

MILLS COLLEGE
FINANCIAL STATEMENTS
June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Mills College
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Mills College (College), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mills College as of June 30, 2017 and 2016, 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.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 21, 2017

MILLS COLLEGE
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 6,728,556	\$ 5,353,779
Student accounts and loans receivable, net (Note 3)	3,103,424	2,926,729
Government grants and other receivables	1,883,060	1,096,530
Inventories and other assets	1,278,608	1,436,352
Contributions and trusts receivable, net (Note 4)	16,775,030	13,224,103
Investments (Note 5)	189,025,036	176,708,958
Property, plant, and equipment, net (Note 7)	98,732,457	101,336,453
Collections (Note 8)	<u>3,173,766</u>	<u>3,119,596</u>
 Total assets	 <u>\$ 320,699,937</u>	 <u>\$ 305,202,500</u>
 LIABILITIES AND NET ASSETS		
Line of credit (Note 9)	\$ 5,000,000	\$ 5,000,000
Accounts payable and accrued liabilities	4,115,302	2,925,200
Other liabilities	3,434,350	1,714,409
Annuity and life income liability	1,641,118	1,978,228
Government advances for student loans	595,936	998,612
Bonds payable (Note 10)	<u>29,333,017</u>	<u>30,538,142</u>
Total liabilities	44,119,723	43,154,591
 Net assets:		
Unrestricted (Note 11)	62,093,313	62,142,383
Temporarily restricted (Note 11)	64,973,508	56,920,374
Permanently restricted (Note 11)	<u>149,513,393</u>	<u>142,985,152</u>
Total net assets	<u>276,580,214</u>	<u>262,047,909</u>
 Total liabilities and net assets	 <u>\$ 320,699,937</u>	 <u>\$ 305,202,500</u>

See accompanying notes to financial statements.

MILLS COLLEGE
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Totals</u>
Revenue and gains:				
Tuition and fees	\$ 49,655,748	\$ -	\$ -	\$ 49,655,748
Less financial aid	<u>(23,018,835)</u>	<u>-</u>	<u>-</u>	<u>(23,018,835)</u>
Net tuition and fees (Note 12)	26,636,913	-	-	26,636,913
Sales and services of auxiliary enterprises	11,641,786	-	-	11,641,786
Contributions available for operations	4,854,713	1,811,777	-	6,666,490
Government contracts and grants	3,856,198	-	-	3,856,198
Investment returns allocated to operations	8,187,455	582,846	-	8,770,301
Other, net	<u>3,385,311</u>	<u>11,164</u>	<u>-</u>	<u>3,396,475</u>
Total revenues and gains	58,562,376	2,405,787	-	60,968,163
Net assets released from restrictions for operations	<u>3,814,629</u>	<u>(3,814,629)</u>	<u>-</u>	<u>-</u>
Total revenues and gains, and other support	<u>62,377,005</u>	<u>(1,408,842)</u>	<u>-</u>	<u>60,968,163</u>
Expenses:				
Instruction	22,470,385	-	-	22,470,385
Research	3,465,682	-	-	3,465,682
Academic support	6,100,159	-	-	6,100,159
Student services	9,608,063	-	-	9,608,063
Institutional support	11,996,885	-	-	11,996,885
Public service	2,741,785	-	-	2,741,785
Auxiliary enterprises	<u>10,429,613</u>	<u>-</u>	<u>-</u>	<u>10,429,613</u>
Total expenses	<u>66,812,572</u>	<u>-</u>	<u>-</u>	<u>66,812,572</u>
Changes in net assets from operations	<u>(4,435,567)</u>	<u>(1,408,842)</u>	<u>-</u>	<u>(5,844,409)</u>
Non-operating activities:				
Non-operating contributions	54,170	5,180,728	5,772,015	11,006,913
Provision for uncollectible pledges	-	(804,867)	(20,916)	(825,783)
Investment return, net of allocation to operations	(7,488,091)	16,436,965	13,753	8,962,627
Actuarial adjustment	-	642,069	551,952	1,194,021
Other non-operating revenue	-	-	38,936	38,936
Net assets released from restrictions for non-operating	<u>11,820,418</u>	<u>(11,992,919)</u>	<u>172,501</u>	<u>-</u>
Change in net assets	(49,070)	8,053,134	6,528,241	14,532,305
Net assets at beginning of year	<u>62,142,383</u>	<u>56,920,374</u>	<u>142,985,152</u>	<u>262,047,909</u>
Net assets at end of year	<u>\$ 62,093,313</u>	<u>\$ 64,973,508</u>	<u>\$ 149,513,393</u>	<u>\$ 276,580,214</u>

(Continued)

MILLS COLLEGE
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Totals</u>
Revenue and gains:				
Tuition and fees	\$ 50,715,601	\$ -	\$ -	\$ 50,715,601
Less financial aid	<u>(22,661,760)</u>	<u>-</u>	<u>-</u>	<u>(22,661,760)</u>
Net tuition and fees (Note 12)	28,053,841	-	-	28,053,841
Sales and services of auxiliary enterprises	10,950,616	-	-	10,950,616
Contributions available for operations	2,466,660	2,102,479	-	4,569,139
Government contracts and grants	3,339,305	-	-	3,339,305
Investment returns allocated to operations	8,500,318	584,424	-	9,084,742
Other, net	<u>3,311,655</u>	<u>23,126</u>	<u>-</u>	<u>3,334,781</u>
Total revenues and gains	56,622,395	2,710,029	-	59,332,424
Net assets released from restrictions for operations	<u>4,582,501</u>	<u>(4,582,501)</u>	<u>-</u>	<u>-</u>
Total revenues and gains, and other support	<u>61,204,896</u>	<u>(1,872,472)</u>	<u>-</u>	<u>59,332,424</u>
Expenses:				
Instruction	24,647,682	-	-	24,647,682
Research	3,244,318	-	-	3,244,318
Academic support	6,592,996	-	-	6,592,996
Student services	10,089,498	-	-	10,089,498
Institutional support	10,888,541	-	-	10,888,541
Public service	2,592,323	-	-	2,592,323
Auxiliary enterprises	<u>10,055,996</u>	<u>-</u>	<u>-</u>	<u>10,055,996</u>
Total expenses	<u>68,111,354</u>	<u>-</u>	<u>-</u>	<u>68,111,354</u>
Changes in net assets from operations	<u>(6,906,458)</u>	<u>(1,872,472)</u>	<u>-</u>	<u>(8,778,930)</u>
Non-operating activities:				
Non-operating contributions	117,090	1,024,523	620,282	1,761,895
Provision for uncollectible pledges	-	(12,992)	(5,635)	(18,627)
Investment return, net of allocation to operations	(8,720,321)	(5,760,469)	(4,326)	(14,485,116)
Actuarial adjustment	-	(1,078,151)	(203,287)	(1,281,438)
Other non-operating revenue	-	-	22,094	22,094
Loss on bond refunding	155,839	-	-	155,839
Net assets released from restrictions for non-operating	<u>3,677,297</u>	<u>(3,848,447)</u>	<u>171,150</u>	<u>-</u>
Change in net assets	(11,676,553)	(11,548,008)	600,278	(22,624,283)
Net assets at beginning of year	<u>73,818,936</u>	<u>68,468,382</u>	<u>142,384,874</u>	<u>284,672,192</u>
Net assets at end of year	<u>\$ 62,142,383</u>	<u>\$ 56,920,374</u>	<u>\$ 142,985,152</u>	<u>\$ 262,047,909</u>

See accompanying notes to financial statements.

MILLS COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in total net assets	\$ 14,532,305	\$ (22,624,283)
Adjustments to reconcile change in total net assets to net cash used in activities:		
Depreciation	4,386,336	4,503,216
Net (gains) losses on investments	(17,775,573)	6,008,409
Donated art and equipment	55,170	-
Allowance for uncollectible student accounts receivable	88,304	205,902
Allowance for uncollectible notes receivable	97,878	98,626
Allowance for uncollectible other receivable	21,885	82,213
Allowance for uncollectible pledges	825,783	18,627
Amortization of bond premium and discount	8,000	(284,689)
Accretion of asset retirement obligation liability	(5,874)	(6,421)
Contributions restricted for long-term investment	(11,968,528)	(1,808,267)
Change in operating assets and liabilities:		
Student accounts receivable	(396,764)	(199,762)
Government grants and other receivable	(808,415)	(140,481)
Contributions receivable	(7,566,618)	5,464,652
Inventories and other assets	154,304	477,411
Accounts payable and accrued liabilities	1,190,102	(527,190)
Other liabilities	1,725,815	(575,987)
Annuity and life income payable	(337,110)	(114,042)
Net cash used in operating activities	<u>(15,773,000)</u>	<u>(9,422,066)</u>
Cash flows from investing activities:		
Capital expenditures	(1,891,680)	(993,672)
Purchases of investments	(25,957,267)	(5,536,291)
Proceeds from sales of investments	31,416,862	10,853,552
Disbursements of loans to students	(340,041)	(230,328)
Repayment of notes receivable	<u>373,928</u>	<u>449,010</u>
Net cash provided by investing activities	<u>3,601,802</u>	<u>4,542,271</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	15,158,436	1,893,830
Change in government advances for student loans	(402,676)	(47,766)
Proceeds from bonds	-	26,503,763
Proceeds from line of credit	-	2,000,000
Payments on bonds and notes payable	<u>(1,209,685)</u>	<u>(26,869,208)</u>
Net cash provided by financing activities	<u>13,546,075</u>	<u>3,480,619</u>
Net increase (decrease) in cash and cash equivalents	1,374,777	(1,399,176)
Beginning cash and cash equivalents	<u>5,353,779</u>	<u>6,752,955</u>
Ending cash and cash equivalents	<u>\$ 6,728,556</u>	<u>\$ 5,353,779</u>
Supplementary cash flow information:		
Cash paid during the year for interest, net of amount capitalized	\$ 943,765	\$ 1,421,459

See accompanying notes to financial statements.

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – NATURE OF ORGANIZATION

Mills College (the “College”) is a private, nonprofit liberal arts college founded in 1852 and based in Oakland, California. The College provides education and training services for undergraduate women and graduate women and men, and performs training and other programs under grants, contracts, and similar agreements with its sponsors, primarily departments, and agencies of the United States government, and private donors.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

The College maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor imposed restrictions.

Net assets and changes therein are classified as follows:

Permanently restricted net assets – Net assets subject to donor imposed stipulations that they be maintained permanently by the College. The College’s permanently restricted net assets are primarily endowment funds invested to support scholarships and various academic programs.

Temporarily restricted net assets – Net assets subject to donor imposed stipulations that will be met by actions of the College and/or the passage of time.

Unrestricted net assets – Net assets not subject to donor-imposed stipulations. This category includes net assets which have been designated by the board.

Revenues: Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions and Trusts: Contributions, including unconditional promises to give, are recognized as revenues in the period received. 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. Contributions to be received after one year are discounted at risk-adjusted rates ranging from 2% to 4%.

Amortization of the discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is based upon management’s judgment including such factors as prior collection history, type of contribution, and nature of fund raising activity. Pledges are written off if they are deemed uncollectible.

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (Continued)

Trusts held by third parties represent the present value (discounted at risk-adjusted rates ranging from 4% to 8%) of the estimated future distributions expected to be received by the College over the expected terms of the agreements.

Temporarily Restricted Net Assets: Contributions received with donor imposed restrictions which are met in the same year as received are reported as revenues of the unrestricted net asset class.

Contributions of property, plant, and equipment without donor stipulations concerning the use of such long lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire property, plant, and equipment without such donor stipulations are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released at the time of acquisition of such long lived assets.

Government Grants: Support funded by grants is recognized as the College performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Cash Equivalents: Cash equivalents consist of amounts swept nightly into the College's money market account with an initial term of less than three months. For purposes of the statement of cash flows, the College considers all highly liquid equity instruments purchased with original maturities of three months or less to be cash equivalents.

A significant portion of the cash balances held at various banks at June 30, 2017 and 2016 are in excess of federally insured limits.

Student Accounts Receivable: The College grants credit for tuition to certain of its students, with typical payment terms corresponding to the semesters or the school year. Resulting accounts receivable are stated at the principal amount outstanding, net of an allowance for doubtful accounts. An allowance for doubtful accounts is established when losses are estimated to have occurred, through a charge to expense.

Specific allowances are established for doubtful accounts when a student is unable to meet her or his financial obligation, as in the case of bankruptcy filings. Estimates are used in determining allowances based on factors such as current trends, the length of time the receivables are past due and historical collection experience. A receivable account is written off when all rights, remedies and recourses against the account and its principals are exhausted and a benefit is recorded when previously reserved accounts are collected.

Federal Perkins Loan Program: Student loans receivable are reported at the outstanding principal balances. These loans have been issued to eligible students primarily under the Federal Perkins Loan Program. The repayment period begins after an initial grace period of either six or nine months after the student ceases to be at least a half-time student. Interest income is recorded as monthly payments are received. The College's share of any uncollectible accounts under the Federal Perkins Loan Program would not be material to the financial statements. Defaulted loans are handled in accordance with the guidelines of the Federal Perkins Loan Program.

(Continued)

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (Continued)

Inventories and Other Assets: Inventories are recorded on a first in, first out (“FIFO”) basis. Inventories are recorded at the lower of cost or market and consist primarily of supplies and postage. Other assets consist primarily of faculty salary advances and capitalized prepublication costs for promotional materials. Prepublication costs are amortized over the expected useful life of the publications. The remainder of other assets consists primarily of prepaid expenses.

Fair Value: Investments and beneficial interests in trusts held by third parties are reflected at estimated fair value, determined in accordance with the provisions of Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*. ASC 820 establishes a fair value hierarchical disclosure framework which prioritizes and ranks the level of market price observable inputs used in measuring assets and liabilities at fair value.

The College applies fair value accounting in accordance with GAAP. The College generally values its assets on a yearly basis. Securities for which market quotations are readily available on an exchange are valued at the closing price of such security on the valuation date.

For securities for which reliable market quotations are not readily available or for which the pricing source does not provide a valuation or methodology, the College, with involvement of the Investment Committee, performs the following procedures:

1. Management meets at least quarterly with the Investment Committee and the outside investment advisor to discuss market values, performance, and portfolio strategy.
2. Management obtains audited financial statements which include net assets values per share, and tests for accurate valuation by comparing the book value of each investment as of the most recent fiscal year end of the investees to the value calculated using information from the investment’s audited financial statements, including net asset values (“NAV”). Management also reviews that the financial statements were prepared in accordance with GAAP, proper accounting policies were applied and followed and the values are reasonable.
3. Management verifies its share of investments and calculates the investment value attributed to the College.
4. As it relates to beneficial interest in trusts held by third parties, management obtains information about underlying assets of the trusts and evaluates that the valuation of the assets is reasonable.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

(Continued)

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (Continued)

Measurement is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities as of the measurement date. The types of instruments which would generally be included in Level 1 include listed equity securities.

Level 2 – Inputs are observable for the asset or liability, either directly or indirectly, as of the measurement date, but are other than quoted prices in active markets as in Level 1. The types of instruments which would generally be included in this category include unlisted derivative financial instruments and fixed income investments.

Level 3 – Inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant judgment or estimation by the reporting entity. The types of instruments which would generally be included in this category include beneficial interests in trusts held by others.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. The valuation of certain alternative investments, included in mutual and commingled funds and security trading limited partnerships, which are not readily marketable, are carried at estimated fair values as provided by the investment managers or general partners. The College reviews and evaluates the values provided by the third parties and agrees with the valuation methods and assumptions used in determining the fair values of the alternative investments. In cases where the investee has provided its investors with a net asset value per share or its equivalent, the College has estimated fair value by using the net asset value provided by its investee. Because the alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such a difference could be material.

The College maintains pooled investment accounts for its endowments and quasi-endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated annually to the individual endowments. The allocation is based on the relationship of the fair value of the interest of each endowment or quasi-endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

The Board of Trustees designates only a portion of the College's cumulative investment return to support current operations as per donor use restrictions where applicable. The remainder is retained to support operations of future years and to offset potential market declines. The amount computed under the endowment spending policy of the investment pool is used to support current operations.

Property, Plant, and Equipment: Property, plant, and equipment are recorded at cost as of the date of acquisition. Gifts of plant facilities are recorded at fair value as of the date of donation. Cost includes the related net interest expense incurred on funds borrowed for construction of plant facilities. Library books are not capitalized. Collection items are capitalized. If purchased, collection items are capitalized at cost. Contributed collection items are recognized as assets and measured at fair value as of the day of donation.

There is no depreciation recorded on collection items. Depreciation is provided on equipment over a five year period on a straight line basis. Depreciation is provided on buildings and improvements over a 40 year period on a straight line basis.

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (Continued)

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period.

The costs of maintenance and repairs are charged to income as incurred. Significant renewals and betterments are capitalized.

Impairment of Long-lived Assets: Long-lived assets recorded by the College are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value amount of the assets to the future undiscounted net cash flows expected to be generated by the assets. If such assets are determined to be impaired, the impairment to be recognized is measured as the difference between the related carrying amounts and fair values. No impairment was recorded during fiscal years ended June 30, 2017 and 2016.

Annuity and Life Income Payable: The College uses the actuarial method of recording annuity and life income gifts. Under this method, when a gift is received, the present value of the aggregate estimated payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as temporarily or permanently restricted contributions. Investment income and gains are credited, and annuity payments and investment losses are charged to the liability accounts with annual adjustments made between the liability and net assets to record the adjustment of the actuarial liability.

Income Taxes: The College is recognized by the Internal Revenue Service as an organization exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code. The College is also recognized by the Franchise Tax Board as exempt from California state tax on related income under Section 23701d of the California Revenue and Taxation Code.

The College has identified and evaluated significant tax positions in its significant tax jurisdictions which are the federal and California state tax jurisdictions. The College has also determined that the open tax years are generally three years for federal and four years for California tax purposes. Thus, the general open tax years are the years ended June 30, 2013 through June 30, 2016 for federal purposes and the years ended June 30, 2012 through June 30, 2016 for California purposes.

For federal there is an unrelated business income net operating loss carryover of approximately \$1,529,000 and \$1,475,000 as of June 30, 2017 and 2016, respectively. For California there is an unrelated business income net operating loss carryover of approximately \$1,529,000 and \$1,475,000 as of June 30, 2017 and 2016, respectively. For federal, the tax effect of the net operating loss was approximately \$535,000 and \$501,000 as of June 30, 2017 and 2016, respectively. For California, the tax effect of the net operating loss was approximately \$128,000 and \$130,000 as of June 30, 2017 and 2016, respectively. A net operating loss can only be reflected as a benefit (deferred tax asset) on the statement on financial position when it is likely that the loss would be utilized against taxable income in another tax year. Since there is not presently a likelihood of taxable income in another tax year, the College has a valuation allowance against the deferred tax asset for federal and California for the full amount of approximately \$663,000 and \$631,000 as of June 30, 2017 and 2016, respectively. Therefore, there is no deferred tax asset on the statement on financial position and there have been no related tax penalties or interest, which would be classified as tax expense in the statement of activities. The net change during the year in the total valuation allowance was \$32,000.

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (Continued)

The carryover extends the statute of limitations and thus the open tax years for purposes of the net operating loss only are the years ended June 30, 2005 through June 30, 2007 and June 30, 2010 to June 30, 2016 for federal purposes and the years ended June 30, 2007 through June 30, 2008 and June 30, 2010 to June 30, 2017 for California purposes. The net operating loss carryover will begin to expire June 30, 2025 for federal purposes and June 30, 2017 for California purposes.

The College applies ASC 740-10-25, Accounting for Uncertainty in Income Taxes, to all tax positions for which the statute of limitations remained open and determined there were no material unrecognized tax benefits as of the year ended June 30, 2017 and the year ended June 30, 2016, nor are any changes anticipated in the twelve months following June 30, 2017.

Credit Risk and Fair Value of Financial Instruments: The College grants credit in the normal course of operations and the credit risk with respect to these receivables is generally considered minimal due to the wide dispersion of receivables.

Use of Estimates: Management of the College has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). The most significant management estimates and assumptions relate to the determination of allowances for doubtful accounts, present value of multi-year pledges, charitable trusts, discount rate on loan receivable; conditional asset retirement obligations; and the reported fair values of certain of the College's assets and liabilities. Actual results could differ from those estimates.

Operating and Non-operating: Revenues, expenses, gains and losses are allocated between operating and non-operating based on the underlying influence, control and discretion of management in using these resources toward general operations which support the core mission of the College. Accordingly, operating revenue includes net tuition, auxiliary enterprise revenue, contributions available to fund current operations, contracts and grants supporting operating activities, investment returns allocated to operations under the College's spending policy, other sales and services revenue and miscellaneous income. Excluded from operating revenue are contributions restricted for endowment or capital expenditure and annuity and life income agreements. Also excluded are investment returns not allocated to operations under the spending policy, actuarial adjustments relating to annuity and life income agreements, and miscellaneous income. Operating expenses (for which operating revenues are used) include salaries and benefits, departmental expenses, facility maintenance costs, supplies, professional services, depreciation and interest on debt but does not include actuarial adjustments relating to annuity and life income agreements, or provision for uncollectible pledges.

Expense Allocation: Expenses have been classified as functional expenses (instruction, research, public service, academic support, student services, institutional support and auxiliary services) and non-functional expenses (depreciation, operation and maintenance of plant and interest expense) based on the actual direct expenditures and cost allocations based on square footage of occupancy.

(Continued)

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (Continued)

Mills' Financial Stabilization Plan: In June 2016, The Board of Trustees appointed a new President who in turn recruited and hired new members of the executive management team. The Board of Trustees, aware both that Mills' investments and endowments, among other things, provided the necessary financial resources to meet its obligations for the foreseeable future and that the current climate of higher education warranted change, instructed the President to prepare academic and financial plans to eliminate operating deficits. On June 27, 2017, the Board adopted a financial stabilization plan and a revitalization program (*MillsNext*) which outlined a path to: sustaining Mills' transformative educational opportunities; developing new alliances and programs with UC Berkeley (signed on October 19, 2017) and the Peralta Community College District; and balancing Mills' budget within three years. This plan also involved: department and division reorganizations; a reduction in force of staff and faculty; numerous revenue enhancement opportunities; and additional expense reductions. Management expects additional revenue increases and reduced operating expense going forward, as a result of these efforts. Mills also renegotiated its line of credit in November 2017. Although final documentation has not been executed, the provisions of the line will allow borrowing of \$8,000,000 through June 2018 and \$7,000,000 through June 2019.

Recently Adopted Accounting Guidance: In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This ASU intends to simplify the presentation of debt issuance costs by requiring debt issuance costs to be presented in the statement of financial position as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this ASU. The update is effective for fiscal years beginning after December 15, 2015. The College adopted ASU 2015-03, accordingly, the presentation of debt issuance costs are presented as a direct deduction from the carrying amount of the debt liability on the statement of financial position.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This ASU affects not-for-profit entities by eliminating the requirement for not-for-profit entities to disclose certain information about the fair value of financial instruments not recorded at fair value and simplify the impairment assessment of an equity security that does not have a readily determinable fair value. Effective June 30, 2017, the College has early implemented this ASU and is therefore no longer required to provide the fair value disclosures that are measured and carried at cost or amortized cost.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern*. The guidance is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. Prior to issuance of this ASU, U.S. GAAP lacked guidance about management's responsibility for going concern evaluations and disclosures. The Update is effective for annual periods ending after December 15, 2016.

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (Continued)

Recent Accounting Guidance: In May 2014, the FASB issued (ASU) 2014-09, *Revenue from Contracts with Customers: Topic 606*. This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective retrospectively for fiscal years beginning after December 15, 2017. The College has not yet implemented this ASU and is in the process of assessing the effect on the College's financial statements.

In August 2016, the FASB issued (ASU) 2016-14, *Not-for-Profit Entities: Topic 958*. The amendments in this Update affect not-for-profit entities (NFPs) and the users of their general purpose financial statements. The amendments in this Update make certain improvements to the current net asset classification requirements and the information presented in financial statements and notes about a NFP's liquidity, financial performance, and cash flows. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The College has not yet implemented this ASU and is in the process of assessing the effect on the College's financial statements.

NOTE 3 – STUDENT ACCOUNTS AND NOTES RECEIVABLE, NET

Student accounts and notes receivable as of June 30 consist of the following:

	<u>2017</u>	<u>2016</u>
Student accounts	\$ 1,385,066	\$ 1,091,641
Less allowance for doubtful accounts	<u>(170,982)</u>	<u>(186,017)</u>
Students accounts, net	1,214,084	905,624
Perkins loan program	1,470,420	1,496,091
Mills College loan program	<u>1,952,178</u>	<u>1,979,847</u>
	3,422,598	3,475,938
Less allowance for doubtful accounts:		
Beginning of year	(1,454,833)	(1,359,037)
Increases	<u>(78,425)</u>	<u>(95,796)</u>
End of year	(1,533,258)	(1,454,833)
Student loans receivable, net	<u>1,889,340</u>	<u>2,021,105</u>
Total student accounts and loans receivable, net	<u>\$ 3,103,424</u>	<u>\$ 2,926,729</u>

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 3 – STUDENT ACCOUNTS AND NOTES RECEIVABLE, NET (Continued)

The Perkins Loan Program notes, which bear interest at 5%, are payable over approximately 10 years beginning nine months after the student ceases to be enrolled at least half-time at an institution of higher education. The Mills College Loan Program notes, which bear interest at 6% - 8.5%, are payable in equal monthly installments over a five year period beginning nine months after the student ceases to be a full time student.

The College makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. At June 30, 2017 and 2016, net student loans represented 0.59% and 0.66% of total assets, respectively.

The College participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of \$595,936 and \$998,612 at June 30, 2017 and 2016, respectively, are ultimately refundable to the government and are classified as liabilities in the statement of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At June 30, 2017 and 2016, respectively, the following amounts were past due principal under student loan programs:

	<u>30 Days Past Due</u>	<u>60 Days Past Due</u>	<u>3-12 Months Past Due</u>	<u>13-24 Months Past Due</u>	<u>>Than 24 Months Past Due</u>	<u>Total Past Due</u>
2017	\$ 3,686	\$ 1,437	\$ 38,381	\$ 33,679	\$ 627,309	\$ 704,492
2016	\$ 4,879	\$ 2,952	\$ 23,259	\$ 31,530	\$ 541,911	\$ 604,531

Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

NOTE 4 – CONTRIBUTIONS AND TRUSTS RECEIVABLE, NET

Contributions and trusts receivable as of June 30 consist of the following:

	<u>2017</u>	<u>2016</u>
Contributions receivable expected to be collected in:		
Less than one year	\$ 6,229,920	\$ 3,167,415
One to five years	<u>570,573</u>	<u>737,993</u>
Total contributions receivable	6,800,493	3,905,408
Less unamortized discount to present value	(32,073)	(34,369)
Less allowance for uncollectible pledges	<u>(96,575)</u>	<u>(9,047)</u>
Contributions receivable, net	6,671,845	3,861,992
Beneficial interest in trusts held by third parties	<u>10,103,185</u>	<u>9,362,111</u>
Total contributions and trusts receivable, net	<u>\$ 16,775,030</u>	<u>\$ 13,224,103</u>

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 4 – CONTRIBUTIONS AND TRUSTS RECEIVABLE, NET (Continued)

For the years ended June 30, 2017 and 2016, the changes in beneficial interest in trusts held by third parties classified as Level 3 fair value measurements are as follows:

Balance at June 30, 2015	\$ 10,382,103
Additions	-
Distributions	-
Change in value of beneficial interest	<u>(1,019,992)</u>
Balance at June 30, 2016	9,362,111
Additions	-
Distributions	-
Change in value of beneficial interest	<u>741,074</u>
Balance at June 30, 2017	<u>\$ 10,103,185</u>

Although the College believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Estimated values may differ significantly from the values that would have been used had a readily available market for such instruments existed, or had such instruments been liquidated. These differences could be material to the financial statements.

The following table summarizes the significant unobservable inputs the College used to value trusts categorized as Level 3 securities. The table below is not meant to be all inclusive, but instead captures the significant unobservable inputs relevant to the determination of fair values.

<u>Trust Name</u>	<u>Fair Value of Underlying Assets</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Quantitative Data</u>
Trust A	\$ 7,305,775	Market/income approach	Discount rate Lifespan Payout rate	4.8% 9.1 years 3.5%
Trust B	\$ 2,952,424	Market/income approach	Discount rate Lifespan Payout rate	4.8% 13.4 years 3.5%
Trust C	\$ 1,935,813	Market/income approach	N/A	Fair value of underlying investments
Other	\$ 2,203,996	Market/income approach	Discount rate Lifespan Payout rate	4.8% 5.2 years – perpetuity 3.5% - 8.5%

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 – INVESTMENTS

The fair values of investments as of June 30 are as follows:

	<u>2017</u>	<u>2016</u>
Investment by fund category:		
Operating / 457(b)	\$ 241,463	\$ 302,700
Endowment and board designated quasi-endowment:		
Pooled investments	184,916,679	171,893,228
Due to other funds	<u>(1,641,823)</u>	<u>(904,343)</u>
Total endowment pool assets	183,274,856	170,988,885
Annuity and life income investments	3,866,894	4,513,030
Due to other funds	<u>1,641,823</u>	<u>904,343</u>
Total investments by category	<u>\$ 189,025,036</u>	<u>\$ 176,708,958</u>
	<u>2017</u>	<u>2016</u>
Investment by asset type:		
Cash and cash equivalents	\$ 14,262,852	\$ 7,515,616
Common stocks:		
U.S. common stocks	17,671,833	18,183,369
Non-U.S. common stocks	732,227	1,793,143
Fixed income	1,366,977	1,558,087
Mutual funds:		
Traditional equities	-	1,844,914
Fixed income	40,110,677	34,208,287
Commingled funds:		
Traditional equities	9,450,705	8,315,988
Alternative equities	60,821,176	63,740,778
Security trading limited partnerships:		
Traditional equities	5,640,532	4,780,394
Alternative equities	38,230,819	33,873,566
Real estate investments trusts and other	<u>737,238</u>	<u>894,816</u>
Total investments by category	<u>\$ 189,025,036</u>	<u>\$ 176,708,958</u>

The values of investments in cash and cash equivalents, common stocks, mutual funds, real estate investment trusts and other are classified as Level 1, as most of the investments can be liquidated in the same day, representing the active and ready market for these assets. Fixed income securities are comprised of mortgage backed securities, municipal and corporate bonds, and mutual funds. This investment class is classified as Level 1, as most of the investments can be liquidated in the same day, representing the active and ready market for these assets.

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 – INVESTMENTS (Continued)

The investments in the commingled funds and security trading limited partnerships include investments that are classified as Other. The values of investments in these categories are based on net asset value per share or its equivalent.

The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. No securities were transferred from Level 2 to Level 1.

No securities were transferred from Level 3 to Level 2 during the year. Additionally, no securities were transferred from Level 1 to Level 2 during the year.

Certain investments determine the value of Mills College's holdings by computing net asset value ("NAV") whereas other investment managers determine the value of Mills College's holdings by using the College's ownership percentage in the respective investments.

The following tables present investments measured at fair value on a recurring basis by the ASC 820 valuation hierarchy as of June 30, 2017 and 2016:

<u>2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Cash and cash equivalents	\$ 14,184,041	\$ -	\$ -	\$ -	14,184,041
Common stocks:					
U.S. common stocks	17,671,833	-	-	-	17,671,833
Non-U.S. common stocks	732,227	-	-	-	732,227
Fixed income	1,366,977	-	-	-	1,366,977
Fixed income mutual funds	40,110,677	-	-	-	40,110,677
Commingled funds:					
Traditional equities	-	-	-	9,450,705	9,450,705
Alternative equities	-	-	-	60,821,176	60,821,176
Security trading limited partnerships:					
Traditional equities	-	-	-	5,640,532	5,640,532
Alternative equities	-	-	-	38,230,819	38,230,819
Real estate investments trusts and other	<u>559,678</u>	<u>87,856</u>	<u>89,704</u>	<u>-</u>	<u>737,238</u>
Total investments by asset type	<u>\$ 74,625,433</u>	<u>\$ 87,856</u>	<u>\$ 89,704</u>	<u>\$ 114,143,232</u>	<u>\$ 188,946,225</u>
Cash investments not included in leveling					<u>78,811</u>
Total investments by asset type					<u>\$ 189,025,036</u>

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 – INVESTMENTS (Continued)

<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Cash and cash equivalents	\$ 7,430,195	\$ -	\$ -	\$ -	\$ 7,430,195
Common stocks:					
U.S. common stocks	18,183,369	-	-	-	18,183,369
Non-U.S. common stocks	1,793,143	-	-	-	1,793,143
Fixed income	1,558,087	-	-	-	1,558,087
Mutual funds:					
Traditional equities	1,844,914	-	-	-	1,844,914
Fixed income	34,208,287	-	-	-	34,208,287
Commingled funds:					
Traditional equities	-	-	-	8,315,988	8,315,988
Alternative equities	-	-	-	63,740,778	63,740,778
Security trading limited partnerships:					
Traditional equities	-	-	-	4,780,394	4,780,394
Alternative equities	-	-	-	33,873,566	33,873,566
Real estate investments trusts and other	<u>724,539</u>	<u>81,593</u>	<u>88,684</u>	<u>-</u>	<u>894,816</u>
Total investments by asset type	<u>\$ 65,742,534</u>	<u>\$ 81,593</u>	<u>\$ 88,684</u>	<u>\$ 110,710,726</u>	<u>\$ 176,623,537</u>
Cash investments not included in leveling					<u>85,421</u>
Total investments by asset type					<u>\$ 176,708,958</u>

The College had commitments for additional capital contributions to security trading limited partnerships at June 30, 2017 and 2016 totaling \$8,420,772 and \$8,258,962, respectively.

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 – INVESTMENTS (Continued)

Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period. The amount included in the statement of activities for the period, which is attributable to the change in unrealized gains (losses) related to assets classified as Level 3 and NAV still held at the reporting date, was \$12,605,436 and \$(8,247,139) as of June 30, 2017 and 2016, respectively.

Total investment returns allocated to operations for years ended June 30 were made up of the following:

	<u>2017</u>	<u>2016</u>
Pooled investment income, net of \$679,376 and \$863,826 investment expenses in 2017 and 2016, respectively	\$ 683,523	\$ 522,049
Net realized gains, including pooled assets	4,443,969	2,324,716
Unrealized gains (losses), including pooled assets	<u>12,605,436</u>	<u>(8,247,139)</u>
Total investment (loss) returns	17,732,928	(5,400,374)
Less non-operating investment gains (losses)	<u>8,962,627</u>	<u>(14,485,116)</u>
Investment returns allocated to operations	<u>\$ 8,770,301</u>	<u>\$ 9,084,742</u>

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 – INVESTMENTS (Continued)

The College uses the Net Asset Value (“NAV”) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments measured at NAV by major category at June 30, 2017:

<u>Structure</u>	<u>Strategy</u>	<u>NAV Balance</u>	<u>Number of Funds</u>	<u>Remaining Life</u>	<u>Remaining Unfunded</u>	<u>Remaining Draw- Down Period</u>	<u>Redemption Terms</u>	<u>Redemption Lockup</u>	<u>Gate Restriction</u>
Equities ⁽¹⁾									
Comingled funds		\$ 46,840,902	4	NA	NA	NA	Ranges from Daily to 30 days' notice with daily to semi-annual redemption opportunity	Past Lockups	0-25%
Investment partnerships		\$ 5,640,535	1	NA	NA	NA	Ranges from 60 to 120 days' notice with quarterly redemption opportunity	NA	No
Hedge Funds ⁽²⁾									
Comingled funds	Equity Long/Short Event Driven, Relative Value, Credit & Merge Arbitrage	\$ 27,905,736	9	NA	NA	NA	Ranges from 30 to 90 days' notice with quarterly to annual redemption opportunity	Past Lockups	0-30%
Investment partnerships		\$ 16,957,541	3	NA	NA	NA	Ranges from 45 to 90 days' notice with quarterly to annual redemption opportunity	Past Lockups	10-50%
Hybrid Investments ⁽³⁾									
Investment partnerships		\$ 3,327,241	3	7 to 10 Years	\$ 2,033,277	1 to 3 Years	Redemption not permitted	NA	NA
Private Equity ⁽⁴⁾									
Comingled funds	Venture Capital, Growth Equity & Leveraged Buyout	\$ 687,584	1	4 Years	\$ 49,035	0 Year	Redemption not permitted	NA	NA
Investment partnerships		\$ 8,500,819	9	1 to 10 Years	\$ 4,054,710	0 to 5 Years	Redemption not permitted	NA	NA
Real Assets									
Investment partnerships		\$ 4,282,874	5	1 to 30 Years	\$ 2,283,750	0 to 3 Years	Redemption not permitted	NA	NA
		<u>\$ 114,143,232</u>	<u>34</u>		<u>\$ 8,420,772</u>				

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 – INVESTMENTS (Continued)

- ⁽¹⁾ This category includes separately-managed accounts, exchange traded funds, commingled investment vehicles, and limited partnerships. These funds were formed with the purpose of achieving long-term capital appreciation. Capital is allocated among various money managers with distinct and complementary investment styles, with the expectation that this strategy will result in an overall equity portfolio that is diversified by geographic region, economic sector, industry, and market capitalization. The fair values of the equity investments held through limited partnerships and similar pooled vehicles have been estimated using the net asset value per share of the investments. Investments in this category may be redeemed daily to semi-annually, in whole or in part, sometimes subject to written notice prior to a notification date.
- ⁽²⁾ This category includes investments that invest primarily in limited partnerships and similar pooled investment vehicles. These funds were formed with the purpose of achieving long-term capital appreciation with reduced volatility. Capital is allocated among various money managers including both “absolute return” strategies and long/short “equity hedge” strategies. Absolute return strategies typically involve spread-based arbitrage and distressed investing, and emphasize consistency of performance and low correlation to the broad market indices. Equity hedge managers typically make both long and short investments, and produce returns that can be expected to correlate more closely with the performance of the equity markets than would the performance of the absolute return strategies, though with lower volatility than traditional “long only” equity managers. The fair values of investments in this category have been estimated using the net asset value per share of the investments. Investments in this category may be redeemed quarterly to annually, in whole or in part, subject to written notice prior to their required notification dates.
- ⁽³⁾ This category includes investments that invest in limited partnerships and similar pooled investment vehicles. These funds represent investment opportunities that do not neatly fit within any of the other categories either due to the structure or nature of the investments. Return expectations will correlate with the characteristic of the investment, lock-up period and fee structure. Examples range from tactical (i.e. credit opportunities) to hybrid (i.e. a manager that invests in public equities but is structured in a manner of an alternative asset manager with a longer lock-up and different fee structure. The fair values of investments in this category have been estimated using the net asset value of the College's ownership interest in partner capital.
- ⁽⁴⁾ This category includes several private equity funds that invest primarily in private equity investment partnerships. The fair values of the investments in this category have been estimated using the net asset value of the College's ownership interest in partner's capital. The purpose of the private equity investments is to provide capital appreciation above public market equity returns. In exchange for this potential appreciation, private equity is illiquid and typically requires several years before returning any capital. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through liquidation of the underlying assets of the fund. Management has estimated that the underlying assets of these funds will be liquidated over 1 to 12 years.

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 – INVESTMENTS (Continued)

The College uses the Net Asset Value (“NAV”) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments measured at NAV by major category at June 30, 2016:

<u>Structure</u>	<u>Strategy</u>	<u>NAV Balance</u>	<u>Number of Funds</u>	<u>Remaining Life</u>	<u>Remaining Unfunded</u>	<u>Remaining Draw-Down Period</u>	<u>Redemption Terms</u>	<u>Redemption Lockup</u>	<u>Gate Restriction</u>
Equities ⁽¹⁾									
Comingled funds		\$ 38,132,621	4	NA	NA	NA	Ranges from Daily to 30 days' notice with daily to semi-annual redemption opportunity	Past Lockups	0-25%
Investment partnerships		\$ 4,780,394	1	NA	NA	NA	Ranges from 60 to 120 days' notice with quarterly redemption opportunity	NA	No
Hedge Funds ⁽²⁾									
Comingled funds	Equity Long/Short Event Driven, Relative Value, Credit & Merge Arbitrage	\$ 33,012,703	7	NA	NA	NA	Ranges from 30 to 90 days' notice with quarterly to annual redemption opportunity	Past Lockups	0-30%
Investment partnerships		\$ 18,751,748	3	NA	NA	NA	Ranges from 45 to 90 days' notice with quarterly to annual redemption opportunity	Past Lockups	10-50%
Hybrid Investments ⁽³⁾									
Investment partnerships		\$ 1,582,790	2	8 to 9 Years	\$ 1,564,186	2 to 3 Years	Redemption not permitted	NA	NA
Private Equity ⁽⁴⁾									
Comingled funds	Venture Capital, Growth Equity & Leveraged Buyout	\$ 911,443	1	5 Years	\$ 37,288	0 Year	Redemption not permitted	NA	NA
Investment partnerships		\$ 8,766,248	9	1 to 11 Years	\$ 4,103,738	0 to 4 Years	Redemption not permitted	NA	NA
Real Assets									
Investment partnerships		\$ 4,772,779	5	1 to 31 Years	\$ 2,553,750	0 to 4 Years	Redemption not permitted	NA	NA
		<u>\$ 110,710,726</u>	<u>32</u>		<u>\$ 8,258,962</u>				

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 – INVESTMENTS (Continued)

- ⁽¹⁾ This category includes separately-managed accounts, exchange traded funds, commingled investment vehicles, and limited partnerships. These funds were formed with the purpose of achieving long-term capital appreciation. Capital is allocated among various money managers with distinct and complementary investment styles, with the expectation that this strategy will result in an overall equity portfolio that is diversified by geographic region, economic sector, industry, and market capitalization. The fair values of the equity investments held through limited partnerships and similar pooled vehicles have been estimated using the net asset value per share of the investments. Investments in this category may be redeemed daily to semi-annually, in whole or in part, sometimes subject to written notice prior to a notification date.
- ⁽²⁾ This category includes investments that invest primarily in limited partnerships and similar pooled investment vehicles. These funds were formed with the purpose of achieving long-term capital appreciation with reduced volatility. Capital is allocated among various money managers including both “absolute return” strategies and long/short “equity hedge” strategies. Absolute return strategies typically involve spread-based arbitrage and distressed investing, and emphasize consistency of performance and low correlation to the broad market indices. Equity hedge managers typically make both long and short investments, and produce returns that can be expected to correlate more closely with the performance of the equity markets than would the performance of the absolute return strategies, though with lower volatility than traditional “long only” equity managers. The fair values of investments in this category have been estimated using the net asset value per share of the investments. Investments in this category may be redeemed quarterly to annually, in whole or in part, subject to written notice prior to their required notification dates.
- ⁽³⁾ This category includes investments that invest in limited partnerships and similar pooled investment vehicles. These funds represent investment opportunities that do not neatly fit within any of the other categories either due to the structure or nature of the investments. Return expectations will correlate with the characteristic of the investment, lock-up period and fee structure. Examples range from tactical (i.e. credit opportunities) to hybrid (i.e. a manager that invests in public equities but is structured in a manner of an alternative asset manager with a longer lock-up and different fee structure. The fair values of investments in this category have been estimated using the net asset value of the College's ownership interest in partner capital.
- ⁽⁴⁾ This category includes several private equity funds that invest primarily in private equity investment partnerships. The fair values of the investments in this category have been estimated using the net asset value of the College's ownership interest in partner's capital. The purpose of the private equity investments is to provide capital appreciation above public market equity returns. In exchange for this potential appreciation, private equity is illiquid and typically requires several years before returning any capital. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through liquidation of the underlying assets of the fund. Management has estimated that the underlying assets of these funds will be liquidated over 1 to 12 years.

(Continued)

NOTE 6 – ENDOWMENTS

The State of California adopted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) with an effective date of January 1, 2009. As a result, the College reviewed all relevant gift instruments and its organizing documents to determine if it had funds with donor-imposed restrictions that are subject to the state enacted version of UPMIFA. The College continues to review all gift instruments in relationship to the enacted law.

The College’s endowment consists of approximately 500 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowed funds and funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law - The Board of Trustees of the College has interpreted the California enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 6 – ENDOWMENTS (Continued)

Endowment net asset composition by type of fund and ownership of units as of June 30 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Fund Units</u>	<u>Value Per Unit</u>
<u>2017</u>						
Donor restricted endowment funds	\$ (9,617,381)	\$ 44,385,105	\$ 141,006,005	\$ 175,773,729	5,133,611	
Board-designated quasi-endowment	<u>7,288,822</u>	<u>212,305</u>	<u>-</u>	<u>7,501,127</u>	<u>219,076</u>	
Subtotal endowment pool	(2,328,559)	44,597,410	141,006,005	183,274,856	5,352,687	\$ 34.24
Due to other funds	<u>1,641,823</u>	<u>-</u>	<u>-</u>	<u>1,641,823</u>		
Total invested assets	<u>\$ (686,736)</u>	<u>\$ 44,597,410</u>	<u>\$ 141,006,005</u>	<u>\$ 184,916,679</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Fund Units</u>	<u>Value Per Unit</u>
<u>2016</u>						
Donor restricted endowment funds	\$ (12,484,689)	\$ 39,119,032	\$ 137,201,176	\$ 163,835,519	5,015,276	
Board-designated quasi-endowment	<u>6,954,076</u>	<u>199,290</u>	<u>-</u>	<u>7,153,366</u>	<u>218,977</u>	
Subtotal endowment pool	(5,530,613)	39,318,322	137,201,176	170,988,885	5,234,253	\$ 32.67
Due to other funds	<u>904,343</u>	<u>-</u>	<u>-</u>	<u>904,343</u>		
Total invested assets	<u>\$ (4,626,270)</u>	<u>\$ 39,318,322</u>	<u>\$ 137,201,176</u>	<u>\$ 171,893,228</u>		

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 6 – ENDOWMENTS (Continued)

Funds with deficiencies - The \$9,617,381 and \$12,484,689 deficit in unrestricted net assets related to donor- restricted endowment funds as of June 30, 2017 and 2016, respectively, represent the amounts by which the fair value of certain donor-restricted endowment funds were below the amount required to be retained permanently. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for program support was deemed prudent by the governing board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

Return objectives and risk parameters - The long-term financial goal for the endowment portfolio is to provide a relatively stable stream of expendable revenue that increases over time at least as fast as the general rate of inflation measured by both the Consumer Price Index (the “CPI”) and the San Francisco Bay Area Consumer Price Index (the “BACPI”) on a “per unit” basis. The strategic investment objective for the endowment portfolio is to maximize long-term real (i.e., after inflation) total returns (i.e., yield plus capital appreciation) and at the same time moderate fundamental investment risk. The portfolio seeks to attain an inflation-adjusted total return, net of investment expense, at least equal to the contemplated spending rate over the long-term (rolling five- and ten-year periods).

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

1. The duration and preservation of the endowment fund.
2. The purposes of the institution and the endowment fund.
3. General economic conditions.
4. The possible effect of inflation or deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the institution.
7. The investment policy of the institution.

The goals of the spending policy are to create a more consistent and predictable operating revenue stream from portfolio income and balance current and future benefits of endowment spending by ensuring a stable source of income in lean economic years and disciplined spending when market conditions are very strong. The Board will review the policy and spending rate annually using the seven factors set forth above.

Under the endowment spending policy, the payout amount is subject to increase each year by the rate of inflation. The increase for inflation is the greater of 2.5 percent or the actual rate of inflation based on the BACPI for December, except that the increase for actual inflation cannot be greater than 5 percent. In addition, the total drawdown should be no more than 6 percent of the 12-quarter trailing average market value of the Portfolio. The payout rate as a percent of the 12-quarter trailing average market value was 5% and 5.25% for the years ending June 30, 2017 and 2016, respectively.

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 6 – ENDOWMENTS (Continued)

The following tables summarize the changes in endowment net assets for the years ended June 30:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2017</u>				
Endowment invested net assets, June 30, 2016	\$ (4,626,270)	\$ 39,318,322	\$ 137,201,176	\$ 171,893,228
Investment return				
Investment income, net of \$679,376 in investment expenses	26,957	656,036	530	683,523
Net appreciation (realized/unrealized)	<u>672,408</u>	<u>16,363,774</u>	<u>13,223</u>	<u>17,049,405</u>
Total investment return	699,365	17,019,810	13,753	17,732,928
Additions from contributions	-	-	3,528,321	3,528,321
Appropriation of endowment assets for expenditure	(364,619)	(8,603,489)	(7,170)	(8,975,278)
Recovery of underwater losses	2,867,308	(2,867,308)	-	-
Other changes:				
Reclass associated with permanently restricted payouts	-	(269,925)	269,925	-
Change in due from/to other funds	<u>737,480</u>	<u>-</u>	<u>-</u>	<u>737,480</u>
Endowment invested net assets, June 30, 2017	<u>(686,736)</u>	<u>44,597,410</u>	<u>141,006,005</u>	<u>184,916,679</u>
Due from (to) other funds	<u>(1,641,823)</u>	<u>-</u>	<u>-</u>	<u>(1,641,823)</u>
Total endowment funds	<u>\$ (2,328,559)</u>	<u>\$ 44,597,410</u>	<u>\$ 141,006,005</u>	<u>\$ 183,274,856</u>

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 6 – ENDOWMENTS (Continued)

<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment invested net assets, June 30, 2015	\$ 83,931	\$ 48,752,389	\$ 133,962,066	\$ 182,798,386
Investment return				
Investment income, net of \$863,826 in investment expenses	21,268	500,363	418	522,049
Net depreciation (realized/unrealized)	<u>(241,271)</u>	<u>(5,676,408)</u>	<u>(4,744)</u>	<u>(5,922,423)</u>
Total investment return	(220,003)	(5,176,045)	(4,326)	(5,400,374)
Additions from contributions	-	-	2,974,115	2,974,115
Appropriation of endowment assets for expenditure	(390,142)	(8,901,911)	(7,671)	(9,299,724)
Reclass of underwater losses	(4,929,125)	4,929,125	-	-
Other changes:				
Reclass associated with permanently restricted payouts	-	(276,992)	276,992	-
Change in donor designation	-	(8,244)	-	(8,244)
Change in due from/to other funds	<u>829,069</u>	<u>-</u>	<u>-</u>	<u>829,069</u>
Endowment invested net assets, June 30, 2016	<u>(4,626,270)</u>	<u>39,318,322</u>	<u>137,201,176</u>	<u>171,893,228</u>
Due from (to) other funds	<u>(904,343)</u>	<u>-</u>	<u>-</u>	<u>(904,343)</u>
Total endowment funds	<u>\$ (5,530,613)</u>	<u>\$ 39,318,322</u>	<u>\$ 137,201,176</u>	<u>\$ 170,988,885</u>

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant, and equipment as of June 30 consist of the following:

	<u>2017</u>	<u>2016</u>
Improvements	\$ 65,372,835	\$ 64,843,859
Buildings	103,843,217	103,843,217
Equipment	<u>33,760,447</u>	<u>33,342,123</u>
	202,976,499	202,029,199
Accumulated depreciation and amortization	<u>(105,370,769)</u>	<u>(100,984,433)</u>
	96,605,730	101,044,766
Land	291,687	291,687
Construction in Progress	<u>835,040</u>	<u>-</u>
Total property, plant, and equipment, net	<u>\$ 98,732,457</u>	<u>\$ 101,336,453</u>

NOTE 8 – COLLECTIONS

Collections consist of works of art and rare library collections. The College displays its collections at the art museum and library located on campus. The College seeks works of high aesthetic quality and historical importance and only accepts items that can be properly housed and stored. Collections are given indefinite useful lives. As of June 30 collections consist of the following:

	<u>2017</u>	<u>2016</u>
Collections	\$ 3,173,766	\$ 3,119,596

NOTE 9 – LINE OF CREDIT

The College has an annually renewable revolving line of credit on which it can borrow up to a maximum of \$8,000,000. \$5,000,000 was borrowed and outstanding at June 30, 2017 and 2016. The line is payable in full each year by May 15. Interest based on the one month LIBOR plus 75 basis points rounded up to the nearest 0.125% is payable on the fifteenth calendar day of each month on outstanding balances. The interest rate at June 30, 2017 was 2 percent. Subsequent to year end, management negotiated a new four-year line of credit with First Republic Bank. Although final documentation has not been executed, the provisions of the line will be adjusted annually from \$8,000,000 in fiscal year 2018 to \$5,000,000 in fiscal year 2021. The interest rate on this new line is prime rate less one-half percent.

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 10 – BONDS PAYABLE

As of June 30, total bonds payable issued through the direct placement with First Republic Bank through the California Statewide Communities Development Authority (“CSCDA”) and associated interest rates and maturities are as follows:

	<u>Interest Rates</u>	<u>Maturity</u>	<u>2017</u>	<u>2016</u>
CSCDA Series 2015	2.2% to 3.75%	7/1/2015 to 9/1/2035	\$ 29,759,827	\$ 30,969,512
Unamortized debt issuance costs			(282,810)	(279,370)
Unamortized bond discount and bond premium, net			<u>(144,000)</u>	<u>(152,000)</u>
Total bonds payable			<u>\$ 29,333,017</u>	<u>\$ 30,538,142</u>

On April 15, 2015, the College issued \$5,259,066 in private placement bonds with First Republic Bank through the California Statewide Communities Development Authority (“CSCDA”) to refinance its CEFA series 1997 Notes at a lower interest rate. On September 1, 2015, the College issued \$26,503,763 in private placement bonds with First Republic Bank through the California Statewide Communities Development Authority (“CSCDA”) to refinance its CEFA series 2005 A and B Notes at a lower interest rate. The First Republic Bank debt is secured by real property of the College. Covenants place a long-term debt coverage ratio and liquidity covenant ratio requirements on the College.

Principal payments to be made for the next five years and thereafter as of June 30, 2017 are as follows:

2018	\$ 1,244,209
2019	1,279,733
2020	1,314,033
2021	1,353,487
2022	1,389,449
Thereafter	23,178,916
Unamortized debt issuance costs	(282,810)
Unamortized premium/discount	<u>(144,000)</u>
	<u>\$ 29,333,017</u>

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 11 – NET ASSETS

Net assets consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Unrestricted net assets:		
Board designated quasi-endowments without donor use restrictions	\$ 7,288,822	\$ 6,954,076
Designations in excess of available net assets	<u>(7,950,909)</u>	<u>(5,845,644)</u>
Subtotal unrestricted expendable reserve	(662,087)	1,108,432
Underwater donor endowments	(9,617,381)	(12,484,689)
Property, plant, and equipment	<u>72,372,781</u>	<u>73,518,640</u>
Total unrestricted net assets	<u>\$ 62,093,313</u>	<u>\$ 62,142,383</u>
Temporarily restricted net assets:		
Board designated quasi-endowments with donor use restrictions	\$ 212,305	\$ 199,290
Portion of perpetual endowment funds subject to a time restriction under UPMIFA (unappropriated endowment)	<u>44,385,105</u>	<u>39,119,032</u>
Total temporarily restricted endowment net assets	44,597,410	39,318,322
Remainder interest in split interest agreements	7,988,108	7,372,952
Contributions receivable	1,463,889	2,697,009
Donor funds restricted for specific purposes	<u>10,924,101</u>	<u>7,532,091</u>
Total temporarily restricted net assets	<u>\$ 64,973,508</u>	<u>\$ 56,920,374</u>

As of June 30, 2017 and 2016, assets restricted for the acquisition of long lived assets were \$7,244,672 and \$2,631,623, respectively, and are included within contributions receivable and donor funds restricted for specific use in the table above.

	<u>2017</u>	<u>2016</u>
Permanently restricted net assets:		
Portion of perpetual endowment funds subject to be retained permanently	\$ 141,006,005	\$ 137,201,176
Remainder interest in split interest agreements designated for endowment	1,679,194	2,072,389
Pledges and other contribution receivables	3,883,663	974,439
Perpetual income trusts held by others	2,661,275	2,401,191
Student loan funds	<u>283,256</u>	<u>335,957</u>
Total permanently restricted net assets	<u>\$ 149,513,393</u>	<u>\$ 142,985,152</u>

(Continued)

MILLS COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 12 – NET TUITION AND FEES

Net tuition and fees for the years ended June 30 consists of the following:

	<u>2017</u>	<u>2016</u>
Tuition and fees	\$ 49,655,748	\$ 50,715,601
Less:		
Sponsored student aid	(4,204,235)	(4,538,940)
Un-sponsored student aid	<u>(18,814,600)</u>	<u>(18,122,820)</u>
Total financial aid	<u>(23,018,835)</u>	<u>(22,661,760)</u>
Net tuition and fees	<u>\$ 26,636,913</u>	<u>\$ 28,053,841</u>

NOTE 13 – AGENCY FUNDS

Certain receipts of financial aid funds from government grants and programs are treated as pass-through agency funds and are therefore not included as revenues or financial aid in the statement of activities. The receipt and use of these pass through funds are as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Federal Pell grant program:		
Revenue	\$ 1,813,562	\$ 1,938,437
Expense	<u>(1,813,562)</u>	<u>(1,938,437)</u>
Net	<u>\$ _____ -</u>	<u>\$ _____ -</u>
California grant program:		
Revenue	2,426,651	\$ 2,549,205
Expense	<u>(2,426,651)</u>	<u>(2,549,205)</u>
Net	<u>\$ _____ -</u>	<u>\$ _____ -</u>

The College is responsible for the performance of certain administrative duties with respect to federally guaranteed loans issued to students and parents of students of the College under the Federal Student Aid program. These loans are issued to assist with College costs. Outstanding loan balances and transactions relating to these loan programs are not included in the College's basic financial statements but loaned amounts are summarized as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Federal Direct Loan	\$ 11,842,423	\$ 12,951,217
Federal Direct Loan - Graduate	<u>2,656,499</u>	<u>2,480,936</u>
Total	<u>\$ 14,498,922</u>	<u>\$ 15,432,153</u>

(Continued)

NOTE 14 – EXPENSES BY FUNCTION

Expenses by functional classification per the accompanying statement of activities includes operations and maintenance of plant expenses of \$7,361,842 and \$6,748,142 and interest expense of \$951,766 and \$1,049,289 and depreciation expense of \$4,386,336 and \$4,503,216 for the years ended June 30, 2017 and 2016, respectively.

NOTE 15 – FUNDRAISING EXPENSE

Included in institutional support expenses in the statement of activities for the years ended June 30, 2017 and 2016 are \$1,463,277 and \$1,338,269, respectively, of expenses related to fundraising.

NOTE 16 – PENSION PLANS

Employees with one year of service are eligible to participate in the Mills College Defined Contribution Plan through Fidelity. Benefits are funded by contributions from both the College and the participating employees. All contributions are fully vested when paid and there are no prior service costs. The College's contributions for the years ended June 30, 2017 and 2016 were \$1,557,428 and \$1,931,441, respectively.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the College enters into various arrangements for construction services. Future minimum commitments under these arrangements as of June 30, 2017 were approximately \$8,600,000 for the Lisser Hall Renovation.

The United States Department of Justice ("DOJ") conducted an on-site accessibility audit of College facilities available for use by the general public in March 2010. An agreement was reached in January 2013 regarding facility modifications to address alleged barriers to access to certain facilities of the College identified by the DOJ over a completion time-line expiring in December 2023. The College estimates costs which will result in additions to plant assets to be \$850,000. The College has accrued for \$108,230 in facility modifications expenditures in the year ended June 30, 2017 which will not result in additions to property, plant and equipment.

The College is contingently liable in connection with claims and contracts, including those currently in litigation, arising in the normal course of its activities. In the opinion of management, the results of these matters will not have a significant impact on the financial statements.

The College also has funding from certain federal entities. Costs billed to the federal government are subject to audit by the respective cognizant agency. In the opinion of management, the results of these audits will not have a significant impact on the financial statements.

NOTE 18 – RELATED PARTY TRANSACTIONS

The College considers trustees, officers, and key employees to be related parties. Included in contribution receivables for the years ended June 30, 2017 and 2016 are contributions receivable from related parties totaling \$308,211 and \$666,003, respectively. Included in revenues for the years ended June 30, 2017 and 2016 are contributions from related parties totaling \$65,000 and \$500,000, respectively.

(Continued)

NOTE 19 – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2017, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2017. Management has performed their analysis through December 21, 2017, the date the financial statements were issued.