COLUMBIA COLLEGE CHICAGO

Financial Statements

August 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

COLUMBIA COLLEGE CHICAGO

Table of Contents

KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Trustees
Columbia College Chicago:

We have audited the accompanying financial statements of Columbia College Chicago, which comprise the balance sheets as of August 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Columbia College Chicago as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in notes 2 and 7 to the financial statements, in 2019, the College adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*; ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*; ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended; and ASU No. 2017-07, *Compensation – Retirement*

Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. Our opinion is not modified with respect to these matters.

KPMG LLP

Chicago, Illinois
January 27, 2020

COLUMBIA COLLEGE CHICAGO

Balance Sheets

August 31, 2019 and 2018

Assets		**2019**	**2018**
Cash and cash equivalents	$	1,952,107	4,108,933
Student accounts receivable, less allowance for doubtful accounts of approximately $4,466,000 in 2019 and $5,798,000 in 2018		330,483	254,277
Other accounts and interest receivable, net		1,168,060	844,052
Deposits and prepaid expenses		8,209,939	8,377,629
Grants and contributions receivable, net		791,567	711,564
Investments		278,063,166	307,245,208
Net pension funding		—	3,353,804
Land, buildings, and equipment, net		234,086,425	207,552,729
Total assets	$	524,601,747	532,448,196
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	3,054,305	1,692,953
Accrued expenses		16,150,147	13,167,655
Refundable deposits and deferred revenue		32,470,197	34,120,142
Accrued interest payable		722,668	717,132
Accrued pension cost		2,368,882	—
Asset retirement obligation		3,465,864	3,799,495
Long-term debt, net		76,028,109	79,806,045
Total liabilities		134,260,172	133,303,422
Net assets:			
Without donor restrictions		375,607,536	385,343,950
With donor restrictions		14,734,039	13,800,824
Total net assets		390,341,575	399,144,774
Total liabilities and net assets	$	524,601,747	532,448,196

See accompanying notes to financial statements.

COLUMBIA COLLEGE CHICAGO

Statements of Activities

Years ended August 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:						
Revenue:						
Tuition and fees, net of $37,416,000 and $36,463,000 in tuition allowances	$ 139,563,645	—	139,563,645	146,935,492	—	146,935,492
Student housing, net of $0 and $825,000 in room allowances	27,972,121	—	27,972,121	27,707,217	—	27,707,217
Sales and services	2,087,622	—	2,087,622	2,175,954	—	2,175,954
Private gifts and grants	205,391	2,082,562	2,287,953	243,430	2,142,377	2,385,807
Government grants and contracts	2,665,642	—	2,665,642	2,600,606	—	2,600,606
Investment gains for operations	2,901,118	—	2,901,118	2,378,795	—	2,378,795
Additional endowment spending distribution from board designated funds	7,680,001	—	7,680,001	6,980,000	—	6,980,000
Other	101,409	—	101,409	186,148	—	186,148
Net assets released from restrictions	2,529,450	(2,529,450)	—	3,850,067	(3,850,067)	—
Total operating revenue	185,706,399	(446,888)	185,259,511	193,057,709	(1,707,690)	191,350,019
Expenses:						
Salaries and wages	79,346,041	—	79,346,041	78,877,292	—	78,877,292
Employee benefits	23,911,586	—	23,911,586	23,183,962	—	23,183,962
Supplies and services	28,087,973	—	28,087,973	27,708,964	—	27,708,964
Rent, utilities, and maintenance	35,689,593	—	35,689,593	37,732,021	—	37,732,021
Interest	2,903,088	—	2,903,088	3,544,974	—	3,544,974
Depreciation and amortization	14,863,525	—	14,863,525	14,868,211	—	14,868,211
Total operating expenses	184,801,806	—	184,801,806	185,915,424	—	185,915,424
Excess (deficiency) of operating revenue over operating expenses	904,593	(446,888)	457,705	7,142,285	(1,707,690)	5,434,595
Nonoperating activities:						
Investment gains less amounts for operations	941,176	140,713	1,081,889	10,466,643	586,168	11,052,811
Additional endowment spending distribution from board designated funds	(7,680,001)	—	(7,680,001)	(6,980,000)	—	(6,980,000)
Capital gifts for facilities and collections	1,829,237	583,620	2,412,857	398,992	—	398,992
Gifts to donor restricted funds	—	692,133	692,133	—	1,035,270	1,035,270
Gain (loss) on disposal of property and equipment	(45,096)	—	(45,096)	24,339,601	—	24,339,601
Recognition of change in pension funded status	(3,952,489)	—	(3,952,489)	6,059,560	—	6,059,560
Other components of net periodic benefit cost	(1,770,197)	—	(1,770,197)	(2,222,718)	—	(2,222,718)
Change in fund designation	36,363	(36,363)	—	(922,386)	922,386	—
Change in net assets	(9,736,414)	933,215	(8,803,199)	38,281,977	836,134	39,118,111
Net assets at beginning of year	385,343,950	13,800,824	399,144,774	347,061,973	12,964,690	360,026,663
Net assets at end of year	$ 375,607,536	14,734,039	390,341,575	385,343,950	13,800,824	399,144,774

See accompanying notes to financial statements.

COLUMBIA COLLEGE CHICAGO

Statements of Cash Flows

Years ended August 31, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	(8,803,199)	39,118,111
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Recognition of change in pension funded status		5,722,686	(4,286,842)
Depreciation and amortization		14,946,549	14,951,235
Donation of fixed assets and collections, net of costs		(1,826,857)	(398,992)
Loss (gain) on disposal of property and equipment		45,096	(24,339,601)
Net gain on investments		(4,139,148)	(13,523,647)
Gifts to endowment		(692,133)	(1,035,270)
Changes in assets and liabilities:			
Student accounts receivable		(76,206)	89,754
Other accounts and interest receivable		(324,008)	(489,836)
Deposits and prepaid expenses		167,690	(4,099,119)
Grants and contributions receivable		(80,003)	(69,247)
Accounts payable		1,361,352	(2,008,411)
Accrued expenses		485,510	649,426
Refundable deposits and deferred revenue		(1,649,945)	(2,405,879)
Accrued interest payable		5,536	(7,295)
Asset retirement obligation		(333,631)	252,875
Net cash provided by operating activities		4,809,289	2,397,262
Cash flows from investing activities:			
Proceeds from sale of investments		108,632,560	118,054,842
Purchase of investments		(75,311,370)	(145,559,624)
Proceeds from sale of land, buildings, and equipment		21,000	40,828,000
Purchase of land, buildings, and equipment		(37,250,476)	(25,372,517)
Net cash used in investing activities		(3,908,286)	(12,049,299)
Cash flows from financing activities:			
Proceeds from gifts to endowment		692,133	1,035,270
Increase in capital lease obligation		—	185,943
Payments on capital lease obligation		(1,509,962)	(1,483,756)
Principal payments on long-term debt		(2,240,000)	(1,840,000)
Net cash used in financing activities		(3,057,829)	(2,102,543)
Net decrease in cash and cash equivalents		(2,156,826)	(11,754,580)
Cash and cash equivalents at beginning of year		4,108,933	15,863,513
Cash and cash equivalents at end of year	$	1,952,107	4,108,933
Supplementary disclosure of cash flow information:			
Cash paid during the year for interest	$	3,077,285	3,090,360
Supplementary disclosure of noncash transactions:			
Donated fixed assets and collections	$	1,826,857	398,992
Additions of equipment relating to capital lease obligation		—	201,566
Change in accrued expenses for land, buildings, and equipment		2,496,982	4,041,856

See accompanying notes to financial statements.

(1) Organization

Columbia College Chicago (the College) is a private, not-for-profit, fully accredited college offering comprehensive academic programs in the performing, visual, communications, and writing arts within a liberal arts framework. The College is an urban institution located in Chicago's South Loop that enrolls students from the Chicago area, across the United States and internationally. Students are primarily enrolled in undergraduate degree programs although the College also offers graduate and professional certificate programs.

(2) Summary of Significant Accounting Policies

The financial statements of the College have been prepared on the accrual basis. Significant accounting policies followed by the College are described below.

(a) Basis of Presentation

To ensure the observance of limitations and restrictions placed on the use of resources available, the College maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes into funds that are maintained in accordance with activities or objectives of the College.

For external reporting purposes, however, the College's financial statements have been prepared to focus on the organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions. During 2019, the College retrospectively adopted, as of September 1, 2017, the provisions of Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU reduces the number of net asset categories from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets and permanently restricted net assets. In addition, the ASU requires expanded disclosures for liquidity and functional expenses. Net assets without donor restrictions and net assets with donor restrictions are defined as follows:

- Net assets without donor restrictions are derived from tuition and other institutional resources not subject to donor-imposed restrictions, including those designated by the Board of Trustees to function as endowment (quasi-endowments) and board-designated net assets.
- Net assets with donor restrictions are subject to donor-imposed restrictions including those restricted for a particular use, expiring with the passage of time or the occurrence of an event, or to be maintained in perpetuity. When time and purpose restrictions expire, net assets with donor restrictions are released as net assets without donor restrictions. Net assets subject to donor-imposed restrictions may also require assets to be maintained permanently in perpetuity by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

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

(Continued)

The ASU also requires that underwater endowment funds previously reported as reductions to net assets without donor restrictions be reported instead as reductions to net assets with donor restrictions. The College had no underwater endowment funds as of September 1, 2017, therefore no reclassification is necessary.

(b) Revenue Recognition

Effective September 1, 2018, the College adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. This guidance requires that the College recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the College expects to receive in exchange for those goods and services. This new guidance outlines a principles-based five-step model for entities to use for the recognition of revenue from customers.

The College adopted ASU No. 2014-09 using the modified retrospective approach, which provides for the application of the new standard to uncompleted contracts as of the date of adoption and new contracts entered into subsequent to September 1, 2018. Analysis of the various provisions of this standard did not have a material effect on the College's financial statements; however, the presentation and disclosure of revenue has been enhanced.

Tuition and fees, net of scholarships
Tuition from academic programs delivered to students is recognized in the fiscal year in which the academic programs are delivered. Tuition is charged at different rates depending on the program in which the student is enrolled, less any financial aid awarded by the College to qualifying students. This institutional aid represents a reduction of the tuition transaction price. As part of a student's course of instruction, certain fees, such as technology fees, are billed to students. Tuition and fees are earned ratably over the applicable term and are not considered separate performance obligations.

The College bills tuition and fees in advance of each academic term, however students have until approximately the second week of the term to drop classes and receive a full refund. Student receivables are not recognized until the passage of the refund deadline. In some instances, students pay prior to the deadline and the College recognizes deferred revenue in these situations.

Student Housing, net of scholarships
Housing revenue consists of fees for room and dining services (board) during the student's education. These fees are viewed as one performance obligation. Fees are charged at different rates depending on the room accommodations and may be reduced by any institutional aid awarded by the College. Institutional aid awarded to students represents a reduction of the housing transaction price. Both room fees and dining services are billed in advance of each academic term and recognized ratably as revenue over the period in which these services are provided. As with tuition, the College records deferred revenue when students pay prior to the start of the academic term.

Sales and Services
This category consists of revenue generated by the College from different arrangements that are deemed to be exchange transactions. Major revenue streams in this category include ticket sales for dance and theater performances, revenue from seminars and workshops, and tuition from community outreach programs. Revenue from these activities is generally recognized as services are performed.

Effective September 1, 2018, the College adopted ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The College's adoption of the ASU on a modified retrospective basis did not have a material effect on its financial statements.

Revenue from government grants and contracts are deemed to be non-exchange (non-reciprocal) transactions and fall under the contribution guidance when conditions are met. Revenue is recognized as qualifying expenditures are incurred in accordance with the agreement.

Private gifts, including unconditional promises to give (i.e., pledges), are recognized in the period received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful pledges receivable is provided based upon the administration's judgment considering such factors as the creditworthiness of the donor, prior collection history, type of contribution, and nature of the fund-raising activity.

Contributions received with donor-imposed restrictions are reported as revenue of the net assets with donor restrictions class and released to the net assets without donor restrictions class when the restriction has been met. Donor restricted contributions whose restrictions are met within the same fiscal year in which they are received are reported as revenue without donor restrictions. Contributions of land, buildings, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with donor-imposed use restrictions are reported as revenue of the net assets with donor restrictions class; the restrictions are considered to be released at the time such long-lived assets are placed into service.

(c) Long-Term Pooled Investment Payout

The College has adopted a spending policy in support of current operational budget requirements. This policy allows for the spending of a percentage (5% for fiscal years 2019 and 2018) of the average fair value of the long-term pooled (LTP) investments over the past three years. Pooled investments consist of assets of the College's endowment, certain assets with donor restrictions, and funds designated by the Board of Trustees to be invested as endowment. See note 12 for additional information regarding the College's investment strategy and objectives.

(d) Operations

Operating results in the statements of activities reflect all transactions increasing or decreasing net assets without donor restrictions except those items of a capital nature, that is, associated with long-term investments, physical plant, or certain pension changes.

(e) Cash Equivalents

Cash equivalents consist primarily of highly liquid debt instruments acquired with an original maturity of three months or less. Certain securities of a similar nature may be included in investments because such instruments are held by the College for designated purposes.

(f) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost or, in the case of gifts, fair value at date of donation, less accumulated depreciation. Leased equipment is depreciated using a straight-line method over the shorter of the estimated useful life of the equipment or the term of the lease. Buildings and equipment are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives are as follows:

Buildings	50 years
Building improvements	15–25 years
Library books	10 years
Furnishings and equipment	3–10 years

Long-lived assets, such as buildings and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

(g) Collections

In 1997, the College began capitalizing its collections retroactively. To the extent reliable records existed, the College capitalized items acquired prior to 1997 at their cost at the date of purchase or, if the items were contributed, at their fair or appraised value at the accession date (the date the item was accepted by the College). Other items, particularly those acquired prior to 1997, when detailed curatorial records began to be maintained, have been capitalized at their appraised or estimated current fair value. In some cases, collection items held solely for their potential educational value or historical significance were determined to have no alternative use and were not assigned values for the purpose of capitalization.

(h) Income Taxes

The College has received a determination letter from the Internal Revenue Service (IRS) indicating that it is a tax-exempt organization as provided in Section 501(c)(3) of the Internal Revenue Code of 1986 and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. No provision has been made for income taxes in the accompanying financial statements, as the College has had no significant unrelated business income. In accordance with U.S. generally accepted accounting principles (GAAP), the College recognizes 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 the taxing authorities, based on the technical merits of the position. Based upon this practice the College, as of August 31, 2019 and 2018, believes it has no significant uncertain tax positions.

(i) Conditional Asset Retirement Obligation

The College has recorded a liability to recognize the estimated cost of conditional asset retirement obligations related to potential asbestos abatement. The costs of abatement were estimated using a variety of assumptions and estimates, including a cost-per-square-foot estimate, inflation estimates, and an estimated discount rate. At August 31, 2019 and 2018, the College has recorded an asset retirement obligation of $3,465,864 and $3,799,495, respectively.

(j) Fair Value of Financial Instruments

The College follows the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, the official pronouncement for fair value measurements for financial instruments. The pronouncement defines fair value as the price that could be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market of the asset or liability in an orderly transaction between market participants on the measurement date.

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

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

As a practical expedient, the College records its investment in certain entities that calculate net asset value per share (or its equivalent) that do not have a readily determinable fair value using the net asset value per share of the investment (or its equivalent) as of the College’s fiscal year-end. Using this approach, the value of these investments does not include certain attributes that may impact the final value of the investments, such as restrictions on redemption and transaction prices for principal-to-principal and brokered transactions.

(k) Use of Estimates

In order to prepare these financial statements, the administration of the College has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reporting of revenue, expenses, gains, and losses during the reporting period. Actual results could differ from these estimates.

(3) Investments

Investments are stated at fair value. The fair value of investments is based upon quoted market prices when available. However, the investments also include certain instruments where quoted market prices may not be available. For these instruments, the College has applied a practical expedient and recorded the net asset value reported by each underlying fund. The valuations for these investments involve estimates, appraisals, assumptions, and other analytical methods performed by investment managers and then reviewed by the College and the College's investment consultant.

The College's interests in alternative investment funds such as absolute return, equity, hedge funds, and private equity are reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of August 31, 2019, and 2018, the College had no plans to sell investments at amounts different from NAV.

The College's investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect amounts reported in the balance sheets.

Investment income, gains and losses, and any investment-related expenses are recorded as an increase (decrease) in net assets without donor restrictions in the statements of activities unless their use is restricted by explicit donor stipulations or law. In the absence of donor stipulations or law to the contrary, losses on the investment of a donor-restricted endowment fund are applied to reduce net assets with donor restrictions to the extent that donor-imposed restrictions on net appreciation of the fund have not been met before the loss occurs.

(Continued)

The investments, including cash and cash equivalents, at August 31, 2019 and 2018 are comprised of the following:

	2019 Level 1	2019 Total	Redemption or liquidity	Days' notice
Cash and cash equivalents	$ 1,952,107	1,952,107	Daily	1
Investments:				
Fixed income [a]				
Endowment	21,350,860	21,350,860	Daily	1
Operations	87,090,520	87,090,520	Daily	1
Subtotal	108,441,380	108,441,380		
Investments measured at net asset value		169,621,786		
Total investments at fair value as of August 31, 2019		$ 278,063,166		

	2018 Level 1	2018 Total	Redemption or liquidity	Days' notice
Cash and cash equivalents	$ 4,108,933	4,108,933	Daily	1
Investments:				
Fixed income [a]				
Endowment	19,508,290	19,508,290	Daily	1
Operations	110,332,603	110,332,603	Daily	1
Subtotal	129,840,893	129,840,893		
Equities [b]	3,101,682	3,101,682	Daily	7
Investments measured at net asset value		174,302,633		
Total investments at fair value as of August 31, 2018		$ 307,245,208		

(a) Includes investments in mutual funds that invest in fixed income securities.

(b) Includes investments in U.S. and non-U.S. common stocks and funds and includes mainly small capitalization stocks. Management of the fund has the ability to shift investments from value to growth strategies.

In accordance with the fair value measurements and disclosures guidance, the following table presents the category, fair value, redemption frequency and redemption notice period for College investments, the fair values of which are estimated using the NAV per share as of August 31, 2019 and 2018:

	2019	2018	(if currently eligible)	(if currently eligible)
Absolute Return	$ 44,967,261	47,857,258	Quarterly to Two Years	45-90
Equity	102,885,920	101,200,109	Daily to Quarterly	6-30
Hedge Funds	20,286,318	23,261,110	Quarterly to Annual	30-90
Private Equity	1,482,287	1,984,156	NA	NA
Total	$ 169,621,786	174,302,633		

(4) Land, Buildings, and Equipment

Land, buildings, and equipment at August 31, 2019 and 2018 are comprised of the following:

	2019	2018
Land	$ 21,898,620	21,604,809
Buildings and improvements	272,726,415	268,445,578
Furnishings and equipment	92,994,500	92,578,804
Library collections	12,933,289	12,934,489
Museum and art collections	17,232,759	15,339,838
Construction in process	53,333,677	18,822,844
	471,119,260	429,726,362
Less accumulated depreciation	237,032,835	222,173,633
	$ 234,086,425	207,552,729

The College sold a parcel of land and three buildings during fiscal year ended August 31, 2018:

(a) Land and building at 1401-1415 S. Wabash was sold on November 8, 2017 in a cash-only transaction with net proceeds of $6,300,900 and a gain on sale of $3,938,316. The net book value of the land and building at time of sale was $2,362,585.

(b) Land and building at 820 S. Michigan was sold on November 27, 2017 in a cash-only transaction with net proceeds of $10,710,415 and a gain on sale of $4,052,164. The net book value of the land and building at time of sale was $6,658,251.

(c) Land and building at 731 S. Plymouth was sold on July 16, 2018 in a cash-only transaction with net proceeds of $22,953,435 and a gain on sale of $16,399,270. The net book value of the land and building at time of sale was $6,554,165.

Outstanding commitments for construction contracts amounted to approximately $7,235,350 and $4,041,856 at August 31, 2019 and 2018, respectively.

(5) Refundable Deposits and Deferred Revenue

The components of refundable deposits and deferred revenue as of August 31 are presented below:

		2019	2018
Tuition and housing deferred revenue	$	24,816,741	26,155,712
Rent abatement		6,877,786	7,042,695
Deferred grant revenue		74,970	311,948
Refundable deposits		700,700	609,787
	$	32,470,197	34,120,142

Tuition and housing deferred revenue and refundable deposits are recognized ratably as revenue over the subsequent fiscal year in which the academic programs are delivered and housing services are provided. The rent abatement is recognized as revenue on a straight line basis over the life of the lease. Deferred grant revenue is recognized as revenue when qualifying expenditures are incurred.

(6) Long-Term Debt

Long-term debt at August 31, 2019 and 2018 is as follows:

		2019	2018
IFA first mortgage notes:			
2000 Series issued April 1, 2000	$	17,100,000	17,100,000
2013 Series issued October 31, 2013		940,000	2,650,000
2015 Series issued October 15, 2015		55,415,000	55,945,000
Capital lease obligations		1,302,568	2,812,530
		74,757,568	78,507,530
2015 Series unamortized premium		2,025,709	2,136,707
Unamortized bond issuance costs		(755,168)	(838,192)
	$	76,028,109	79,806,045

Maturities of long-term debt outstanding at August 31, 2019 are as follows:

		FY2020	FY2021	FY2022	FY2023	FY2024	Thereafter	Total
IFA notes:								
2000 Series	$	—	—	—	—	—	17,100,000	17,100,000
2013 Series		650,000	290,000	—	—	—	—	940,000
2015 Series		1,270,000	1,320,000	2,045,000	2,135,000	2,245,000	46,400,000	55,415,000
Capital leases		555,501	747,067	—	—	—	—	1,302,568
	$	2,475,501	2,357,067	2,045,000	2,135,000	2,245,000	63,500,000	74,757,568

All first mortgage notes were issued by the Illinois Finance Authority (IFA) to finance the costs of the acquisition, construction, renovation, and equipping of educational or student housing facilities and are secured by such facilities. Interest rates, except for the 2000 Series, are fixed rates ranging from 1.38% to 5.00%. Interest payments are due semiannually except for the Series 2000 mortgage notes on which interest is due monthly.

In October 2015, the College issued $50,490,000 Illinois Finance Authority Revenue Refunding Bonds, Series 2015A and $7,975,000 Illinois Finance Authority Taxable Revenue Refunding Bonds, Series 2015B (Series 2015 Bonds). The proceeds were used to refund all of the outstanding Illinois Finance Authority Revenue Bonds, Series 2003, Series 2007, and Series 2011; and to pay certain costs of issuance of the bonds. The transaction also generated a $2,359,000 premium on the Series 2015A bonds. Interest rates on the bonds range from 2.00% to 5.00%.

Included in long-term debt is $17,100,000 of general obligation variable rate demand bonds, maturing on June 30, 2030. The bonds are marketed weekly by a remarketing agent, and the interest rate is reset each week based on current market conditions. The interest rates for the weeks ended August 31, 2019 and 2018 were 1.35% and 1.58%, respectively. In the event that the agent is unable to remarket the bonds, the bonds become a demand note under an irrevocable letter of credit issued by BMO Harris Bank. This is to provide the necessary credit enhancement and liquidity that make the Series 2000 Bonds marketable at a reasonable interest cost. The amount available under this reimbursement agreement is $17,263,973 at August 31, 2019 and 2018 and carries an interest rate equal to the prime rate (5.25% at August 31, 2019 and 5.0% at August 31, 2018) in effect at the time of use. The reimbursement agreement and letter of credit are for a two-year term. The reimbursement agreement and letter of credit are payable in quarterly installments over the remaining life of the agreement commencing on the first quarterly date within 60 days after the letter of credit is used. As of August 31, 2019 and 2018, no amounts have been drawn on the letter of credit. The letter of credit is valid through July 1, 2021. Should the irrevocable letter of credit not be renewed, an alternative credit facility must be obtained, or the bonds require immediate repayment.

The irrevocable letter of credit is subject to certain financial covenants, the most restrictive of which include net asset ratio restrictions, cash and investment restrictions, and a debt service limitation. Management believes that these debt covenants were met as of August 31, 2019 and 2018.

Capital Leases

The College has certain lease agreements for network equipment, which are considered capital leases. Future minimum lease payments as of August 31, 2019 are as follows:

		Annual lease payment
Year:		
2020	$	639,754
2021		795,301
Total		1,435,055
Less imputed interest		(132,487)
Present value of lease	$	1,302,568

(7) Employee Benefit Plans

(a) Columbia College Pension Plan

The College has a defined benefit pension plan, the Columbia College Pension Plan, covering all eligible employees. The College has received a determination letter from the IRS, indicating that the plan is exempt from tax under the applicable provisions of the Internal Revenue Code.

On May 7, 2003, all eligible employees were given notice, as required by Section 204(h) of the Employee Retirement Income Security Act of 1974, that the plan was amended to end all benefit accruals effective June 23, 2003, prior to the accumulation of an additional benefit accrual earned for the 2003 calendar year. Therefore, the pension plan was effectively frozen at the amounts determined as of December 31, 2002.

The College adopted ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* in fiscal year 2019. The amendments in this ASU require the service cost component of the net periodic pension cost to be reported in the same line item as employee benefit costs on the statements of activities and for the other components of net periodic pension cost to be presented in the statements of activities separately from the service cost component and outside the subtotal of excess of operating revenue over operating expenses. The amendments in this ASU are required to be applied retrospectively, therefore, as a practical expedient, the College used the amounts disclosed within this note for the prior comparative period as the estimation basis for applying the retrospective presentation requirements. The amount of the reclassification from employee benefits to other components of net periodic benefit cost on the statement of activities for fiscal year 2018 was $887,356.

The following table sets forth the Columbia College Pension Plan's funded status and amounts recognized in the College's financial statements at August 31, 2019 and 2018, as determined at the measurement dates of August 31, 2019 and 2018:

		2019	2018
Change in benefit obligation:			
Benefit obligation at beginning of year	$	40,231,055	45,964,697
Interest cost		1,577,496	1,624,449
Actuarial gain/(loss)		5,041,409	(1,422,940)
Benefits paid		(5,261,915)	(5,935,151)
Benefit obligation at end of year		41,588,045	40,231,055
Change in fair value of plan assets:			
Fair value of plan assets at beginning of year		43,584,859	45,031,659
Actual gain on plan assets		896,219	4,038,351
Employer contributions		—	450,000
Benefits paid		(5,261,915)	(5,935,151)
Fair value of plan assets at end of year		39,219,163	43,584,859
Funded status recognized on the balance sheets	$	(2,368,882)	3,353,804

The accumulated benefit obligation for the plan was $41,588,045 and $40,231,055 at August 31, 2019 and 2018, respectively.

Net periodic pension cost for the plan for the fiscal years ended August 31, 2019 and 2018 included the following components, which are reported in other components of net periodic benefit cost within nonoperating activities on the statements of activities:

		2019	2018
Interest cost on projected benefit obligation	$	1,577,496	1,624,449
Expected return on plan assets		(2,082,334)	(2,170,413)
Net amortization and deferral		853,546	1,433,320
Impact of plan settlements		1,421,489	1,335,362
Net periodic pension cost	$	1,770,197	2,222,718

Discount rates of 2.95% and 4.12% were used in determining the actuarial present value of the projected benefit obligations for fiscal years 2019 and 2018, respectively. The expected long-term rate of return on assets was 5% for fiscal years 2019 and 2018, and is based on analysis of actual and projected rates of return. Because the plan is frozen and new benefits are not accruing, the projected salary increase to normal retirement age for all employees for fiscal years 2019 and 2018 was 0%.

Weighted average asset allocation by asset category is as follows:

	2019	**2018**
Equities	60 %	60 %
Bonds	40	40

The plan is invested in a diversified balanced mutual fund spread across asset classes that include U.S. large-capitalization equities, investment-grade fixed income securities, international equities, and government mortgage-backed securities. The plan's investments are all Level 1 investments and are stated at fair value as of the fiscal year-end.

The College did not contribute to the plan during fiscal year 2019.

The following benefit payments, which reflect expected future service, are expected to be paid for each of the fiscal years ending August 31:

Fiscal year(s)	**Amount**
2020	$ 3,691,511
2021	2,260,900
2022	2,937,043
2023	2,256,146
2024	2,836,639
2025–2029	12,760,928

(b) Columbia College Employees' Retirement Trust

Effective January 1, 2003, the College instituted a new defined contribution plan, the Columbia College Chicago Employees' Retirement Plan (the Plan). The Columbia College Chicago Employees' Retirement Trust has been established to implement the Plan.

The amount contributed annually by the College to the trust will be distributed to eligible employees based on years of service and age. No participant contributions are necessary to receive the employer contributions. The College made contributions to participant accounts of $4,377,670 and $4,501,978 during fiscal years 2019 and 2018, respectively, which are reported in employee benefits expenses.

(8) Commitments and Contingencies

(a) Commitments

The College is committed under various noncancelable operating ground leases on the properties at 600 and 624 South Michigan Avenue, and for certain auxiliary building space leases at other locations. Minimum lease payments payable in future years are as follows:

2020	$	25,187,305
2021		23,658,930
2022		24,244,709
2023		24,845,144
2024		25,460,626
Thereafter		77,031,735
	$	200,428,449

Property and equipment rental expense was $20,189,916 and $19,802,550 for fiscal years 2019 and 2018, respectively.

In May 2017, the College announced its intention to build a student center on land already owned by the College. Construction began in February 2018 and was completed in September 2019. The College estimates the final cost of the project will be approximately $55.0 million. Costs incurred through fiscal year 2019 were approximately $52.5M.

(b) Contingencies

The College is a defendant in various litigation matters arising in the normal course of business. In the opinion of management, the ultimate resolution of all such litigation matters will not have a material effect on the financial position or activities of the College.

(9) Net Assets

Net assets at August 31 are comprised of the following:

	2019	2018
Amounts without donor restrictions:		
Board-designated for endowment	$ 180,514,511	186,989,334
Undesignated	195,093,025	198,354,616
Total net assets without donor restrictions	375,607,536	385,343,950
Amounts with donor restrictions:		
Amounts restricted by time or purpose:		
Endowment returns subject to future appropriation	2,755,450	2,913,504
Academic programs	602,315	365,322
Scholarships	2,049,549	2,243,649
Community	507,589	543,068
Facility	1,116,450	725,516
Subtotal	$ 7,031,353	6,791,059
Amounts with perpetual restrictions:		
Endowment	$ 7,702,686	7,009,765
Total net assets with donor restrictions	14,734,039	13,800,824
Total Net Assets	$ 390,341,575	399,144,774

(10) Expenses by Functional Classifications

The College's primary activity is to provide academic programs. Student services, auxiliary and institutional support expenses are incurred in support of this mission. The College also incurs expenses related to programming that serves the local community.

In accordance with the adoption of ASC Topic 958, the College recorded direct expenses by program and allocated operation and maintenance of plant to each functional expense category using a square footage allocation methodology for the year-ended August 31, 2019, as follows:

	Educational Activities	Student Services	Public Service	Auxiliaries	Support Activities	Total
Operating expenses:						
Salaries and wages	$ 52,269,299	11,513,966	1,492,194	763,707	13,306,875	$ 79,346,041
Employee benefits	14,647,336	4,067,906	275,241	217,300	4,703,803	23,911,586
Supplies and services	8,444,456	8,926,247	565,343	4,154,491	5,997,436	28,087,973
Rent, utilities, and maintenance	7,897,081	2,013,853	137,256	21,558,884	4,082,519	35,689,593
Interest	6,063	-	-	-	2,897,025	2,903,088
Depreciation and amortization	9,935,484	1,560,698	141,859	1,560,448	1,665,036	14,863,525
Total	$ 93,199,719	28,082,670	2,611,893	28,254,830	32,652,694	$ 184,801,806

The following is a summary of total expenses classified by function for the year-ended August 31, 2018:

Education Activities	$ 104,203,828
Student services	28,163,389
Public service	4,098,486
Auxiliary enterprises	26,891,247
Support activities	22,558,474
Total expenses	$ 185,915,424

(11) Financial Assets and Liquidity Resources

The College actively monitors liquidity required to meet its general expenditures. General expenditures include operating expenses, principal and interest payments on debt, pension and retirement plan payments, and internally funded capital projects. The annual cash cycle has seasonal variations primarily related to the timing of tuition billings. Cash in excess of daily requirements is invested in highly liquid investment funds.

The financial assets of the College that could readily be made available for general expenditures within one year of August 31, 2019 are as follows:

Cash and cash equivalents	$	1,952,107
Student accounts receivable, net		330,483
Other receivables		546,002
Pledge payments available for operations		7,276
Subsequent year's endowment distribution		8,278,000
Investments not subject to donor or board restrictions		87,090,520
Total financial assets available to meet general expenditures within one year	$	98,204,388

In addition to financial assets available to meet general expenditures in the year following August 31, 2019, a significant portion of the College's annual expenditures will be funded by current year operating revenues. Although the College does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditures as part of its annual operating budget approval process, amounts from this fund could be made available if necessary.

(12) Net Asset Classification of Funds and Enhanced Disclosures for Endowment

The College's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Board of Trustees of the College has reviewed the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, having considered its rights and obligations thereunder, has chosen to require the preservation of the original value of a contribution of a donor-restricted endowment fund as of the gift date, absent explicit donor stipulations to the contrary. As a result, the College classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

1. The duration and preservation of the fund

2. The purposes of the College and 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 the appreciation of investments
6. Other resources of the College
7. The investment policies of the College

The total long-term investments reported on the balance sheets include true endowments, funds functioning as endowment, and expendable gifts. Endowment net assets exclude the expendable gifts included in the long-term investments.

Endowment net assets consist of the following at August 31, 2019:

	2019		
	Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$ —	10,458,134	10,458,134
Board-designated endowment funds	180,514,511	—	180,514,511
Total endowment net assets	$ 180,514,511	10,458,134	190,972,645

Endowment net assets consist of the following at August 31, 2018:

	2018		
	Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$ —	9,923,267	9,923,267
Board-designated endowment funds	186,989,334	—	186,989,334
Total endowment net assets	$ 186,989,334	9,923,267	196,912,601

Changes in endowment net assets for the year ended August 31, 2019 are as follows:

	2019		
	Without donor restrictions	**With donor restrictions**	**Total**
Endowment net assets, August 31, 2018	$ 186,989,334	9,923,267	196,912,601
Investment returns, net	1,949,285	(158,054)	1,791,231
Contributions	—	692,133	692,133
Change in donor designation	(744,107)	299,555	(444,552)
Appropriation for expenditure	(7,680,001)	(298,767)	(7,978,768)
Endowment net assets, August 31, 2019	$ 180,514,511	10,458,134	190,972,645

Changes in endowment net assets for the year ended August 31, 2018 are as follows:

	2018		
	Without donor restrictions	**With donor restrictions**	**Total**
Endowment net assets, August 31, 2017	$ 165,200,365	7,848,773	173,049,138
Investment returns, net	10,520,744	322,724	10,843,468
Contributions	20,000,000	1,035,270	21,035,270
Change in donor designation	(1,751,775)	979,945	(771,830)
Appropriation for expenditure	(6,980,000)	(263,445)	(7,243,445)
Endowment net assets, August 31, 2018	$ 186,989,334	9,923,267	196,912,601

(b) 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. Deficiencies of this nature, referred to as underwater endowments, are reported in net assets with donor restrictions. In the event an endowment falls underwater, current management practice is to disallow spending from the fund until the fair value of the endowment fund exceeds the original gift amount. The amount by which funds were underwater were $14,497 and $0 as of August 31, 2019 and 2018, respectively.

(c) Return Objective 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. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the annual Consumer Price Index (CPI) by 5%, while assuming a risk level that is consistent with the risk associated with the above benchmark. Based on the investment policy, the College expects its endowment funds, over its stated investment horizon of 10 years, to provide an average annual real rate of return of approximately 5% plus the CPI. Actual returns in any given year may vary from this amount.

(d) 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 emphasis on investments in global equities, absolute return strategies, and bonds.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

The purpose of endowment funds is to facilitate donor’s desires to make substantial long-term gifts to the College and to develop a new and significant source of revenue to the College. In doing so, the endowment is designed to provide a secure, long-term source of funds to (a) fund special programs; (b) ensure long-term growth, and (c) support the administrative expenses of the College as deemed appropriate.

To achieve these goals, the College has a policy of appropriating for distribution each year up to 7% of its endowment funds’ average fair value using the three years prior to the budget year. Under the policy adopted by the College, interest, dividends, and appreciation on investments held in the investment pool are made available for spending. The Board of Trustees set the endowment distribution at $298,767 for fiscal year 2019 and $263,445 for fiscal year 2018. In addition, the Board of Trustees approved a distribution from board designated endowments of approximately $7.7 million in 2019 and $7.0 million in 2018 to be used for operations.

(13) Subsequent Events

In connection with the preparation of the financial statements and in accordance with FASB ASC Topic 855, *Subsequent Events*, management evaluated subsequent events after the balance sheet date of August 31, 2019 through January 27, 2020, the date when the financial statements were issued.

On November 1, 2019, the College paid $11,421,844 to reduce outstanding debt and related interest for the Illinois Finance Authority Variable Rate Demand Bonds, Series 2000.

On November 20, 2019, the Illinois Finance Authority issued $18,035,000 Revenue Bonds, Columbia College Chicago, Series 2019. The Series 2019 Bonds were issued to reimburse the College for a portion of the student center construction that was completed in September, 2019. Total cost of the student center is estimated to be $55.0 million.