Hiram College

Consolidated Financial Report
June 30, 2019

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Independent Auditor's Report

Board of Trustees
Hiram College

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Hiram College, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hiram 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 1 to the consolidated financial statements, the College adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* during the current year. Our opinion is not modified with respect to this matter.

Other Matter
Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 additional 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 December 16, 2019 on our consideration of Hiram 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 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 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 Hiram College's internal control over financial reporting and compliance.

RSM US LLP

Cleveland, Ohio
December 16, 2019

Hiram College

Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 6,284,014	$ 8,189,965
Restricted cash	2,271,138	2,292,639
Accounts receivable:		
Students, net	2,204,706	2,078,071
Federal receivable	156,433	54,067
Other	764,731	857,844
Pledges receivable, net	2,686,881	2,942,739
Inventory	277,097	332,213
Prepaid expenses	488,802	340,606
Total current assets	15,133,802	17,088,144
Other assets:		
Pledges receivable, net	294,075	2,222,115
Loans to students, net:		
Perkins	2,077,665	2,432,707
Other - institutional	171,503	145,180
Investments	39,078,190	38,541,519
Investments - trusts	976,857	727,140
Investments - beneficial interest in funds held by others	19,739,660	19,547,219
Property, plant and equipment, net	62,217,918	62,476,798
Total other assets	124,555,868	126,092,678
Total assets	$ 139,689,670	$ 143,180,822

(Continued)

Hiram College

Consolidated Statements of Financial Position (Continued)
June 30, 2019 and 2018

	2019	2018
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and other liabilities	**$ 1,225,909**	$ 1,655,941
Accrued payroll	**490,402**	828,582
Line of credit	**2,270,721**	1,082,226
Accrued interest payable	**448,145**	458,205
Notes payable	**20,000**	88,140
Capital leases	**336,299**	304,452
Ohio Development Services loan	**342,458**	335,710
Bonds payable	**725,000**	475,000
Deferred revenue and refundable advance	**580,608**	1,037,776
Trusts and annuities payable	**184,023**	185,193
Total current liabilities	**6,623,565**	6,451,225
Other liabilities:		
Notes payable	**41,486**	61,486
Capital leases	**227,310**	411,213
Ohio Development Services loan	**3,409,077**	3,751,535
Bonds payable, net	**24,641,980**	25,331,729
Subordinated debt, net	**7,974,074**	7,972,963
Trusts and annuities payable	**858,096**	908,940
Custodial funds	**1,064,920**	1,149,948
Refundable loan programs	**1,931,307**	2,009,462
Total other liabilities	**40,148,250**	41,597,276
Total liabilities	**46,771,815**	48,048,501
Net assets:		
Without donor restrictions	**11,366,280**	8,790,714
With donor restrictions	**81,551,575**	86,341,607
Total net assets	**92,917,855**	95,132,321
Total liabilities and net assets	**$ 139,689,670**	$ 143,180,822

See notes to consolidated financial statements.

Hiram College

Consolidated Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Student tuition and fees:	$ 27,871,450	$ -	**$ 27,871,450**
Unfunded	(13,812,004)	-	**(13,812,004)**
Funded	(1,859,368)	-	**(1,859,368)**
Net tuition revenue	12,200,078	-	**12,200,078**
Federal and state grants	1,510,995	-	**1,510,995**
Gifts and grants	2,476,350	5,257,761	**7,734,111**
Auxiliary enterprises	6,818,048	-	**6,818,048**
Property management, study abroad and other miscellaneous	890,008	-	**890,008**
Investment income, net	718,588	662,057	**1,380,645**
Realized and unrealized gains on investments	7,269	756,599	**763,868**
Change in fair value of beneficial interest in funds held by others	-	192,441	**192,441**
Revaluation of unitrust and annuities	41,456	10,559	**52,015**
Net assets released from restrictions	11,669,449	(11,669,449)	**-**
Total revenues	36,332,241	(4,790,032)	**31,542,209**
Expenses:			
Educational and general:			
Instructional and departmental expenses	9,013,046	-	**9,013,046**
Academic support	3,118,294	-	**3,118,294**
Student services	6,624,771	-	**6,624,771**
Institutional support	5,042,204	-	**5,042,204**
Operation and maintenance of plant	4,529,912	-	**4,529,912**
Auxiliary enterprises	5,428,448	-	**5,428,448**
Total expenses	33,756,675	-	**33,756,675**
Change in net assets	2,575,566	(4,790,032)	**(2,214,466)**
Net assets - beginning of year	8,790,714	86,341,607	**95,132,321**
Net assets - end of year	$ 11,366,280	$ 81,551,575	**$ 92,917,855**

See notes to consolidated financial statements.

Hiram College

Consolidated Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Student tuition and fees:	$ 27,225,329	$ -	$ 27,225,329
Unfunded	(12,165,238)	-	(12,165,238)
Funded	(2,002,020)	-	(2,002,020)
Net tuition revenue	13,058,071	-	13,058,071
Federal and state grants	1,168,065	-	1,168,065
Gifts and grants	3,385,244	8,967,873	12,353,117
Auxiliary enterprises	7,035,397	-	7,035,397
Property management, study abroad and other miscellaneous	849,376	-	849,376
Investment income, net	616,304	534,999	1,151,303
Realized and unrealized gains on investments	71,282	2,534,440	2,605,722
Change in fair value of beneficial interest in funds held by others	-	835,331	835,331
Revaluation of unitrust and annuities	80,091	11,038	91,129
Net assets released from restrictions	6,696,788	(6,696,788)	-
Total revenues	32,960,618	6,186,893	39,147,511
Expenses:			
Educational and general:			
Instructional and departmental expenses	11,030,366	-	11,030,366
Academic support	3,050,525	-	3,050,525
Student services	6,381,812	-	6,381,812
Institutional support	4,400,011	-	4,400,011
Operation and maintenance of plant	4,194,551	-	4,194,551
Auxiliary enterprises	5,159,331	-	5,159,331
Total expenses	34,216,596	-	34,216,596
Change in net assets	(1,255,978)	6,186,893	4,930,915
Net assets - beginning of year	9,121,790	81,079,616	90,201,406
Reclassification to implement ASU 2016-14	924,902	(924,902)	-
Adjusted net assets at beginning of year	10,046,692	80,154,714	90,201,406
Net assets - end of year	$ 8,790,714	$ 86,341,607	$ 95,132,321

See notes to consolidated financial statements.

Hiram College

Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	**$ (2,214,466)**	$ 4,930,915
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**3,421,908**	3,145,970
Net realized and unrealized gain on investments	**(763,868)**	(2,605,722)
Change in fair value of beneficial interest in funds held by others	**(192,441)**	(835,331)
Gifts restricted for capital	**(3,237,879)**	(3,299,624)
Gifts restricted for endowment	**(1,831,758)**	(628,135)
Forgiveness of debt on notes payable	**(47,500)**	(50,000)
Changes in operating assets and liabilities:		
Accounts receivable, net	**(135,888)**	131,857
Pledges receivable, net	**2,183,898**	(3,784,632)
Inventory and prepaid expenses	**(93,080)**	94,424
Accounts payable, accrued payroll and accrued interest	**(778,273)**	237,802
Deferred revenue and refundable advances	**(457,168)**	499,082
Custodial funds	**(85,028)**	(18,750)
Refundable loan programs	**(78,155)**	(154,553)
Net cash used in operating activities	**(4,309,698)**	(2,336,697)
Cash flows from investing activities:		
Decrease in restricted cash	**21,501**	25,976
Acquisition of property, plant and equipment	**(2,952,973)**	(3,120,818)
Decrease in loans receivable	**328,719**	260,412
Proceeds from sale of investments	**2,001,879**	3,582,047
Purchase of investments	**(2,024,399)**	(876,166)
Net cash used in investing activities	**(2,625,273)**	(128,549)
Cash flows from financing activities:		
Decrease in trusts and annuities payable	**(52,014)**	(91,129)
Borrowings on line of credit	**1,188,495**	687,076
Payments on Ohio Development Services loan	**(335,710)**	(329,095)
Payments on notes payable	**(40,640)**	(116,803)
Payments on capital leases	**(325,748)**	(435,595)
Payments on bonds payable	**(475,000)**	(125,000)
Gifts restricted for capital	**3,237,879**	3,299,624
Gifts restricted for endowment	**1,831,758**	628,135
Net cash provided by financing activities	**5,029,020**	3,517,213
Net (decrease) increase in cash and cash equivalents	**(1,905,951)**	1,051,967
Cash and cash equivalents:		
Beginning	**8,189,965**	7,137,998
Ending	**$ 6,284,014**	$ 8,189,965

(Continued)

Hiram College

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2019 and 2018

	2019	2018
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	**$ 1,912,473**	$ 1,903,087

Supplemental disclosure of noncash transactions:
During the year ended June 30, 2019, the College executed a capital lease agreement for certain property in an amount totaling $173,692.
During the year, the College wrote off fully depreciated property of $1,269,037.

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Hiram College (the College) is a four-year coeducational liberal arts college located in Hiram, Ohio. The College is a nationally respected institution that offers students a distinct learning environment with an emphasis on close student-faculty interactions, international study experiences, and experiential learning environments.

Principles of consolidation: These financial statements are consolidated to include the accounts of the College and its wholly-owned subsidiary Hiram College Property Management, Inc. (Property Management) – an entity formed to hold title to rental property on behalf of the College.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of presentation: The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The College is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are net assets that are free of donor imposed restrictions as well as net assets designated by the governing board.

Net assets with donor restrictions include net assets from grants, contributions, investment income or other inflows where the use is limited by donor imposed restrictions that either expire by the passage of time or can be fulfilled by actions of the College.

Also included in net assets with donor restrictions are net assets subject to donor imposed restrictions to be maintained permanently by the College, which include gifts and pledges for endowment wherein donors stipulate that the corpus of the gift be held in perpetuity and only the income is utilized. Other donor restricted items in this net asset category include the College's interest in the values of certain perpetual trusts and annuity and life income gifts for which the principal is held in perpetuity and the income may or may not be subject to donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor imposed restrictions. When a donor restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Newly adopted accounting pronouncements: The College adopted the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 606, *Revenue from Contracts with Customers.* The adoption of the standard resulted in additional disclosures for revenue recognition in Note 1. The adoption did not have a significant impact on the financial statements.

The College adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, that clarifies and improves the scope of accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations. The adoption did not have a significant impact on the financial statements.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Finally, the College adopted FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaced the previous three classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions,” and expanded disclosures about the nature and amount of any donor restrictions. The College adopted this standard for the fiscal year ended June 30, 2019 which resulted in an increase in net assets without donor restrictions and a decrease in net assets with donor restrictions in the amount of $924,902.

Tuition revenue recognition: The College records tuition and fees collected prior to the beginning of the semester as deferred revenue. Revenue from tuition and student fees primarily relates to undergraduate and graduate programs offered at the College and is recognized ratably over each period in which the class is delivered.

Auxiliary enterprises: Revenue from auxiliary enterprises is recognized when goods are delivered or ratably over each period in which the service is provided.

The College utilized the portfolio approach to apply the new standard to tuition and student fee revenue and auxiliary enterprises revenue. The College has elected the practical expedient with respect to performance obligations under its contracts with students as all such contracts have original terms of less than one year.

Contributions: Contributions, including unconditional promises to give, are recognized as revenues in the period cash is received or, if earlier, the promise is made. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire or construct property and equipment with such donor stipulations are reported as revenues with donor restrictions; the restrictions are considered to be released when the long-lived assets are placed in service. Gains and investment income, other than on endowment investments or other assets, received with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of 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 provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

Grants (government and private): Revenues from government and private grants are recognized as they are earned in accordance with the agreement. Any funding received before it is earned is recorded as a refundable advance. Revenues earned before cash is received are recorded as receivables. At June 30, 2019 conditional grants totaled approximately $685,000.

Property management, study abroad and miscellaneous: Revenues from property management, study abroad and other miscellaneous activities are recognized as they are earned in accordance with the agreement or when the activity occurs. Any funding received before it is earned is recorded as a refundable advance. Revenues earned before cash is received are recorded as receivables.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Expiration of donor-imposed restrictions: The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires. At that time, the related resources are released to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions of cash or other assets to be used to acquire land, buildings and equipment without donor stipulations are reported as revenues in the net assets with donor restrictions class. The restrictions are considered to be released when the asset is placed in service.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors. In 2019 and 2018, respectively, the College released $7,960,758 and $6,696,788 from net assets with donor restrictions.

Cash and cash equivalents: The College deems funds with an original maturity of three months or less to be cash equivalents. Cash in these accounts at times may exceed federally insured limits. As a result, the College is subject to custodial credit risk.

Restricted cash: The College has classified certain bond proceeds as restricted cash. These funds consist primarily of a bond reserve fund and a funded interest fund as required by the 2015 bonds.

Allowance for uncollectible accounts receivable: The College uses the allowance method to account for uncollectible accounts. Management performs a monthly review of outstanding receivables which includes a review of the age of total receivables as well as an analysis of individual balances which are dated. Accounts which are deemed uncollectible will be sent to collection based on specific identification. The College charges interest at 12% on past due receivables for non-current students.

Inventory: Inventories of textbooks and bookstore supplies are carried at lower of cost or market. Other inventories are carried at cost and consist of printing, plant and dining supplies.

Total return concept: As permitted by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the College uses the total return concept in making distributions from its endowments. Under this method, a portion of the cumulative appreciation on investments held by the endowments is made available for distribution. Additional appreciation is allocated to net assets with donor restrictions until appropriated for expenditure and satisfaction of donor restrictions.

Beneficial interest in funds held by others: The College is the beneficiary of an income stream from funds held by others. These resources are not in the College's possession, nor under its control. These funds are irrevocable and are held and administered by outside trustees. The beneficial interest in funds held by others is reported at the present value of the estimated income the College will receive in the future when an irrevocable trust is established or the College is notified of its existence. The College's beneficial interest in funds held and administered by others generated $680,230 and $629,877 of cash sent to the College for the years ended June 30, 2019 and 2018, respectively. The funds are recorded as investment income in the consolidated statements of activities. The fair value of beneficial interest in funds held by others at June 30, 2019 and 2018 is $19,739,660 and $19,547,219, respectively.

Property, plant and equipment: The College's land, buildings, equipment, and library books are stated at cost at the date of acquisition or in the case of a gift, at fair value at the date of the gift. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method at rates designed to amortize the cost of depreciable assets over their estimated remaining useful lives, which range from 5 to 60 years. Depreciation expense totaled $3,385,545 and $3,070,927 for the years ended June 30, 2019 and 2018, respectively, and is allocated to the appropriate program.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Valuation of long-lived assets: The College reviews long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. No impairment issues were identified by management at June 30, 2019 or 2018.

Deferred bond issuance costs: In 2016, the College capitalized certain issuance costs associated with the issuance of the 2015 State of Ohio Higher Educational Facility Revenue Refunding Bonds (the 2015 Bonds) and subordinated debt totaling $702,274. These costs are being amortized over the maturity of the 2015 Bonds and subordinated debt. Amortization expense was $35,251 for the years ended June 30, 2019 and 2018. The unamortized deferred bond issuance costs are reflected as a reduction of the bonds payable on the consolidated statements of financial position.

Refundable loan programs: The College participates in the U.S. Department of Education's Federal Perkins Loan Program to grant low interest loans to students demonstrating exceptional financial need. After a student's graduation or withdrawal, Perkins loans are to be repaid over a maximum of ten years.

The Federal Perkins Loan Program expired on September 30, 2017 and the College did not disburse Perkins loans to any new student on or after October 1, 2017, except for subsequent disbursements of loans first disbursed between June 30, 2017 and September 30, 2017. For the near future, the College plans to administer the Perkins Loan Program and continue normal collections on the outstanding loan balance. Ultimately, the Perkins Loan funds are refundable to the U.S. Government to the extent funds are available from the program. Upon ultimate shut down of the program, the College would be required to return most of its loan program assets to the U.S. Government. Accordingly, the College has a liability to the U.S. Government in the amount of $1,931,307 and $2,009,462 as of June 30, 2019 and 2018, respectively.

Income taxes: The Internal Revenue Service has determined the College to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The College was the sole member of Hiram Ventures, LLC and therefore Hiram Ventures, LLC was considered a disregarded entity. Property Management is exempt from tax under Section 501(c)(2) of the Internal Revenue Code and applicable state/law, except for taxes pertaining to unrelated business taxable income, if any.

The College adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the College may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the College, the continued tax-exempt status of bonds issued by the College, and various positions related to the potential sources of unrelated business income tax (UBIT). The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management has evaluated the College's positions and has concluded that the College has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with provisions of this guidance.

The College files a Form 990 annually in the U.S. federal jurisdiction.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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

Functional expenses: Expenses have been classified as academic and student programs, auxiliaries, facilities operation and maintenance, management and general and fundraising. These are classified based on direct expenditure where possible. Natural expenses attributable to more than one functional expense category are allocated proportionally by assigned square footage.

Fair value of financial instruments: The College is required to disclose fair value information about financial instruments, whether or not recognized on the consolidated statements of financial position. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents, operating assets and liabilities: The carrying amounts approximate fair value because of the short-term maturity of these instruments.
- Investments: The fair value of the College's investments is estimated by the College using available information, including quoted market prices and appropriate valuation methodologies as described in Note 13.
- Investments – beneficial interest in funds held by others: The fair value of the College's beneficial interest in funds held by others is reported at the fair value of the estimated income stream of funds held and administered by others.
- Loans receivable under donor-restricted and federally-sponsored loan programs: The fair value of these assets could not be made because the notes are not salable and are subject to significant restrictions as to their transfer and disposition.
- Long-term debt: The fair value of the College's long-term debt is estimated by discounting the future cash flows at rates currently offered to the College for similar debt instruments of comparable maturities. The fair value of these debt instruments approximates carrying value.

Reclassification: Certain amounts from the 2018 financial statements have been reclassified to conform to the current year presentation. During 2019, management performed an analysis of its net assets and identified $3,708,691 that needed to be reclassed from with donor restrictions to without donor restrictions. This reclassification has been included in the consolidated statement of activities as "net assets released from restrictions".

Recently issued accounting pronouncements: The FASB has issued the following pronouncements that have not yet been implemented by the College:

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for the College for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. For all non-public entities, this guidance is effective for fiscal years beginning after December 31, 2018, and interim periods within fiscal years beginning after December 31, 2019. Early adoption is permitted, and retrospective application is required.

In August 2018, the FASB issued ASU 2018-13, *Changes to Disclosure Requirements for Fair Value Measurement.* The objective of this statement is to modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement.* The statement is effective for all entities for fiscal years beginning after December 15, 2019. Early adoption is permitted.

The College is currently evaluating the impact of the adoption of these new standards on their consolidated financial statements.

Subsequent events: The College has evaluated subsequent events for potential recognition and/or disclosure through December 16, 2019, the date the consolidated financial statements were available to be issued.

Note 2. Accounts Receivable and Loans to Students, Net

The balance in receivables and allowances for doubtful accounts based on management's review of accounts and on historical collection rates is comprised of the following at June 30:

	2019	2018
Student accounts	$ 3,340,180	$ 2,863,546
Less allowance for doubtful accounts	(1,135,474)	(785,475)
Net student accounts	2,204,706	2,078,071
Federal receivable	156,433	54,067
Other accounts	764,731	857,844
Total accounts receivable	$ 3,125,870	$ 2,989,982
Student loans	$ 3,323,039	$ 3,555,262
Less allowance for doubtful accounts	(1,073,871)	(977,375)
Total student loans receivable	$ 2,249,168	$ 2,577,887

Note 3. Pledges Receivable, Net

The College has received unconditional promises to give from donors. Management has recorded an allowance for uncollectible pledges based on a detailed review of outstanding pledges. The pledges due are as follows at June 30:

	2019	2018
In one year or less	$ 2,686,881	$ 2,942,739
Between one year and five years	305,657	2,314,300
	2,992,538	5,257,039
Less allowance for uncollectible promises	(5,522)	(69,371)
Less discount on pledges	(6,060)	(22,814)
Total pledges receivable	$ 2,980,956	$ 5,164,854

Note 4. Investments

The carrying value of the College's investments consisted of the following at June 30:

	2019		2018	
	At Cost	Fair Value	At Cost	Fair Value
Common stocks	$ 283,942	$ 383,508	$ 257,276	$ 378,385
Foreign equity investments	4,300,060	6,060,278	5,039,583	6,896,987
Bond funds	9,840,959	9,773,781	8,900,528	8,650,669
Hedge funds	2,750,000	3,631,294	4,000,000	4,863,016
Mutual funds	15,059,449	19,025,825	13,414,401	17,532,941
Cash and money market funds	203,504	203,504	219,521	219,521
	$ 32,437,914	$ 39,078,190	$ 31,831,309	$ 38,541,519

Note 5. Custodial Funds

The College is custodian of various funds. These funds are included in the investments of the College with corresponding liabilities recorded in the consolidated financial statements. As an example, Hiram Community Trust is managed by the College for use by the Hiram community.

Note 6. Property, Plant and Equipment, Net

The College's property, plant and equipment is comprised of the following at June 30:

	2019	2018
Buildings	$ 95,507,706	$ 93,221,586
Library books	1,530,173	1,651,996
Furniture, fixtures and equipment	8,628,301	9,024,426
Land	4,124,300	4,124,300
Hiram Inn	1,351,674	1,351,674
Property management	1,168,004	979,477
Subtotal	112,310,158	110,353,459
Accumulated depreciation:		
College	(48,968,625)	(46,898,465)
Hiram Inn	(524,019)	(495,368)
Property Management	(703,910)	(686,213)
Total accumulated depreciation	(50,196,554)	(48,080,046)
Construction in progress	104,314	203,385
Net property, plant and equipment	$ 62,217,918	$ 62,476,798

Note 7. Trusts and Annuities Payable

The College is obligated under various trusts and annuity contracts, whereby donors have contributed to the College with an agreement that the donor or a named beneficiary shall be the recipient of annual annuity payments. These annual payments, which totaled $194,463 and $182,640 for the years ended June 30, 2019 and 2018, respectively, shall terminate on the last payment date preceding the death of the donor. The annuities have been discounted at rates ranging from 3.6% to 11.3%.

Note 8. Line of Credit

The College has a $5,000,000 line of credit with a bank that bears interest at LIBOR plus 3.25% (5.394% and 5.338% at June 30, 2019 and 2018, respectively). The College has drawn $2,270,721 and $1,082,226 on the line of credit as of June 30, 2019 and 2018, respectively. Interest expense for the years ended June 30, 2019 and 2018 was $82,845 and $31,062, respectively. In October 2018, this line of credit was renewed and amended to extend the maturity to December 2020. This line of credit is subordinate to the 2015 Bonds, and is secured by a specified brokerage account, as defined in the line of credit agreement, and an assignment of income associated with the brokerage account.

Note 9. Bonds Payable, Net

On October 21, 2015, the Ohio Higher Educational Facility Commission (OHEFC) issued $26,610,000 State of Ohio Higher Educational Facility Revenue Refunding Bonds (the 2015 Bonds) on behalf of the College. Proceeds from the issuance of the 2015 Bonds were used to retire the existing 2010 Bonds, payoff a campus improvement loan, and payoff and close an existing line of credit.

Note 9. Bonds Payable, Net (Continued)

The 2015 Bonds were purchased by a single investor in two tranches, consisting of $2,910,000 maturing in October 2021 and $23,700,000 maturing in October 2041. The 2015 Bonds require semi-annual interest payments and bear interest at 6.00% over the entire term of the outstanding bonds. The bonds maturing in October 2021 are subject to a defined mandatory redemption commencing on October 1, 2016 and annually thereafter, with the remaining principal amount payable at maturity. These bonds are also subject to optional redemption at the direction of the College on any date on or after October 1, 2018. The bonds maturing in October 2041 are subject to a defined mandatory redemption commencing on October 1, 2022 and annually thereafter, with the remaining principal amount payable at maturity. These bonds are also subject to optional redemption at the direction of the College on any date on or after October 1, 2025. The College is subject to certain financial covenants as defined in the bond agreement. The 2015 Bonds are collateralized by a mortgage on the real and personal property of the College and a pledge of revenues, as defined in the bond agreement.

The annual maturities of the 2015 Bonds for each of the next five years and thereafter are as follows:

2020	$ 725,000
2021	740,000
2022	745,000
2023	700,000
2024	700,000
Thereafter	22,300,000
Total	25,910,000
Less: deferred bond issuance costs	(543,020)
Total, net	$ 25,366,980

Concurrently with the issuance of the 2015 Bonds, the College entered into subordinate loans with two banks in the amount of $5,333,333 and $2,666,667, respectively. Proceeds from these subordinate loans were also used to retire the existing 2010 Bonds. The subordinate loans bear interest at 2.00% and require semi-annual interest payments commencing April 1, 2016, as long as the College maintains a minimum debt service coverage ratio defined in the loan agreements. In the event the College does not maintain the required debt service coverage ratio, any interest accrued and payable is deferred and added to the principal balance of the respective loan until the minimum debt service coverage ratio is achieved. Thereafter, the College shall resume interest payments as scheduled. The principal balances of the respective subordinate loans are payable in full at maturity in October 2042. The subordinate loans are secured by a second mortgage on the College's campus. The balances of deferred bond issuance costs associated with the subordinate loans at June 30, 2019 and 2018 are $25,926 and $27,037, respectively.

Interest expense for the years ended June 30, 2019 and 2018 was $1,759,168 and $1,767,345, respectively.

Note 10. Capital Leases

The College has entered into leases for iPads and accessories for the Tech and Trek program. Future minimum lease payments as of June 30, 2019 under these capital leases with an initial lease term in excess of one year, along with the present value of net minimum capital lease payments, are as follows:

2020	$ 353,353
2021	187,672
2022	48,902
Total minimum lease payments	589,927
Less amount representing interest	(26,318)
Present value of net minimum capital lease payments	$ 563,609

Depreciation of the assets under capital lease is included in depreciation expense for the year ended June 30, 2019.

Following is a summary of property held under capital lease at June 30, 2019:

Equipment	$ 1,372,852
Accumulated depreciation	(419,867)
Net book value	$ 952,985

Subsequent to June 30, 2019, the College entered into an additional capital lease for property totaling $417,878.

Note 11. Notes Payable

In November 2009, the College obtained an unsecured note payable in the amount of $300,000. The balance of the note was $27,500 as of June 30, 2018 and was forgiven in full in 2019. The note was non-interest bearing and was forgivable evenly over the term of the note until maturity in 2019.

In March 2014, the College obtained an unsecured note payable in the amount of $200,000, of which $161,486 was drawn under the terms of the note. The balance of the note was $61,486 and $81,486 as of June 30, 2019 and 2018, respectively. The note is non-interest bearing and is forgivable evenly over the term of the note commencing in July 2014 until maturity in June 2024.

In June 2017, the College signed a Memorandum of Understanding with Veterans Village 1 LLC (VV1) which details the cancellation of a lease between VV1 and the College for Henry Residence Hall. The College agreed to pay VV1 the total amount of $131,280 by January 2019. The note was non-interest bearing. The balance of the note was $40,640 as of June 30, 2018 and was paid in full in 2019.

The annual principal payment requirement and forgiveness on these notes for each of the next five years and thereafter is as follows:

2020	$ 20,000
2021	20,000
2022	20,000
2023	1,486
Total	$ 61,486

Interest expense relating to notes payable for the years ended June 30, 2019 and 2018 was $0 and $297, respectively.

Note 12. Ohio Development Services Loan

In August 2013, the College entered into a loan agreement in the amount of $5,049,999 with the Ohio Development Services Agency using funds awarded by the U.S. Department of Energy for a campus-wide comprehensive energy savings project. The loan bears interest at 1.75% plus a .25% servicing fee and requires semi-annual principal and interest payments through maturity in January 2029. The College is also required to achieve an adjusted annual cost savings as defined in the loan agreement over the term of the loan. The annual cost savings are guaranteed by a third party bond. The loan is secured by the current and future revenue of the College as defined in the loan agreement. During fiscal year 2016, the note was amended to subordinate the collateral securing this obligation to the 2015 Bonds.

The annual principal payment requirement for each of the next five years and thereafter is as follows:

2020	$ 342,458
2021	349,342
2022	356,363
2023	363,526
2024	370,833
Thereafter	1,969,013
Total	$ 3,751,535

Interest expense relating to this loan for the years ended June 30, 2019 and 2018 was $70,065 and $72,973, respectively.

Note 13. Fair Value Measurements

The College has adopted accounting guidance related to fair value measurements, which provides a framework for measuring fair value under generally accepted accounting principles. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this guidance as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under this guidance are described below:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the College performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Note 13. Fair Value Measurements (Continued)

For the fiscal year ended June 30, 2019, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments*:* The fair value of investments are based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available due to the limited market activity of the instrument, fair value is based upon externally developed models that use unobservable inputs. In accordance with Subtopic 820-10, privately held hedge funds that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Beneficial interest in funds held by others: The fair value of the beneficial interest in funds held by others represents the College's proportionate interest in the value of the funds. The funds are primarily invested in common and collective trust funds. The net asset value is applied as a practical expedient for the valuation of the College's beneficial interest in perpetual trusts; however, these assets are classified as Level 3 as the investments cannot be redeemed at net asset value.

Investments – trusts: The College participates in pooled funds held and managed by various money managers, with one bank acting as the custodian bank, who provided the fair value of the College's interest in their pooled funds.

Fair value on a recurring basis: The table below presents the balances of assets measured at fair value on a recurring basis as of June 30:

	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Common stocks - growth	$ 383,508	$ -	$ -	$ 383,508
Foreign equity investments	6,060,278	-	-	6,060,278
United States government and corporate bond funds	9,773,781	-	-	9,773,781
Mutual funds:				
Index funds	16,217,877	-	-	16,217,877
Growth funds	2,807,948	-	-	2,807,948
	35,243,392	-	-	35,243,392
Cash and cash equivalents				203,504
Privately held hedge funds reported at fair value based on net asset value				3,631,294
Total investments				39,078,190
Investments - beneficial interest in funds held by others	-	-	19,739,660	19,739,660
Investments - trusts	914,731	-	-	914,731
Cash and cash equivalents				62,126
Total investments - trusts				976,857
Total assets	$ 36,158,123	$ -	$ 19,739,660	$ 59,794,707

Note 13. Fair Value Measurements (Continued)

	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Common stocks - growth	$ 378,385	$ -	$ -	$ 378,385
Foreign equity investments	6,896,987	-	-	6,896,987
United States government and corporate bond funds	8,650,669	-	-	8,650,669
Mutual funds:				
Index funds	14,659,804	-	-	14,659,804
Growth funds	2,873,137	-	-	2,873,137
	33,458,982	-	-	33,458,982
Cash and cash equivalents				219,521
Privately held hedge funds reported at fair value based on net asset value				4,863,016
Total investments				38,541,519
Investments - beneficial interest in funds held by others	-	-	19,547,219	19,547,219
Investments - trusts	714,889	-	-	714,889
Cash and cash equivalents				12,251
Total investments - trusts				727,140
Total assets	$ 34,173,871	$ -	$ 19,547,219	$ 58,815,878

The changes in fair value of Level 3 assets are summarized as follows:

	Beneficial Interest in Trusts Held by Others
Balance, July 1, 2017	$ 18,711,888
Changes in value of beneficial interest in funds held by others	835,331
Balance, June 30, 2018	19,547,219
Changes in value of beneficial interest in funds held by others	192,441
Balance, June 30, 2019	$ 19,739,660

Note 13. Fair Value Measurements (Continued)

The College's privately held hedge funds are subject to various liquidity restrictions as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (if eligible)	Redemption Notice Period
Privately held hedge fund	$ 2,130,507	$ -	every two years	95 days
Privately held hedge fund	1,500,787	-	quarterly	65 days
Total	$ 3,631,294	$ -		

Privately held hedge funds consist of investments with managers who invest in discretionary investment accounts and/or private investment vehicles. The funds investment objective is to preserve and grow capital by identifying high-quality investment managers with above-average investment histories or prospects.

Note 14. Net Assets

Net assets without donor restrictions as of June 30 are as follows:

	2019	2018
Undesignated	$ (13,751,128)	$ (16,449,144)
Board designated endowments	478,982	-
Loan programs	249,080	244,062
Designated for annuities	(47,552)	1,089,590
Designated for Property Management	46,009	12,010
Property, plant and equipment, net	24,390,889	23,894,196
	$ 11,366,280	$ 8,790,714

Note 14. Net Assets (Continued)

Net assets with donor restrictions as of June 30 are as follows:

	2019	2018
Subject to expenditure for specified purpose:		
Educational and general programs	$ 6,591,607	$ 10,355,782
Scholarships	1,196,010	1,265,891
Property, plant and equipment	1,734,675	731,851
	9,522,292	12,353,524
Subject to the passage of time:		
Beneficial interest in funds held by others	10,255,546	10,405,344
Trusts - general programs	1,010,885	430,661
	11,266,431	10,836,005
Subject to the College's spending policy:		
Accumulated gains on donor restricted endowment funds	5,682,897	10,972,802
Endowment funds restricted in perpetuity	45,207,506	42,649,066
	50,890,403	53,621,868
Subject to restriction in perpetuity:		
Beneficial interest in funds held by others	9,484,114	9,141,875
Loan funds	388,335	388,335
	9,872,449	9,530,210
	$ 81,551,575	$ 86,341,607

Note 15. Endowment Funds

The College’s endowments consist of approximately 260 donor-restricted endowment funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of relevant law: The Board of Trustees of the College has interpreted UPMIFA, as adopted by the State of Ohio, 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 endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity will be classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the College will consider the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and appreciation of investments
(6) Other resources of the College
(7) The investment policies of the College

Note 15. Endowment Funds (Continued)

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. The College has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures under law. As of June 30, 2019, funds with an original gift value of $19,942,490, a current fair value of $15,332,537, and a deficiency of $4,609,953 were reported in net assets with donor restrictions. As of June 30, 2018, funds with an original gift value of $9,972,297, a current fair value of $9,180,323, and a deficiency of $791,974 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market conditions.

Return objectives and risk parameters: The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to grow in excess of the spending rate in a conservative manner.

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

Spending policy and investment objectives: The College has a policy of appropriating for distribution each year 5% of the trailing three (3) year average market value of the endowment as of March 31. In establishing this policy, the College considered the long-term expected return on its endowment.

Note 15. Endowment Funds (Continued)

Changes in endowment net assets for the year ended June 30:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, June 30, 2018	$ -	$ 53,497,355	$ 53,497,355
Contributions	-	1,831,757	1,831,757
Transfers	94,042	27,080	121,122
Income earned on investments	184,621	713,672	898,293
Net realized and unrealized appreciation on investments	9,215	656,472	665,687
Endowment assets released from restrictions	443,289	(3,727,085)	(3,283,796)
Total return draw	(299,737)	(2,226,076)	(2,525,813)
Net change in endowment assets	431,430	(2,724,180)	(2,292,750)
Endowment assets, June 30, 2019	$ 431,430	$ 50,773,175	$ 51,204,605
Investments by type of fund:			
Donor-restricted endowment:			
Historical gift value	$ -	$ 45,090,278	$ 45,090,278
Appreciation	-	5,682,897	5,682,897
Board-designated endowment	431,430	-	431,430
Total	$ 431,430	$ 50,773,175	$ 51,204,605

Note 15. Endowment Funds (Continued)

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, June 30, 2017	$ 540,849	$ 52,898,928	$ 53,439,777
Reclassification to implement ASU 2016-14	924,902	(924,902)	-
Contributions	200	628,135	628,335
Transfers	(15,363)	15,363	-
Income earned on investments	35,329	579,261	614,590
Net realized and unrealized appreciation on investments	117,066	2,488,386	2,605,452
Endowment assets released from restrictions	(155,253)	(78,659)	(233,912)
Total return draw	(1,447,730)	(2,109,157)	(3,556,887)
Net change in endowment assets	(540,849)	598,427	57,578
Endowment assets, June 30, 2018	$ -	$ 53,497,355	$ 53,497,355
Investments by type of fund:			
Donor-restricted endowment:			
Historical gift value	$ -	$ 42,524,553	$ 42,524,553
Appreciation	-	10,972,802	10,972,802
Board-designated endowment	-	-	-
Total	$ -	$ 53,497,355	$ 53,497,355

Note 16. Tuition Benefits

Tuition benefits are offered to College employees. For the year ended June 30, 2019, tuition benefits totaled $709,073, which was comprised of $621,234 for traditional student tuition and $87,839 for Weekend College tuition. For the year ended June 30, 2018, tuition benefits totaled $771,819, which was comprised of $666,305 for traditional student tuition and $105,514 for Weekend College tuition.

Note 17. Pension and Postretirement Plan

The College contributed $237,634 and $264,796 for the years ended June 30, 2019 and 2018, respectively, to the Teachers Insurance and Annuity Association (TIAA) Retirement Plan for faculty, administrative and clerical employees and other retirement plans for certain faculty members. The TIAA is a national organization used to fund retirement benefits for educational institutions. Under this arrangement, the College and plan participants make monthly contributions to TIAA to purchase individually owned annuity contracts. The amount of contribution made by the College was based upon the employee's salary, years of service and personal contribution.

Note 17. Pension and Postretirement Plan (Continued)

The College offers a post-retirement health benefit to all full time employees based on criteria as defined in the plan. The benefit includes a capped premium for health insurance, calculated as a percentage of the premium as of December 31, 2004. The accumulated benefit obligation at June 30, 2019 and 2018 totaled $31,793 and $84,624, respectively. There were no net periodic benefit costs charged to operations for the years ended June 30, 2019 and 2018. The postretirement-related changes other than net periodic benefit costs totaled $(52,831) and $(76,556) for the years ended June 30, 2019 and 2018, respectively.

Note 18. Functional Classification of Expenses

Expenses classified by natural classification, for the year ended June 30, 2019 and 2018 are summarized as follows:

	2019					
	Academic and Student Programs	Auxiliaries	Facilities Operation/ Maintenance	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 9,072,781	$ 422,242	$ 268,746	$ 1,504,174	$ 564,678	$ 11,832,621
Employee benefits	2,477,213	250,124	48,663	421,226	100,842	3,298,068
Supplies and other	3,745,795	712,672	458,902	772,843	282,813	5,973,025
Contractual services	716,461	1,679,382	2,517,380	679,424	230,918	5,823,565
Utilities	40,798	546,410	852,677	19,606	-	1,459,491
Depreciation	2,325,706	875,610	123,030	61,199	-	3,385,545
Interest	377,357	942,008	260,514	404,481	-	1,984,360
	$ 18,756,111	$ 5,428,448	$ 4,529,912	$ 3,862,953	$ 1,179,251	$ 33,756,675

	2018					
	Academic and Student Programs	Auxiliaries	Facilities Operation/ Maintenance	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 10,670,695	$ 340,482	$ 209,868	$ 1,520,382	$ 572,929	$ 13,314,356
Employee benefits	2,610,913	210,320	46,686	489,990	86,645	3,444,554
Supplies and other	3,747,270	726,276	557,275	391,396	282,134	5,704,351
Contractual services	842,244	1,556,164	2,239,447	547,373	147,533	5,332,761
Utilities	54,316	581,198	791,518	8,362	2,152	1,437,546
Depreciation	2,177,278	799,438	82,683	11,528	-	3,070,927
Interest	359,987	945,453	267,074	339,587	-	1,912,101
	$ 20,462,703	$ 5,159,331	$ 4,194,551	$ 3,308,618	$ 1,091,393	$ 34,216,596

Note 19. Liquidity and Availability

The table below represents financial assets available for general expenditures within one year of June 30, 2019:

Financial assets at year-end:	
Cash and cash equivalents	$ 6,284,014
Restricted cash	2,271,138
Accounts receivable, net	3,125,870
Pledge receivables, net	2,980,956
Beneficial interest in funds held by others	19,739,660
Investments	40,055,047
Total financial assets	74,456,685
Less amounts not available to meet cash needs for general expenditures within one year:	
Contractual or donor restrictions:	
Restricted cash	(2,271,138)
Restricted in perpetuity	(55,079,955)
Accumulated gains on donor restricted endowment funds	(5,682,897)
Investments held in custodial and non-custodial trusts	(12,331,351)
Net assets subject to expenditure for a specified purpose	(9,522,292)
Board designated funds	(431,430)
Total contractual or donor restrictions	(85,319,063)
Financial assets available to meet general expenditures	(10,862,378)
Amounts to be made available for expenditure in the next year:	
Endowment draw for general expenditures	595,000
Operating and scholarship funds released from restrictions	4,300,000
Total amounts to be made available for expenditure in the next year:	4,895,000
Liquidity resources:	
Bank line of credit	2,729,279
Total financial assets and liquidity resources available within one year	$ (3,238,099)

The College regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As part of the College's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds.

Note 19. Liquidity and Availability (Continued)

The College has various sources of liquidity at its disposal, including cash and cash equivalents and lines of credit. See Note 8 for information about the Organization's lines of credit. Subsequent to year-end, the College learned it was the beneficiary of an estate where up to $3.2 million will be available for general operating needs.

The College has borrowed from the net assets with donor restrictions to meet the liquidity needs of the College. Management has identified several key initiatives that are being implemented in the areas of enrollment, marketing and fundraising. Through these initiatives, the College expects to increase revenue and cash flow to assist in repaying the funds. If the College is unable to do that it will need to increase the appropriation of endowment funds for expenditure subject to the requirements of UPMIFA which will reduce the available funds to meet future needs, and may negatively impact the College's activities long-term.

Hiram College

Uniform Guidance Audit Requirements

Hiram College

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
Loan Program				
U.S. Department of Energy passed through the State of Ohio				
Energy Loan Program				
ARRA - Ohio Energy Loan Outstanding at Beginning of the Year	81.041	Loan #620-01-01	$ 4,087,245	$ -
Student Financial Assistance Program				
U.S. Department of Education:				
Federal Pell Grant Program:	84.063	N/A		
Grants awarded			2,177,130	-
Federal Supplemental Education Opportunity Grants	84.007	N/A		
Grants awarded			195,601	-
Transfer from Federal Work Study Program			63,203	-
			258,804	-
Federal Work Study Program:	84.033	N/A		
Allocation of funds			470,423	-
Transfer to Federal Supplemental Education Opportunity Program			(63,203)	-
Available compensation			407,220	-
Federal Perkins Loan Program	84.038	N/A		
Loans Outstanding at the Beginning of the Year			3,173,400	-
Federal Direct Student Loans	84.268			
Direct Subsidized Loan Total		N/A	2,676,564	-
Direct Unsubsidized Loan Total		N/A	2,348,853	-
Federal PLUS Loan Total		N/A	2,242,888	-
			7,268,305	-
Total Student Financial Assistance Program			13,284,859	-
Research and Development Cluster				
National Science Foundation				
Mathematical and Physical Sciences	47.049	N/A	24,989	-
Education and Human Resources	47.076	N/A	82,491	61,097
Total Research and Development Cluster			107,480	61,097
Medicaid Cluster				
Department of Health and Human Services passed through Northeast Ohio Medical University				
Medical Assistance Program	93.778	G-1617-05-0003	3,748	-
U.S. Department of State				
Public Diplomacy Programs for Afghanistan and Pakistan				
Connecting Pakistani and American High Schools Through International Watershed Partnerships	19.501	N/A	310,293	-
Total Federal Assistance			$ 17,793,625	$ 61,097

See notes to this schedule.

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Hiram College under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S *Code of Federal Regulations* (CFR) 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 Hiram College, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of Hiram College.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has elected not to exercise its option to use the 10% de minimis indirect cost rate due to the fact that the College has an existing approved indirect cost rate.

Note 3. Federal Perkins Loan Program and Federal Direct Loan Program

The College distributed no Federal Perkins loans in the year ended June 30, 2019. Loans outstanding at June 30, 2019, including the portion distributed from College funds, totaled $2,914,853. These loan balances are also included in the federal expenditures presented in the Schedule.

The College also participates in the Federal Direct Student Loan Program, which includes subsidized and unsubsidized Federal Stafford Loans and Federal PLUS Loans. The value of the loans issued for the Federal Direct Student Loan Program is based on disbursed amounts. The College is responsible only for the performance of certain administrative duties with respect to the Federally Guaranteed Student Loan Programs and, accordingly, balances and transactions relating to the loan programs are not included in the College’s consolidated financial statements. Therefore, it is not practical to determine the balance of loans outstanding to student and former students of the College at June 30, 2019.

Note 4. Ohio Energy Loan (CFDA Number 81.041)

The amount expended for the Ohio Energy Loan on the Schedule equals the beginning balance of the loan as there were no new loans made or received during 2019. The College is currently paying the loan back and at June 30, 2019, the balance of the loan is $3,751,535.

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*

Independent Auditor's Report

Board of Trustees
Hiram College
Cleveland, Ohio

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 Hiram College, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated 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 December 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hiram 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 Hiram College's internal control. Accordingly, we do not express an opinion on the effectiveness of Hiram 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-01 that we consider to be a material weakness.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Hiram College's financial statements are free from 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*.

Hiram College's Response to Findings
Hiram College's response to the finding identified in our audit is described in the accompanying Corrective Action Plan on page 39. Hiram College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

RSM US LLP

Cleveland, Ohio
December 16, 2019

Report on Compliance For Each Major Federal Program and
Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees
Hiram College
Cleveland, Ohio

Report on Compliance for Each Major Federal Program
We have audited Hiram College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hiram College's major federal programs for the year ended June 30, 2019. Hiram 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of Hiram 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 Hiram 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 Hiram College's compliance.

Opinion on Each Major Federal Program
In our opinion, Hiram 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.

Report on Internal Control Over Compliance
Management of Hiram 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 Hiram 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 Hiram 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.

RSM US LLP

Cleveland, Ohio
December 16, 2019

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?	X	Yes		No
• Significant deficiency(ies) identified?		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 deficiency(ies) identified?		Yes	X	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X	Yes		No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.007, 84.033, 84.038, 84.268	Student Financial Assistance Cluster
81.041	Ohio Energy Loan
19.501	Public Diplomacy

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as a low risk auditee?		Yes	X	No

Section II - Financial Statements Findings

2019-01 Identified errors, required adjustments and financial reporting relating to the endowment

Criteria: The College is required to establish and maintain effective internal control over financial reporting in accordance with Government Auditing Standards.

Condition: The internal control structure did not identify certain adjustments that were required to be made to ensure proper recording of the endowment and certain split interest agreements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). As a result, errors were identified and audit adjustments were required. In addition, the internal control structure related to the endowment did not ensure proper financial reporting in accordance with U.S. GAAP. As a result, significant assistance was required to properly present the endowment footnote.

Cause: During our audit, we noted that the College does not have a formal control in place to properly account for certain transactions or the endowment for financial accounting and reporting purposes.

Effect: Errors were identified and audit adjustments were required to properly adjust certain account balances and account for the transactions in accordance with U.S. GAAP. In addition, significant assistance was required to properly present the endowment footnote and account for the endowment in accordance with U.S. GAAP.

Recommendation: A formal control should be developed to enhance the existing system of internal control to ensure that significant transactions are identified and properly accounted for on a timely basis in accordance with U.S. GAAP.

Views of responsible officials: See page 39 for Corrective Action Plan.

Section III - Findings and Questioned Costs for Federal Awards

None.

Hiram College

Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2019

Section II - Financial Statements Findings

None.

Section III - Findings and Questioned Costs for Federal Awards

None.

HIRAM COLLEGE

Corrective Action Plan
For the Year Ended June 30, 2019

Identifying Number: 2019-01

Finding:

The internal control structure did not identify certain adjustments that were required to be made to ensure proper recording of certain transactions in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). As a result, errors were identified and audit adjustments were required. In addition, the internal control structure related to the endowment did not ensure proper financial reporting in accordance with U.S. GAAP. As a result, significant assistance was required to properly present the endowment footnote.

Corrective Actions Taken or Planned:

Management had identified an issue with our board-designated endowments and proposed a solution to correct an outstanding balance from a prior period. After discussions with the auditors, management concurred with the recommendations proposed by the auditors and made the necessary corrections to the general ledger and endowment footnote for the year ended June 30, 2019. To ensure that the pooled endowments and related footnote disclosures are reported in accordance with U.S. GAAP in future periods, additional data verifications will be included within our endowment unitization schedules and accounting software. Additionally, management will investigate software solutions to automate the unitization process within our current accounting software or other solutions on the market.

Completion Date: Fiscal year 2020

Nancy G. Rubin — 12/6/19

Nancy G. Rubin
Chief Financial Officer — Date

Brett Riebau — 12/6/19

Brett Riebau
Controller — Date

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