-restricted endowments include endowments for instruction, research, student aid, and other purposes.

Temporarily restricted – Net assets subject to externally imposed restrictions that will be met either by actions of the College and/or the passage of time.

Unrestricted – Net assets not subject to externally imposed restrictions. Certain net assets classified as unrestricted are designated for specific purposes or uses under various internal operating and administrative arrangements of the College.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The College considers cash and all highly liquid temporary investments, with an original maturity of three months or less, to be cash equivalents. At June 30, 2014 and 2013, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

One or more of the financial institutions holding the College's cash account participated in the FDIC's Transaction Account Guarantee Program. Under the program, through December 31, 2012, all noninterest-bearing transaction accounts at these institutions were fully guaranteed by the FDIC for the entire amount in the account.

At June 30, 2014 and 2013, FDIC insurance limits for interest-bearing and noninterest-bearing cash accounts was $250,000. At June 30, 2014 and 2013, the College's cash accounts exceed federally insured limits by approximately $22,800,000 and $34,000,000, respectively. The College has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents held at these banks.

Cash equivalents held in investment funds are reported as investments on the statement of financial position.

Investments

Investments in equity securities having a readily determinable fair value and all debt securities are stated at fair value determined by quoted market prices. Other investments, for which no such quoted market values or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers. Investment income and realized and unrealized gains and losses are reflected in the consolidated statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in temporarily restricted revenue and net assets released from restrictions.

Fair Value Measurements

The College follows the *Fair Value Measurements* standard as established by the Financial Accounting Standards Board. The standard defines fair value, establishes a framework for measuring fair value under U.S. GAAP and enhances disclosures about fair value measurements. Under the standard, fair value is defined as the amount that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the valuation date.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

> **Level 1** Unadjusted quoted prices in active markets for identical assets or liabilities;
>
> **Level 2** Observable inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly; and
>
> **Level 3** Unobservable inputs for the asset or liability used to measure fair value that rely on the reporting entity's own assumptions concerning the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

In situations when investments do not have readily determinable fair values (alternative investments), the College will use the Net Asset Value per Share (NAV), or its equivalent, as a practical expedient for fair value.

Following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value and recognized in the accompanying statement of financial position.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include Fixed Income Investments and Domestic and International (publicly traded) equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include Global Hedged Equity and Alternative investments. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include Private Capital Investments, where by the College utilizes the NAV as determined by the asset manager for fair valuation, and Real Estate fair value is determined at the time purchased by appraisal and reappraisal is done on a periodic basis.

Liabilities

The carrying amount for Funds Held for Others is a reasonable estimate of fair value.

Cash and Cash Equivalents

The carrying amount approximates fair value because of the short maturities of the instruments.

Contributions Receivables

Contribution receivables carrying value approximates fair values as these instruments are recorded at estimated net present value of future cash flows. See below for further information.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans to Students

Management believes that the carrying value of these instruments approximates fair value due to the interest rates on the loans approximating the market rate.

Bonds Payable

The fair value of bonds are determined using externally developed models and quoted market prices classified as using level 2 inputs. The fair value of the Series 2005 bonds is approximately $24,435,435. The fair value of the Series 2010 bonds is approximately $41,000,746. The fair value of the Series 2012 bonds is approximately $32,718,659.

Annuities Payable and Other Life Income Funds Payable

These instruments are discounted to their present value which approximates fair value.

Asset Retirement Obligation

The carrying amount approximates fair value.

Financial Instruments

The carrying amounts and estimated fair values of all other financial instruments are approximately equal due to short maturities of the instruments.

Accounts and Loans Receivable

Accounts and loans receivable are stated at the amount billed to customers and students or net amount of outstanding loans from students. The College provides allowances for doubtful accounts and loans, which are based upon a review of outstanding receivables and student loans, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Interest is not accrued on unpaid accounts. Delinquent accounts and loans receivable are written off based on individual credit evaluation and specific circumstances of the customer or student.

Other Assets

Other assets consist primarily of unamortized bond issuance costs, prepaid expenses and inventories. Unamortized bond issuance costs totaled $824,715 and $903,409 at June 30, 2014 and 2013, respectively. These amounts are amortized over the life of the respective bonds. Inventories consist mainly of fuel, postage and supplies. Inventories are valued at the lower of cost or market (using the first-in, first-out method).

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment

Buildings and equipment are recorded at cost or, if donated, at the estimated fair value at the date of donation. Depreciation of property, plant and equipment, is calculated on the straight-line method over the estimated useful lives of the assets which range from seven years for equipment and 40 to 70 years for building and improvements.

Construction in progress is recorded for renovation and new construction projects that are in process at year-end. Upon project completion, the asset is transferred to the applicable asset category.

To qualify as capital expenses, costs must (1) be significant in amount and (2) provide benefit to the College over more than one accounting period. For improvement or restoration costs, the costs must increase the productive capacity or useful life of the asset. Costs that meet all these criteria are added to the value of the affected asset and depreciated over the remaining useful life of that asset to be capitalized. Costs that do not meet all these criteria will be expensed in the operating period in which they occur. To be considered significant in amount, an improvement, renovation, or restoration project must have total costs greater than or equal to $25,000. Purchased and donated furniture and equipment items must have a value of $5,000 or more at the date of acquisition or donation to be considered for capitalization.

Vacation Accrual

It is the College's policy to permit employees to accumulate earned but unused vacation benefits that would be paid to employees upon separation from College services. The accrual of vacation hours is limited to 22 days pay for exempt employees and 352 hours of pay for non-exempt employees. The vacation accrual is included in salaries and benefits payable in the consolidated statements of financial position.

Deferred Revenue

Deferred revenue represent monies received for summer programs and will be recorded in revenue in the following fiscal year when the programs are completed.

Assets Held for Others

The College holds various funds in a fiduciary capacity for organizations of the College, such as classes and clubs. These organizations raise funds in their own capacities and expend the funds on their organization's behalf. The revenues and expenses of these organizations are not included in the accompanying financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Activities

Revenues received and expenses incurred in conducting the programs and services of the College are presented in the financial statements as operating activities. Revenues and other support from operating activities that are not restricted by donors or other external sources are classified as unrestricted. Other revenues and support from operating activities that are restricted for a specific purpose by the donor are classified as temporarily restricted. Operating activities also include investment earnings from the College's working capital funds. Net assets released from restriction included in operating activities represent certain gifts and income used for operating expenses where the donor restriction was satisfied in the current year.

The College has defined non-operating activities to include contributions added to endowment, contributions supporting major capital purchases, contributions and other activity related to split-interest agreements, retirement plan actuarial adjustments, changes in fair value, and endowment income and gains or losses, net of amounts distributed to support operations in accordance with the spending policy. Certain other gains and losses that do not occur in the normal course of operations are also included in non-operating activity.

Early Retirement Accrual

The College provides either a full or phased early retirement program for tenure-track and adjunct faculty. Benefit periods are three years for the retiree between the ages of 59.5 and 67, two years at the age of 68 and one year at age 69. Retirement for tenure-track faculty is equal to 50% of salary with adjustments for inflation. Adjunct faculty retirement equates to an average number of courses taught during the prior five years. Phased retirement for tenure-track and adjunct faculty is equal to 70% of inflated salary and are required to teach half time or three blocks per academic year. Additions to the accrual are based upon the terms of the specific early retirement agreements issued.

Annuities Payable

Annuities payable represents the present value of the remaining payments due to annuitants under annuity contracts, based upon the remaining life expectancies of the respective annuitants.

Other Life Income Funds Payable

Under irrevocable trust agreements, the College receives contributed investments and agrees to maintain the principal of the investment during the life of the donor(s) and make annual payments to the donor(s) for life. The annual payments are based on a fixed rate of return or on related investment income, as stipulated in the trust agreement. Amounts received under irrevocable trust agreements, net of the present value of future payments to beneficiaries, are recorded as temporarily restricted revenue upon receipt. A liability for trust obligations is recorded for the estimated present value of future payments to beneficiaries. Upon the death of the beneficiaries, the assets are transferred from temporarily restricted net assets as designated by the Board or trust agreement.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor 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. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

The College reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions receivable include pledges that are recorded at their present value using discount rates ranging from approximately 0.110% to 5.125% depending on the year of inception. An allowance is made for potentially uncollectible contributions based upon management's past collection experience and other relevant factors.

From time to time, the College receives contributions from related parties, including employees, Trustees, or other organizations in which Trustees serve on the organization's Board of Directors.

Income Taxes

The College qualifies as a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. The College is subject to federal income tax only on net unrelated business income under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Cascade Avenue Medical Building, Inc. is subject to Federal and State income taxes. Profits and losses of Dale Street Properties, LLC, pass through directly to the College.

The College has adopted the requirements related to accounting for uncertain tax positions. The College evaluated its tax positions and determined it has no uncertain tax positions as of June 30, 2014 and 2013. The College's 2010 through 2013 tax years are open for examination by federal and state taxing authorities.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections

Collections of works of art, historical treasures and similar assets are not capitalized or depreciated because the items are preserved and cared for continuously. Purchases of collection items are reported in the year of acquisition as decreases in unrestricted net assets and as net assets released from restriction if the assets used to purchase the items were restricted to that use by donor stipulation. Contributions of collection items are not reported in the financial statements. Proceeds from disposal of and insurance recoveries related to collection items are reported as increases in the appropriate net asset classes.

Functional Allocation of Expenses

The costs of providing the various programs, support services and other activities have been allocated among the programs and supporting services benefited.

Use of Estimates

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

Subsequent Events

Subsequent events have been evaluated through November 6, 2014, which is the date the financial statements were available to be issued.

Reclassifications

Certain amounts within the June 30, 2013 financial statements have been reclassified to conform to the June 30, 2014 presentation. The reclassifications had no effect on previously reported net assets.

Prior Year Summarized Financial Information

The consolidated statement of activities for the year ended June 30, 2014 on page 4 contains prior year summarized comparative information that does not include sufficient detail to constitute a full presentation in conformity with U.S. GAAP. A full presentation of prior year information in conformity with U.S. GAAP is presented on the consolidated statement of activities for the year ended June 30, 2013 on page 5.

NOTE 2 – INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following table present investments and financial instruments carried at fair value in accordance with the valuation hierarchy defined in Note 1 as of June 30, 2014:

	June 30, 2014
Investments	$ 20,159,792
Long-term investments	656,746,175
Total	$ 676,905,967

Investments measured at fair value on a recurring basis as of June 30, 2014:

	2014			
Investments	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 32,277,364	$ -	$ -	$ 32,277,364
Government treasuries and agencies	20,625,750	-	-	20,625,750
Asset backed securities	-	1,020,748	-	1,020,748
Corporate bonds	-	16,824,691	-	16,824,691
Mutual funds	-	11,000	-	11,000
Municipal bonds	-	100,000	-	100,000
Preferred stock	-	4,053,600	-	4,053,600
Large cap domestic equity	150,328,026	244,978	-	150,573,004
International equity	-	99,064,027	-	99,064,027
Global hedged equity investments	-	-	71,971,708	71,971,708
Fixed Income Arbitrage	-	-	40,900,979	40,900,979
Multi-strategy absolute return	-	-	93,170,907	93,170,907
Private capital	-	-	138,403,944	138,403,944
Real estate	-	-	497,000	497,000
Planned gift agreements	6,342,741	-	1,068,504	7,411,245
Total Investments	$ 209,573,881	$ 121,319,044	$ 346,013,042	$ 676,905,967
Beneficial Interests in Perpetual Trusts	$ -	$ 32,057,474	$ 5,080,541	$ 37,138,015

Liabilities measured at fair value on a recurring basis as of June 30, 2014

	Level 1	**Level 2**	**Level 3**	**Total**
Funds held for others	$ -	$ 4,376,686	$ -	$ 4,376,686

NOTE 2 – INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

The following table presents investments and financial instruments carried at fair value in accordance with the valuation hierarchy defined in Note 1 as of June 30, 2013.

	June 30, 2013
Investments	$ 34,591,621
Long-term investments	558,833,783
Total	$ 593,425,404

Investments measured at fair value on a recurring basis as of June 30, 2013:

	2013			
Investments	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 40,805,301	$ -	$ -	$ 40,805,301
Government treasuries and agencies	17,727,404	-	-	17,727,404
Asset backed securities	-	2,121,073	-	2,121,073
Corporate bonds	-	17,448,068	-	17,448,068
Mutual funds	-	11,000	-	11,000
Municipal bonds	-	100,000	-	100,000
Preferred stock	-	2,943,976	-	2,943,976
Large cap domestic equity	127,568,775	213,903	-	127,782,678
International equity	-	80,953,718	-	80,953,718
Global hedged equity investments	-	-	65,296,734	65,296,734
Fixed Income Arbitrage	-	-	38,418,525	38,418,525
Multi-strategy absolute return	-	-	83,417,882	83,417,882
Private capital	-	-	108,735,919	108,735,919
Real estate	-	-	497,000	497,000
Planned gift agreements	6,095,152	-	1,070,974	7,166,126
Total Investments	$ 192,196,632	$ 103,791,738	$ 297,437,034	$ 593,425,404
Beneficial Interests in Perpetual Trusts	$ -	$ 28,177,499	$ 5,256,050	$ 33,433,549

Liabilities measured at fair value on a recurring basis as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
Funds held for others	$ -	$ 3,920,527	$ -	$ 3,920,527

NOTE 2 – INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

For the 2013-14 fiscal year, the College invested in four new alternative investment funds. These funds potentially include, but are not limited to, derivative instruments, including option contracts, forward contracts and swap contracts, inverse floating rate notes, debt securities of financially distressed issuers, government futures, and money market futures.

Direct investment expenses totaled $859,068 and $934,091 for the years ended June 30, 2014 and 2013, respectively.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs:

	Global Hedged Equity	Private Capital Investment	International Equity	Alternative	Real Estate	Planned Gift Agreements	BPITs
Balance, July 1, 2013	$ 65,296,734	$ 108,735,919	$ -	$ 121,836,407	$ 497,000	$ 1,070,974	$ 5,256,050
Unrealized gains and (losses)	9,540,256	3,660,303	-	12,235,479	-	(2,470)	(175,509)
Redemptions	(2,865,282)	-	-	-	-	-	-
Purchases, issuance and settlements	-	26,478,535	-	-	-	-	-
Return of recallable capital	-	(470,813)	-	-	-	-	-
Transfers in and/or out of Level 3	-	-	-	-	-	-	-
Balance, June 30, 2014	$ 71,971,708	$ 138,403,944	$ -	$ 134,071,886	$ 497,000	$ 1,068,504	$ 5,080,541

	Global Hedged Equity	Private Capital Investment	International Equity	Alternative	Real Estate	Planned Gift Agreements	BPITs
Balance, July 1, 2012	$ 60,014,121	$ 106,090,241	$ 9,399,119	$ 111,236,365	$ 497,000	$ 1,014,443	$ 5,722,614
Unrealized gains and (losses)	6,511,835	1,766,038	-	10,600,042	-	56,531	(466,564)
Redemptions	(1,229,222)	(15,000,000)	(9,399,119)	-	-	-	-
Purchases, issuance and settlements	-	24,171,856	-	-	-	-	-
Return of recallable capital	-	(8,292,216)	-	-	-	-	-
Transfers in and/or out of Level 3	-	-	-	-	-	-	-
Balance, June 30, 2013	$ 65,296,734	$ 108,735,919	$ -	$ 121,836,407	$ 497,000	$ 1,070,974	$ 5,256,050

Of the total Level 3 unrealized gains and losses, approximately $5,700,000 and $4,300,000 were recognized in unrestricted net assets during the year ended June 30, 2014 and 2013, respectively.

NOTE 2 – INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

As of June 30, 2014, the College had 20 investments held with 13 companies that involve capital commitments not reflected in the market valuations shown above. As of June 30, 2014, the College has contributed $146,957,017 in capital toward total commitments of $231,788,431 in aggregate, leaving $84,831,414 in remaining commitments. As of June 30, 2013, the College has contributed $123,814,631 in capital toward total commitments of $181,788,431 in aggregate, leaving $57,973,800 in remaining commitments.

The College reviews the endowment portfolio investment liquidity quarterly. The following table represents the endowment portfolio liquidity, by category, as a percentage of the total endowment portfolio:

	Endowment Portfolio Liquidity for the Fiscal Year Ending June 30,	
	2014	**2013**
Daily/Weekly	31%	36%
Monthly	15%	15%
Quarterly	12%	9%
Annually	5%	5%
Multi-year lock-ups	14%	14%
Illiquid	23%	21%

Redemption requirements range from one day to 120 days as found in the individual investment Offering Memorandum for each investment.

Investment Return

Investment return consists of the following for the years ending June 30:

	2014	2013
Operating interest and dividend income	$ 110,175	$ 123,027
Perpetual trust distributions	843,777	907,169
Operating net realized and unrealized gains (losses)	81,512	(52,418)
Endowment distributed income	24,880,482	19,788,896
Endowment net realized and unrealized gains (losses)	73,820,070	50,366,631
Total	$ 99,736,016	$ 71,133,305

NOTE 2 – INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

Investment revenues are reported net of related investment expenses of $859,068 and $934,091 for fiscal years 2014 and 2013, respectively, in the statement of activities.

Investment return is presented in the consolidated statement of activities as follows:

	2014	2013
Operating revenue	$ 25,565,146	$ 23,861,941
Nonoperating activity	74,170,870	47,271,364
Total	$ 99,736,016	$ 71,133,305

NOTE 3 – SPLIT-INTEREST AGREEMENTS

The College participates in split-interest agreements, which include beneficial interests in perpetual trusts, charitable remainder trusts, charitable gift annuities, and pooled life income funds. Beneficial interests in perpetual trusts are described in Note 4. A charitable remainder trust is an arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary over the trust's term. Upon termination of the trust, the College receives the assets remaining in the trust. The College has charitable remainder annuity trusts (CRATs), which pay fixed amounts to designated beneficiaries, and charitable remainder unitrusts (CRUTs), which pay an established percentage of the fair value of the annuity investment to designated beneficiaries. The College is the trustee of all CRATs and CRUTs.

The College has charitable gift annuities, which represent an arrangement between donors and the College in which the donor contributes assets to the College in exchange for a promise by the College to pay a fixed amount for a specified period of time to designated beneficiaries.

The College also manages life income funds. These funds are divided into units, and contributions of many donors' life income gifts are pooled and invested as a group. Donors are assigned a specific number of units based on the proportion of the fair value of their contributions to the total fair value of the pooled income fund on the date of the donor's entry to the pooled fund. At the time of the donor's death, the donor's designated beneficiaries are paid the actual income earned on the donor's assigned units and the value of the donor's assigned units reverts to the College.

The College has recorded investments at fair value and liabilities on the statements of financial position for annuities payable and other life income funds payable. The liability recorded is calculated based on the present value of the expected distributions to beneficiaries, using a discount rate of approximately 6% and estimated life of the youngest beneficiary based on Internal Revenue Service mortality tables.

NOTE 3 – SPLIT-INTEREST AGREEMENTS (CONTINUED)

Contribution revenue recognized and investments recorded by the College related to split-interest agreements are as follows:

	Year Ended June 30,	
	2014	2013
Contribution revenue		
CRATs/CRUTs	$ -	$ -
Charitable gift annuities	6,295	45,111

	Year Ended June 30,	
	2014	2013
Investments		
CRATs/CRUTs	$ 5,677,914	$ 5,532,600
Charitable gift annuities	1,733,331	1,633,467

NOTE 4 – BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The beneficial interest in perpetual trusts represents the estimated net present value of the future interest in trusts. The present value of the future interest in the trusts is estimated to be the fair value of the trust assets, which was $37,138,015 and $33,433,549 at June 30, 2014 and 2013, respectively. Distributions received from the trusts are recorded as unrestricted investment income or temporarily restricted investment income as stipulated by the donor. A third party (trustee) holds the trust assets and the College is to receive the net income from the assets. As the trusts are to be held in perpetuity by the trustee, the net assets from the trusts have been recorded as permanently restricted. Beneficial Interest Perpetual Trust Investments are classified by the College in the fair value hierarchy as Level 2 and Level 3.

NOTE 5 – ENDOWMENT

The College's endowment consists of approximately 850 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds functioning as endowments (internally-designated endowment funds). As required by U.S. GAAP, net assets associated with endowment funds, including internally-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The College's Board of Trustees has interpreted the State of Colorado Prudent Management of Institutional Funds Act (SPMIFA) as requiring 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 the original value of gifts, subsequent gifts and other accumulations to the permanent endowment as permanently restricted net assets with the direction of the applicable donor gift instrument. The appreciation of a donor-restricted endowment fund is classified as temporarily restricted net assets consistent with the standard of prudence prescribed by SPMIFA.

NOTE 5 – ENDOWMENT (CONTINUED)

The composition of net assets (including contributions receivable) by type of endowment fund at June 30, 2014 and June 30, 2013 was:

	2014			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$374,575,017	$129,420,733	$503,995,750
Internally-designated endowment funds	144,499,709	-	-	144,499,709
Total endowment funds	$144,499,709	$374,575,017	$129,420,733	$648,495,459

	2013			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ (10,688)	$314,235,066	$122,784,618	$437,008,996
Internally-designated endowment funds	128,648,851	-	-	128,648,851
Total endowment funds	$128,638,163	$314,235,066	$122,784,618	$565,657,847

Changes in endowment net assets for the fiscal year ended June 30, 2014 and June 30, 2013 were:

	2014			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	$ 128,638,163	$ 314,235,066	$ 122,784,618	$ 565,657,847
Contributions/additions	3,212	199,656	6,389,439	6,592,307
Endowment gains/losses	16,448,810	57,371,260	-	73,820,070
Investment income	6,096,862	18,783,620	-	24,880,482
Release of time restrictions for quasi-endowments	547,520	(547,520)	-	-
Reinvestments	500,559	1,327,200	246,676	2,074,435
Change in underwater endowments	10,688	(10,688)	-	-
Appropriation of endowment assets for expenditures	(7,746,105)	(16,783,577)	-	(24,529,682)
Endowment, net assets, end of year	$ 144,499,709	$ 374,575,017	$ 129,420,733	$ 648,495,459

NOTE 5 – ENDOWMENT (CONTINUED)

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 113,848,465	$ 276,126,146	$ 117,038,387	$ 507,012,998
Contributions/additions	1,819,649	1,818,595	5,605,828	9,244,072
Endowment gains/losses	11,454,046	38,912,585	-	50,366,631
Investment income	5,176,386	14,612,510	-	19,788,896
Transfers	2,276,196	(2,276,196)	-	-
Reinvestments	1,033,513	955,497	140,403	2,129,413
Change in underwater endowments	220,802	(220,802)	-	-
Appropriation of endowment assets for expenditures	(7,190,894)	(15,693,269)	-	(22,884,163)
Endowment, net assets, end of year	$ 128,638,163	$ 314,235,066	$ 122,784,618	$ 565,657,847

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the College is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated $0 and $10,688 at June 30, 2014 and 2013 respectively. These deficiencies are a result of unfavorable market fluctuations.

In accordance with SPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the College and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the College
7. Investment policies of the College

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the College must hold in perpetuity or for donor-specified periods, as well as those of internally-designated endowment funds. Under the College’s policies, endowment assets are invested in a manner that is intended to produce results that exceed the spending rate plus inflation annually while assuming a reasonable level of investment risk.

NOTE 5 – ENDOWMENT (CONTINUED)

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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The College has established a strategic asset allocation model that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The College has a Board approved spending policy for appropriating funds for expenditure each year. For fiscal year 2013-14 the College appropriated 5% of its endowment fund's average market value over the prior 12 quarters through the calendar year-end prior to the year in which expenditure is planned. In establishing this policy, long-term expected return on its endowment was considered. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the College's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following unconditional promises to give as of June 30, 2014 and 2013:

	2014	2013
Annual fund	$ 1,248,478	$ 370,845
Gifts for operations	3,942,426	6,498,939
Endowment	5,318,910	5,604,416
	10,509,814	12,474,200
Less allowance for doubtful pledges	(115,958)	(71,243)
Less unamortized discount	(193,143)	(217,525)
	$10,200,713	$12,185,432
Amounts due in		
Less than one year	$ 2,483,273	$ 3,089,831
One to five years	7,717,440	9,095,601
Total	$10,200,713	$12,185,432

Discount rates ranged from 0.110% to 5.125% for the years ended June 30, 2014 and 2013.

The College has conditional promises to give of approximately $4,100,000 and $6,150,000 at June 30, 2014 and 2013, respectively. Conditional promises to give are not recognized as assets in the consolidated statements of financial position. Additionally, the College has been notified that it either has been named in the wills of individuals or that it is the intent of certain

NOTE 6 – CONTRIBUTIONS RECEIVABLE (CONTINUED)

individuals to name the College in their wills or trust instruments for amounts totaling approximately $37.7 million and $48.5 million as of June 30, 2014 and 2013, respectively. Because these bequest pledges do not yet meet existing revenue recognition criteria, they have not been recorded on the books of the College.

NOTE 7 – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following as of June 30, 2014 and 2013:

	2014	2013
Buildings and improvements	$ 246,855,431	$ 232,777,908
Land	6,536,251	6,536,251
Campus infrastructure	26,706,991	26,195,559
Furnishings and equipment	19,588,147	18,395,696
Construction in progress	9,835,862	11,271,771
Buildings - CARO	1,112,309	1,112,309
	310,634,991	296,289,494
Less accumulated depreciation	(96,237,733)	(89,053,152)
Total	$ 214,397,258	$ 207,236,342

Total depreciation and amortization expense was $7,855,780 and $6,957,903 for the years ended June 30, 2014 and 2013, respectively.

The College capitalized $320,919 and $589,342 in interest costs related to construction in progress during the years ended June 30, 2014 and 2013, respectively.

NOTE 8 – OPERATING LEASES

The College leases various office equipment, vehicles and property under operating leases expiring through calendar year 2017. Rent expense on operating leases during the years ended June 30, 2014 and 2013, was $120,392 and $120,604, respectively.

Future minimum lease payments under the operating leases as of June 30, 2014 through the years ending June 30, 2018 are:

2015	$ 129,004
2016	114,110
2017	27,006
2018	7,515
Total	$ 278,635

NOTE 9 – CAPITAL LEASE OBLIGATIONS

The College leases various equipment and real estate under capital leases expiring through 2015. The capitalized cost and accumulated amortization of equipment and real estate under capital leases as of June 30, 2014 and 2013 are as follows:

	2014	2013
Campus infrastructure	$ 2,472,686	$ 2,472,686
Equipment	658,574	658,574
Total cost	3,131,260	3,131,260
Less accumulated amortization	(897,408)	(737,996)
Total	$ 2,233,852	$ 2,393,264

Future minimum lease payments under capital leases, together with the present value of the net minimum lease payments at June 30, 2014, were:

2015	$ 87,127
Less amount representing interest	(1,319)
Present value of future minimum lease payments	$ 85,808

NOTE 10 – BONDS PAYABLE

Bonds payable consist of the City of Colorado Springs, Colorado (the City) Revenue Bonds (The Colorado College Project), Series 2005 with an original issue of $27,630,000, Series 2010 with an original issue of $46,775,000 and Series 2012 with an original issue of $33,530,000. Bonds payable for the 2005 bonds were $23,292,126 and $24,283,078 (net of unamortized bond discount of $ 87,495 and $92,355 and unaccreted bond premium of $284,621 and $300,433) as of June 30, 2014 and 2013, respectively. Bonds payable for the Series 2010 bonds were $38,727,436 and $41,989,290 (net of unamortized bond premium of $2,622,436 and $3,084,290) as of June 30, 2014 and 2013, respectively. Bonds payable for Series 2012 bonds were $33,639,896 and $36,394,038 (net of unamortized bond premium of $4,809,896 and $5,299,038) as of June 30, 2014 and 2013, respectively.

Proceeds of the Series 2005 bond issue were used to advance refund 1999 Bonds in the aggregate principal amount of $26,105,000 and were deposited in an Escrow Account pursuant to an Escrow Agreement dated May 1, 2005. On June 1, 2009, the City utilized moneys in the Escrow Account to redeem the 1999 Bonds at a redemption price equal to 101% of the principal amount thereof, plus accrued interest. The Series 2005 bonds have interest rates ranging from 3.5% to 5.0%. Principal payments for the Series 2005 bonds are due annually beginning in 2006 and continuing through June 2032 in varying amounts ranging from $25,000 to $1,615,000. The Series 2005 bonds are unsecured.

NOTE 10 – BONDS PAYABLE (CONTINUED)

The Series 2010 bonds were issued on February 1, 2010. Proceeds of the Series 2010 bond issue were used to advance refund the 2003, 2004 and 2006 bonds in the aggregate principal amount of $56,765,000. The Series 2010 bonds have interest rates ranging from 2.0% to 5.25%. Principal payments are due annually beginning in 2011 and continuing through 2024 in varying amounts ranging from $2,580,000 to $4,425,000. The Series 2010 bonds are unsecured.

The Series 2012 bonds were issued on May 1, 2012. Proceeds of the Series 2012 bond issue were used for the Athletic Center and Slocum Residence Halls. The Series 2012 bonds have interest rates ranging from 2% to 5%. Principal payments are due annually beginning in 2013 and continuing through 2024 in varying amounts ranging from $2,265,000 to $3,550,000. The Series 2012 bonds are unsecured.

Aggregate annual maturities for the term of the bonds outstanding at June 30, 2014, are:

	Series 2005 Bonds	Series 2010 Bonds	Series 2012 Bonds	Total
2015	$ 1,025,000	$ 2,930,000	$ 2,330,000	$ 6,285,000
2016	1,075,000	3,070,000	2,425,000	6,570,000
2017	1,120,000	3,200,000	2,520,000	6,840,000
2018	1,180,000	3,340,000	2,645,000	7,165,000
2019	1,235,000	3,470,000	2,775,000	7,480,000
Thereafter	17,460,000	20,095,000	16,135,000	53,690,000
	$23,095,000	$36,105,000	$28,830,000	88,030,000
Less discount				(87,495)
Plus premium				7,716,953
Total				$ 95,659,458

Bond issuance costs and the bond discounts are amortized over the life of the bond issue using the straight-line method. Bond premiums are accreted over the life of the bond issue using the straight-line method for the Series 2005 bonds and 2012 bonds and the effective-interest method for the Series 2010 bonds.

Total interest charged to expense for the years ended June 30, 2014 and 2013 was $3,190,445 and $2,380,102, respectively.

NOTE 11 – NET ASSETS

Unrestricted net assets, temporarily restricted net assets and permanently restricted net assets as of June 30, 2014 and 2013, consist of the following, with some net assets maintained in funds for the purposes noted below:

	2014	2013
Operations and reserves	$ 18,312,322	$ 16,852,267
Student loans	2,462,219	2,283,344
Net appreciation on endowments	80,772,613	65,962,357
Funds functioning as endowments	63,727,096	62,675,806
Split-interest agreements	(30,764)	11,987
Net investment in plant	120,562,643	114,925,114
Total unrestricted net assets	$ 285,806,129	$ 262,710,875

	2014	2013
Gifts income for specific purposes	$ 14,297,052	$ 18,050,500
Endowment income for specific purposes	1,112,044	1,008,773
Reinvested endowment income	13,581,744	12,254,544
Appreciation on endowments	358,528,738	299,168,123
Split-interest agreements	2,722,742	2,542,810
Total temporally restricted net assets	$ 390,242,320	$ 333,024,750

	2014	2013
Endowment	$ 129,420,733	$ 122,784,618
Split-interest agreement	37,900,356	33,885,714
Total permanently restricted net assets	$ 167,321,089	$ 156,670,332

NOTE 12 – OTHER POSTRETIREMENT BENEFIT PLANS

The College has a closed noncontributory defined benefit postretirement health care plan for those who retired prior to July 1, 1995. On June 30, 2005, the post-retirement fully-insured medical program was changed to a defined contribution program that created accounts to be used for the purchase of post-retirement medical coverage that are funded during the active employment years.

The change affected all active employees and all retirees with a retirement date on or after July 1, 1995. This group received lump-sum contributions into their newly created accounts to use for the future purchase of retiree medical insurance. This settlement was accounted for in the fiscal year-end June 30, 2005 reporting; hence, eliminating all future retiree medical obligation for this group.

NOTE 12 – OTHER POSTRETIREMENT BENEFIT PLANS (CONTINUED)

Post-retirement medical liability remains for those who retired prior to July 1, 1995 who receive an 80% subsidy from the College for medical coverage and any pre-65 retiree enrolled in medical. Although early retirees pay 100% of the active premium, their medical costs are higher than the active employees, thus creating a 'hidden' College subsidy liability.

The College's funding policy is generally to fund as amounts become due (pay-as you go), but may elect to pre-fund the liability from time to time. The College expects to contribute $158,229 to the plan in 2015.

As required by the *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* topic of FASB ASC, an employer must recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan), as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which changes occur through changes in unrestricted net assets.

The College uses a June 30th measurement date for the plan. Information about the plan's funded status follows:

	2014	2013
Benefit obligation	$ (1,084,866)	$ (1,311,496)
Funded Status	$ (1,084,866)	$ (1,311,496)

Amounts recognized in unrestricted net assets not yet recognized as components of net periodic benefit cost consist of:

	2014	2013
Net loss (gain)	$ (26,527)	$ (100,345)
Unrecognized prior service cost	63,942	92,489
Transition obligation (asset)	125,102	261,085
Total	$ 162,517	$ 253,229

Other significant balances and costs are:

	2014	2013
Employer contribution	$ 376,982	$ 218,447
Benefits paid	(376,982)	(218,447)
Benefit costs	$ -	$ -

NOTE 12 – OTHER POSTRETIREMENT BENEFIT PLANS (CONTINUED)

At June 30, net periodic postretirement benefit cost included the following components:

	2014	2013
Service cost	$ 20,145	$ 2,899
Interest cost	54,311	43,342
Amortization of unrecognized (gain) loss	2,077	(15,977)
Amortization of prior service costs	28,547	28,547
Amortization of transition obligation	135,983	135,983
Net periodic postretirement benefit cost	$ 241,063	$ 194,794

The estimated net loss and transition obligation for the defined benefit postretirement health care plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $5,606 and $5,111 respectively.

Significant assumptions include:

	2014	2013
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.20%	4.44%
Weighted-average assumptions used to determine benefit cost:		
Discount rate	4.20%	4.44%

For measurement purposes, a 4.20% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2014.

The esimated benefits expected to be paid in the following years are as follows:

2015	$ 158,229
2016	137,491
2017	129,083
2018	113,958
2019	103,279
2020-2023	285,339
Total	$ 927,379

NOTE 13 – PENSION PLAN

All employees of the College with one year of service are eligible to participate in a defined contribution retirement plan administered by Teachers Insurance and Annuity Association/College Retirement Equities Fund. Upon the attainment of age 30, eligible employees are required to participate and make contributions equivalent to 5% of their salary. For employees hired before July 1, 1991, the College contributes 6% of salary up to the first half of the median faculty/administrator salary and 11% of the balance of their salary. The College currently contributes 9.3% of base salary for all other employees. Total pension expense was $3,721,055 and $3,464,607 for the years ended June 30, 2014 and 2013, respectively.

NOTE 14 – SCHOLARSHIP ALLOWANCES (TUITION DISCOUNTS)

For the years ended June 30, 2014 and 2013, respectively, College scholarship allowances (tuition discounts, prizes and external scholarships) were provided for students at the College from the following sources:

	2014	2013	2012
Unrestricted sources			
Colorado College funds	$ 19,834,041	$ 17,735,496	$ 18,389,111
ACM tuition exchange	203,726	74,398	142,695
Total unrestricted sources *	20,037,767	17,809,894	18,531,806
Restricted sources			
Endowments	8,714,830	8,110,535	7,762,701
Private gifts and grants **	1,200,743	1,206,484	1,506,493
Government grants ***	377,439	345,100	370,111
Total restricted sources	10,293,012	9,662,119	9,639,305
Total scholarships provided	$ 30,330,779	$ 27,472,013	$ 28,171,111

* Excludes tuition remission for benefits for the children of employees totaling $838,939 and $815,272 for the years ended June 30, 2014 and 2013, respectively.

** Excludes scholarships provided directly to our students from outside foundations and other organizations totaling $1,676,274 and $1,901,080 for the years ended June 30, 2014 and 2013, respectively. The College acted as custodian for these funds, but did not determine the recipient or the amount awarded.

*** Excludes Pell Grants of $903,257 and $845,685 for the years ended June 30, 2014 and 2013, respectively.

NOTE 15 – FUNCTIONAL EXPENSES

Expenses by functional classification are as follows for the years ended June 30, 2014 and 2013:

	2014	2013
Educational		
Instruction	$ 46,141,566	$ 43,327,187
Research	1,615,289	1,199,022
Public service	2,238,015	2,184,743
Academic support	9,442,696	9,222,146
Student services	22,342,014	22,007,404
Auxiliary expenses	12,850,017	12,464,679
Total educational	94,629,597	90,405,181
Institutional support, excluding fundraising	19,479,611	18,954,442
Fundraising	5,517,671	4,772,976
Total	$ 119,626,879	$ 114,132,599

NOTE 16 – ADDITIONAL CASH FLOW INFORMATION

Additional cash flow information includes the following for the years ended June 30, 2014 and 2013, respectively:

	2014	2013
Interest paid	$ 4,427,933	$ 4,194,741
Noncash investing and financing activities		
Amortization of bond discounts/premiums	$ 972,461	$ 1,244,914
Gifts-in-kind	$ 229,342	$ 432,262

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of business, the College is involved in various legal matters. Management does not currently believe that any liability related to this litigation would be material to the financial statements. Therefore, no liability has been recorded in these financial statements. Events could occur that would change this estimate materially in the near term.

NOTE 17 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Federal Programs

The College participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure for allowable purposes. Any disallowable expenditures resulting from federal audit may become a liability of the College. It is believed that the ultimate disallowance pertaining to these regulations, if any, will not be material to the overall financial condition of the College.

Construction Commitments

The College had several major construction projects in progress at June 30, 2014 and 2013. Construction contractor commitments under those projects totaled $3,030,652 and $3,980,986 as of June 30, 2014 and 2013, respectively. Cumulative funds available from existing sources for completion of those projects totaled $8,814,952 and $8,898,978 as of June 30, 2014 and 2013, respectively.

NOTE 18 – SELF-FUNDED INSURANCE PLANS

The College maintains self-funded dental and health insurance plans. Under these plans, the College incurs insurance claims expense of approximately $450,000 per month. The College has contracted with a third-party administrator to process claims. The third-party administrator submits employee insurance claims for payment on a weekly basis, one week in arrears. Administrative costs are paid on a monthly basis. The College is liable for claims of up to $150,000 per individual, per year. Claims above $150,000 per individual, per year are covered by a specific stop loss insurance program, which has no stop loss max.

The expense for this Plan was $5,198,583 and $5,360,836 for the years ended June 30, 2014 and 2013, respectively. Incurred but not reported claims, based on actuarial calculations, were $977,863 and $922,751 as of June 30, 2014 and 2013, respectively, which are included in salaries and benefits payable in the accompanying consolidated statements of financial position.

The College has established a reserve (designated unrestricted net assets) of $4,024,839 and $3,702,627 as of June 30, 2014 and 2013, respectively, (included in "operations and reserves" in Note 11) to protect the financial stability of the self-insured benefits program and to provide rate stabilization within the plans.

NOTE 19 – CONDITIONAL ASSET RETIREMENT OBLIGATION

The College recognizes asset retirement obligations (ARO) associated with the retirement of a tangible long-lived asset as a liability in the period in which it is incurred or becomes determinable even when the timing and/or method of settlement may be conditional on a future event.

NOTE 19 – CONDITIONAL ASSET RETIREMENT OBLIGATION (CONTINUED)

The College's conditional asset retirement obligations primarily relate to asbestos contained in buildings that the College owns. Environmental regulations exist in Colorado that require the College to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished.

A summary of changes in asset retirement obligations since the date of adoption is included in the table below:

	2014	2013
Liability, beginning of year	$ 3,601,800	$ 3,457,285
Accretion expense	157,420	144,515
Liability, end of year	$ 3,759,220	$ 3,601,800