

SCRIPPS

THE WOMEN'S COLLEGE • CLAREMONT

FINANCIAL REPORT 2015-2016



THE PARAMOUNT
OBLIGATION OF A COLLEGE
IS TO DEVELOP IN ITS STUDENTS
THE ABILITY TO THINK CLEARLY
AND INDEPENDENTLY,
AND THE ABILITY
TO LIVE CONFIDENTLY,
COURAGEOUSLY, AND
HOPEFULLY.

ELLEN BROWNING SCRIPPS

Covers:

Front, Exterior NEW Hall

Back, Interior NEW Hall

SCRIPPS COLLEGE ANNUAL FINANCIAL REPORT

2016 and 2015

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Scripps College

Report on the Financial Statements

We have audited the accompanying financial statements of Scripps College (the "College"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 Scripps College as of June 30, 2016 and 2015, 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.

Moss Adams LLP

Los Angeles, California
October 25, 2016

SCRIPPS COLLEGE
STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash	\$ 1,443,708	\$ 356,922
Accounts receivable, net	1,822,500	840,950
Prepaid expenses, deposits, and other	1,377,366	1,828,964
Notes receivable, net	4,231,233	4,594,734
Contributions receivable, net	24,477,073	31,380,575
Investments	327,318,812	330,056,838
Investments held as a reserve for depreciation	7,434,278	7,768,575
Collections	19,617,370	19,415,655
Plant facilities, net	121,394,859	101,921,106
	<u>\$ 509,117,199</u>	<u>\$ 498,164,319</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 11,341,466	\$ 6,975,381
Deposits and deferred revenue	1,573,472	1,711,916
Life income and annuities payable	5,199,826	3,652,327
Liability for staff retirement plan	-	739,623
Bonds and note payable	72,060,703	47,923,929
Government advances for student loans	737,270	1,492,305
Funds held in trust for others	92,586	91,349
Asset retirement obligation	922,085	880,213
Total liabilities	91,927,408	63,467,043
Net assets		
Unrestricted	107,911,749	109,769,368
Temporarily restricted	149,346,010	169,958,378
Permanently restricted	159,932,032	154,969,530
Total net assets	417,189,791	434,697,276
	<u>\$ 509,117,199</u>	<u>\$ 498,164,319</u>

The accompanying notes are an integral part of these statements.

SCRIPPS COLLEGE
STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
Net Assets				
Revenues and releases of net assets:				
Tuition, room and board	\$ 61,338,477	\$ -	\$ -	\$ 61,338,477
Less financial aid	15,873,097	-	-	15,873,097
Net student revenues	45,465,380	-	-	45,465,380
Contributions	2,366,914	2,774,033	2,930,516	8,071,463
Federal grants and contracts	370,468	-	-	370,468
Spending policy income	14,033,576	1,751,671	49,116	15,834,363
Other investment income, net	11,992	5,921	(1,156)	16,757
Other revenue	968,954	15,219	-	984,173
Releases of restricted net assets:				
Operations	3,236,310	(3,236,310)	-	-
Annuity and life income	122,472	(65,138)	(57,334)	-
Total revenues and releases of net assets	66,576,066	1,245,396	2,921,142	70,742,604
Expenses:				
Academic program	32,279,943	-	-	32,279,943
Co-curricular program	18,468,211	-	-	18,468,211
Marketing	7,908,720	-	-	7,908,720
Administrative and general	7,385,300	-	-	7,385,300
Total expenses	66,042,174	-	-	66,042,174
Operating surplus	533,892	1,245,396	2,921,142	4,700,430
Other changes in net assets:				
Redesignation of net assets	(81,855)	(2,131,060)	2,212,915	-
Gain on disposal of plant assets	100	-	-	100
Loss on contribution receivable	-	(24,000)	-	(24,000)
Net realized and unrealized losses on investments net of allocation to operations	(2,003,110)	(17,672,132)	(21,420)	(19,696,662)
Actuarial adjustment	(103,244)	(2,030,572)	(150,135)	(2,283,951)
Staff retirement plan comprehensive pension gain	117,076	-	-	117,076
Transfers to other Colleges	(320,478)	-	-	(320,478)
Total other changes in net assets	(2,391,511)	(21,857,764)	2,041,360	(22,207,915)
Change in net assets	(1,857,619)	(20,612,368)	4,962,502	(17,507,485)
Net assets, beginning of year	109,769,368	169,958,378	154,969,530	434,697,276
Net assets, end of year	\$ 107,911,749	\$ 149,346,010	\$ 159,932,032	\$ 417,189,791

The accompanying notes are an integral part of these statements.

SCRIPPS COLLEGE
STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015
Net Assets				
Revenues and releases of net assets:				
Tuition, room and board	\$ 59,094,201	\$ -	\$ -	\$ 59,094,201
Less financial aid	15,542,488	-	-	15,542,488
Net student revenues	43,551,713	-	-	43,551,713
Contributions	4,319,762	2,703,312	15,096,228	22,119,302
Federal grants and contracts	419,987	-	-	419,987
Spending policy income	13,180,827	1,526,119	32,648	14,739,594
Other investment income, net	336,816	5,352	(2,620)	339,548
Other revenue	874,112	911	1,436	876,459
Releases of restricted net assets:				
Operations	1,775,536	(1,775,536)	-	-
Annuity and life income	13,539	(13,539)	-	-
Total revenues and releases of net assets	64,472,292	2,446,619	15,127,692	82,046,603
Expenses:				
Academic program	29,779,443	-	-	29,779,443
Co-curricular program	16,834,157	-	-	16,834,157
Marketing	7,480,507	-	-	7,480,507
Administrative and general	7,110,131	-	-	7,110,131
Total expenses	61,204,238	-	-	61,204,238
Operating surplus	3,268,054	2,446,619	15,127,692	20,842,365
Other changes in net assets:				
Release of restricted net assets - plant	1,750,000	(1,750,000)	-	-
Redesignation of net assets	(43,143)	(35,846)	78,989	-
Net realized and unrealized losses on investments net of allocation to operations	(1,893,886)	(12,421,679)	(27,008)	(14,342,573)
Actuarial adjustment	107,109	659,205	(83,638)	682,676
Other comprehensive pension expense	(448,602)	-	-	(448,602)
Total other changes in net assets	(528,522)	(13,548,320)	(31,657)	(14,108,499)
Change in net assets	2,739,532	(11,101,701)	15,096,035	6,733,866
Net assets, beginning of year	107,029,836	181,060,079	139,873,495	427,963,410
Net assets, end of year	\$ 109,769,368	\$ 169,958,378	\$ 154,969,530	\$ 434,697,276

The accompanying notes are an integral part of these statements.

SCRIPPS COLLEGE

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Tuition, room and board, net of financial aid	\$ 45,080,868	\$ 44,181,613
Gifts, grants and contracts	1,812,382	3,753,526
Investment income	688,375	643,091
Other revenue	1,221,998	931,430
Payments for interest on debt	(2,047,937)	(1,701,252)
Payments to employees and suppliers	(55,995,355)	(53,428,020)
Net cash used in operating activities	<u>(9,239,669)</u>	<u>(5,619,612)</u>
Cash flows from investing activities:		
Purchase of collections	(7,391)	-
Purchase of plant facilities	(24,291,944)	(17,833,645)
Proceeds from sale of investments	309,043,902	207,267,778
Purchase of investments	(310,802,045)	(205,253,479)
Loans made to students and faculty	(262,297)	(266,405)
Collection of student and faculty loans	625,798	449,897
Net cash used in investing activities	<u>(25,693,977)</u>	<u>(15,635,854)</u>
Cash flows from financing activities:		
Payments to life income beneficiaries	(405,015)	(468,377)
Investment income on life income contracts	347,843	511,393
Proceeds from borrowings	24,946,864	11,765,103
Principal payments on debt	(840,000)	(470,000)
Contributions restricted for loans	-	5,000
Contributions restricted for endowment	8,811,002	8,598,549
Contributions restricted for life income contracts	20,000	84,802
Contributions restricted for plant expenditures	1,060,500	9,012
Contributions for other restricted purposes	2,834,273	1,385,295
Change in advances for student loans	(755,035)	(68,566)
Net cash provided by financing activities	<u>36,020,432</u>	<u>21,352,211</u>
Net increase in cash	1,086,786	96,745
Cash at beginning of year	356,922	260,177
Cash at end of year	<u>\$ 1,443,708</u>	<u>\$ 356,922</u>

The accompanying notes are an integral part of these statements.

SCRIPPS COLLEGE
STATEMENTS OF CASH FLOWS

For the years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of change in net assets to cash flows from operating activities:		
Change in net assets	\$ (17,507,485)	\$ 6,733,866
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	4,837,811	4,579,059
Gifts-in-kind	(318,688)	(665,616)
Realized gains on sale of investments	(4,656,889)	(15,327,207)
Unrealized losses on investments	9,190,796	15,325,048
Amortization of asset retirement obligation, bond discount and cost of issuance	71,782	(31,992)
Gain on plant facilities	(100)	-
Comprehensive pension income	(117,076)	(448,602)
Adjustment of actuarial liability for life income agreements	2,283,951	(575,567)
Adjustment on contributions receivable	-	(91,319)
Changes in operating assets and liabilities		
Accounts and notes receivable	(981,550)	(249,222)
Contributions receivable	(44,598)	(11,805)
Prepaid expenses, deposits, and other	451,598	(596,551)
Accounts payable and accrued liabilities	4,346,566	2,359,751
Deposits and deferred revenue	(138,444)	453,884
Defined benefit plan contributions (over)/under expense	(622,547)	765,801
Funds held in trust for others	-	(39,600)
Contributions for long-term investments	(6,034,796)	(17,799,540)
Net cash used in operating activities	<u>\$ (9,239,669)</u>	<u>\$ (5,619,612)</u>

The accompanying notes are an integral part of these statements.

SCRIPPS COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Founded in 1926, Scripps College (the "College") is an independent, liberal arts college for women with a distinctive interdisciplinary core curriculum offering instruction in the humanities, fine arts, and the natural and social sciences. The College had an enrollment of approximately 980 students as of June 30, 2016. The campus is listed on the National Register of Historic Places.

Its mission is to educate women to develop their intellect and talents through active participation in a community of scholars, so that as graduates they may contribute to society through public and private lives of leadership, service, integrity and creativity.

Scripps College is a nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. The following accounting policies of the College are in accordance with those generally accepted for colleges and universities:

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.

Net Asset Categories:

The accompanying financial statements present information regarding the College's financial position and activities according to three categories of net assets: unrestricted, temporarily restricted, and permanently restricted. The three categories are differentiated by donor restrictions.

Unrestricted Net Assets:

Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets:

Net assets that are subject to donor-imposed restrictions that either lapse or can be satisfied.

Permanently Restricted Net Assets:

Net assets subject to donor-imposed restrictions that they be maintained permanently by the College. Generally, the donors permit the College to use all or part of the earnings on these assets for general or specific purposes.

Revenue and Expense Recognition:

Tuition and Fees – Student tuition and fees are recorded as revenues in the year during which the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenues. Collectability of student accounts and notes receivable is reviewed both individually and in the aggregate. Allowances have been established based on experience, and balances deemed uncollectible are written off through a charge to bad debt expense or the provision for doubtful accounts and a credit to accounts receivable.

Grants and Contract – The College follows federal guidelines for determining when student loans are delinquent or past due for both federal and institutional loans. Revenue from grants and contracts are reported as increases in unrestricted net assets, as allowable expenditures under such agreements are incurred.

Contributions – Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Contributions where donor restrictions are met within the same fiscal year as the contribution are included in unrestricted net assets. 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 in future periods are discounted to net present value at an appropriate discount rate. Individual uncollectible accounts are written off against the allowance when collection of the individual contributions receivable appears doubtful. The College did not record an allowance for doubtful contributions receivable as of June 30, 2016 and 2015.

SCRIPPS COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Revenue and Expense Recognition, Continued:

Investment Return – Investment income and gains and losses on investments and changes in other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

Expenses – Expenses are generally reported as decreases in unrestricted net assets. The financial statements present expenses by functional classification in accordance with the overall educational and research mission of the College.

Operating Revenues and Expenses:

The College reports operating revenues and expenses in the unrestricted net asset section of the Statements of Activities. Operations are those annual activities which support the core mission of the College.

Operating revenues include charges for tuition, room and board, net of financial aid, gifts and grants, spending policy income, other investment income, releases of temporarily restricted net assets for operations and unrestricted annuity and life income, and miscellaneous income.

Unrestricted gifts and bequests in excess of \$1 million each are considered non-operating, as are gifts-in-kind. Gifts-in-kind, due to their non cash nature, are not available to pay for operating expenses.

Operating expenses (for which the operating revenues are used) include salaries and benefits, departmental expenses, depreciation, amortization and interest. These expenses are classified into four cost centers called; Academic Program, Co-curricular Program, Marketing and Administrative and General.

Operating Expense Categories and Allocation of Certain Expenses:

The Statements of Activities present expenses by four functional categories. Academic Program includes expenses for instruction and related academic support departments such as libraries, the Dean of Faculty and Registrar's Offices. Co-curricular Program includes expenses associated with the residential life operation of the College and related support departments such as Dean of Students Office and Career Planning and Research. Marketing expenses for revenue development for the College include departments such as Admission/Financial Aid, Public Relations, Alumnae Relations and the Advancement Office. Administrative and General includes expenses such as planning, institutional research, liability insurance, legal and audit fees, and the President and Treasurer's Offices.

Depreciation, interest expense and the cost for the operation and maintenance of the physical plant are allocated to the four functional categories based on building square footage dedicated to that specific function. Computing costs are allocated based upon estimated use.

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 substantially expires. At that time, the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The College follows the policy of reporting donor-imposed restricted contribution and endowment income whose restrictions are met in the same period as received as unrestricted support. It is also the College's policy to recognize the fulfillment of the restrictions on contributions of cash or other assets received for the acquisitions of long-lived assets when the long-lived assets are placed into service.

SCRIPPS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Cash:

For the purposes of reporting cash flows, cash includes demand deposit bank accounts.

Concentration of Credit Risk:

Financial instruments that potentially subject the College to concentrations of credit risk consists principally of cash deposits at financial institutions and investments in marketable securities. At times, balances in the College's cash and investment accounts exceed the Federal Deposit Insurance Corporation (FDIC) or Securities Investors Protection Corporation (SIPC) limits.

Contributions:

At June 30, 2016 and 2015, the College held beneficial interests in outside trusts of approximately \$10,221,000 and \$10,602,000, respectively. These trusts are administered by outside trustees, with the College deriving income and/or a residual interest from the assets. When an irrevocable trust is established or the College is notified of its existence, the College recognizes its beneficial interest in the trust as a contribution at fair value, which is measured as the present value of the estimated expected future benefits to be received when the trust assets are distributed. The contribution revenue recognized is classified as an increase in either temporarily or permanently restricted net assets based on the time or use restrictions placed by the donor upon the College's beneficial interest in the assets. Periodic adjustments to the beneficial interest to reflect changes in the fair value, life expectancy of 4.9 years, and discount rate of 7.5% are recognized as actuarial gains or losses. The discount rates used are commensurate with the risks associated with the contribution.

Investments:

Cash Equivalents – Resources invested in money market funds are classified as cash equivalents, including any such investments held by external investment managers. Resources invested in money market funds for loan programs are classified as short-term investments.

Marketable Securities and Other Investments – Marketable securities are reported at fair value, except for trust deed loans, certain real estate investments, and other miscellaneous assets which are stated at cost. The cost of securities sold is determined by the average cost method and is used to compute realized gains and losses. Unrealized gains and losses reflect the changes in the market values of investments from the prior year. The date of record for investments is the trade date.

Alternative Investments – Venture capital investments are stated at fair value as of the most recent valuation date at or prior to year-end. Diversified limited partnership interests are invested in both publicly and privately owned securities. The fair values of private investments are based on estimates and assumptions of the general partners or partnership valuation committees in the absence of readily determinable market values. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of similar investments and other pertinent information. The private investments have a high concentration of pre-initial public offering securities, subjecting these investments to market value volatility.

Due to the risks associated with certain investments and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in risks in the near term could materially effect account balances and the amounts reported in the Statements of Financial Position.

Bond Reserve Fund – Indenture requirements of bond financing (see Note 8, "Bonds and Note Payable") provide for the establishment and maintenance of various accounts with trustees. The indenture terms limit the use of these funds to the construction of plant facilities and payment of principal and interest to bond holders. Assets whose use is limited are comprised of cash equivalents, government and corporate securities and are recorded at cost, which approximates fair value.

SCRIPPS COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Investments, continued:

The College reviews and evaluates the values provided by the investment managers and believes the valuation methods and assumptions used in determining the fair value of the alternative investments are appropriate. Net realized and unrealized gains from alternative investments, on the Statements of Activities, for the years ended June 30, 2016 and 2015 are approximately \$726,000 and \$1,053,000, respectively.

Management of Pooled Investments:

The College follows an investment policy, which anticipates a greater long-term return through investing for capital appreciation, and accepts lower current yields from dividends and interest. In order to offset the effect of lower current yields for current operations, the Board of Trustees has adopted a spending policy for pooled investments whereby the amount of investment return available for current operations is determined by applying 5.33% and 5.36% to the twenty-quarter average market value of pooled investments for the years ended June 30, 2016 and 2015, respectively. If the ordinary income of pooled investments is insufficient to provide the full amount of investment return specified, the balance may be appropriated from the available cumulative realized gains of the pooled investments. Cumulative net realized gains and transfers of ordinary income in excess of the spending policy ("cumulative gains") are recorded as changes in unrestricted and temporarily restricted net assets and are available for appropriation under the College's spending policy. At June 30, 2016 and 2015, these cumulative gains totaled approximately \$121,362,000 and \$136,660,000, respectively.

Endowment Funds:

The Board of Trustees of the College interprets the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) to state that the College, in the absence of explicit donor stipulations to the contrary, may appropriate for expenditure or accumulate so much of an endowment as the College determines prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Therefore, the College classifies as permanently restricted net assets the original value of gifts to the endowment and the accumulations made in accordance with the donor intent. The remaining portion of the donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the college in a manner consistent with the standard of prudence prescribed by California UPMIFA which includes the:

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

Funds with Deficiencies:

From time to time declines in the market value of the investment pool have created a situation where the fair value of certain endowments is less than the historical cost basis of the original gift(s). Deficiencies of this nature have been recorded as decreases in unrestricted net assets and were approximately \$1,475,000 and \$221,000 at June 30, 2016 and 2015, respectively.

Fair Value Measurement of Financial Instruments:

A financial instrument is defined as a contractual obligation that ultimately ends with the delivery of cash or an ownership interest in an entity. Disclosures included in these notes regarding the fair value of financial instruments have been derived using external market sources, estimates using present value or other valuation techniques. Determination of the fair value of loan fund receivables, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs.

The College carries most investments and its beneficial interest in trusts held by a third party at fair value in accordance with applicable standards. Fair value is defined as the price that would be received to sell an asset (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. The standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are as follows:

SCRIPPS COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Fair Value Measurement of Financial Instruments, continued:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the College has the ability to access at the measurement date;

Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 – Inputs that are unobservable.

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

The investments in cash equivalents, money market, certain domestic fixed income funds and international equities are valued based on quoted market prices, and are therefore typically classified within Level 1.

The investments in domestic fixed income, real properties, assets whose use is limited, and other assets are valued based on quoted market prices of comparable assets, and are therefore typically classified within Level 2.

The investments in beneficial interest in trusts held by third parties are valued utilizing unobservable inputs, and are therefore classified within Level 3. These assets are presented in the accompanying financial statements at fair value.

The investments in certain equity securities, global fixed income, hedge funds, and private equity are valued at net asset value (NAV), and are therefore classified under NAV per share (or equivalent). For these investments, the College has determined, through its monitoring activities, to rely on the fair value as determined by the investment managers. The College's determination of fair value is based upon the best available information provided by the investment manager and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents the College's proportionate share of the partner's capital of the investment partnerships as reported by their general partners. The balance of unfunded commitments to limited partnerships, remaining life of finite investments and the terms for redeeming from investment funds including any restrictions are disclosed below.

The general partners of the underlying investment partnerships generally value their investments at fair value in accordance with appropriate standards. Investments with non-readily available markets are generally valued at estimated fair value by referring to meaningful third-party transactions, comparable public market valuations and/or the income approach. Consideration is also given to financial condition and operating results of the investment, the amount that the investment partnerships can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant. An investment can be carried at acquisition price (cost) if little has changed since the initial investment of the company and is most representative of fair value. Investments with a readily available market (listed on a securities exchange or traded in the over-the-counter market) are valued at quoted market prices or at an appropriate discount from such price if marketability of the securities is restricted.

Although the College uses its best judgment in determining the fair value, there are inherent limitations in any methodology. Therefore, the values presented herein are not necessarily indicative of the amount that the College could realize in a current transaction. Future confirming events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon liquidation of the investments.

California Municipal Finance Authority (CMFA) 2013 Loan – fair value was valued in the amount of \$21,898,243 as of June 30, 2016.

Collections:

The College capitalizes its collections of works of art and rare books at their appraised or estimated current market value upon date of gift. In some cases, collection items held solely for their potential educational value or historic significance, or where the cost to establish the current market value was deemed to exceed the benefit, were not assigned value for the purpose of capitalization.

SCRIPPS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Plant Facilities:

Plant facilities consists of property, plant and equipment and are stated at cost, representing the original purchase price or fair value at the date of the gift, less accumulated depreciation. Plant purchases with a useful life of five years or more and a cost equal to or greater than \$25,000 for land improvements, \$50,000 for large buildings (10,000 square feet), \$25,000 for other buildings and \$15,000 for equipment are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives the assets, generally, 25 years for land improvements, 60 years for buildings, 4 years for computing equipment and 7 years for other equipment. Depreciation expense is funded through operations and contributions. The cost and accumulated depreciation of assets sold or retired are removed from the accounts and the related gains or losses are included in the Statements of Activities. Asset retirement obligations are recorded based on estimated settlement dates and methods.

During fiscal years ended June 30, 2016 and 2015, no equipment or property was acquired with restricted assets where title may revert to another party, and there were no disposals of equipment or property purchased with federal funds.

Annuity and Life Income Contracts and Agreements:

The College has legal title to annuity and life income contracts and agreements subject to life interests of beneficiaries. No significant financial benefit is now being or can be realized until the contractual obligations are met. However, the costs of managing these contracts and agreements are included in operating expenditures. The College uses the actuarial method of recording annuity and life income contracts and agreements. Under this method, the asset is recorded at fair value when a gift is received. The present value of the aggregate annuity payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as a contribution in the appropriate net assets category. Investment income and gains are credited, and annuity payments and investment losses are charged, to the liability accounts, with periodic adjustments made between the liability and the net assets to record actuarial gains or losses. The actual liability is based on the present value of future payments discounted at rates ranging from 2.0% to 7.5% and 3.4% to 7.5% over estimated lives according to the 2003 Unisex Mortality Tables in June 30, 2016 and 2015, respectively.

On December 2, 1998, the Insurance Commission Chief Counsel granted the College permission to invest its reserves for California annuities pursuant to Insurance Code Section 11521.2(b). This approval is subject to the following conditions: (1) maintain a Nationally Recognized Statistical Rating Organization (NRSRO) bond rating of "A" or better and (2) maintain an endowment to gift annuity reserve ratio of at least 10:1.

Use of Estimates:

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

Income Taxes:

The College has no unrecognized tax benefits as of June 30, 2016 and 2015.

Reclassifications:

Certain 2015 amounts have been reclassified to conform to 2016 presentation.

SCRIPPS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 2 - ACCOUNTS AND NOTES RECEIVABLE:

Accounts receivable at June 30 are as follows:

	2016	2015
Student accounts	\$ 268,512	\$ 22,693
Federal and private grants and contracts	8,644	46,440
Other Claremont Colleges	893,965	200,409
Travel advances	156,256	36,660
Other	534,267	554,887
	<u>1,861,644</u>	<u>861,089</u>
Less allowance for doubtful accounts	(39,144)	(20,139)
Total accounts receivable, net	<u>\$ 1,822,500</u>	<u>\$ 840,950</u>

Notes receivable at June 30 are as follows:

	2016	2015
Student notes	\$ 4,517,646	\$ 4,825,710
Faculty loans	137,392	142,103
	<u>4,655,038</u>	<u>4,967,813</u>
Less allowance for doubtful student notes	(423,805)	(373,079)
Total notes receivable, net	<u>4,231,233</u>	<u>4,594,734</u>
Less current portion	(449,897)	(479,057)
Non current notes receivable	<u>\$ 3,781,336</u>	<u>\$ 4,115,677</u>

NOTE 3 - CONTRIBUTIONS RECEIVABLE:

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Promises to give are initially recorded at fair value, by discounting to the present value of future cash flows at rates ranging from 2.7% to 5.1%.

Unconditional promises to give at June 30 are expected to be realized in the following periods:

	2016	2015
Within one year	\$ 7,181,986	\$ 7,335,795
Between one year and five years	6,090,120	12,487,985
More than five years	12,228,184	13,056,211
	<u>25,500,290</u>	<u>32,879,991</u>
Less discount	(657,459)	(1,083,158)
Less allowance for doubtful contributions receivable	(365,758)	(416,258)
Contributions receivable, net	<u>\$ 24,477,073</u>	<u>\$ 31,380,575</u>

Contributions receivable at June 30 are intended for the following uses:

	2016	2015
Endowment	\$ 8,947,870	\$ 14,439,707
Beneficial interest in trusts held by a third party	10,220,504	10,602,026
Other	5,308,699	6,338,842
Total	<u>\$ 24,477,073</u>	<u>\$ 31,380,575</u>

45.0% and 47.0% of contributions receivable was due from two donors and one donor at June 30, 2016 and 2015, respectively.

SCRIPPS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 4 - INVESTMENTS:

Where permitted by gift agreement and/or applicable government regulations, investments are pooled. Pooled investments and allocation of pooled investment income are accounted for on a unit value method. The following is a summary of data pertaining to this method for the years ended June 30, 2016 and 2015:

	2016	2015
Unit market value at end of year	<u>\$ 493.60</u>	<u>\$ 526.85</u>
Units owned:		
Unrestricted	68,710	68,056
Temporarily restricted	21,396	21,443
Permanently restricted	523,867	505,645
Total	<u>613,973</u>	<u>595,144</u>

Investment income related to College investments, net of management and custody fees of \$1,385,868 and \$1,505,706 for the years ended June 30, 2016 and 2015, respectively, is as follows:

	2016	2015
Pooled investments income	<u>\$ 915,605</u>	<u>\$ 542,520</u>
Pooled investments gains appropriated	15,150,561	14,441,020
Total spending policy income and gains	<u>16,066,166</u>	<u>14,983,540</u>
Less amounts allocated to annuity and life income contracts/agreements	<u>(231,803)</u>	<u>(243,946)</u>
Total spending policy income	<u>15,834,363</u>	<u>14,739,594</u>
Other investment income	119,387	588,730
Other investment gains (losses)	12,157	(4,968)
Less amounts allocated to annuity and life income contracts/agreements	<u>(114,787)</u>	<u>(244,214)</u>
Total other investment income	<u>16,757</u>	<u>339,548</u>
Realized gains on investments	4,644,732	15,327,207
Unrealized losses on investments	(9,190,833)	(15,325,048)
Pooled investment gains appropriated	<u>(15,150,561)</u>	<u>(14,441,020)</u>
Net realized and unrealized losses on investments net of allocation to operations	<u>(19,696,662)</u>	<u>(14,438,861)</u>
Total investment return	<u>\$ (3,845,542)</u>	<u>\$ 640,281</u>

SCRIPPS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 4 - INVESTMENTS, CONTINUED:

It is the College's policy to invest and maintain a diversified investment portfolio. The following schedule summarizes investments at June 30:

Investment by program:	2016	2015
Pooled investments	\$ 303,056,858	\$ 313,549,686
Separate investments	31,696,232	24,275,727
Total by program	<u>\$ 334,753,090</u>	<u>\$ 337,825,413</u>
Investment by asset type:	2016	2015
Cash equivalents	\$ 13,959,785	\$ 10,893,215
Money market	20,035,796	19,923,160
Domestic equities	67,347,882	61,870,870
International equities	74,945,382	83,040,686
Private equity	77,476,160	74,769,169
Domestic fixed income	23,735,528	18,147,771
Global Fixed Income	7,599,970	6,020,013
Real properties	626,497	636,497
Growth oriented hedge funds	14,135,874	26,629,682
Diversifying hedge funds	34,033,337	35,056,217
Assets whose use is limited	363,187	359,531
Other assets	493,692	478,602
Total by asset type	<u>\$ 334,753,090</u>	<u>\$ 337,825,413</u>
Investments by category:	2016	2015
Endowment and funds functioning as endowment	\$ 295,781,717	\$ 305,249,606
Annuity and life income funds	8,140,196	10,135,816
Reserve for depreciation	7,434,278	7,768,575
Other	23,396,899	14,671,416
Total by category	<u>\$ 334,753,090</u>	<u>\$ 337,825,413</u>

The College holds certain investments at the original appraisal value and does not revalue the assets on a recurring basis. At June 30, 2016 and 2015, investments held at cost were \$6,695 and \$6,693, respectively.

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS:

The following tables present the investments and beneficial interest in trusts held by third parties carried on the Statements of Financial Position as of June 30, 2016 and 2015:

	Level 1	Level 2	Level 3	Assets Valued Using NAV	
				Practical Expedient	2016
Cash equivalents	\$ 13,959,782	\$ -	\$ -	\$ -	\$ 13,959,782
Money market	20,035,796	-	-	-	20,035,796
Domestic equities	46,883,649	-	-	20,464,233	67,347,882
International equities	18,937,374	-	-	56,008,008	74,945,382
Private equity	-	-	-	77,476,160	77,476,160
Domestic fixed income	2,023,538	21,711,990	-	-	23,735,528
Global fixed Income	-	-	-	7,599,970	7,599,970
Real properties	-	620,000	-	-	620,000
Growth oriented hedge funds	-	-	-	14,135,874	14,135,874
Diversifying hedge funds	-	-	-	34,033,337	34,033,337
Assets whose use is limited	-	363,187	-	-	363,187
Other assets	-	493,494	-	-	493,494
Total investments	<u>101,840,139</u>	<u>23,188,671</u>	<u>-</u>	<u>209,717,582</u>	<u>334,746,392</u>
Beneficial interest in trusts held by third parties	-	-	10,220,504	-	10,220,504
Total investments and beneficial interest in trusts held by third parties	<u>\$ 101,840,139</u>	<u>\$ 23,188,671</u>	<u>\$ 10,220,504</u>	<u>\$ 209,717,582</u>	<u>\$ 344,966,896</u>

SCRIPPS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS, CONTINUED:

	Level 1	Level 2	Level 3	Assets Valued Using NAV Practical Expedient	2015
Cash equivalents	\$ 10,893,215	\$ -	\$ -	\$ -	\$ 10,893,215
Money market	19,923,160	-	-	-	19,923,160
Domestic equities	42,447,098	-	-	19,423,772	61,870,870
International equities	48,320,328	-	-	34,720,358	83,040,686
Private equity	-	-	-	74,769,169	74,769,169
Domestic fixed income	2,082,266	16,065,505	-	-	18,147,771
Global fixed Income	6,020,013	-	-	-	6,020,013
Real properties	-	630,000	-	-	630,000
Growth oriented hedge funds	-	-	-	26,629,682	26,629,682
Diversifying hedge funds	-	-	-	35,056,217	35,056,217
Assets whose use is limited	-	359,531	-	-	359,531
Other assets	-	478,406	-	-	478,406
Total investments	129,686,080	17,533,442	-	190,599,198	337,818,720
Beneficial interest in trusts held by third parties	-	-	10,602,026	-	10,602,026
Total investments and beneficial interest in trusts held by third parties	<u>\$ 129,686,080</u>	<u>\$ 17,533,442</u>	<u>\$ 10,602,026</u>	<u>\$ 190,599,198</u>	<u>\$ 348,420,746</u>

The following table includes a rollforward of the amounts for the years ended June 30, 2016 and 2015 for assets classified within Level 3:

	Beneficial Interest in Trusts
Balance at July 1, 2014	\$ 10,116,293
Actuarial adjustment	485,733
Balance at June 30, 2015	\$ 10,602,026
Actuarial adjustment	(381,522)
Balance at June 30, 2016	<u>\$ 10,220,504</u>

The College's policy is to recognize transfers in and transfers out of Level 1, Level 2 and Level 3 at the beginning of the reporting period.

SCRIPPS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 5 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS, CONTINUED:

The following table presents fair value measurements of investments that calculate net asset value per share (or its equivalent) as of June 30, 2016:

		Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments:					
Domestic equities	(i)(j)(k)	\$ 20,464,233	\$ -	monthly quarterly, annually, weekly, monthly,	60-90 days
International equities	(k)	56,008,008	-	quarterly, triennially	5-90 days
Global fixed income	(k)	7,599,970	-	monthly	10 days
Hedge funds:					
Diversifying Hedge funds	(a)(e)	34,033,337	-	daily, semi-monthly monthly, quarterly, annually, biannually	2-180 days
Growth oriented Hedge funds	(a)(b)(c)(f)	14,135,874	-	annually, triennially	45-90 days
Private equity:					
Real properties	(d)(g)	4,707,491	2,515,988	n/a	n/a
All others	(d)(h)	72,768,669	57,444,919	n/a	n/a
Total		<u>\$ 209,717,582</u>	<u>\$ 59,960,907</u>		

(a) Includes side pockets which are illiquid and redeemed when the underlying investments are liquidated.

(b) Includes funds which are subject to a gate of 25% per quarter.

(c) Includes funds that are subject to rolling 2 year redemption frequency.

(d) Redemption terms do not apply to private equities as distributions are received when the underlying investments are liquidated.

(e) Absolute return strategy seeks to achieve capital appreciation employing event driven investment strategies that generate attractive risk adjusted returns.

(f) A long/short equity strategy seeks to outperform the broader market averages while minimizing volatility and risk by investing in businesses trading at attractive valuations and short selling stocks in poorly performing, overvalued businesses.

(g) Private equity real properties - opportunistic strategy targets office redevelopments, residential land developments, hotels and resorts, involving some level of repositioning, refinancing or use change.

(h) Private equity others - diversified investments in various portfolio companies at different stages, industries or regions, providing venture capital and/or restructuring expertise and subsequently selling the company to generate returns.

(i) Includes a fund that has a quarterly liquidity after an initial 3 year lock up period.

(j) Includes a fund that has annual liquidity after a 5 year lock up.

(k) The college holds marketable securities such as domestic and international equities, as well as US Treasuries, and global municipal, government and corporate bonds. Marketable security fair values are based on quoted market prices. If a price is not available fair value is estimated using the quoted market price for similar securities.

Private equity funds' unfunded commitments are estimated to be callable as follows:

Fiscal Years Ending June 30,	Amount
2017	\$ 12,655,000
2018	11,460,000
2019	8,900,000
2020	7,475,000
2021	19,470,907
	<u>\$ 59,960,907</u>

NOTE 6 - PLANT FACILITIES:

Plant facilities are recorded at cost or estimated fair value at the date of donation, and at June 30, 2016 and 2015 consist of the following:

	2016	2015
Land and land improvements	\$ 16,346,259	\$ 16,364,760
Buildings	127,377,157	121,967,563
Equipment and furnishings	11,764,204	11,126,341
Property held for future use	3,610,222	3,610,222
Construction in progress	26,925,077	8,642,469
	<u>186,022,919</u>	<u>161,711,355</u>
Less accumulated depreciation	(64,628,060)	(59,790,249)
Net plant facilities	<u>\$ 121,394,859</u>	<u>\$ 101,921,106</u>

SCRIPPS COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 7 - LIFE INCOME AND ANNUITIES PAYABLE:

Life income and annuities payable of \$5,199,826 and \$3,652,327 at June 30, 2016 and 2015, respectively, represent actuarially determined liabilities for contractual obligations under gift annuities, unitrusts, and pooled income funds.

NOTE 8 - BONDS AND NOTE PAYABLE:

At June 30, 2016 and 2015, bonds and note payable were comprised of the following:

	2016	2015
Bonds - California Educational Facilities Authority (CEFA) Series 2007	\$ 26,935,000	\$ 27,775,000
California Municipal Finance Authority (CMFA) 2013 Tax-exempt Loan	45,845,107	20,898,243
	<u>72,780,107</u>	<u>48,673,243</u>
Plus unamortized cost of issuance	(601,481)	(626,971)
Less unamortized discount	(117,923)	(122,343)
Bonds and note payable, net	<u>\$ 72,060,703</u>	<u>\$ 47,923,929</u>
Current portion	\$ 1,926,000	\$ 840,000
Long-term portion	70,134,703	47,083,929
Bonds and note payable, net	<u>\$ 72,060,703</u>	<u>\$ 47,923,929</u>

In October 2007, the College issued CEFA Revenue Bonds Series 2007 in the aggregate principal amount of \$30,555,000 due in November 2037. The bonds are due in annual installments ranging from \$70,000 to \$2,305,000, and bear interest rates ranging from 3.25% to 5.0%. Bonds maturing on or after November 1, 2018 are subject to optional redemption at par plus accrued interest. The bonds were issued for the purpose of financing and refinancing the acquisition, construction, improvement, rehabilitation, renovation, and equipping of certain educational facilities. Refunding proceeds of approximately \$16,695,000 were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the CEFA Series 1999 and a portion of the CEFA Series 2001 bonds; as a result, the bonds have been legally defeased and the liability for these bonds have been removed from the Statements of Financial Position.

In June 2013, the College signed a CMFA Tax-exempt Loan agreement not to exceed \$50,000,000 that matures July 2043. The College could make monthly draws through July 2016. Interest rates range from 3.25% to 3.50% per annum. The unsecured note requires monthly interest only payments through July 2016 and monthly principal and interest payments thereafter. The bonds were issued for the purpose of financing and refinancing the acquisition, construction, improvement and equipping of certain educational facilities, including related administrative facilities, site improvements and parking. Refunding proceeds of approximately \$6,323,000 were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the CEFA Series 1997 and remaining portion of the CEFA Series 2001 bonds; as a result, the bonds have been defeased and the liability for these bonds have been removed from the Statements of Financial Position.

Interest expense was \$2,089,197 and \$1,629,297 for the years ended June 30, 2016 and 2015, respectively. Interest expense includes amortized discount and cost of issuance of \$29,909 for the years ended June 30, 2016 and 2015.

At June 30, 2016, the approximate bond maturities were as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Principal Amount</u>
2017	\$ 1,926,000
2018	2,003,000
2019	2,081,000
2020	2,165,000
2021	2,246,000
Thereafter	62,359,000
	<u>\$ 72,780,000</u>

SCRIPPS COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 8 - BONDS AND NOTE PAYABLE, CONTINUED:

The CEFA Series 2007 bond agreements and CMFA 2013 Tax-exempt Loan contains various restrictive covenants which include the maintenance of certain financial ratios, as defined in the agreement.

The College has a secured \$5,000,000 line of credit with a bank. Any borrowings on the line would bear interest at either a fluctuating rate per annum equal to the Prime Rate as published in the Wall Street Journal less 1% or, if the Prime Rate is not available, a Substituted Index comparable to the Prime Rate. There were no borrowings outstanding on the line at June 30, 2016 and 2015.

The estimated fair value of the College's CEFA bonds payable was approximately \$28,136,000 and \$29,394,000 at June 30, 2016 and 2015, respectively. The fair value was estimated based upon the discounted amount of future cash outflows based on current rates available to the College for debt of the same remaining maturities. The College determined these CEFA bonds to be Level 2 measurements in the fair value hierarchy.

NOTE 9 - ASSET RETIREMENT OBLIGATION:

The College has recorded asset retirement obligation related to plant facilities, primarily for disposal of regulated materials upon eventual retirement of the assets.

The following schedule summarizes asset retirement obligation activity for the years ended June 30, 2016 and 2015:

	2016	2015
Accretion expense	41,872	39,963
Beginning balance	880,213	840,250
Ending balance	<u>\$ 922,085</u>	<u>\$ 880,213</u>

NOTE 10 - NET ASSETS:

At June 30, 2016 and 2015, net assets consists of the following:

	2016	2015
Unrestricted:		
For operations	\$ 42,094,190	\$ 32,821,635
For designated purposes	930,434	37,367
Funds functioning as endowment	30,410,217	31,986,124
Plant facilities	34,476,908	44,924,242
Total unrestricted	<u>\$ 107,911,749</u>	<u>\$ 109,769,368</u>
Temporarily restricted:		
Restricted for specific purposes	\$ 11,465,295	\$ 13,568,163
Endowment	134,201,843	151,870,997
Plant facilities	1,556,816	301,456
Annuity and life income contracts and agreements	2,122,056	4,217,762
Total temporarily restricted	<u>\$ 149,346,010</u>	<u>\$ 169,958,378</u>
Permanently restricted:		
Endowment	\$ 141,717,527	\$ 135,832,192
Loans	6,305,355	6,302,257
Annuity and life income contracts and agreements	11,909,150	12,835,081
Total permanently restricted	<u>\$ 159,932,032</u>	<u>\$ 154,969,530</u>

SCRIPPS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 10 - NET ASSETS, CONTINUED:

At June 30, 2016 and 2015, endowment net assets consists of the following:

	2016	2015
Unrestricted endowment		
Funds functioning as endowment	\$ 30,410,217	\$ 31,986,124
Total unrestricted endowment funds	<u>30,410,217</u>	<u>31,986,124</u>
Temporarily restricted endowment		
Term endowment	298,724	298,724
Quasi endowment	2,791,991	2,791,991
Portion of endowment funds subject to a time restriction under California UPMIFA		
Without purpose restriction	120,527,437	136,524,772
With purpose restriction	10,583,691	12,255,510
Total temporarily restricted endowment funds	<u>134,201,843</u>	<u>151,870,997</u>
Permanently restricted endowment	141,717,527	135,832,192
Total endowment net assets	<u>\$ 306,329,587</u>	<u>\$ 319,689,313</u>

NOTE 11 - ENDOWMENT:

The net assets of the College include permanent endowment and funds functioning as endowment. Permanent endowments are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized as provided for under the California Uniform Prudent Management of Institutional Funds Act. While funds functioning as endowment have been established by the Board of Trustees to function as endowment, any portion of such funds may be expended.

For the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016
Investment returns:				
Earned income/(expense)	\$ 16,099,726	\$ 2,846	\$ 47,130	\$ 16,149,702
Change in net depreciation of investments	(1,802,884)	(17,672,000)	(21,435)	(19,496,319)
	14,296,842	(17,669,154)	25,695	(3,346,617)
Endowment returns distributed	(15,834,363)	-	-	(15,834,363)
Net investment returns	(1,537,521)	(17,669,154)	25,695	(19,180,980)
Other changes in endowed equity:				
Contributions	-	-	2,919,164	2,919,164
Redesignation of net assets	(38,386)	-	2,210,661	2,172,275
Matured annuity and life income agreements	-	-	729,816	729,816
Total other changes in endowed equity	(38,386)	-	5,859,641	5,821,255
Net change in endowed equity	(1,575,907)	(17,669,154)	5,885,336	(13,359,725)
Endowed equity, beginning year	31,986,124	151,870,997	135,832,191	319,689,312
Endowed equity, ending year	<u>\$ 30,410,217</u>	<u>\$ 134,201,843</u>	<u>\$ 141,717,527</u>	<u>\$ 306,329,587</u>
Endowed equity is composed of the following assets at June 30, 2016:				
Contributions receivable, net	\$ -	\$ -	\$ 10,547,870	\$ 10,547,870
Investments	30,410,217	134,201,843	131,169,657	295,781,717
Total endowed equity	<u>\$ 30,410,217</u>	<u>\$ 134,201,843</u>	<u>\$ 141,717,527</u>	<u>\$ 306,329,587</u>

SCRIPPS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 11 - ENDOWMENT, CONTINUED:

For the year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015
Investment returns:				
Earned income/(expense)	\$ 541,342	\$ 4,071	\$ (4,476)	\$ 540,937
Change in net appreciation of investments	12,774,178	(12,462,926)	-	311,252
Investment returns	13,315,520	(12,458,855)	(4,476)	852,189
Endowment returns distributed	(14,739,594)	-	-	(14,739,594)
Net investment returns	(1,424,074)	(12,458,855)	(4,476)	(13,887,405)
Other changes in endowed equity:				
Contributions	-	-	15,076,229	15,076,229
Redesignation of net assets	-	-	75,330	75,330
Matured annuity and life income agreements	-	-	18,423	18,423
Adjustments on contributions receivable	-	-	-	-
Total other changes in endowed equity	-	-	15,169,982	15,169,982
Net change in endowed equity	(1,424,074)	(12,458,855)	15,165,506	1,282,577
Endowed equity, beginning year	33,410,198	164,329,852	120,666,686	318,406,736
Endowed equity, ending year	<u>\$ 31,986,124</u>	<u>\$ 151,870,997</u>	<u>\$ 135,832,192</u>	<u>\$ 319,689,313</u>

Endowed equity is composed of the following assets at June 30, 2015:

Contributions receivable, net	\$ -	\$ -	\$ 14,439,707	\$ 14,439,707
Investments	31,986,124	151,870,997	121,392,485	305,249,606
Total endowed equity	<u>\$ 31,986,124</u>	<u>\$ 151,870,997</u>	<u>\$ 135,832,192</u>	<u>\$ 319,689,313</u>

NOTE 12 - NET STUDENT REVENUES:

Student revenues for the years ended June 30, 2016 and 2015 consist of the following:

	2016	2015
Tuition and fees	\$ 48,893,084	\$ 46,910,576
Room and board	12,445,394	12,183,625
	61,338,478	59,094,201
Less:		
Student aid	(15,873,097)	(15,542,488)
Net student revenues	<u>\$ 45,465,381</u>	<u>\$ 43,551,713</u>

NOTE 13 - FUND RAISING EXPENSE:

Included in marketing expense in the Statements of Activities are approximately \$3,995,000 and \$3,468,000 of fund raising expenses for the years ended June 30, 2016 and 2015, respectively.

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 NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 14 - OPERATING LEASES:

The College leases various office equipment with lease terms that expire through 2021. Annual lease payments range from approximately \$400 to \$32,300. The lease payments for the years ended June 30, 2016 and 2015 were approximately \$60,100 and \$50,200, respectively. The following is a summary of future minimum rental payments for operating leases that have initial or remaining non-cancelable terms in excess of one year as of June 30, 2016:

<u>Fiscal Years Ending June 30,</u>	<u>Lease Payments</u>
2017	\$ 44,343
2018	26,323
2019	10,195
2020	5,098
2021	5,098
	<u>\$ 91,057</u>

NOTE 15 - RELATED PARTIES:

Trustees support the College with contributions to the College. Total contributions from trustees during fiscal years ended June 30, 2016 and 2015, totaled approximately \$423,000 and \$891,000 respectively. At June 30, 2016 and 2015, trustee contributions receivable, net of discount, totaled approximately \$4,970,000 and \$7,134,000, respectively.

A College Trustee is the CEO of an investment counsel firm which performs accounting, tax reporting, and investment management of the College's Charitable Remainder Trust program. At June 30, 2016 and 2015, the fair value of the program totaled approximately \$4,998,000 and \$5,180,000, respectively. Payments to the firm during fiscal years ended June 30, 2016 and 2015 totaled approximately \$61,000 and \$64,000, respectively.

NOTE 16 - EMPLOYEE BENEFIT PLANS:

The College participates in a defined contribution retirement plan which provides retirement benefits for academic employees and certain administrative personnel through Teachers Insurance and Annuity Association, The College Retirement Equity Fund, and Fidelity and Vanguard Mutual Funds. Under this defined contribution plan, College and participant contributions are used to purchase individual annuity contracts and investments equivalent to retirement benefits earned. Vesting provisions are full and immediate. Benefits commence upon retirement, and pre-retirement survivor death benefits are provided. College contributions to the plan for the years ended June 30, 2016 and 2015 totaled approximately \$1,046,000 and \$2,287,000, respectively.

The Claremont University Consortium administers a defined benefit plan ("The Plan") covering substantially all non-academic employees of the College, along with those of the other Claremont Colleges (Note 17). The Plan is in accordance with the Employer Retirement Income Security Act of 1974. The benefits are based on years of service, career average compensation, and amount of employee contributions. Plan assets are invested in a diversified group of equity and fixed-income securities in an insurance company's separate and general accounts. The College's allocation of the net pension cost for the years ended June 30, 2016 and 2015 was approximately \$183,000 and \$70,000, respectively. A decision was made to curtail the Plan in June 2004. Under the curtailment, the accrued benefits earned as of June 30, 2005 were frozen and no future benefits will be earned under the plan. The impact of the curtailment was a reduction to the benefit obligation. Eligible plan participants began receiving benefits under the defined contribution retirement plan in July 2005. Additional information on the Plan can be obtained from the audited financial statements of Claremont University Consortium. As of June 30, 2016, all plan assets were liquidated to fund the financial obligation of the plan termination. Plan assets were historically invested primarily in a diversified group of equity and fixed-income securities and were in accordance with the Employee Retirement Income Security Act (ERISA). Accrued benefit liability and employer contributions were allocated to each of The Claremont Colleges based on participant data or other methods deemed appropriate by the Plan's actuary.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 17 - AFFILIATED INSTITUTIONS:

The College is a member of an affiliated group of colleges known as The Claremont Colleges. Each college is a separate corporate entity governed by its own board of trustees. Claremont University Consortium, a member of this group, is the central coordinating institution that provides common student and administrative services, including certain central facilities utilized by all The Claremont Colleges. The members of the group share the costs of these services and facilities. Amounts paid by the College for such services and use of facilities for the years ended June 30, 2016 and 2015 totaled approximately \$4,255,000 and \$4,053,000, respectively.

NOTE 18 - COMMITMENTS AND CONTINGENCIES:

Contracts

The College has remaining commitments on contracts to renovate an existing residence hall and to build a new residence hall totaling approximately \$6,512,000 at June 30, 2016.

Litigation

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

Federal

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

NOTE 19 - SUBSEQUENT EVENTS:

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

The College has evaluated subsequent events through October 25, 2016, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that need to be disclosed.

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