Colby

COLBY COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

Colby College

Consolidated Financial Statements

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Independent Auditors' Report

The Board of Trustees
Colby College
Waterville, Maine

We have audited the accompanying consolidated financial statements of Colby College and subsidiaries (the "College"), which comprise the consolidated balance sheets as of June 30, 2018 and 2017, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

MHM

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Colby College and subsidiaries 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.

Mayer Hoffman McCann P.C.

October 20, 2018
Boston, Massachusetts

COLBY COLLEGE
CONSOLIDATED BALANCE SHEETS
June 30, 2018 and 2017
(in thousands)

	2018	2017
ASSETS		
Cash and cash equivalents	$ 17,172	$ 21,212
Accounts receivable (less allowance for doubtful accounts of $691 in 2018 and $699 in 2017)	3,120	7,901
Funds held by trustee (Note 6)	5,980	5,956
Short-term investments (Note 3)	25,072	23,575
Prepaid expenses and other assets	4,089	2,282
Notes receivable (Note 1)	1,723	2,322
Pledges receivable (Note 2)	120,308	45,120
Investments, endowment	828,013	775,129
Investments, strategic investment fund	90,435	96,147
Investments, annuity and life income funds	31,457	30,515
Investments, funds held in trust by others	14,546	13,938
Investments, other	39,419	54,000
Total investments (Note 5)	1,003,870	969,729
Pledge of artwork collection (Note 1)	78,829	27,846
Land, buildings, equipment and works of art (Note 4)	437,342	375,831
Total assets	$ 1,697,505	$ 1,481,774
LIABILITIES		
Accounts payable and accrued liabilities	$ 28,856	$ 22,752
Student deposits	2,176	1,736
Government advances for student loans	1,331	1,745
Annuity obligations	11,761	11,878
Bonds payable (Note 6)	199,342	201,333
Post retirement benefit obligation (Note 7)	33,962	37,783
Asset retirement obligation (Note 12)	5,395	5,149
Total liabilities	282,823	282,376
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 5 and 10)		
NET ASSETS (Note 11)		
Unrestricted	443,738	385,291
Temporarily restricted	455,541	383,514
Permanently restricted	515,403	430,593
Total net assets	1,414,682	1,199,398
Total liabilities and net assets	$ 1,697,505	$ 1,481,774

The accompanying notes are an integral
part of the consolidated financial statements

COLBY COLLEGE
CONSOLIDATED STATEMENT OF ACTIVITIES
for the year ended June 30, 2018 (with comparative information for the year ended June 30, 2017)
(in thousands)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL 2018	TOTAL 2017
Operating activities					
Operating revenues and other support					
Student charges	$ 130,159			$ 130,159	$ 121,242
Student aid	(38,988)			(38,988)	(34,690)
Net student charges	91,171			91,171	86,552
Contributions	5,234			5,234	4,916
Endowment return utilized for operations	41,373			41,373	37,209
Strategic investment fund utilized for operations	2,900			2,900	4,800
Other investment income	1,070			1,070	594
Net assets released from restriction	8,186			8,186	6,874
Other revenue	5,863			5,863	5,544
Total operating revenues and other support	155,797			155,797	146,489
Expenses					
Instruction and research	51,926			51,926	49,861
Academic support	17,936			17,936	17,518
Student services	30,142			30,142	28,217
Institutional support	32,001			32,001	27,840
Auxiliary enterprises	22,005			22,005	21,302
Total operating expenses	154,010			154,010	144,738
Increase in net assets before non-operating activities	1,787			1,787	1,751
Increase in net assets from general operations (Note 1)	*95*			*95*	*101*
Decrease in net assets from operating depreciation	*(11,074)*			*(11,074)*	*(11,000)*
Intercompany rent	*144*			*144*	*0*
Amounts designated for facilities reserves, debt service, strategic investment fund, endowment and student loans (Note 1)	*12,622*			*12,622*	*12,650*
Non-operating activities					
Contributions	4,975	$ 91,929	$ 82,994	179,898	87,390
Net investment income	1,684	3,196	321	5,201	3,319
Net realized and unrealized gains (losses)	21,556	55,160	471	77,187	85,992
Endowment return utilized for operations	(41,373)			(41,373)	(37,209)
Strategic investment fund utilized for operations	(2,900)			(2,900)	(4,800)
LLC operating results	(874)			(874)	(408)
Postretirement benefit related changes other than net periodic benefit cost	5,739			5,739	3,030
Other, net	(5)	32		27	382
Net change in annuity and life income funds		(2,256)	1,034	(1,222)	(773)
Net assets released from restriction and reclassifications	67,858	(76,034)	(10)	(8,186)	(6,874)
Change in net assets from non-operating activities	56,660	72,027	84,810	213,497	130,049
Total change in net assets	58,447	72,027	84,810	215,284	131,800
Net assets, beginning of year	385,291	383,514	430,593	1,199,398	1,067,598
Net assets, end of year	$ 443,738	$ 455,541	$ 515,403	$ 1,414,682	$ 1,199,398

The accompanying notes are an integral
part of the consolidated financial statements

COLBY COLLEGE
CONSOLIDATED STATEMENT OF ACTIVITIES
for the year ended June 30, 2017
(in thousands)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Operating activities				
Operating revenues and other support				
Student charges	$ 121,242			$ 121,242
Student aid	(34,690)			(34,690)
Net student charges	86,552			86,552
Contributions	4,916			4,916
Endowment return utilized for operations	37,209			37,209
Strategic investment fund utilized for operations	4,800			4,800
Other investment income	594			594
Net assets released from restriction	6,874			6,874
Other revenue	5,544			5,544
Total operating revenues and other support	146,489			146,489
Expenses				
Instruction and research	49,861			49,861
Academic support	17,518			17,518
Student services	28,217			28,217
Institutional support	27,840			27,840
Auxiliary enterprises	21,302			21,302
Total operating expenses	144,738			144,738
Increase in net assets before non-operating activities	1,751			1,751
Increase in net assets from general operations (Note 1)	*101*			*101*
Decrease in net assets from operating depreciation	*(11,000)*			*(11,000)*
Amounts designated for facilities reserves, debt service, endowment and student loans (Note 1)	*12,650*			*12,650*
Non-operating activities				
Contributions	3,656	$ 52,912	$ 30,822	87,390
Net investment income	1,263	1,787	269	3,319
Net realized and unrealized losses	22,892	62,222	878	85,992
Endowment return utilized for operations	(37,209)			(37,209)
Strategic investment fund utilized for operations	(4,800)			(4,800)
LLC operating results	(408)			(408)
Postretirement benefit related changes other than net periodic benefit cost	3,030			3,030
Other, net	367	15		382
Net change in annuity and life income funds		(4,275)	3,502	(773)
Net assets released from restriction and reclassifications	36,695	(43,869)	300	(6,874)
Change in net assets from non-operating activities	25,486	68,792	35,771	130,049
Total change in net assets	27,237	68,792	35,771	131,800
Net assets, beginning of year	358,054	314,722	394,822	1,067,598
Net assets, end of year	$ 385,291	$ 383,514	$ 430,593	$ 1,199,398

The accompanying notes are an integral
part of the consolidated financial statements

COLBY COLLEGE
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2018 and 2017
(in thousands)

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 215,284	$ 131,800
Adjustments to reconcile change in net assets to net cash used in operating activities		
Changes in:		
Accounts receivable	4,781	(6,604)
Short-term investments	(1,497)	(7,681)
Prepaid expenses and other assets	(1,807)	(136)
Pledges receivable	(75,188)	(26,215)
Pledge of artwork collection	(50,983)	0
Accounts payable and accrued liabilities	(1,275)	3,280
Student deposits	440	406
Post retirement benefit obligation	(3,821)	(504)
Depreciation	11,160	11,000
Accretion and other changes in asset retirement obligation	246	170
Amortization of bond premium and deferred financing costs	(291)	(291)
Net realized and unrealized losses (gains) on investments	(77,187)	(85,992)
Contributions in kind and securities	(5,007)	(32,397)
Contributions restricted for investment	(37,262)	(20,177)
Investment income restricted for investment	(1,897)	(1,867)
Net cash used in operating activities	(24,304)	(35,208)
Cash flows from investing activities		
Collections of notes receivable	596	1,199
Notes receivable recovered (write-off)	3	(695)
Purchase of land, buildings and equipment	(60,562)	(37,509)
Purchase of investments	(273,169)	(118,695)
Proceeds from sale of investments	316,492	158,054
Net cash provided by investing activities	(16,640)	2,354
Cash flows from financing activities		
Payments on bonds payable	(1,700)	(1,230)
Contributions restricted for investment	37,262	20,177
Investment income restricted for investment	1,897	1,867
Change in annuity obligations	(117)	(361)
Change in government advances for student loans	(414)	(581)
Change in funds held by trustee	(24)	2,377
Net cash provided by financing activities	36,904	22,249
Net change in cash and cash equivalents	(4,040)	(10,605)
Cash and cash equivalents at beginning of year	21,212	31,817
Cash and cash equivalents at end of year	$ 17,172	$ 21,212
Supplemental data:		
Interest paid, net of capitalized interest	$ 7,597	$ 8,076
Acquisition of land, buildings and equipment included in accounts payable	$ 7,379	$ 3,165

The accompanying notes are an integral
part of the consolidated financial statements

1. Organization and Summary of Significant Accounting Policies:

Colby College (the College) is a private, coeducational, liberal arts college located in Waterville, Maine providing academic, residential and other services to a diverse student population from across the United States and internationally.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Unrestricted net assets include all resources that are not subject to donor-imposed restrictions of a more specific nature than those that obligate the College to utilize funds only in furtherance of its educational mission or for which donor restrictions have expired. Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other uses of contributed funds and/or the investment return on these assets or are limited for use by law. Temporary restrictions may expire either because of the passage of time or because certain actions are taken by the College which fulfill the restrictions. Permanently restricted net assets are those that are subject to donor-imposed restrictions which never lapse, thus requiring that the funds be retained permanently. Generally, the donors of permanently restricted net assets permit the College to use all or part of the investment return on these assets.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the College and its wholly owned or controlled subsidiaries. The College has established various for-profit entities that are engaged in the purchase and restoration and development of real estate in Waterville, Maine. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated 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 the disclosure of contingent assets and liabilities, as well as the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from the estimates included in the financial statements. Significant management estimates include the allowance for doubtful notes, pledges and accounts receivable, fair value of certain investments, useful lives of buildings and equipment, fair value of the artwork pledge and artwork collection, interest in and obligations under split interest agreements, postretirement benefit obligation, asset retirement obligation and the allocation of common expenses over program functions.

Operations

Revenues received and expenses incurred in conducting the programs and services of the College are presented in the consolidated financial statements as operating activities. Student charges include the College's comprehensive fee, which is the equivalent of tuition, fees, room and board. Revenues and other support from operating activities are not restricted by donors or other external sources and are therefore classified in unrestricted net assets. At the discretion of the College, all or a portion of net assets from operations may be designated for general operations adjusted for depreciation, facilities reserves, debt service, addition to strategic investment funds, addition to unrestricted quasi-endowment or for student loan funds. Operating activities also include investment earnings from the College’s working capital funds. Net assets released from restriction included in operating activities represent certain gifts and income used for operating expenses where the donor restriction was satisfied in the current year.

1. Organization and Summary of Significant Accounting Policies, continued:

Expiration of Donor-Imposed Restrictions and Changes in Donor Intent

Contributions and investment return with donor-imposed restrictions are reported as temporarily restricted revenues and are reclassified (released from restriction) to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction. Contributions restricted for the acquisition of land, buildings and equipment are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets upon acquisition of the related assets. Net assets are reclassified when a change in donor intent occurs.

Endowment and Related Funds

Endowment investments include gifts that are subject to donor or legal restrictions as well as other unrestricted gifts and College funds, which are invested to provide support for College activities in accordance with Trustee direction. Generally, only investment return is made available for spending in accordance with a Trustee-approved endowment income utilization policy, except that some funds do allow for the expenditure of principal.

Endowment net assets classified as unrestricted include College funds and gifts from donors and any accumulated income thereon which may be expended but remains in the endowment by Trustee designation for the long-term support of College activities. Temporarily restricted endowment net assets include certain expendable gifts, and any income and appreciation of permanently restricted net assets not utilized in accordance with the spending formula approved by the Trustees. Permanently restricted endowment net assets include those funds that must be invested in perpetuity to provide a permanent source of income and can not be otherwise expended.

Most endowment and gift annuity funds are invested on a pooled basis using the unit share method. Total endowment investment yield (interest, dividends, rents and royalties) received for the year is distributed to fund accounts, in accordance with the terms or restrictions of the individual fund. The amounts distributed from endowment to operating accounts are considered endowment return utilized for operations.

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, as approved by the Board of Trustees, endowment assets are invested in a manner that is intended to produce results that exceed a composite benchmark of asset class specific benchmarks weighted in accordance with the College's asset allocation targets. The College expects its endowment funds, over time, to provide an average annual real (inflation adjusted) return of approximately 6%. Actual returns in any given year may vary from this amount.

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

The maximum amount of endowment income utilization is determined by a spending formula approved by the Trustees. This formula is applied to all funds in the endowment pool, except those that specifically exclude the use of appreciation and certain donor restricted and board designated funds and funds where spending is limited by law, to determine the amounts which will be (a) utilized for operations, or (b) in certain cases added to principal. The amount available for use was set for 2017-18 and 2016-17 at 5.50% of the market base defined as the average of the market values of the participating funds for the five preceding years adjusted to reflect gifts

1. Organization and Summary of Significant Accounting Policies, continued:

and other additions received in subsequent years. In any year in which the amount of actual yield is not sufficient to meet the amount allocated, an amount is applied from the excess amounts of yield net appreciation of the endowments in preceding years, if any, to compensate for this deficit in utilizable yield. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow at an average annual real (inflation adjusted) rate of approximately 1% to 2%. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. In addition, the College has been authorized by the Board of Trustees for supplemental transfers from unrestricted endowment for additional expenses of the Advancement office. The total supplemental transfer authorized for 2017-18 was $2,800,000. For 2018-19, a transfer of $3,200,000 has been budgeted and authorized. These amounts are expected to be absorbed in the operating budget over a 10 year period.

Cash and Cash equivalents

Cash and cash equivalents consist principally of funds deposited in cash management accounts with maturities of three months or less at the time of purchase. A significant portion of cash and cash equivalents are held in money market mutual funds. Under ordinary circumstances, the College is allowed to withdraw all funds immediately; however, the trustees of the fund reserve the right to limit distributions under certain circumstances. The College has not experienced such limitations on these funds. Cash and cash equivalents held by investment managers are considered part of investments.

The College maintains its cash balances at several financial institutions, which at times may exceed federally insured limits. The College monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

Accounts Receivable

Accounts receivable are carried at their net realizable value. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received.

Student Loans Receivable and Government Advances for Student Loans and Other Loans Receivable

Included in notes receivable are College funds loaned to students and funds advanced by the College via the Federal Perkins Loan Program (the Program).

Perkins funds may be reloaned by the College after collection, but in the event that the College no longer participates in the Program, the amounts are generally refundable to the Federal government. Funds advanced by the Federal government of $1,331,000 and $1,745,000 at June 30, 2018 and 2017, respectively, are classified as liabilities on the balance sheet. Loans receivable are carried at the original amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines this allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Loans that are 15 days or more past due are assessed late fees. Interest and late fees are recorded when received. Perkins loans that are in default and meet certain requirements can be assigned to the Department of Education (DOE), which reduces the Government advances for student loans. During fiscal year 2018 and 2017, the College returned to the DOE $440,000 and $613,000, respectively in Perkins loan funds that were considered to be excess liquid capital. The Perkins program expired during 2018; as such, the College expects to continue to be required to return funds each year as the program winds down. The College also retained $75,000 and $105,000, respectively in Perkins loan funds for its institutional share of the funds remitted to DOE.

1. Organization and Summary of Significant Accounting Policies, continued:

Loans receivable are stated net of an allowance for doubtful accounts of $502,000 and $509,000 at June 30, 2018 and 2017, respectively. Loans receivable are considered past due if any portion of the balance due is outstanding for more than 90 days. Loans past due or in default totaled $937,000 and $989,000 at June 30, 2018 and 2017, respectively.

Loans receivable are carried at their estimated net realizable value. Management estimates the allowance for credit losses based on historical losses, current economic conditions and the credit quality of the loans. Loans receivable are written off when deemed uncollectible. Recoveries of loans receivable previously written off are recorded as decreases in the allowance for credit losses. Interest income on loans receivable is recognized in the period earned. Interest is not recorded on loans that are significantly past due and considered uncollectible.

Split-Interest Agreements

Certain donors have established irrevocable split-interest agreements with the College, primarily charitable gift annuities, pooled income funds and charitable remainder trusts, whereby the donated assets are invested and distributions made to the donor and/or other beneficiaries in accordance with their respective agreements. Pooled income funds and charitable remainder trusts are invested separately. Charitable gift annuities are invested in the endowment pool with returns allocated on a ratable basis. The College separately tracks assets held in split-interest agreements and reports them at fair value as Investments, annuity and life income funds. The present value of the estimated future distributions to beneficiaries from these annuity agreements is recorded as a liability as of the dates the agreements are established; the liability is adjusted as distributions are made and for changes in the present value of estimated future distributions. The difference between the assets received and the liability for beneficiary payments is recognized as contribution revenue as of the dates the agreements are established. The initially recorded fair value of the donated investments is determined based on the underlying nature of the investments, which may utilize Level 1, 2, or 3 inputs while the initial measurement of the related obligations uses Level 2 inputs.

Charitable trusts, where an outside party serves as trustee, are recorded at fair value when notification of the trust's existence is received and the third-party trustee has provided sufficient reliable information to estimate the fair value, net of the present value of any estimated future payments to beneficiaries. The College reports these amounts as Investments, funds held in trust by others.

Donor contributions to split-interest agreements are recorded as contribution revenue in the non-operating section of the statement of activities in the year the gift is made. Subsequent changes in value are reported as net change in annuity and life income funds in the statement of activities. Discount rates used to determine the present value of estimated future payments to beneficiaries range from 1.72% - 10.00%.

1. Organization and Summary of Significant Accounting Policies, continued:

Investments and Fair Value Measurements

The College reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measurements include the College's investment accounts and funds held by trustees. Nonrecurring measurements include pledges, donated land, buildings and equipment, annuity obligations and asset retirement obligations. Fair value standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the College reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient". The practical expedient allows net asset value (NAV) per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value measurement standards also require the College to classify financial instruments (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation technique.

The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Pricing inputs are unobservable and could include situations where there is little, if any, market activity for the financial instruments. The inputs into the determination of fair value require significant management judgment and estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The categorization of investments as level 3 is not necessarily indicative of the characterization of the underlying investments.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the College's financial instruments, see Note 13 – Fair Value Measurements.

Funds Held by Trustee

Funds held by trustee consist primarily of unexpended debt proceeds and funds held for debt service that have been invested in accordance with the various resolutions and note agreements in connection with the Maine Health and Higher Educational Facilities Authority Bonds. Unexpended funds are invested in cash, temporary investments and fixed income securities and are reported at cost which approximates fair value.

1. Organization and Summary of Significant Accounting Policies, continued:

Strategic Investment Fund

The College has established a strategic investment fund to be used for capital projects approved by the Board of Trustees, to service other debt of the College, to fund strategic operating investments and for any other purposes as may be subsequently approved by the Board of Trustees. The strategic investment fund is reported at fair value using level 1 and 2 inputs and consists of a money market mutual fund and Treasury bills with maturities of fifteen months to thirty-six months at date of purchase. The amounts distributed from the strategic investment fund to operating accounts are considered strategic investment fund utilized for operations and were used primarily towards operating expenses and property acquisitions of the College.

Land, Buildings, Equipment and Works of Art

Land, buildings, equipment and works of art are stated at construction cost, acquisition cost or fair value at dates of gifts, less accumulated depreciation. Fair value of donated assets is effectively recorded using Level 3 market inputs on the date of accession. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Useful lives are as follows:

Buildings, building renovations and other	20-60
Improvements other than buildings	20
Furniture and equipment	5

The College considers its collections of works of art and rare books as inexhaustible because they have cultural, aesthetic or historical value that will be preserved and, therefore, does not depreciate those assets. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their fair value on the accession date (the date on which the item is accepted by the College). Gains or losses on the deaccession of collection items are classified on the consolidated statement of activities depending on donor restrictions, if any, placed on the item at the time of accession. The cost of repairs and maintenance are charged to expense as incurred while major renewals and betterments are capitalized. Land, buildings and equipment are removed from the records in the year of disposal and the resulting gain or loss is recorded in the statement of activities.

Pledges Receivable

Pledges receivable include grants from foundations, governmental units and pledges from donors or other sources considered to be unconditional. Bequests are recognized as contributions at the time the College is notified of its valid interest in an estate by the appropriate court and the amount can be reasonably estimated. Pledges are recorded at fair value when initially pledged using Level 2 inputs. The initial recording for pledges expected to be collected in one year or more is arrived at by using the present value of a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. Amortization of the discount is included in contributions revenue. Pledges are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by a review of historical experience and a specific review of collection trends that vary from the plan on individual accounts. Conditional promises to give are not included as support until the conditions are substantially met.

Pledges of Artwork

Pledges of artwork represent promises to donate certain artwork to the College. The pledges are recorded at the estimated fair value of the underlying assets as of the date of initial recognition of the pledge using Level 3 market inputs including appraisals. The pledges are expected to be satisfied within the next ten years. During 2018, the College received an additional pledge of

1. Organization and Summary of Significant Accounting Policies, continued:

artwork of approximately $53,700,000 that will be satisfied either by the delivery of a portion of the donor's existing collection or by the donor contributing funds to the College that are restricted for the purpose of purchasing artwork. Since the gift may be satisfied by the delivery of artwork, the related receivable was recorded as a pledge of artwork collection.

Student Deposits

Student deposits generally represent tuition and student deposits paid in advance, which are recognized as income when the related educational services are provided.

Student Charges

Student charges revenue is recognized as revenue as the related educational services are provided.

Tax Status

The College is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Certain of the College's investments and summer operations create unrelated business income, which is subject to tax. The College reflects investment income net of unrelated business income taxes. The College files income tax returns in the U.S. federal jurisdiction, and various state jurisdictions. Any interest or penalties on underpayment of income taxes are classified as income tax expense. Given the limited taxable activities of the College, management has concluded that disclosures related to tax provisions are not necessary.

Uncertain Tax Positions

The College accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax effect is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The College has a number of tax positions, none of which result in an uncertainty requiring recognition. The College is not currently under examination by any taxing jurisdictions. The College's Federal and state tax returns are generally open for examination for three years following the date filed.

Asset Retirement Obligation

The asset retirement obligation represents a legal obligation to the College to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the College. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability. The obligation to perform the asset retirement activity is unconditional, and accordingly, a liability is initially recognized at the estimated fair value of the asset retirement obligation using Level 2 inputs that include discount rates and other observable inputs.

Contributions Revenue

Contributions, including unconditional promises to give, are initially recorded as revenue at fair value when verifiably committed. Fair value is determined at the date the revenue is recorded using Level 2 fair value inputs that includes risk adjusted discount rates and other observable inputs. Conditional contributions and intentions to give are generally recorded as revenue when the conditions have been met. Contributions are reflected as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor restrictions. Amounts received

1. Organization and Summary of Significant Accounting Policies, continued:

with donor-imposed restrictions that are recorded as temporarily restricted contributions are reclassified to unrestricted net assets when the time or purpose restriction has been satisfied.

Functional Expenses

Operation and maintenance expense, depreciation and amortization of plant assets and interest on long-term debt are allocated to program and supporting activities based on the primary use of the facilities based on square footage allocations or based on the underlying cost directly attributable to the assets depending on which method is more appropriate.

Subsequent Events

The College recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including estimates inherent in the process of preparing financial statements. Subsequent events have been evaluated through October 20, 2018, which is the date the financial statements were issued and there were no events requiring adjustment to or disclosure in the financial statements.

2. Pledges Receivable:

Unconditional pledges as of June 30 are expected to be realized in the following periods discounted based on appropriate rates (in thousands):

	2018	2017
In one year or less	$ 38,576	$ 18,521
Between one year and five years	88,432	24,515
Greater than five years	17,944	10,603
	144,952	53,639
Less: present value discount	15,900	3,732
Less: allowance for uncollectible pledge	8,744	4,787
Net pledges receivable	$ 120,308	$ 45,120

In addition to the amounts noted above, the College has received intentions to give approximating $9,711,000 and $14,084,000 at June 30, 2018 and 2017, respectively, which have not been recorded in the consolidated financial statements. Total costs related to alumni and development activities approximated $10,844,000 and $8,250,000 during the years ended June 30, 2018 and 2017, respectively, and are included in institutional support in the consolidated statements of activities.

3. Short-Term Investments:

Short-term investments are reported at fair value using observable Level 2 inputs of market quotes for similar instruments and consist of Treasury bills with maturities of six months to ten months at original date of purchase.

4. Land, Buildings, Equipment and Works of Art:

Land, buildings, equipment and works of art consist of the following as of June 30, 2018 and 2017 (in thousands):

	2018	2017
Land	$ 194	$ 194
Buildings and building renovations	309,684	296,665
Construction in progress	81,865	34,652
Improvements	40,702	38,897
Furniture and equipment	3,525	3,375
Works of art	169,800	160,128
Rare books	130	130
Other	1,891	1,482
Total	607,791	535,523
Less accumulated depreciation	170,449	159,692
	$437,342	$375,831

As of June 30, 2018, the College estimates that the unaudited replacement value of its buildings is approximately $549,700,000. The College capitalizes the interest cost related to outstanding debt on qualifying assets. Interest costs capitalized for the years ended June 30, 2018 and 2017 total $868,000 and $422,000, respectively.

5. Investments:

A summary of assets of the endowment investments and the annuity and life income investments at June 30, 2018 and 2017 follows (in thousands):

	2018 Estimated Fair Value	2017 Estimated Fair Value
Pooled Assets:		
Cash and cash equivalents	$ 71,101	$ 78,893
Accounts receivable and accrued income	1,796	589
	72,897	79,482
Investments:		
Global equity funds	271,750	258,715
Hedge funds	189,257	185,583
Venture capital	124,045	105,609
Buyout funds	61,602	59,583
Real estate funds	39,921	24,708
Fixed income securitites	29,060	29,776
Natural resources	51,611	42,440
Total pooled investments	767,246	706,414
Total pooled assets	840,143	785,896
Other endowment assets:		
Cash and cash equivalents	1,917	2,300
Domestic equities	156	138
Real estate	1,003	1,275
Cash value of life insurance	251	236
Total other endowment assets	3,327	3,949
Total invested assets	843,470	789,845
Less annuity and life income assets pooled with endowment and similar funds	15,457	14,716
Total endowment and similar assets	$ 828,013	$ 775,129
Assets of annuity and life income funds include:		
Separately invested assets		
Cash and cash equivalents	$ 764	$ 690
Domestic equities	6,410	11,126
Global equity funds	4,216	0
Fixed income securities	4,004	3,932
Other	606	51
	16,000	15,799
Assets pooled with endowment and similar funds	15,457	14,716
Total annuity and life income funds	$ 31,457	$ 30,515

5. Investments, continued:

The Board of Trustees of Colby College has interpreted the Maine Uniform Prudent Management of Institutional Funds Act (Maine UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Colby College classifies as permanently restricted net assets (a) the original gift 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 accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with Maine UPMIFA. Maine UPMIFA requires the College act in good faith in determining amounts to appropriate for expenditure with the care that an ordinary prudent person in a like position would exercise under similar circumstances, and shall consider certain factors outlined in the law.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Maine UPMIFA requires the College to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. Such deficiencies totaled $0 as of June 30, 2018 and 2017.

5. Investments, continued:

The majority of the endowment investments are pooled on a fair value basis. Each individual fund subscribes to or disposes of units on the basis of the fair value per unit on the last business day of the month previous to that within which the transaction takes place. The changes in estimated fair value of net assets held in endowment and similar funds for the years ended June 30 were as follows (in thousands):

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment investments, beginning of year	$ 213,802	$ 308,367	$ 252,960	$ 775,129
Investment return:				
Investment income	2,497	7,477	321	10,295
Net gain in fair value	21,086	52,823	(68)	73,841
Total investment return	23,583	60,300	253	84,136
Gifts and additions	245	22	16,616	16,883
Distribution of endowment return to all funds	(14,056)	(29,160)		(43,216)
Investment expenses	(1,880)	(5,134)		(7,014)
Amounts designated to (from) endowment	1,916	(890)		1,026
Matured life income funds			1,034	1,034
Other changes, net	(356)	513	(122)	35
Endowment investments, end of year	$ 223,254	$ 334,018	$ 270,741	$ 828,013

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment investments, beginning of year	$ 199,147	$ 276,518	$ 234,994	$ 710,659
Investment return:				
Investment income	1,898	5,775	269	7,942
Net gain in fair value	23,612	58,477	9	82,098
Total investment return	25,510	64,252	278	90,040
Gifts and additions	768	246	13,957	14,971
Distribution of endowment return to all funds	(12,179)	(26,782)		(38,961)
Investment expenses	(1,761)	(4,687)		(6,448)
Amounts designated to (from) endowment	2,300	(1,090)	121	1,331
Matured life income funds			3,502	3,502
Other changes, net	17	(90)	108	35
Endowment investments, end of year	$ 213,802	$ 308,367	$ 252,960	$ 775,129

5. Investments, continued:

The endowment net asset composition by type of fund for the years ended June 30 is as follows (in thousands):

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 334,018	$ 270,741	$ 604,759
Board-designated endowment funds	$ 223,254			223,254
Total investments, endowment	$ 223,254	$ 334,018	$ 270,741	$ 828,013

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 308,367	$ 252,960	$ 561,327
Board-designated endowment funds	$ 213,802			213,802
Total investments, endowment	$ 213,802	$ 308,367	$ 252,960	$ 775,129

The yield per unit, exclusive of net gains (losses), computed on the weighted average of units outstanding, was $3.53 and $2.33 for the years ended June 30, 2018 and 2017, respectively. Spending per unit for current use, computed on units outstanding as of July 1, 2018 and July 1, 2017, was $21.46 and $18.76, respectively. The Board of Trustees has approved appropriations from the investment funds of $40,595,000 for 2019, which the College expects to fund from normal liquidity in its portfolio. Certain funds management fees are embedded as a net cost against investment returns and, accordingly, the investment fees reported above relate only to those costs incurred directly by the College or reported separately by fund managers. Under certain unusual circumstances, investment managers may alter redemption provisions of their investment vehicles which could impact the ultimate liquidity of the funds.

Other investments, measured at fair value, at June 30, 2018 and 2017 consist of the following (in thousands):

	2018	2017
Cash and cash equivalents held for long-term purposes	$ 33,680	$ 48,528
Employee mortgages and other (average interest rate 3.53%)	5,739	5,472
Total investments, other	$ 39,419	$ 54,000
Investments, funds held in trust by others (See Note 1)	$ 14,546	$ 13,938
Investments, strategic investment fund (See Note 1)	$ 90,435	$ 96,147

6. Bonds Payable:

Bonds payable at June 30, 2018 and 2017 are as follows (in thousands):

Facilities Financing	2018	2017
Revenue Bonds issued through the Maine Health and Higher Educational Facilities Authority (the Authority) for the acquisition, installation, construction, renovation and equipping of various academic and administrative facilities:		
Series 2012 Revenue Bonds, maturing through 2041 at fixed rates (ranging from 2.00% - 5.00%)	$ 23,000	$ 24,425
Series 2014A Revenue Bonds, maturing through 2044 at fixed rates (ranging from 3.00% - 5.00%)	66,040	66,315
Series 2014B Taxable Revenue Bonds, maturing through 2044 at fixed rates (ranging from 4.34% - 4.44%)	4,665	4,665
Series 2015 Taxable Bonds, maturing in 2055 at a fixed rate of 4.25%	100,800	100,800
	194,505	196,205
Unamortized premium (amortized over the life of the related debt issue)	6,378	6,732
Unamortized debt issuance costs (amortized over the life of the related debt issue)	(1,541)	(1,604)
Total bonds payable, net	$199,342	$201,333

Maturities of outstanding bonds are as follows:

Date	Principal Amount (in thousands)
July 1, 2018	$1,740
July 1, 2019	1,775
July 1, 2020	1,860
July 1, 2021	1,940
July 1, 2022	2,015
Thereafter	185,175
	$194,505

The College has pledged its gross revenues as collateral for its notes to the Authority. In addition, the College is required to maintain certain funds with the bond trustee. Funds held by bond trustee were for debt service and were $5,980,000 and $5,956,000 at June 30, 2018 and 2017, respectively.

6. Bonds Payable, continued:

Total interest expense incurred by the College for the years ended June 30, 2018 and 2017 is as follows (in thousands):

	2018	2017
Total interest cost	$ 8,154	$ 8,193
Less: Capitalized interest	868	422
Net interest expense	$ 7,286	$ 7,771

The College maintains a line of credit agreement with a financial institution totaling $40,000,000. At June 30, 2018 and 2017, there were no outstanding borrowings under this agreement. The line of credit was not utilized during the year. This agreement expires on March 31, 2020. The interest that would be charged under this facility is equal to 1.5% above the one month LIBOR rate (2.09% at June 30, 2018). An annual fee is charged on the unused portion of the credit facility equal to 0.125%, paid quarterly.

The College has established a separate fund within its unrestricted quasi endowment assets that is intended to build resources that will be used to retire the Series 2015 Taxable Bonds when they mature in 2055. The value of this fund was $5,868,000 and $3,871,000 at June 30, 2018 and 2017, respectively.

Bond issuance costs are capitalized and amortized on the straight-line basis over the life of the bonds. At June 30, 2018 and 2017, bond issuance costs total $1,541,000 and $1,604,000 net of accumulated amortization of $318,000 and $255,000. Amortization expense amounted to $63,000 and $63,000 for the years ended June 30, 2018 and 2017, respectively.

7. Postretirement Benefits:

The College provides medical benefits to eligible employees, as defined by the plan, who have 10 years of continuous service after age 40, and have reached a minimum age of 60 years. The following sets forth the plan status with amounts reported in the College's financial statements at June 30, 2018 and 2017 (in thousands):

	2018	2017
Change in Benefit Obligation		
Postretirement benefit obligation, beginning of year	$ 37,783	$ 38,287
Service cost	647	772
Interest cost	1,491	1,510
Plan participants' contributions	280	258
Actuarial loss (gain)	(4,951)	(1,845)
Benefits paid	(1,288)	(1,199)
Postretirement benefit obligation, end of year	$ 33,962	$ 37,783

7. Postretirement Benefits, continued:

The postretirement benefit obligation is funded as costs are incurred and accordingly, there are no plan assets.

Net periodic postretirement benefit cost for the years ended June 30, 2018 and 2017 included the following components (in thousands):

	2018	2017
Service cost	$ 647	$ 772
Interest cost	1,491	1,510
Amortization of actuarial loss	816	1,199
Net postretirement benefit cost	$ 2,954	$ 3,481

Amounts recognized in non-operating activities for the years ended June 30, 2018 and 2017 included the following components (in thousands)

	2018	2017
Net current period actuarial gain (loss)	$ 4,923	$ 1,831
Amortization of transition obligation		
Amortization of actuarial loss	816	1,199
Postretirement benefit related changes other than net periodic benefit cost	$ 5,739	$ 3,030

The estimated amounts for the postretirement benefit obligation that will be amortized from nonoperating activities into net periodic postretirement benefit cost over the next fiscal year are as follows (in thousands):

Amortization of actuarial (gain) loss	$ 0

The amounts that have not been recognized as components of net periodic postretirement benefit cost for the year ended June 30, 2018 and 2017 are as follows (in thousands):

	2018	2017
Net actuarial loss	$ 3,326	$ 9,093

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost for the years ended June 30 were as follows:

	Benefit Obligation		Net Periodic Benefit Cost	
	2018	2017	2018	2017
Discount rate	4.25%	4.00%	4.00%	4.00%

7. Postretirement Benefits, continued:

The College expects to contribute $1,114,000 to its postretirement benefit plan in 2019.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Gross Benefit Payments
2019	$1,114,000
2020	1,273,000
2021	1,434,000
2022	1,525,000
2023	1,598,000
2024-2028	9,216,000

The health care trend rate assumption used in determining the accumulated benefit obligation for 2018 was 8.29% pre 65 and post 65 gradually decreasing to 4.50% in 2026 and remaining at that level thereafter. The effect of increasing (decreasing) the health care cost trend rate by one percentage point in each year would be to increase (decrease) the accumulated postretirement benefit obligation as of June 30, 2018 by $5,136,000 ($4,217,000) and to increase (decrease) the aggregate of the service cost and interest cost components of net postretirement benefit cost for the year ended June 30, 2018 by $351,000 ($283,000).

The College uses a June 30 measurement date for its postretirement benefit plan.

8. Retirement Plans:

College employees participate in individual annuity contracts through the Teachers Insurance and Annuity Association and the College Retirement Equities Fund. Contributions for each annuity are made both by the participant and the College. The College's contribution amounted to approximately $3,623,000 and $3,468,000 in fiscal 2018 and 2017, respectively. The College maintains a plan in accordance with Section 457(b) of the Internal Revenue Code. Under the terms of this plan, annual contributions are made by the College for highly-compensated employees.

9. Guarantee Fund with Maine Employment Security Commission:

The College has elected to discharge its responsibility for unemployment insurance costs with the Maine Employment Security Commission based on actual charges rather than making periodic insurance payments. As collateral for payment, the College has purchased a surety bond in the amount of $473,000.

10. Commitments and Contingent Liabilities:

Capital Project Commitments

The College has outstanding commitments of $136,917,000 at June 30, 2018 to complete various construction projects in connection with the strategic plan of the College.

10. Commitments and Contingent Liabilities continued:

Legal

Various legal matters arise in the normal course of the College's operations. The College believes that there are currently no outstanding matters which would have a material effect on the financial position of the College.

Employment Agreements

The College has employment agreements with certain faculty and staff that stipulate a variety of business terms typical in the education sector.

Other

The College outsources services in connection with its dining activities under long-term contracts with the supplier. Management believes this arrangement is under commercially reasonable terms.

11. Net assets:

Net assets comprise the following at June 30, 2018 and 2017 (in thousands):

	2018		
	Unrestricted	Temporarily Restricted	Permanently Restricted
General operating reserves	$ (2,412)		
LLC operations	3,159	$ 2,617	
Unexpended restricted funds		11,073	
Loan funds	865		$ 2,160
Endowment	223,254	334,018	270,741
Annuity and life income funds		19,694	
Strategic investment fund	(300)		
Funds for facilities	219,172	8,911	108,047
Pledges receivable		78,316	41,992
Assets restricted to investment in land, buildings, equipment and works of art			78,829
Funds held in trust by others		912	13,634
	$443,738	$455,541	$515,403

11. Net assets, continued:

	2017		
	Unrestricted	Temporarily Restricted	Permanently Restricted
General operating reserves	$ (6,331)		
LLC operations	2,218	$ 1,081	
Unexpended restricted funds		9,151	
Loan funds	2,153		$ 2,046
Endowment	213,802	308,367	252,960
Annuity and life income funds		18,631	
Strategic investment fund	(1,507)		
Funds for facilities	174,956	26,919	108,048
Pledges receivable		18,522	26,598
Assets restricted to investment in land, buildings, equipment and works of art			27,846
Funds held in trust by others		843	13,095
	$385,291	$383,514	$430,593

The College's net assets, including appreciation on endowment funds, are available for the following purposes (in thousands):

	2018	
	Temporarily Restricted	Permanently Restricted
Operations (Various)	$ 85,809	$ 46,222
Student aid	149,406	113,431
Professorships (Instruction)	69,491	51,237
Library (Academic Support)	8,317	2,661
Lectureships (Instruction)	4,065	1,911
Research	5,144	7,712
Facilities	11,528	186,878
Other purposes (Various)	121,781	105,353
	$455,541	$515,405

	2017	
	Temporarily Restricted	Permanently Restricted
Operations (Various)	$ 78,267	$ 41,518
Student aid	136,735	108,759
Professorships (Instruction)	64,263	49,545
Library (Academic Support)	7,840	2,655
Lectureships (Instruction)	3,806	1,906
Research	4,616	7,188
Facilities	27,999	135,894
Other purposes (Various)	59,988	83,128
	$383,514	$430,593

11. Net assets, continued:

See Note 6 for a description of the components and activity associated with endowment investments. In accordance with accounting principles generally accepted in the United States of America and Maine state law, unappropriated gains on permanently restricted endowment investments are included in temporarily restricted net assets. These amounts total approximately $306,900,000 and $282,510,000 in 2018 and 2017, respectively.

Net assets were released from donor restrictions as a result of incurring expenses satisfying the restricted purposes or occurrence of events specified by the donors. Net assets released from restrictions for the years ended June 30, 2018 and 2017 were for the following purposes (in thousands):

	2018	2017
Student aid	$ 16,294	$ 15,580
Instruction	8,898	7,997
Facilities	40,122	11,241
Academic Support	3,791	3,263
Research	1,842	1,737
Student Services	2,945	1,716
Other	2,142	2,335
Net assets released from restrictions	$ 76,034	$ 43,869

12. Asset Retirement Obligation:

The following sets forth the change in the asset retirement obligation during 2018 and 2017 (in thousands) consisting of obligations for asbestos contamination in several buildings and other potentially hazardous items.

	2018	2017
Asset retirement obligation, beginning of year	$ 5,149	$ 4,979
Accretion expense	258	249
Net changes to estimated cash flow	(12)	(79)
Asset retirement obligation, end of year	$ 5,395	$ 5,149

13. Fair Value Measurements:

The valuation of the College's financial instruments measured on a recurring basis using the fair value hierarchy consisted of the following at June 30:

	2018				
	Net Asset Value	Level 1	Level 2	Level 3	Total
Funds held by trustee		$ 5,980			$ 5,980
Short-term investments			$ 25,072		25,072
Investments:					
Cash and receivables		126,553			126,553
Fixed income direct holdings			100,703		100,703
Global equity funds	$ 147,856	124,777			272,633
Equity securities, other		15,603			15,603
Hedge funds	189,257				189,257
Venture capital funds	124,045				124,045
Buyout funds	61,602				61,602
Real Estate funds	19,176	20,745			39,921
Natural Resources funds	24,097	27,514			51,611
Investments, other			5,739	$ 16,203	21,942
	566,033	315,192	106,442	16,203	1,003,870
	$ 566,033	$ 321,172	$ 131,514	$ 16,203	$ 1,034,922

	2017				
	Net Asset Value	Level 1	Level 2	Level 3	Total
Funds held by trustee		$ 5,956			$ 5,956
Short-term investments			$ 23,575		23,575
Investments:					
Cash and receivables		155,634			155,634
Fixed income direct holdings			98,702		98,702
Global equity funds	$ 152,580	108,162			260,742
Equity securities, other		15,750			15,750
Hedge funds	185,583				185,583
Venture capital funds	105,609				105,609
Buyout funds	59,583				59,583
Real Estate funds	24,708				24,708
Natural Resources funds	40,063	2,377			42,440
Investments, other			5,472	$ 15,506	20,978
	568,126	281,923	104,174	15,506	969,729
	$ 568,126	$ 287,879	$ 127,749	$ 15,506	$ 999,260

13. Fair Value Measurements, continued:

$105,567,000 and $199,780,000 of the investments measured at net asset value have redemption periods of less than 90 days and $460,466,000 and $368,346,000 have redemption periods over 90 days at June 30, 2018 and 2017, respectively.

The following table provides a summary of changes in fair value of the College's Level 3 financial instruments for the years ended June 30, 2018 and 2017 (in thousands):

	2018		
	Funds Held in Trust by Others	Other	Total
Estimated fair value of investments at July 1, 2017	$ 13,938	$ 1,568	$ 15,506
Unrealized gains (losses)	608	(1)	607
Realized losses		(10)	(10)
Purchases, issuances, sales and settlements			
Purchases		377	377
Sales		(277)	(277)
Estimated fair value of investments at June 30, 2018	$ 14,546	$ 1,657	$ 16,203

	2017		
	Funds Held in Trust by Others	Other	Total
Estimated fair value of investments at July 1, 2016	$ 12,978	$ 1,955	$ 14,933
Unrealized losses	960	87	1,047
Realized losses		(173)	(173)
Purchases, issuances, sales and settlements			
Purchases		51	51
Sales		(352)	(352)
Estimated fair value of investments at June 30, 2017	$ 13,938	$ 1,568	$ 15,506

13. Fair Value Measurements, continued:

Unfunded commitments under various investment vehicles amounted to approximately $66,535,000 at June 30, 2018.

Real estate and other investments include several gifts of real estate, insurance policies, collections and other illiquid assets for which the liquidation time-frame is difficult to determine. To estimate the fair value of these investments, management uses market and income valuation approaches which utilize valuation inputs that include third-party appraisals, evaluation of market conditions and the creditworthiness of the policy issuers.

U.S. Treasury bills, bonds and notes are valued using proprietary valuation models incorporating live data from active market makers and inter-dealer brokers as reposted on electronic communication networks. The valuation models incorporate benchmark yields, reported trades, broker/dealer quotes, bids, offers and other data, all of which are considered to be Level 2 fair value inputs.

The fair value of Level 3 real estate and other investments is estimated using income and market approaches to valuation considering third party market data.

The College has determined that the carrying amount approximates fair value for funds held by trustees because of the short maturity of those instruments.