MILLS COLLEGE

FINANCIAL STATEMENTS
June 30, 2019 and 2018

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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, 2019 and 2018, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the College has adopted ASU 2016-14 - *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities.* Our opinion is not modified with respect to this matter.

Other Matter

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 30, 2020 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 results 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.

Crowe LLP

Crowe LLP

Sacramento, California
January 30, 2020

MILLS COLLEGE
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 1,675,034	$ 6,150,108
Student accounts and loans receivable, net (Note 3)	2,498,622	2,747,494
Government grants and other receivables	1,579,197	507,871
Inventories and other assets	1,627,779	1,686,593
Contributions and trusts receivable, net (Note 4)	11,747,146	12,670,894
Investments (Note 5)	194,304,762	191,149,584
Property, plant, and equipment, net (Note 7)	103,776,054	102,194,276
Collections (Note 8)	3,304,769	3,216,321
Total assets	$ 320,513,363	$ 320,323,141
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 5,533,630	$ 3,425,613
Other liabilities	3,750,078	3,293,766
Lines of credit (Note 9)	8,999,800	8,000,000
Annuity and life income liability	1,216,919	1,259,430
Government advances for student loans (Note 3)	304,895	412,885
Bonds payable (Note 10)	26,874,192	28,130,405
Total liabilities	46,679,514	44,522,099
Net assets:		
Without donor restrictions (Note 11)	68,868,008	72,432,036
With donor restrictions (Note 11)		
Time or purpose	49,308,584	50,872,022
Perpetual	155,657,257	152,496,984
Total with donor restrictions	204,965,841	203,369,006
Total net assets	273,833,849	275,801,042
Total liabilities and net assets	$ 320,513,363	$ 320,323,141

See accompanying notes to financial statements.

MILLS COLLEGE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019
(With comparative 2018 totals)

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
Revenue and gains:				
Tuition and fees	$ 34,037,445	$ -	$ 34,037,445	$ 46,398,709
Less financial aid	(12,447,341)	-	(12,447,341)	(23,449,197)
Net tuition and fees (Note 12)	21,590,104	-	21,590,014	22,949,512
Sales and services of auxiliary enterprises	11,668,538	-	11,668,538	10,947,514
Contributions available for operations	1,931,927	2,183,108	4,115,035	4,927,588
Government contracts and grants	3,664,301	-	3,664,301	3,331,258
Investment returns allocated to operations	8,098,798	706,161	8,804,959	8,842,557
Other, net	3,838,999	13,598	3,852,597	3,574,426
Total revenue and gains	50,792,667	2,902,867	53,695,534	54,572,855
Net assets released from restrictions for operations	3,045,751	(3,045,751)	-	-
Total revenue and gains, and other support	53,838,418	(142,884)	53,695,534	54,572,855
Expenses:				
Instruction	17,325,750	-	17,325,750	19,275,602
Research	1,587,579	-	1,587,579	2,015,959
Academic support	7,401,541	-	7,401,541	6,261,814
Student services	9,787,426	-	9,787,426	9,988,630
Institutional support	12,725,075	-	12,725,075	12,123,967
Public service	2,916,577	-	2,916,577	2,473,372
Auxiliary enterprises	10,029,761	-	10,029,761	9,820,954
Total expenses	61,773,709	-	61,773,709	61,960,298
Changes in net assets from operations	(7,935,291)	(142,884)	(8,078,175)	(7,387,443)
Non-operating activities:				
Nonoperating contributions	88,448	5,751,618	5,840,066	3,400,716
Provision for uncollectible pledges	-	12,807	12,807	32,920
Investment return, net of allocation to operations	(8,101,188)	8,595,721	494,533	2,445,558
Actuarial adjustment	-	(283,457)	(283,457)	696,022
Other nonoperating revenue	-	47,033	47,033	33,055
Net assets released from donor restrictions for nonoperating	12,384,003	(12,384,003)	-	-
Changes in net assets	(3,564,028)	1,596,835	(1,967,193)	(779,172)
Net assets at beginning of year	72,432,036	203,369,006	275,801,042	276,580,214
Net assets at end of year	$ 68,868,008	$ 204,965,841	$ 273,833,849	$ 275,801,042

See accompanying notes to financial statements.

MILLS COLLEGE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2018 Totals
Revenue and gains:			
Tuition and fees	$ 46,398,709	$ -	$ 46,398,709
Less financial aid	(23,449,197)	-	(23,449,197)
Net tuition and fees (Note 12)	22,949,512	-	22,949,512
Sales and services of auxiliary enterprises	10,947,514	-	10,947,514
Contributions available for operations	3,321,300	1,606,288	4,927,588
Government contracts and grants	3,331,258	-	3,331,258
Investment returns allocated to operations	8,185,181	657,376	8,842,557
Other, net	3,556,699	17,727	3,574,426
Total revenue and gains	52,291,464	2,281,391	54,572,855
Net assets released from restrictions for operations	2,860,236	(2,860,236)	-
Total revenue and gains, and other support	55,151,700	(578,845)	54,572,855
Expenses:			
Instruction	19,275,602	-	19,275,602
Research	2,015,959	-	2,015,959
Academic support	6,261,814	-	6,261,814
Student services	9,988,630	-	9,988,630
Institutional support	12,123,967	-	12,123,967
Public service	2,473,372	-	2,473,372
Auxiliary enterprises	9,820,954	-	9,820,954
Total expenses	61,960,298	-	61,960,298
Changes in net assets from operations	(6,808,598)	(578,845)	(7,387,443)
Non-operating activities:			
Nonoperating contributions	42,555	3,358,161	3,400,716
Provision for uncollectible pledges	-	32,920	32,920
Investment return, net of allocation to operations	(8,339,128)	10,784,686	2,445,558
Actuarial adjustment	-	696,022	696,022
Other nonoperating revenue	-	33,055	33,055
Net assets released from donor restrictions for nonoperating	15,826,513	(15,826,513)	-
Changes in net assets	721,342	(1,500,514)	(779,172)
Net assets at beginning of year	62,093,313	214,486,901	276,580,214
Cumulative impact of adoption of ASU 2016-14 (Note 2)	9,617,381	(9,617,381)	-
Net assets at beginning of year, as restated	71,710,694	204,869,520	276,580,214
Net assets at end of year	$ 72,432,036	$ 203,369,006	$ 275,801,042

See accompanying notes to financial statements.

MILLS COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in total net assets	$ (1,967,193)	$ (779,172)
Adjustments to reconcile change in total net assets to net cash used in activities:		
Depreciation	4,766,199	4,435,425
Net gains on investments	(8,630,919)	(10,761,212)
Donated art and equipment	(88,448)	(42,555)
Allowance for uncollectible student accounts receivable	54,569	140,243
Allowance for uncollectible loans receivable	175,189	372,205
Allowance for uncollectible other receivable	30,794	17,299
Allowance for uncollectible pledges	12,807	(32,920)
Amortization of bond premium and discount	22,704	40,847
Contributions restricted for long-term investment	(6,951,690)	(4,522,342)
Change in operating assets and liabilities:		
Student accounts receivable	(266,801)	(175,113)
Government grants and other receivable	(1,102,120)	1,357,890
Contributions and trusts receivable	910,941	1,382,900
Inventories and other assets	58,814	(407,985)
Accounts payable and accrued liabilities	2,108,017	(692,039)
Other liabilities	456,312	(138,234)
Annuity and life income payable	(42,511)	(381,688)
Net cash used in operating activities	(10,453,336)	(10,186,451)
Cash flows from investing activities		
Capital expenditures	(6,347,977)	(7,897,244)
Purchases of investments	(19,524,411)	(36,339,601)
Proceeds from sales of investments	25,000,152	44,976,265
Disbursements of loans to students	(13,600)	(278,100)
Repayment of student loans receivable	299,515	296,695
Net cash (used in) provided by investing activities	(586,321)	758,015
Cash flows from financing activities		
Contributions restricted for long-term investment	6,951,690	7,276,498
Change in government advances for student loans	(107,990)	(183,051)
Proceeds from line of credit	999,800	3,000,000
Payments on bonds and notes payable	(1,278,917)	(1,243,459)
Net cash provided by financing activities	6,564,583	8,849,988
Net decrease in cash and cash equivalents	(4,475,074)	(578,448)
Beginning cash and cash equivalents	6,150,108	6,728,556
Ending cash and cash equivalents	$ 1,675,034	$ 6,150,108
Supplementary cash flow information:		
Cash paid during the year for interest	$ 1,029,145	$ 935,009

See accompanying notes to financial statements.

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:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated by the Board either for specific purposes or for board designated endowment.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may, or will be, met by either actions of the College and/or the passage of time. Also included in this category are net assets subject to donor-imposed stipulations that 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.

Revenues: Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of 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 noncollectible.

(Continued)

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.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets without donor restrictions class.

Contributions of property, plant, and equipment without donor stipulations concerning the use of such long lived assets are reported as revenues of the net assets without donor restrictions 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 with donor restrictions 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, 2019 and 2018 is 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 of Financial Instruments: 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 Generally Accepted Accounting Principles ("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.

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.

(Continued)

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

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.

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 over $5,000 are capitalized.

(Continued)

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

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, 2019 and 2018.

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 contributions to net assets with donor restriction. 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, 2015 through June 30, 2018 for federal purposes and the years ended June 30, 2014 through June 30, 2018 for California purposes.

For federal there is an unrelated business income net operating loss carryover of approximately $1,797,000 and $1,795,000 as of June 30, 2019 and 2018, respectively. For California there is an unrelated business income net operating loss carryover of approximately $1,829,000 and $1,745,000 as of June 30, 2019 and 2018, respectively. A net operating loss can only be reflected as a benefit (deferred tax asset) on the statement of 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 recorded a full valuation allowance for the deferred tax assets on the statement of financial position for these net operating loss carryovers. There have been no related tax penalties or interest, which would be classified as tax expense in the statement of activities.

The net operating loss carryover will begin to expire June 30, 2025 for federal purposes and June 30, 2019 for California purposes.

The College applied 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, 2019 and the year ended June 30, 2018, nor are any changes anticipated in the twelve months following June 30, 2019.

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.

(Continued)

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

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 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 nonoperating 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). Non-functional expenses (depreciation, operation and maintenance of plant and interest expense) have been allocated based on the percent of actual direct expenditures and based on square footage of occupancy.

Reclassifications: Certain amounts in the prior year financial statements have been reclassified, with no effect on net assets or changes in net assets, to conform to current year presentations.

(Continued)

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

Mills' Financial Stabilization Plan: In June 2017, the Board adopted a three-year financial stabilization plan and revitalization program (MillsNext). This plan reorganized departments and divisions; reduced staff and faculty and other expenses; created revenue enhancement opportunities; and strengthened student retention programs. In the second year of the three-year plan, Mills has realized expense reductions but continues to experience slower than projected growth from enrollment initiatives, as time is required to fully launch and recruit for these initiatives. The College continues to invest resources in these new programs and will continue to do so to ensure revenue increases over the next several years. The successful collaboration with UC Berkeley allows: Mills students to earn a BA in environmental science at Mills and a BS in civil engineering from Berkeley within five years; UC Berkeley students to fast track their master's in business degree at Mills; Mills students to participate in UC Berkeley study abroad programs; and UC Berkeley students to reside at Mills. UC Berkeley and Mills will offer Pre-Collegiate Summer programs in the Arts in summer 2020 and a new STEM program that will pilot selective all-gender enrollment from UC Berkeley students beginning in fall 2020. MillsNext Bridge Strategic Plan (2018-2021), updated in June 2019, articulates the College's strategies to achieve sustainability and growth, which include expanded partnerships with co-located academic institutions and campus redevelopment through Public-Private Partnerships. Mills plans to develop 25 acres of underutilized land on campus for housing and mixed use projects and received several responses from a Request for Expressions of Interest that formed the basis for a formal Request for Proposal due in early February 2020. Prior to this, Mills did not pursue an offer from an independent third party for the purchase of 12 of these acres at an offered price of $1.1 million per acre. In addition, as part of the campus optimization project, Mills is looking for partners in the area of tech and healthcare workforce development. Other initiatives recently undertaken include: the creation of a strategic enrollment plan; a brand refresh; and market research to identify new high demand graduate programs which align with Mills' mission and values. Three new graduate programs have been developed and approved by the faculty and are now being considered for launch in fall 2021.

Because the initiatives described require time to contribute to cash flows, the College has experienced recurring negative cash flows from operations and operating losses, and Mills is in the process of monetizing certain campus assets in order to improve liquidity, enable investment, and manage cash flow as it identifies campus development and other partners. The College plans to market certain assets for sale in fiscal year 2019-20, including identified rare books and manuscripts and cell tower leases, with the expected combined selling prices to yield an estimated $5.7 million in net revenues. Mills has declined an offer from an internationally recognized auction house of a loan of $2.5 million as an advance on the sale of the books and manuscripts. Due to the fact that currently, the precise times and the amount of final revenues to be realized from these initiatives is not yet known with certainty, in January 2020, the Board adopted a plan to satisfy, as necessary, liquidity needs through June 2021, approving (1) additional borrowings from the donor-restricted endowment fund of up to $20 million, to be repaid in part from certain proceeds received from campus optimization transactions and (2) increasing the endowment payout rate to a maximum of 7%. The additional borrowings from the donor-restricted endowment fund will be evidenced by an interest-bearing note at the same interest rate and repayment terms as prior borrowings from the endowment fund. As of June 30, 2019, previously approved borrowings of $5.4 million from the donor-restricted endowment funds have been drawn upon.

Mills' $7,000,000 line of credit is fully drawn upon as of June 30, 2019. The line of credit capacity decreases to a maximum borrowing of $6,000,000 in March 2020 through February 2021 and $5,000,000 in March 2021 through February 2022. The $2,000,000 line of credit established with the Alumnae Association of Mills College (AAMC) is fully drawn upon and was utilized to launch the online Educational Leadership Program and to fund the MPower undergraduate signature experience designed to increase retention. Although the line of credit with the AAMC was due August 16, 2019, it has been extended for a period of three years past this date.

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

Adoption of New Accounting Standard: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities,* which revises the not-for profit financial reporting model. ASU 2016-14 provides for additional disclosure requirements and modifies net asset reporting. The standard requires the College to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor-imposed restrictions and net assets with donor-imposed restrictions, among other requirements. The College adopted ASU 2016-14 for its fiscal year ended June 30, 2019 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the liquidity disclosure, as permitted. The implementation of this ASU increased net assets without donor restrictions by $9,617,381 and decreased net assets with donor restrictions by $9,617,381 as of July 1, 2017.

Recent Accounting Pronouncements: 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. This ASU will supersede the current revenue recognition requirements 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, 2018. The College has not yet implemented this ASU and is in the process of assessing the effect on the College's financial statements.

In June 2018, the FASB issued Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The amendments in this Update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments provide additional guidance about how to determine whether a contribution is conditional. Stakeholders indicated that additional guidance would help reduce diversity in practice and ease the application of judgment because the current guidance is open to differences in interpretation and can be difficult to apply. The amendments provide for additional clarifying guidance for the evaluation of such arrangements, resulting in greater consistency in application of the guidance, and make the accounting for contributions more operable. The amendments in this ASU are effective retrospectively for 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.

(Continued)

NOTE 3 – STUDENT ACCOUNTS AND LOANS RECEIVABLE, NET

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

	2019	2018
Student accounts	$ 1,694,126	$ 1,427,325
Less allowance for doubtful accounts	(232,940)	(178,371)
Students accounts, net	1,461,186	1,248,954
Perkins loan program	1,355,027	1,490,508
Mills College loan program	1,763,061	1,913,495
	3,118,088	3,404,003
Less allowance for doubtful accounts:		
Beginning of year	(1,905,463)	(1,533,258)
Increases	(175,189)	(372,205)
End of year	(2,080,652)	(1,905,463)
Student loans receivable, net	1,037,436	1,498,540
Total student accounts and loans receivable, net	$ 2,498,622	$ 2,747,494

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, 2019 and 2018, net student loans represented 0.32% and 0.47% 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 $304,895 and $412,885 at June 30, 2019 and 2018, 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, 2019 and 2018, respectively, the following amounts were past due principal under student loan programs:

	30 days Past Due	60 days Past Due	3-12 months Past Due	13-24 months Past Due	>Than 24 months Past Due	Total Past Due
2019	$ -	$ 623	$ 1,250	$ 4,230	$ 760,369	$ 766,472
2018	$ -	$ 115	$ 2,104	$ 30,187	$ 685,910	$ 718,316

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

(Continued)

NOTE 4 – CONTRIBUTIONS AND TRUSTS RECEIVABLE, NET

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

	2019	2018
Contributions receivable expected to be collected in:		
Less than one year	$ 1,122,166	$ 1,899,875
One to five years	583,588	465,403
Total contributions receivable	1,705,754	2,365,278
Less unamortized discount to present value	(39,108)	(32,746)
Less allowance for uncollectible pledges	(39,698)	(52,505)
Contributions receivable, net	1,626,948	2,280,027
Beneficial interest in trusts held by third parties	10,120,198	10,390,867
Total contributions and trusts receivable, net	$ 11,747,146	$ 12,670,894

For the years ended June 30, 2019 and 2018, 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, 2017	$ 10,103,185
Additions	-
Distributions	-
Change in value of beneficial interest	287,682
Balance at June 30, 2018	10,390,867
Additions	-
Distributions	(2,208,920)
Change in value of beneficial interest	1,938,251
Balance at June 30, 2019	$ 10,120,198

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.

(Continued)

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

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:

June 30, 2019:

Trust Name	Fair Value of Underlying Assets	Valuation Technique	Unobservable Inputs	Quantitative Data
Trust A	$ 7,791,047	Market/income approach	Discount rate Lifespan Payout rate	2.8% 8.1 years 3.5%
Trust B	$ 3,178,252	Market/income approach	Discount rate Lifespan Payout rate	2.8% 12.1 years 3.5%
Trust C	$ 28,633	Market/income approach	N/A	Fair value of underlying investments
Other	$ 1,666,856	Market/income approach	Discount rate Lifespan Payout rate	2.8% 4.9 years – perpetuity 3.5% - 8.5%

June 30, 2018:

Trust Name	Fair Value of Underlying Assets	Valuation Technique	Unobservable Inputs	Quantitative Data
Trust A	$ 7,511,035	Market/income approach	Discount rate Lifespan Payout rate	4.8% 8.6 years 3.5%
Trust B	$ 3,049,488	Market/income approach	Discount rate Lifespan Payout rate	4.8% 12.7 years 3.5%
Trust C	$ 2,044,621	Market/income approach	N/A	Fair value of underlying investments
Other	$ 1,920,591	Market/income approach	Discount rate Lifespan Payout rate	4.8% 4.9 years – perpetuity 3.5% - 8.5%

(Continued)

NOTE 5 – INVESTMENTS

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

	2019	2018
Investment by fund category:		
Operating / 457(b)	$ 515,839	$ 297,181
Endowment:		
Pooled investments	190,906,398	187,857,556
Due from other funds	5,497,577	3,421,061
Total endowment pool assets	196,403,975	191,278,617
Annuity and life income investments	2,882,525	2,994,847
Due from other funds	(5,497,577)	(3,421,061)
Total investments by category	$ 194,304,762	$ 191,149,584
Investment by asset type:		
Cash and cash equivalents	$ 15,103,245	$ 18,629,996
Common stocks:		
U.S. common stocks	21,124,750	18,962,259
Non-U.S. common stocks	553,886	553,120
Fixed income	962,517	1,019,393
Mutual funds:		
Fixed income	35,045,806	34,967,312
Commingled funds:		
Traditional equities	11,078,382	10,153,488
Alternative equities	55,348,405	60,489,589
Security trading limited partnerships:		
Traditional equities	6,851,300	6,155,272
Alternative equities	47,493,391	39,519,109
Real estate investments trusts and other	743,080	700,046
Total investments by category	$ 194,304,762	$ 191,149,584

(Continued)

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, 2019 and 2018:

2019	Level 1	Level 2	Level 3	Other[1]	Total
Cash and cash equivalents	$ 15,014,878	$ -	$ -	$ -	$ 15,014,878
Common stocks:					
U.S. common stocks	21,124,750	-	-	-	21,124,750
Non-U.S. common stocks	553,886	-	-	-	553,886
Fixed income	-	962,517	-	-	962,517
Mutual funds:					
Fixed income	35,045,806	-	-	-	35,045,806
Commingled funds:					
Traditional equities	-	-	-	17,929,682	17,929,682
Alternative equities	-	-	-	67,314,032	67,314,032
Security trading limited partnerships:					
Alternative equities	-	-	-	35,527,764	35,527,764
Real estate investments trusts and other	597,870	84,006	61,204	-	743,080
Total investments by asset type	$ 72,337,190	$ 1,046,523	$ 61,204	$ 120,771,478	$ 194,216,395
Cash investments not included in leveling					88,367
Total investments by asset type					$ 194,304,762

The College had commitments for additional capital contributions to security trading limited partnerships totaling $10,014,248 at June 30, 2019.

[1] Investments using Net Asset Value (NAV) as a fair value expedient are not included in the fair value hierarchy, pursuant to the adoption of ASU 2015-07, *Fair Value Measurement.*

NOTE 5 – INVESTMENTS (Continued)

2018	Level 1	Level 2	Level 3	Other[2]	Total
Cash and cash equivalents	$ 18,567,450	$ -	$ -	$ -	$ 18,567,450
Common stocks:					
U.S. common stocks	18,962,259	-	-	-	18,962,259
Non-U.S. common stocks	553,120	-	-	-	553,120
Fixed income	-	1,019,393	-	-	1,019,393
Mutual funds:					
Fixed income	34,967,312	-	-	-	34,967,312
Commingled funds:					
Traditional equities	-	-	-	10,153,488	10,153,488
Alternative equities	-	-	-	60,489,589	60,489,589
Security trading limited partnerships:					
Traditional equities	-	-	-	6,155,272	6,155,272
Alternative equities	-	-	-	39,519,109	39,519,109
Real estate investments trusts and other	517,532	91,959	90,555	-	700,046
Total investments by asset type	$ 73,567,673	$ 1,111,352	$ 90,555	$ 116,317,458	$ 191,087,038
Cash investments not included in leveling					62,546
Total investments by asset type					$ 191,149,584

The College had commitments for additional capital contributions to security trading limited partnerships totaling $8,310,298 at June 30, 2018.

[2] Investments using Net Asset Value (NAV) as a fair value expedient are not included in the fair value hierarchy, pursuant to the adoption of ASU 2015-07, *Fair Value Measurement.*

NOTE 5 – INVESTMENTS (Continued)

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 Other still held at the reporting date, was $5,013,451 and $7,405,465 as of June 30, 2019, and 2018, respectively.

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

	2019	2018
Pooled investment income, net of $1,228,438 and $1,106,545 investment expenses in 2019 and 2018, respectively	$ 738,626	$ 603,999
Net realized gains, including pooled assets	3,547,415	3,278,651
Unrealized gains, including pooled assets	5,013,451	7,405,465
Total investment returns	9,299,492	11,288,115
Less non-operating investment gains	(494,533)	(2,445,558)
Investment returns allocated to operations	$ 8,804,959	$ 8,842,557

(Continued)

NOTE 5 – INVESTMENTS (Continued)

The College uses the Net Asset Value ("NAV") to determine the fair value of all the underlying investments that (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, 2019:

Structure	Strategy	NAV Balance	Number of Funds	Remaining Life	Remaining Unfunded	Remaining Draw-Down Period	Redemption Terms	Redemption Lockup	Gate Restriction
Equities [(1)]									
Comingled funds		$61,340,552	5	NA	NA	NA	Ranges from Daily to 30 days' notice with daily to semi-annual redemption opportunity	Past Lockups	0-25%
Hedge Funds [(2)]									
Comingled funds	Equity Long/Short Event Driven, Relative Value, Credit & Merge Arbitrage	23,626,635	7	NA	NA	NA	Ranges from 30 to 180 days' notice with monthly to semi-annual redemption opportunity	Past Lockups	0-30%
Investment partnerships		16,376,085	2	NA	NA	NA	Ranges from 60 to 65 days' notice with quarterly to semi-annual redemption opportunity	Past Lockups	10-50%
Hybrid Investments [(3)]									
Investment partnerships		5,441,864	3	7 to 10 Years	$ 2,369,811	1 to 3 Years	Redemption not permitted	NA	NA
Private Equity [(4)]									
Comingled funds	Venture Capital, Growth Equity & Leveraged Buyout	276,527	1	3 Years	49,035	0 Years	Redemption not permitted	NA	NA
Investment partnerships		9,547,044	12	1 to 10 Years	5,270,365	0 to 4 Years	Redemption not permitted	NA	NA
Real Assets									
Investment partnerships		4,162,771	6	1 to 30 Years	2,325,037	0 to 4 Years	Redemption not permitted	NA	NA
		$120,771,478	36		$ 10,014,248				

(Continued)

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.

NOTE 5 – INVESTMENTS (Continued)

The College uses the Net Asset Value ("NAV") to determine the fair value of all the underlying investments that (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, 2018:

Structure	Strategy	NAV Balance	Number of Funds	Remaining Life	Remaining Unfunded	Remaining Draw-Down Period	Redemption Terms	Redemption Lockup	Gate Restriction
Equities (1)									
Comingled funds		$ 52,911,731	4	NA	NA	NA	Ranges from Daily to 30 days' notice with daily to semi-annual redemption opportunity	Past Lockups	0-25%
Investment partnerships		6,155,272	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	23,096,034	7	NA	NA	NA	Ranges from 30 to 180 days' notice with monthly to semi-annual redemption opportunity	Past Lockups	0-30%
Investment partnerships		15,406,399	2	NA	NA	NA	Ranges from 60 to 65 days' notice with quarterly to semi-annual redemption opportunity	Past Lockups	10-50%
Hybrid Investments (3)									
Investment partnerships		4,916,645	3	7 to 10 Years	$ 662,702	1 to 3 Years	Redemption not permitted	NA	NA
Private Equity (4)									
Comingled funds		387,303	1	3 Years	49,035	0 Years	Redemption not permitted	NA	NA
	Venture Capital, Growth Equity & Leveraged Buyout								
Investment partnerships		9,005,950	11	1 to 10 Years	5,909,662	0 to 5 Years	Redemption not permitted	NA	NA
Real Assets									
Investment partnerships		4,438,124	5	1 to 30 Years	1,688,900	0 to 3 Years	Redemption not permitted	NA	NA
		$ 116,317,458	34		$ 8,310,299				

(Continued)

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 net assets with donor restrictions (a) the original value of gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accumulated unspent earnings are reported as net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.

Funds with deficiencies - Funds with deficiencies or underwater endowments represent the amounts by which the fair value of certain endowment funds with donor restrictions were below the amount required to be retained permanently. The College has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2019, 173 funds with original gift values of $68,382,755, fair values of $59,341,058, and deficiencies of $9,041,697 were reported in net assets with donor restrictions. As of June 30, 2018, 172 funds with original gift values of $68,049,279, fair values of $59,004,275, and deficiencies of $9,045,004 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions with donor restrictions 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 net assets with donor restrictions.

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).

(Continued)

NOTE 6 – ENDOWMENTS (Continued)

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% or the actual rate of inflation based on the BACPI for December, except that the increase for actual inflation cannot be greater than 5%. In addition, the total drawdown should be no more than 6% 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% for each of the years ending June 30, 2019 and 2018.

NOTE 6 – ENDOWMENTS (Continued)

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

2019	With Donor Restrictions
Endowment invested net assets, June 30, 2018	$ 187,857,556
Investment return	
Investment income, net of $1,228,438 in investment expenses	738,626
Net appreciation (realized/unrealized)	8,560,866
Total investment return	9,299,492
Additions from contributions	4,837,256
Appropriation of endowment assets for expenditure	(8,999,002)
Other changes:	
Reclass associated with change in donor designation	(12,388)
Change in due from/to other funds	(2,076,516)
Endowment invested net assets, June 30, 2019	190,906,398
Due from other funds	5,497,577
Total endowment funds	$ 196,403,975

NOTE 6 – ENDOWMENTS (Continued)

	Without Donor Restrictions	With Donor Restrictions
2018		
Endowment invested net assets, June 30, 2017	$ (9,617,381)	$ 194,534,060
Cumulative impact of adoption of ASU 2016-14	9,617,381	(9,617,381)
Endowment invested net assets, June 30, 2017, as restated	$ -	184,916,679
Investment return		
Investment income, net of $1,106,545 in investment expenses		603,999
Net appreciation (realized/unrealized)		10,684,116
Total investment return		11,288,115
Additions from contributions		5,759,977
Appropriation of endowment assets for expenditure		(9,044,331)
Other changes:		
Change in due from/to other funds		(5,062,884)
Endowment invested net assets, June 30, 2018		187,857,556
Due from other funds		3,421,061
Total endowment funds		$ 191,278,617

Endowment Borrowing: During 2018, the Board of Trustees approved for borrowing of up to $5 million from the donor-restricted endowment, with repayment, including interest at 5% per annum, in full by 2025. During 2019, borrowings of up to $5,497,577 were approved by the Board. As of June 30, 2019 and 2018, $5,497,577 and $3,421,061, respectively were due to the donor-restricted endowment from operating funds.

Subsequent to June 30, 2019, in January 2020, the Board of Trustees adopted a plan to satisfy, as necessary, liquidity needs through June 2021, by approving (1) additional $20 million of borrowings from the donor-restricted endowment fund, to be repaid in part from certain proceeds received from campus optimization transactions and (2) increasing the endowment payout rate to a maximum of 7%.

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT, NET

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

	2019	2018
Improvements	$ 78,672,978	$ 66,029,233
Buildings	104,543,217	103,843,217
Equipment	34,827,372	33,956,716
	218,043,567	203,829,166
Accumulated depreciation and amortization	(114,559,200)	(109,806,193)
	103,484,367	94,022,973
Land	291,687	291,687
Construction in progress	-	7,879,616
Total property, plant, and equipment, net	$ 103,776,054	$ 102,194,276

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:

	2019	2018
Collections	$ 3,304,769	$ 3,216,321

NOTE 9 – LINES OF CREDIT

The College has a four-year line of credit with First Republic Bank, executed in March 2018. 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 maximum borrowing decreases to $7,000,000 on March 1, 2019; $6,000,000 on March 1, 2020, and to $5,000,000 on March 1, 2021. The line matures on March 1, 2022. The interest rate on this line is prime rate less ½%. $7,000,000 and $8,000,000 was borrowed and outstanding at June 30, 2019 and 2018, respectively. The interest rate at June 30, 2019 and 2018 was 5% and 4.5%, respectively. The line is subject to the same covenants as the bonds payable (Note 10).

On August 16, 2018, the College entered into an additional line of credit with the Alumnae Association of Mills College ("AAMC"). The maximum borrowings are $2,000,000, and the line matured on August 15, 2019. The maturity date was extended for three additional years and now expires August 15, 2022. Interest is payable monthly at prime rate less ½% and was 5% at June 30, 2019. $1,999,800 was borrowed and outstanding at June 30, 2019.

(Continued)

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:

	Interest Rates	Maturity	2019	2018
CSCDA Series 2015	2.2% to 3.75%	7/1/2015 to 9/1/2035	$ 27,237,451	$ 28,516,368
Unamortized debt issuance costs			(235,259)	(249,963)
Unamortized bond discount and bond premium, net			(128,000)	(136,000)
Total bonds payable			$ 26,874,192	$ 28,130,405

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, and require the submission of audited financial statements within 180 days after year-end. As of June 30, 2019, management believes those covenants have been met or obtained an appropriate waiver.

Principal payments to be made for the next five years and thereafter as of June 30, 2019 are as follows:

2020	$ 1,314,033
2021	1,353,487
2022	1,389,449
2023	1,429,110
2024	1,473,291
Thereafter	20,278,081
Unamortized debt issuance costs	(235,259)
Unamortized premium/discount	(128,000)
	$ 26,874,192

NOTE 11 – NET ASSETS

Net assets consist of the following at June 30:

	2019	2018
Net assets with donor restriction consist of the following at June 30:		
Net assets with donor restriction for time or purpose:		
Remainder interest in split interest agreements	$ 10,123,428	$ 8,220,073
Contributions receivable	627,550	768,220
Donor funds restricted for specific purposes	1,717,783	5,094,904
	12,468,761	14,083,197
Net assets with donor restriction for endowment:		
Board designated quasi-endowments with donor use restrictions	191,714	201,528
Portion of perpetual endowment funds subject to a time restriction under UPMIFA (unappropriated endowment earnings)	36,648,109	36,587,297
Portion of endowment restricted for time or purpose	36,839,823	36,788,825
Net assets with perpetual donor restrictions:		
Portion of perpetual endowment funds subject to be retained permanently	152,218,035	147,131,292
Remainder interest in split interest agreements designated for endowment	972,618	1,137,470
Pledges and other contribution receivables	1,652,656	1,320,016
Perpetual income trusts held by others	752,112	2,780,327
Student loan funds	61,836	127,879
Total net assets with perpetual donor restrictions	155,657,257	152,496,984
Total net assets with donor restrictions	$ 204,965,841	$ 203,369,006

As of June 30, 2019 and 2018, assets with donor restrictions for the acquisition of long lived assets were $0 and $1,279,718, respectively, and are included within contributions receivable and funds with donor restrictions for specific use in the table above.

(Continued)

NOTE 12 – NET TUITION AND FEES

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

	2019	2018
Tuition and fees	$ 34,037,445	$ 46,398,709
Less:		
Sponsored student aid	(4,422,920)	(3,826,892)
Unsponsored student aid	(8,024,421)	(19,622,305)
Total financial aid	(12,447,341)	(23,449,197)
Net tuition and fees	$ 21,590,104	$ 22,949,512

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:

	2019	2018
Federal Pell grant program:		
Revenue	$ 1,895,440	$ 1,869,474
Expense	(1,895,440)	(1,869,474)
Net	$ -	$ -
California grant program:		
Revenue	$ 2,777,045	$ 2,433,742
Expense	(2,777,045)	(2,433,742)
Net	$ -	$ -

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:

	2019	2018
Federal Direct Loan	$ 9,611,783	$ 10,748,644
Federal Direct Loan - Graduate	1,489,521	1,947,962
Total	$ 11,101,304	$ 12,696,606

(Continued)

NOTE 14 – EXPENSES BY FUNCTION

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses have been classified as functional expenses (instruction, research, public service, academic support, student services, institutional support and auxiliary services). Non-functional expenses (depreciation, operation and maintenance of plant and interest expense) have been allocated based on the percent of actual direct expenditures and based on square footage of occupancy.

2019

	Program activities			Supporting Activities			
	Academic and Student Programs	Public Service	Auxiliaries	Administrative Support	Fundraising	Facilities Operation and Maintenance	Total expense
Salaries and wages	$ 20,609,806	$ 1,346,469	$ 540,135	$ 4,460,050	$ 1,328,192	$ 2,072,894	$ 30,357,546
Employee benefits	3,455,886	264,787	125,142	1,648,404	263,712	528,295	6,286,226
Services, supplies and other	5,942,306	855,516	3,958,793	1,839,151	281,339	512,695	13,389,800
Occupancy, utilities and maintenance	692,163	13,386	802,877	938,845	61,277	3,397,382	5,905,930
Depreciation and amortization	2,085,595	168,488	1,777,001	514,580	220,535	-	4,766,199
Interest expense	467,339	37,755	398,190	115,307	49,417	-	1,068,008
	33,253,095	2,686,401	7,602,138	9,516,337	2,204,472	6,511,266	61,773,709
Facilities Operation and Maintenance	2,849,201	230,176	2,427,623	702,986	301,280	(6,511,266)	-
Total expenses	$ 36,102,296	$ 2,916,577	$ 10,029,761	$ 10,219,323	$ 2,505,752	$ -	$ 61,773,709

2018

	Program activities			Supporting Activities			
	Academic and Student Programs Programs	Public Service	Auxiliaries	Administrative Support	Fundraising	Facilities Operations and Maintenance	Total expense
Salaries and wages	$ 22,066,559	$ 1,235,711	$ 480,505	$ 4,426,042	$ 1,338,230	$ 2,034,386	$ 31,581,433
Employee benefits	3,471,670	237,787	98,554	1,688,142	227,445	473,512	6,197,110
Services, supplies and other	5,689,000	614,793	3,826,127	1,101,334	243,252	556,253	12,030,759
Occupancy, utilities and maintenance	754,522	18,384	803,647	1,250,742	51,308	3,855,167	6,733,770
Depreciation and amortization	1,997,127	131,948	1,659,570	452,746	194,034	-	4,435,425
Interest expense	442,758	29,170	366,887	100,090	42,896	-	981,801
	34,421,636	2,267,793	7,235,290	9,019,096	2,097,165	6,919,318	61,960,298
Facilities Operation and Maintenance	3,120,371	205,579	2,585,664	705,392	302,312	(6,919,318)	-
Total expenses	$ 37,542,007	$ 2,473,372	$ 9,820,954	$ 9,724,488	$ 2,399,477	$ -	$ 61,960,298

NOTE 15 – CONTRIBUTION PLANS

Employees with six months 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 after twelve months of service. The College's contributions for the years ended June 30, 2019 and 2018 were $523,788 and $45,440, respectively.

(Continued)

NOTE 16 – 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, 2019, were approximately $1,550,000.

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 timeline expiring in December 2023. The College estimates costs which will result in additions to plant assets to be $850,000. The College has not accrued for any amounts in facility modifications expenditures in the year ended June 30, 2019, 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 17 – 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, 2019 and 2018 are contributions receivable from related parties totaling $3,000 and $70,903, respectively. Included in revenues for the years ended June 30, 2019 and 2018 are contributions from related parties totaling $5,000 and $70,903, respectively.

(Continued)

NOTE 18 - LIQUIDITY

The College's financial assets available within one year of June 30, 2019 to meet general expenditures are approximately as follows:

Current cash and cash equivalents	$ 1,675,034
Current accounts receivable	2,498,622
Current contributions receivable	1,122,166
Government grants	1,579,197
Subsequent year's endowment payout available for operations	3,637,559
Total	$ 10,512,578

The College structures its financial assets to be available for its general expenditures, grant disbursements and other operational obligations as they arise. The College plans to market certain assets for sale in fiscal year 2019-20, including identified rare books and manuscripts and cell tower leases, with the expected selling price to be approximately $5.7 million in net revenues. As these amounts are not certain, Mills also has Board approval for $20 million of additional borrowings from the donor-restricted endowment, to be repaid in part from certain proceeds received from campus optimization transactions to satisfy liquidity as needed. See Note 2, Mills' Financial Stabilization Plan for additional information regarding liquidity. The College's endowment has a market value of $191 million as of June 30, 2019, which is approximately $31 million over the corpus.

NOTE 19 – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2019, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2019. Management has performed their analysis through January 30, 2020, the date the financial statements were available to be issued.

MILLS COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Agency Program Title	Federal CFDA Number	Year ended June 30, 2019 Federal Expenditures
Student Financial Aid Cluster:		
Department of Education:		
Federal Supplemental Educational Opportunity Grant	84.007	$ 147,750
Federal Direct Student Loans	84.268	11,101,304
Federal Work-Study Program	84.033	329,522
Federal Perkins Loan Program	84.038	1,490,508
Federal Pell Grants	84.063	1,895,440
Federal Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) (Ed credential)	84.379	26,176
Total Student Financial Aid Cluster		14,990,700
Trio Cluster:		
Department of Education		
Upward Bound - renewal	84.047A	819,183
Upward Bound – Contra Costa County renewal	84.044A	244,201
Upward Bound-Small schools renewal	84.044A	224,391
Talent Search	84.044A	309,402
Total Trio Cluster		1,597,177
Total Department of Education		16,587,877
Research and Development Cluster:		
National Science Foundation		
STEM Ed Support:		
Supporting a Fundamental Shift in Math Teaching (SERP)	47.076	46,911
Total STEM Ed Support		46,911
NSF, Supporting a Fundamental Shift In Math Teaching (SERP)	47.076	316,101
NSF, Oak Urban Teacher Residency	47.076	120,495
Total Research and Development Cluster		483,507
Department of Education		
Learning in Ghana: Linking Language, Literacy, and Culture	84.021	78,832
Improvement of Elementary Fractions Instructions	84.305	544,621
Total Department of Education		623,453
Total expenditures of federal awards		$ 17,694,837

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTE 1 – BASIS OF PRESENTATION

Basis of Presentation: The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the College under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2 – FEDERAL PERKINS LOAN PROGRAM

There were no new loans during the year ended June 30, 2019. The amount presented in the Schedule for Perkins represents the loan balance outstanding of $1,490,508 at July 1, 2018.

NOTE 3 – FEDERAL DIRECT LOAN PROGRAM

Federally guaranteed loans issued to students and parents of students of the College under the Federal Direct Loan program during the year ended June 30, 2019 are summarized as follows:

CFDA Number	Program Name	Loans Issued
84.268	Federal Direct Loan	$ 9,611,783
84.268	Federal Direct Loan - Graduate	1,489,521
		$ 11,101,304

The College is responsible for the performance of certain administrative duties with respect to these federally guaranteed student loan programs; however, balances and transactions relating to these loans programs are not included in the College's basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
Mills College
Oakland, California

We have audited, in accordance with the 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, the financial statements of Mills College (College), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
January 30, 2020

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The Board of Trustees
Mills College
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited Mills College's (College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2019. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

(Continued)

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
January 30, 2020

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _______Yes ___X___ No

Significant deficiencies identified not considered to be material weaknesses? _______Yes ___X___ None Reported

Noncompliance material to financial statements noted? _______Yes ___X___ No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _______Yes ___X___ No

Significant deficiencies identified not considered to be material weaknesses? _______Yes ___X___ None Reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _______Yes ___X___ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
	Student Financial Aid Cluster
	U.S Department of Education
84.007	Federal Supplemental Educational Opportunity Grants
84.268	Federal Direct Student Loans
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.379	Teacher Education Assistance for College and Higher Education Grants

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? _______Yes ___X___ No

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION

None

FINDING 2018-001 – Verification (Eligibility)

Condition:	The College did not initiate the verification process for four students who were disbursed aid. The College subsequently completed verification as a result of our audit procedures identifying this. In addition, in the verification process for another six students, the College did not identify and correct certain discrepancies in components of income Also, an independent review of the verification process was not conducted.
Recommendation:	We recommend the College review the current policies and procedures related to the verification process to ensure all information is reported correctly during the verification process, and that the process is completed prior to aid being disbursed.
Status:	This has been corrected.