SIKICH

KNOX COLLEGE

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Years Ended June 30, 2018 and 2017

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KNOX COLLEGE
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CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
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Independent Auditor's Report

To the Board of Trustees
Knox College
Galesburg, Illinois

We have audited the accompanying financial statements of Knox College (College), which comprise the Statements of Financial Position as of June 30, 2018 and 2017, and the related Statements of Activities and Cash Flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Knox College as of June 30, 2018 and 2017, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018 on our consideration of Knox College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Knox College's internal control over financial reporting and compliance.

Sikich LLP

Springfield, Illinois
October 25, 2018

FINANCIAL STATEMENTS

KNOX COLLEGE

STATEMENTS OF FINANCIAL POSITION

For the Years Ended June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 2,831,710	$ 2,954,581
Grants and contracts receivable	382,014	157,956
Students and other accounts receivable, less allowances of $311,124 and $214,756 in 2018 and 2017, respectively	1,121,824	2,392,669
Inventories	176,817	135,677
Other assets, principally prepaid expenses, deferred charges, and land	968,266	1,558,640
Pledges receivable, less discount and allowance	2,246,701	1,621,982
Investments	149,102,401	133,456,033
Loans receivable, less allowance for doubtful loans of $187,622 and $187,811 in 2018 and 2017, respectively	3,650,971	3,668,701
Restricted cash	3,443,742	2,801,002
Land, buildings, and equipment, net of accumulated depreciation	54,609,209	54,949,684
Beneficial interest in perpetual trust	15,275,810	11,807,942
TOTAL ASSETS	$ 233,809,465	$ 215,504,867
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 2,959,704	$ 2,343,857
Line of credit for capital purposes	8,065,647	8,354,559
Accrued payroll including employee benefits	2,178,733	2,239,117
Student deposits	506,216	533,208
Deposits held in custody for others	197,771	100,696
Accrual for medical claims	367,993	393,455
Deferred revenues	325,375	419,069
Annuities payable	845,010	959,901
Postretirement benefit obligation	1,930,739	1,843,575
Federal equity in loan programs	1,965,464	1,991,780
Interest rate swaps liability	3,748,565	5,247,928
Capital lease obligations payable	333,390	565,712
Bonds payable, net of deferred bond issuance costs	24,552,908	24,537,555
Total liabilities	47,977,515	49,530,412
Net assets:		
Unrestricted	41,872,100	30,615,305
Temporarily restricted	38,771,516	38,664,781
Permanently restricted	105,188,334	96,694,369
Total net assets	185,831,950	165,974,455
TOTAL LIABILITIES AND NET ASSETS	$ 233,809,465	$ 215,504,867

See accompanying notes to financial statements.

KNOX COLLEGE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and fees	$ 58,993,473	$ -	$ -	$ 58,993,473
Less student aid and scholarships	(37,063,619)	-	-	(37,063,619)
Net tuition and fees	21,929,854	-	-	21,929,854
Contributions	5,956,532	3,046,252	4,817,542	13,820,326
Federal grants and contracts	227,317	1,288,673	-	1,515,990
Investment return	2,779,055	13,576,564	219,927	16,575,546
Auxiliary enterprises	11,176,496	94,388	-	11,270,884
Miscellaneous	871,376	122,491	-	993,867
Net assets released from restrictions	17,943,330	(17,943,330)	-	-
Total revenues, gains, and other support	60,883,960	185,038	5,037,469	66,106,467
EXPENSES				
Program services:				
Instruction	18,242,816	-	-	18,242,816
Academic support	4,230,167	-	-	4,230,167
Athletics	3,384,080	-	-	3,384,080
Student services	5,866,002	-	-	5,866,002
Auxiliary enterprises	8,395,261	-	-	8,395,261
Management and general:				
Institutional support	7,384,614	-	-	7,384,614
Operations and maintenance	3,536,424	-	-	3,536,424
Total expenses	51,039,364	-	-	51,039,364
OTHER CHANGES IN NET ASSETS				
Change in fair value of interest rate swaps	1,499,363	-	-	1,499,363
Postretirement benefits related changes	(87,164)	-	-	(87,164)
Adjustments of amounts due under annuity and life income agreements	-	(78,303)	(11,372)	(89,675)
Contribution of beneficial interest in perpetual trust	-		3,000,000	3,000,000
Change in value of beneficial interest in perpetual trust	-	-	467,868	467,868
Total other changes in net assets	1,412,199	(78,303)	3,456,496	4,790,392
CHANGE IN NET ASSETS	11,256,795	106,735	8,493,965	19,857,495
NET ASSETS, BEGINNING OF YEAR	30,615,305	38,664,781	96,694,369	165,974,455
NET ASSETS, END OF YEAR	$ 41,872,100	$ 38,771,516	$ 105,188,334	$ 185,831,950

See accompanying notes to financial statements.

KNOX COLLEGE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and fees	$ 56,804,995	$ -	$ -	$ 56,804,995
Less student aid and scholarships	(34,791,264)	-	-	(34,791,264)
Net tuition and fees	22,013,731	-	-	22,013,731
Contributions	4,345,078	2,963,762	7,364,324	14,673,164
Federal grants and contracts	244,910	972,487	-	1,217,397
Investment return	1,403,181	17,256,582	815,984	19,475,747
Auxiliary enterprises	10,307,258	91,467	-	10,398,725
Miscellaneous	990,066	126,047	1,872	1,117,985
Net assets released from restrictions	11,040,138	(11,040,138)	-	-
Total revenues, gains, and other support	50,344,362	10,370,207	8,182,180	68,896,749
EXPENSES				
Program services:				
Instruction	17,536,339	-	-	17,536,339
Academic support	4,292,034	-	-	4,292,034
Athletics	2,993,139	-	-	2,993,139
Student services	5,464,826	-	-	5,464,826
Auxiliary enterprises	8,540,580	-	-	8,540,580
Management and general:				
Institutional support	7,953,200	-	-	7,953,200
Operations and maintenance	3,468,978	-	-	3,468,978
Total expenses	50,249,096	-	-	50,249,096
OTHER CHANGES IN NET ASSETS				
Change in fair value of interest rate swaps	2,406,726	-	-	2,406,726
Postretirement benefits related changes	18,116	-	-	18,116
Adjustments of amounts due under annuity and life income agreements	-	(85,284)	(14,405)	(99,689)
Reclassifications of restrictions	-	(3,177,076)	3,177,076	-
Change in value of beneficial interest in perpetual trust	-	-	592,491	592,491
Total other changes in net assets	2,424,842	(3,262,360)	3,755,162	2,917,644
CHANGE IN NET ASSETS	2,520,108	7,107,847	11,937,342	21,565,297
NET ASSETS, BEGINNING OF YEAR	28,095,197	31,556,934	84,757,027	144,409,158
NET ASSETS, END OF YEAR	$ 30,615,305	$ 38,664,781	$ 96,694,369	$ 165,974,455

See accompanying notes to financial statements.

KNOX COLLEGE

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 19,857,495	$ 21,565,297
Adjustments to reconcile change in net assets to net cash from operating activities:		
Allowance for bad debts	96,368	3,349
Discount and allowance on pledges receivable	143,616	46,840
Depreciation	3,634,102	3,643,810
Amortization	15,353	15,353
Establish actuarial liability on annuity payable	-	27,018
Change in actuarial liability on annuities and life income funds	(2,942)	97,796
Realized gains on sale of investments, net	(13,265,754)	(6,466,665)
Unrealized (gains) losses on investments, net	444,601	(10,642,992)
Change in fair value of interest rate swaps	(1,499,363)	(2,406,726)
Increase in cash value of life insurance	(20,801)	(25,020)
Change in value of beneficial interest in perpetual trust	(467,868)	(592,491)
Contributions restricted for investments	(7,817,542)	(7,364,324)
Change in operating assets and liabilities:		
Grants and contracts receivable	(224,058)	24,812
Students and other accounts receivable	1,174,477	(587,580)
Inventories	(41,140)	(20,379)
Other assets	590,374	(1,103,590)
Pledges receivable	(887,260)	187,221
Loans receivable	17,730	6,357
Accounts payable and accrued liabilities	615,847	600,026
Accrued payroll including employee benefits	(60,384)	8,645
Student deposits	(26,992)	24,991
Deposits held in custody for others	97,075	(101,270)
Accrual for medical claims	(25,462)	(79,788)
Deferred revenues	(93,694)	(47,206)
Postretirement benefit obligation	87,164	(18,116)
Federal equity in loan programs	(26,316)	(41,863)
Net cash from operating activities	2,314,626	(3,246,495)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, building, and equipment	(3,293,627)	(5,561,839)
Deposits held in trust	-	9,830
Proceeds from sale of investments	133,931,300	14,278,534
Purchase of investments	(136,735,714)	(15,051,949)
Net cash from investing activities	$ (6,098,041)	$ (6,325,424)

See accompanying notes to financial statements.

KNOX COLLEGE

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment of endowment	$ 4,936,467	$ 7,374,324
Proceeds on line of credit	4,000,000	3,871,000
Payments on line of credit	(4,288,912)	(3,000,000)
Payments of annuity obligations	(111,949)	(133,902)
Proceeds from capital lease agreement escrow	75,000	75,000
Principal payments on capital lease obligations	(307,322)	(284,418)
Net cash from financing activities	4,303,284	7,902,004
CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	519,869	(1,669,915)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	5,755,583	7,425,498
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$ 6,275,452	$ 5,755,583
Cash and cash equivalents	$ 2,831,710	$ 2,954,581
Restricted cash	3,443,742	2,801,002
	$ 6,275,452	$ 5,755,583
SUPPLEMENTAL DATA		
Interest paid	$ 1,046,662	$ 1,056,396

See accompanying notes to financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Organization: Knox College (College) is a private, nonprofit institution of higher education located in Galesburg, Illinois. The College provides education and training services for students and allows for study abroad at the undergraduate level. The College also performs research, training, and other services under grants, contracts, and similar agreements with sponsoring organizations.

Classification of Net Assets: The College's net assets have been grouped into the following three classes:

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted – Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by passage of time.

Permanently Restricted – Net assets subject to donor-imposed stipulations that must be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on these assets for specified purposes. Such assets primarily include the College's permanent endowment funds.

Classification of Revenues, Expenses, Gains, and Losses: Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as net assets released from restrictions.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash and cash equivalents consist principally of funds deposited in cash management accounts with original maturities of less than 90 days. At June 30, 2018 and 2017, respectively, the College's cash balances exceeded federally insured limits by approximately $6,189,022 and $5,435,000. The College has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk in cash and cash equivalents.

Restricted Cash: At June 30, 2018 and 2017, restricted cash consisted of deposits for the following:

	2018	2017
Self-insurance	$ 1,077,977	$ 1,072,990
Construction account for capital projects	2,361,759	1,717,000
Perkins loans	4,006	11,012
Total restricted cash	$ 3,443,742	$ 2,801,002

Students Accounts Receivable: Students accounts receivable are stated at the amounts billed to students less applied scholarships and loan proceeds plus any accrued and unpaid interest. The College provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Tuition and fees are generally due at the beginning of the term unless the student has established a payment plan. A late fee may be charged to all accounts not paid in full at the start of the term or enrolled in a payment plan approximately one month prior to the start of the term. Charges that are past due without any payments for approximately five months are sent to collections and subsequently written off if there are no payments for one year.

Inventories: Inventories consist of administrative supplies and food service. All inventories are stated at the lower of cost (first-in, first-out method) or market.

Collections: The College has collections of valuable artwork, papers, and other memorabilia that were donated to the College. These items are on display and are used by educators, researchers, historians, and others. These contributed collections are not reflected on the financial statements. However, all proceeds from any sales of collections, or items in a collection, must be used to acquire other items for collections. As of June 30, 2018 and 2017, there were no unspent proceeds from sales of collections.

Investments: Equity investments and debt securities are stated at fair value based on quoted market prices, except for certain investments which are reported at net asset value (NAV) as calculated by investment managers. Investment return is recognized based on the presence, or absence, of donor imposed restrictions.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land, Buildings, and Equipment: Land, buildings, and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College generally capitalizes all assets with a cost of $10,000 or more. Depreciation is computed using the straight-line method over their estimated useful lives:

	Years
Land improvements	20
Buildings	20-45
Equipment and furniture	3-20

Deferred Revenues: Deferred revenue consists primarily of student tuition, housing, and other fees received or billed that are nonrefundable prior to the beginning of an academic term. Revenue from prepaid tuition is deferred and recognized over the periods to which the revenue relates.

Federal Equity in Loan Programs: U.S. government loan funds refundable under the Perkins Loan program are distributable to the federal government upon liquidation of the revolving loan program and thus are reflected as a liability in the accompanying Statements of Financial Position. The authority to make new Perkins loans ended September 30, 2017, with disbursements permitted through June 30, 2018 for students with existing Perkins loans.

Interest Rate Swap: The College has adopted authoritative guidance related to *Accounting for Derivative Instruments and Hedging Activities*. Fair values of interest rate swap agreements are the estimated amounts that the College would have received or paid, including accrued interest, to terminate the agreements on the date of the Statements of Financial Position, taking into account the creditworthiness of the underlying party. Fair value for trading-related instruments is determined by pricing models maintained by the counterparty to the swap agreement. Pricing models utilize a series of market inputs to determine the present value of future cash flows, with adjustments, as required for credit and liquidity risk. The estimated fair values of the agreements are recorded as assets or liabilities within the Statements of Financial Position. Changes in the estimated fair values are recorded in the Statement of Activities.

Revenue Recognition: Revenues from tuition and fees are reported in the fiscal year in which educational programs are conducted. Tuition and fees billed in the current fiscal year for future years' programs are reported as deferred revenues. Auxiliary enterprise revenue is recognized as revenue when earned.

Contributions: Contributions received, including unconditional promises, are recognized as revenues when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. Promises made and collected in the same reporting period are recorded when received in the appropriate net asset category. Promises of noncash assets are recorded at their fair value. Conditional promises are recorded when donor stipulations are substantially met.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Auxiliary Enterprises: The College's auxiliary enterprises exist primarily to furnish goods and services to students, faculty, and staff. Managed as essentially self-supporting activities, the College's auxiliary enterprises consist of residence halls, dining facilities, and the College bookstore.

Functional Allocation of Expenses: The financial statements report categories of expenses for program and supporting functions of the College. Those expenses include allocation of depreciation and interest on the basis equitable to the program and function benefited.

2. INCOME TAX STATUS

The College is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC and similar provisions of the state tax code. The College is not classified as a private foundation.

3. PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded after discounting to the present value of the future cash flows at a rate ranging from 1.01% to 2.73% for the year ended June 30, 2018 and at a rate ranging from 1.01% to 1.89% for the year ended June 30, 2017.

Unconditional promises at June 30, 2018 and 2017 are expected to be realized in the following periods:

	2018	2017
In one year or less	$ 1,318,173	$ 845,446
Between one year and five years	1,286,900	991,292
	2,605,073	1,836,738
Less discount	(113,632)	(41,874)
Less allowance	(244,740)	(172,882)
Total pledges receivable	$ 2,246,701	$ 1,621,982

4. LOANS RECEIVABLE

Loans receivable at June 30, 2018 and 2017 consist of the following:

	2018	2017
Perkins Loan program	$ 3,517,197	$ 3,565,324
Less allowance for doubtful accounts	(175,866)	(178,266)
Total Perkins Loan program	3,341,331	3,387,058
College loan fund - student loans	235,116	190,893
Less allowance for doubtful accounts	(11,756)	(9,545)
Total college loan fund - student loans	223,360	181,348
Other loans receivable	86,280	100,295
Total loans receivable	$ 3,650,971	$ 3,668,701

Federal Perkins Loans are loans for which the College acts as an agent for the Federal government in administering the loan program. The Perkins Loan portfolio is guaranteed by the United States Department of Education. There are no impaired or nonperforming loans and no modifications to loan terms executed by the College since past-due loans are turned over to the Department of Education. Funds advanced by the Federal government of $453,833 and $516,765 during the years June 30, 2018 and 2017, respectively, are ultimately refundable to the government and are classified as liabilities in the Statement of Financial Position.

The College determined the allowance for estimated losses on these student loans by considering historical default rates and analyzing the aging of past-due loans.

Classes of loans as of June 30, 2018:

	Not in Repayment	Current	<270 Days	270 Days to 2 Years	2-5 Years	More than 5 Years	Total
Perkins Loan Fund	$ 2,065,222	$ 1,056,879	$ 89,416	$ 144,399	$ 107,558	$ 53,723	$ 3,517,197
College Loan Fund	74,815	63,452	6,779	24,742	28,665	36,663	235,116
Total	$ 2,140,037	$ 1,120,331	$ 96,195	$ 169,141	$ 136,223	$ 90,386	$ 3,752,313
Percentage of total loan portfolio	57.0%	29.9%	2.6%	4.5%	3.6%	2.4%	100.00%

4. LOANS RECEIVABLE (Continued)

Classes of loans as of June 30, 2017:

	Not in Repayment	Current	<270 Days	270 Days to 2 Years	2-5 Years	More than 5 Years	Total
Perkins Loan Fund	$ 2,135,646	$ 1,126,567	$ 74,143	$ 100,679	$ 73,892	$ 54,397	$ 3,565,324
College Loan Fund	31,686	60,355	10,213	33,851	19,435	35,353	190,893
Total	$ 2,167,332	$ 1,186,922	$ 84,356	$ 134,530	$ 93,327	$ 89,750	$ 3,756,217
Percentage of total loan portfolio	57.7%	31.6%	2.2%	3.6%	2.5%	2.4%	100.00%

5. INVESTMENTS

Investments recorded at fair value at June 30, 2018 and 2017 consisted of the following:

	2018	2017
Mutual funds	$ 73,540,463	$ 46,039,826
Marketable equity securities	63,060,210	51,425,287
Corporate bonds	1,749,775	2,856,737
U.S. Government obligations	9,619,902	11,793,890
Limited redemption funds	-	19,807,996
Limited partnership	295,180	653,283
Other	836,871	879,014
Total investments	$ 149,102,401	$ 133,456,033

The College invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the fair value and the amounts reported in the Statement of Financial Position.

The following summarizes investment return in the Statement of Activities as of June 30, 2018 and 2017:

	2018	2017
Interest and dividends	$ 3,754,393	$ 2,366,090
Realized gains on sale of investments	13,265,754	6,466,665
Unrealized gains (losses) on investments	(444,601)	10,642,992
Total investment return	$ 16,575,546	$ 19,475,747

6. BENEFICIAL INTEREST IN PERPETUAL TRUST

The College is the beneficiary of a perpetual trust held and administered by a third party trustee. Under the terms of the trust, the College has the right to receive the income earned on the trust assets in perpetuity. The fair value of the beneficial interest in the trust is recognized as an asset and as a permanently restricted contribution at the date the trust is established. The College's estimate of fair value is based on fair value information received from the trustee. The trust assets consist of, but are not limited to, cash and cash equivalents, corporate and government bonds, mutual funds, and equity securities. These assets are not subject to the control or direction of the College. Gains and losses, which are not distributed by the trust, and income are reflected as change in value of beneficial interest in perpetual trust in the Statements of Activities. Income of $3,186,520 and $101,821 was received from this trust in 2018 and 2017, respectively.

7. FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the College to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

7. FAIR VALUE MEASUREMENTS (Continued)

Valuation Techniques

Following is a description of the valuation techniques used for assets and liabilities measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended June 30, 2018 and 2017.

- Mutual funds and marketable equity securities: Valued at the closing quoted price in an active market.
- Corporate bonds: The investment grade corporate bonds held by the College generally do not trade in active markets on the measurement date. Therefore, corporate debt securities are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.
- U.S. government agency securities and collateralized mortgage obligations: Valued by a pricing service using models that incorporate market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data.
- U.S. government securities: U.S. Treasury bonds and notes that are "on the run" are measured at quoted prices in active markets for the same security.
- Beneficial interest in perpetual trust: Valued using the fair value of the assets held in the trust reported by the trustee as of June 30, 2018 and 2017. The College considers the measurement of its beneficial interest in the perpetual charitable trust to be a Level 3 measurement within the hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the College will never receive those assets or have the ability to direct the trustee to redeem them.
- Interest rate swaps liability: The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data.

7. FAIR VALUE MEASUREMENTS (Continued)

Fair value measurements recorded on a recurring basis at June 30, 2018 were as follows:

	Assets at Fair Value as of June 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments				
Mutual funds	$ 73,540,463	$ -	$ -	$ 73,540,463
Marketable equity securities	63,060,210	-	-	63,060,210
Corporate bonds	-	1,749,775	-	1,749,775
U.S. government agency securities	-	1,521,021	-	1,521,021
U.S. government securities	8,098,881	-	-	8,098,881
Collateralized mortgage obligations	-	8,274	-	8,274
Subtotal	$ 144,699,554	$ 3,279,070	$ -	
Life insurance contracts (contract value)				568,081
Certificates of deposit (cost)				260,516
Limited partnership (NAV)				295,180
Total investments				$ 149,102,401
Beneficial interest in perpetual trust	$ -	$ -	$ 15,275,810	$ 15,275,810
Liabilities:				
Interest rate swaps liability	$ -	$ 3,748,565	$ -	$ 3,748,565

7. FAIR VALUE MEASUREMENTS (Continued)

Fair value measurements recorded on a recurring basis at June 30, 2017 were as follows:

	Assets at Fair Value as of June 30, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments				
Mutual funds	$ 46,039,826	$ -	$ -	$ 46,039,826
Marketable equity securities	51,425,287	-	-	51,425,287
Corporate bonds	-	2,856,737	-	2,856,737
U.S. government agency securities	-	1,960,277	-	1,960,277
U.S. government securities	9,833,613	-	-	9,833,613
Collateralized mortgage obligations	-	57,079	-	57,079
Subtotal	$ 107,298,726	$ 4,874,093	$ -	112,172,819
Life insurance contracts (contract value)				555,421
Certificates of deposit (cost)				266,514
Limited partnership (NAV)				653,283
Limited redemption funds (NAV)				19,807,996
Total investments				$ 133,456,033
Beneficial interest in perpetual trust	$ -	$ -	$ 11,807,942	$ 11,807,942
Liabilities:				
Interest rate swaps liability	$ -	$ 5,247,928	$ -	$ 5,247,928

7. FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth additional disclosures of the College's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2018.

Investment	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Limited partnership (a)	$ 295,180	$ -	N/A	N/A

The following table sets forth additional disclosures of the College's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2017.

Investment	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Limited partnership (a)	$ 653,283	$ -	N/A	N/A
Limited redemption funds (b)				
Small cap opportunities	$ 11,232,321	$ -	Monthly	22 days
Intrinsic value fund	$ 8,575,675	$ -	Daily	N/A

(a) This class includes investment in a limited partnership that invest primarily equity and equity-related securities of consumer-oriented companies. No liquidity is available, but there are allocations of profits and losses of the partnership.

(b) These portfolios allocate funds to investments in securities of issuers both inside and outside of the United States through strategies seeking to provide capital appreciation.

The following table presents a reconciliation of changes in fair value of the beneficial interest in perpetual trust classified as Level 3 in the fair value hierarchy for the years ended June 30, 2018 and 2017.

	2018	2017
Balance, beginning of year	$ 11,807,942	$ 11,215,451
Contribution of interest in perpetual trust	3,000,000	-
Interest in distribution of perpetual trust	(183,326)	(553,880)
Total realized/unrealized gains (losses)	651,194	1,146,371
Balance, end of year	$ 15,275,810	$ 11,807,942

8. LAND, BUILDINGS, AND EQUIPMENT

The following is a summary of land, buildings, and equipment as of June 30, 2018 and 2017, respectively:

	2018	2017
Land and campus expansion	$ 630,636	$ 630,636
Land - campus and grounds	2,598,153	2,534,366
Land improvements	9,047,696	9,047,696
Buildings:		
Educational and general	64,383,010	55,349,350
Auxiliary enterprises	28,366,315	26,371,258
Equipment and furniture	22,778,883	22,089,732
Construction in process	2,026,151	10,514,179
Subtotal	129,830,844	126,537,217
Less accumulated depreciation	(75,221,635)	(71,587,533)
Net land, buildings, and equipment	$ 54,609,209	$ 54,949,684

Construction in process at June 30, 2018 and 2017 consisted of architectural and construction work for the Science and Math building renovations, the Beta House renovations, Soccer Field renovation and various other building projects.

The College had outstanding construction commitments of approximately $252,776 at June 30, 2018, primarily for the Beta House renovations. The College had outstanding construction commitments of approximately $814,194 at June 30, 2017, primarily for the Bon Appetit renovations to the Hard Knox Cafe.

9. LINES OF CREDIT

The College has available a line of credit of $10,000,000 for capital purposes, which has a maturity date of November 27, 2018. This line of credit is collateralized by the pledge of certain investments. Beginning November 28, 2015, borrowings against this line of credit bear interest at the daily LIBOR Rate plus 70 basis points (0.70%). The interest rate at June 30, 2018 and 2017 was 2.77% and 1.92%, respectively. Amounts outstanding totaled $8,065,647 at June 30, 2018 and $8,354,559 at June 30, 2017.

The College has an available line of credit of $7,500,000 (LIBOR plus 125 basis points) for operating purposes which matures on April 28, 2019. At June 30, 2018 and 2017 there was no outstanding balance. The line of credit agreement contains various covenants including availability of certain financial records, maintenance of insurance, and certain financial ratios related to debt service and liquidity. The College believes it is in compliance with these covenants and ratios as of June 30, 2018 and 2017.

10. CAPITAL LEASE OBLIGATIONS

The College is leasing various equipment under capitalized leases expiring from 2018 through 2022. The cost of the equipment is $1,640,642 and $1,636,117 at June 30, 2018 and 2017, respectively. Accumulated depreciation recorded in the Statements of Financial Position relating to these leases was $1,209,680 and $992,126 at June 30, 2018 and 2017, respectively.

Future minimum lease payments under the capital leases as of June 30, 2018 are as follows:

2019	$ 239,829
2020	65,951
2021	33,494
2022	11,778
Total minimum lease payments	351,052
Less amount representing interest	(17,662)
Present value of minimum lease payments	$ 333,390

11. LONG-TERM DEBT

Long-term debt outstanding as of June 30, 2018 and 2017, is as follows:

Bonds payable	2018	2017
Variable rate demand		
Revenue bonds		
Series 1996	$ 19,700,000	$ 19,700,000
Series 1999	5,000,000	5,000,000
	24,700,000	24,700,000
Less deferred bond issuance costs	(147,092)	(162,445)
	$ 24,552,908	$ 24,537,555

Repayment terms and collateral relating to the long-term debt are summarized as:

In March 1996, the College borrowed $19,700,000 under a loan agreement with the City of Galesburg, Illinois (the City). The City issued $19,700,000 aggregate principal amount floating/adjustable/fixed revenue bonds, Series 1996, due March 1, 2031. Pursuant to the loan agreement dated March 1996, the City loaned the proceeds of the bond issue to the College. The proceeds are to be used for repayment of bank loans obtained to refund in advance $2,740,000 of Illinois Educational Facilities Authority Revenue Bond, Series 1993 and $2,485,291 of Illinois Educational Facilities Authority notes and costs of acquisition, construction, and renovation of certain educational facilities. The loan agreement contains various options where the borrower may prepay the loan based on circumstances defined in the agreement.

11. LONG-TERM DEBT (Continued)

Interest under the loan agreement is payable monthly, and the interest rate is determined under various adjustable methods as defined in the agreement. During the years ended June 30, 2018 and 2017, the weighted average interest rate on the bonds, including credit enhancement fees, was 2.39% and 1.94%, respectively. The bonds operated in a floating rate mode bearing an interest rate of 1.14 % and 0.90% at June 30, 2018 and 2017, respectively.

Pursuant to the above agreement, the College has entered into a related reimbursement agreement with a bank that provides the bank's letter of credit in the amount of $19,991,453, for principal and interest. The letter of credit agreement expires November 27, 2018. On September 20, 2018 the letter of credit agreement was amended and expires November 27, 2021.

On July 29, 1999, the College borrowed $5,000,000 under a loan agreement with the City. The City issued $5,000,000 in Variable Rate Demand Revenue Bonds, Series 1999, due July 1, 2024. Pursuant to the loan agreement dated July 1999, the City loaned the proceeds of the bond issue to the College. The proceeds are to be used to provide funds to finance or refinance (1) all or a portion of the costs of the acquisition, construction, renovation, and equipping of certain educational facilities of the College and (2) all or a portion of the costs of issuance of the bonds.

Interest under the loan agreement is payable monthly, and the interest rate is determined under various adjustable methods as defined in the agreement. During the years ended June 30, 2018 and 2017, the weighted average interest rate on the bonds, including credit enhancement fees, was 2.40% and 1.94%, respectively. The bonds operated in a floating rate mode bearing an interest rate of 1.15% and 0.91% at June 30, 2018 and 2017, respectively.

Pursuant to the above agreement, the College has entered into a related reimbursement agreement with a bank that provides the bank's letter of credit in the amount of $5,073,973, for principal and interest. The letter of credit agreement expires November 27, 2018. On September 20, 2018 the letter of credit agreement was amended and expires November 27, 2021.

Interest expense and fees related to long-term debt, including capital lease obligations, was $1,415,289 and $1,425,787 for the years ended June 30, 2018 and 2017.

These aforementioned agreements contain several covenants with which the College believes it is in compliance with at June 30, 2018 and 2017.

11. LONG-TERM DEBT (Continued)

Maturities of the bond issues described above are as follows:

Year Ending June 30,	
2019	$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	24,700,000
Total	$ 24,700,000

The College is amortizing debt issuance costs of $464,363 over the life of the bonds. At June 30, 2018 and 2017, debt issuance costs, net of accumulated amortization, of $147,092 and $162,445, respectively, were included net of the bonds payable on the Statement of Financial Position. Amortization expense was $15,353 for the years ended June 30, 2018 and 2017, respectively.

12. INTEREST RATE SWAPS

During the year ended June 30, 2006, the College entered into two interest rate swap agreements with a financial institution (counterparty). The purpose of the agreements is to effectively fix the variable rates on the Revenue Bond Series 1996 and 1999. For the Series 1996, the notional amount is $19,700,000 with a fixed rate of 3.556% through March 1, 2031. At June 30, 2018 and 2017, the fair value of the swap agreement on the Series 1996 was a liability of $3,304,891 and $4,551,946, respectively. For the Series 1999, the notional amount is $5,000,000 with a fixed rate of 3.524% through July 1, 2024. At June 30, 2018 and 2017, the fair value of the swap agreement on the Series 1999 was a liability of $443,674 and $695,982, respectively.

Although this financial instrument involves counterparty credit exposure, the counterparty for the agreements is a major financial institution that meets the College’s criteria for financial stability and creditworthiness. The College entered into these agreements to manage cash flows attributable to interest payments and does not use such instruments for speculative purposes.

13. ANNUITIES PAYABLE

The College administers various split-interest agreements, including charitable remainder trusts, charitable gift annuities, and life income agreements whereby donors may contribute assets to a pooled fund or individual trust under the control of the College in exchange for a designated beneficiary right to receive a specified annual return during their lifetimes. Annuity funds held in investments totaled $3,503,669 and $3,734,577 at June 30, 2018 and 2017, respectively. Upon the death of the beneficiary, the remaining assets are available for the College's use. For remainder trusts and gift annuities, the difference between the annuity amount invested and the present value of future payments, determined on an actuarial basis, is recognized as contribution income at the date of the gift. The actuarial liability is revalued annually and any surplus or deficiency is recognized as a change in value in the Statements of Activities.

Under life income agreements, contribution revenue is recognized based on the present value of the annuity amount invested to be received upon the beneficiary's death. The difference between the contribution revenue recognized and the annuity amount invested is held as deferred income in the annuities payable. The actuarial liability is revalued annually and any surplus or deficiency is recognized as change in value in the Statements of Activities.

The present value of the estimated future payments to beneficiaries, or amounts to be received under life income agreements, is calculated based on the beneficiary's age and discount rate established at the time of the gift utilizing current IRS actuarial tables. The annuity liability was $845,010 and $959,901 for June 30, 2018 and 2017, respectively. The discount rates used range from 1.4% to 10.0%.

14. NET ASSETS

Temporarily restricted net assets are available for the following as of June 30, 2018 and 2017:

	2018	2017
Unexpended funds received for property and equipment	$ 3,614,948	$ 9,341,264
Temporarily restricted endowment funds	3,230,536	2,999,624
Temporarily restricted operating funds from gifts and grants	2,839,457	3,878,317
Split interest agreements	1,755,923	1,857,342
Undistributed earnings on endowment funds	27,330,652	20,588,234
Total	$ 38,771,516	$ 38,664,781

14. NET ASSETS (Continued)

The investment interest and dividends earned on the balances of permanently restricted net assets reported below are restricted to the following uses as of June 30, 2018 and 2017:

	2018	2017
Donor-specified educational activities	$ 33,965,345	$ 32,084,250
Scholarships	44,049,375	38,816,687
Professorships (endowed chairs)	23,399,675	22,129,203
Library	2,913,508	2,872,238
Prizes	860,431	791,991
Total	$105,188,334	$ 96,694,369

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows during the years ended June 30, 2018 and 2017:

	2018	2017
Instruction	$ 6,945,111	$ 7,651,779
Academic support	93,605	270,766
Student services	252,086	135,203
Scholarships and fellowships	2,029,494	2,206,115
Athletics	544,552	332,583
Operations, maintenance, and other	8,078,482	443,692
Total	$ 17,943,330	$ 11,040,138

15. FUNDRAISING COSTS

Fundraising costs incurred by the College approximated $3,488,310 and $3,468,086 for the years ended June 30, 2018 and 2017, respectively. These costs related primarily to annual and capital fundraising and are included in institutional support in the College's Statement of Activities.

16. RETIREMENT PLAN

Academic and certain other salaried employees of the College are participants in a 403(b) retirement plan sponsored by the Teachers Insurance and Annuity Association. Under this plan, the employees are eligible to participate and are fully vested after completion of two years of service and attainment of certain age requirements, as defined in the plan. The College matches employee contributions up to a percentage of each employee's pay. Contributions to the defined contribution plan totaled $877,346 and $893,045 in the years ended June 30, 2018 and 2017, respectively.

16. RETIREMENT PLAN (Continued)

During the fiscal year ended June 30, 2016, the College initiated a 457b retirement plan sponsored by the Teachers Insurance and Annuity Association. This plan is open to certain employees as defined by the Board of Trustees. Contributions to the defined contribution plan totaled $16,300 and $14,933 for the years ended June 30, 2018 and 2017, respectively.

17. COMMITMENTS

The College is obligated to pay for the health care costs of its employees. The College sponsors a self-funded health plan to pay medical claims of the College's employees and their covered dependents and to minimize the total cost of the annual insurance to the College. Medical claims exceeding $95,000 at June 30, 2018 per covered person are covered through a private insurance carrier subject to aggregate limitations as provided by the underlying policies. The cost of this plan was $3,406,698 and $3,443,028 for the years ended June 30, 2018 and 2017, respectively.

18. POSTRETIREMENT BENEFITS

The College provides postretirement medical, dental, and life insurance coverage to eligible employees who are 55 years of age, have ten or more consecutive years of service, and were hired prior to January 1, 1992. The related coverage is treated as a form of deferred compensation and accrued over the employment period.

The following sets forth the plan's funded status reconciled with amounts reported in the College's Statement of Financial Position at June 30, 2018 and 2017, respectively.

Change in benefit obligation:	2018	2017
Accumulated postretirement benefit obligation (APBO) at beginning of year	$ 1,843,575	$ 1,861,691
Service cost	4,488	5,324
Interest cost	73,123	63,930
Actuarial (gain)	253,730	(94,330)
Medicare Part D drug subsidy	29,038	43,090
Net benefits paid	(273,215)	(36,130)
Accrued postretirement benefit liability	$ 1,930,739	$ 1,843,575

Net periodic postretirement benefit cost for 2018 and 2017 includes:

	2018	2017
Service cost	$ 4,488	$ 5,324
Interest cost	73,123	63,930
Recognized actuarial (gain) loss	(326,859)	(326,621)
Total	$ (249,248)	$ (257,367)

18. POSTRETIREMENT BENEFITS (Continued)

An annual rate of increase of 6.5% and 7.0% in 2018 and 2017, respectively, in the per capita costs of covered health care benefits for participants under 65 years and participants over 65 years was assumed, gradually decreasing to 4.5% by the year 2022. A discount rate of 3.98% and 3.62% was used to determine the accumulated postretirement benefit obligation as of June 30, 2018 and 2017, respectively.

The plan was amended effective July 1, 2003, to revise the date of participation to the later of the employee's date of hire or age 45. This change has been recognized as a curtailment and has resulted in the immediate recognition of gains and losses.

19. LEASES

The College has equipment under various operating lease agreements. The total expense for all operating leases for the years ended June 30, 2018 and 2017 was $99,911 and $132,739, respectively.

Future minimum lease payments under these operating leases as of June 30, 2018 are as follows:

Year Ending June 30,	Amount
2019	$ 91,571
2020	89,098
Total minimum lease payments	$ 180,699

20. ENDOWMENT

The College's endowment consists of several individual funds established for a variety of purposes: scholarships, professorships, library, lectureships, research, prizes, and donor-specified educational activities. Included in these funds are both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, 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. In addition, the College includes in its permanently restricted endowment, a beneficial interest in a perpetual trust administered by a third party trustee, the income from which is restricted to scholarships.

20. ENDOWMENT (Continued)

The Board of Trustees of the College has interpreted the State of Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA), as requiring the preservation of the fair value of the original gift. Further, prudent spending may allow permanently endowed funds to fall below historic value on a temporary basis unless prohibited by the terms of the gift. The College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds 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 Illinois UPMIFA.

The Board of Trustees has adopted investment and spending policies for the College’s endowment funds that attempt to provide a predictable stream of funding while maintaining purchasing power of the assets. In accordance with UPMIFA, as adopted by the State of Illinois, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The College invests certain endowment assets to maximize long-term total return. Authorized spending from the endowment is based on a 12-quarter moving average market value of the endowment.

For 2018, the Board of Trustees authorized endowment spending of $7,546,000 (includes $1,146,000 of supplemental spending above regular endowment support) representing 4% of the average endowment value. Actual endowment spending for the year ended June 30, 2018 was $7,546,000.

For 2017, the Board of Trustees authorized endowment spending of $7,253,000 (includes $1,512,000 of supplemental spending above regular endowment support) representing 7.0% of the average endowment value. Actual endowment spending for the year ended June 30, 2017 was $7,253,000.

20. ENDOWMENT (Continued)

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the College is required to retain as a fund of perpetual duration pursuant to donor stipulation or Illinois UPMIFA. Such endowments are often referred to as "underwater" endowments. Though the College is not required by donor-imposed restriction or law to use its unrestricted resources to restore the endowments to their historic dollar value, accounting guidance for not-for-profit organization require that such losses and subsequent gains be reflected as changes in unrestricted net assets until the fair values again reach their historical dollar values. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no donor restricted funds underwater as of June 30, 2018. There were 2 donor restricted funds underwater as of June 30, 2017 with a total book value of $112,823 and a total fair value $112,118.

Endowment net asset composition by type of fund as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ -	$ 30,561,188	$ 103,979,494	$ 134,540,682
Board designated	25,542,976	-	-	25,542,976
Total	$ 25,542,976	$ 30,561,188	$ 103,979,494	$ 160,083,659

During the year ended June 30, 2018, the College had the following endowment-related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 24,297,705	$ 23,587,858	$ 95,360,698	$143,246,261
Investment total return	2,998,054	13,120,518	3,687,795	19,806,367
Contributions	4,607	76,837	4,817,542	4,898,986
Appropriation of perpetual trust	-	(183,326)	-	(183,326)
Appropriation of endowment assets for expenditure	(1,494,089)	(6,051,911)	-	(7,546,000)
Other changes	(263,000)	11,212	113,459	(138,629)
Endowment net assets, end of year	$ 25,542,977	$ 30,561,188	$103,979,494	$160,083,659

20. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ (705)	$ 23,587,858	$ 95,360,698	$ 118,947,851
Board designated	24,298,410	-	-	24,298,410
Total	$ 24,297,705	$ 23,587,858	$ 95,360,698	$ 143,246,261

During the year ended June 30, 2017, the College had the following endowment-related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 22,276,549	$ 17,979,720	$ 83,466,107	$123,722,376
Investment total return	3,393,035	15,089,523	1,349,447	19,832,005
Contributions	3,696	298,638	7,364,324	7,666,658
Appropriation of perpetual trust	-	(494,149)	-	(494,149)
Appropriation of endowment assets for expenditure	(979,222)	(6,273,778)	-	(7,253,000)
Other changes	(396,353)	(3,012,096)	3,180,820	(227,629)
Endowment net assets, end of year	$ 24,297,705	$ 23,587,858	$ 95,360,698	$143,246,261

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30 consisted of:

	2018	2017
Permanently restricted net assets:		
Beneficial interest in perpetual trust the income of which is to support teaching, learning and collections of early American history	$ 15,275,810	$ 11,807,942
Portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or Illinois UPMIFA	88,703,684	83,552,756
Total	$ 103,979,494	$ 95,360,698
Temporarily restricted net assets:		
Portion of perpetual endowment funds subject to time and purpose restricted under Illinois UPMIFA	$ 30,561,188	$ 23,587,858

21. RELATED PARTY TRANSACTIONS

All Trustees are required to complete a "Trustee's Annual Statement Regarding Trustee Responsibilities and Conflicts of Interest" each year. In addition all Officers of the College and any employees having any responsibility or influence over purchasing decisions must complete an "Employee Statement Concerning Conflicts of Interest."

As of June 30, 2018 and 2017, approximately $1,683,500 (64.6%) and $920,000 (50.09%), respectively, of contributions receivable were due from related parties primarily members of the Board of Trustees. Approximately $2,713,260 (19.6%) and $2,954,030 (20.1%) of all contribution revenue for the fiscal year ended June 30, 2018 and 2017, respectively, was received from related parties primarily members of the Board of Trustees.

22. SUBSEQUENT EVENTS

Knox College evaluated subsequent events through October 25, 2018, which was the date that these financial statements were issued, and determined that with the exception of the matter discussed in Note 11, there were no significant nonrecognized subsequent events through that date.