Linfield College

Fincial Report

2018-19

McMinnville, Oregon

Linfield College

Summary

Linfield is and continues to be a most attractive college. More than ever, the value proposition of a Linfield education provides our students with an excellent undergraduate education. They graduate on time, regardless of major, and they receive a well-rounded liberal arts education enabling them to compete and succeed in a competitive global market. Our students are provided with a highly-personalized education with world-class professors.

The college continues to pursue the goals of the Strategic Plan, which guides purposeful resource allocations in support of our mission, including academic support, student services, enrollment initiatives, external relations and marketing, and infrastructure improvements. Our culture of fiscal integrity and responsibility at all levels, along with our student-centered approach, helps the College maintain a positive financial position and serve our diverse student body.

Nearly half of all Linfield graduates have studied outside the U.S. We boast a national reputation for NCAA Division III non-scholarship athletics, and have the only wine studies major (and minor) at an American liberal arts college.

Linfield is proud of consistently achieving high national and regional rankings for student diversity, educational benefits for veterans, value and quality education, and also for geographic location.

In Fiscal 2019 we succeeded in finding a permanent home for our Portland Nursing Campus. With the acquisition of a 20 acre existing campus, we address the parking concerns and the expensive overhead as tenants in the Northwest Portland community. The new campus will allow us to modernize and expand our Simulation Laboratory so that fewer off-site Clinicals will be required. The Nursing program has always demonstrated the ability to attract students and, with the new capacity, we can grow nicely in this area. Our anticipated move-in date is spring 2021.

Linfield's endowments remain strong. In the past 5 years, the endowments have grown by $13 million in gifts and $30 million in earnings and appreciation allowing the college to continue to draw for student support and college expansion each year. This recent new campus purchase, without incurring debt, is largely possible because of the many years of prudent investing of excess revenues.

Linfield's rankings continue to impress. Recent press releases headline the following:

- Zippia reports Linfield College has placed No.1 and Linfield School of Nursing is No.2 among colleges in Oregon for job placement following graduation in 2019;
- US News and World Report recognizes Linfield for 'best ethnic diversity' placing Linfield College No.1 among Pacific Northwest liberal arts colleges;
- Money magazine named Linfield a top liberal arts college among Oregon colleges and universities.

Linfield College

Many of our faculty have successfully pursued external grants of approximately $1 million. In 2019 we were awarded the following grants:

- NSF Grant to purchase an Atomic Force Microscope for Multidisciplinary Research and Undergraduate Education;
- DOI-BLM subaward from Washington State University for 2 student salaries for summer research;
- NIH subaward from University of Portland for a summer research grant in the Nursing school;
- Veterans Legacies, Inc. grant for two students to produce an oral history for the Veterans' Legacies historical database;
- EL Wiegand Foundation grant for a Zeiss Axio Zoom V16 Fluorescence Microscope;
- Oregon Wine Board Grape Micorbiome Research grant with Oregon University;
- Murdock Foundation *Start-up Grant*; *Elucidating Cancer Risk in MRE11 Genetic Variants*; *Design, synthesis and biological Testing of Small Molecule Inhibitors of Arp2/3 Complex; Two-Dimensional devices: Potential Barriers & Screening;*
- Sigma *Global Nursing Excellence;*
- Rose E. Tucker Charitable Trust *AHA! Impact Internship Program.*

In spite of the changing landscape of Higher Education, Linfield College continues to focuses its efforts on providing transformative educational experiences that result in our students becoming productive citizens and leaders. We ensure excellence by providing a supportive community, where success is both an individual and a collaborative effort. Our close-knit environment encourages students from different backgrounds and disciplines to learn, grow, and explore. Linfield College advances a vision of connecting learning, life and community.

Respectfully Submitted,

MARodriguez

Mary Ann Rodriguez
Vice President for Finance and Administration/CFO
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Linfield College

June 30, 2019 and 2018

Contents

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CPAs & Advisors

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Independent Auditor's Report

Board of Trustees
Linfield College
McMinnville, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Linfield College (College), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 College'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 College'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Linfield College as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described Note 2 of the financial statements, in 2019, the College adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College’s basic financial statements. The letter from the Vice President for Finance and Administration is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated November 7,2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's 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 the College's internal control over financial reporting and compliance.

BKD, LLP

Fort Wayne, Indiana
November 7, 2019

Linfield College

Statements of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Assets - Current		
Cash and cash equivalents	$ 9,285,626	$ 2,295,625
Accounts and notes receivable, net (Note 9)	3,844,240	4,771,956
Interest receivable	126,674	143,181
Prepaid expenses and other assets	1,435,313	833,937
Contributions receivable, net (Note 11)	1,080,820	2,308,946
Inventory	21,574	17,655
Investments (Note 7)	2,601,984	5,787,237
Assets held for sale	-	170,263
Total current assets	18,396,231	16,328,800
Assets - Noncurrent		
Accounts and notes receivable, net (Note 9)	4,223,051	4,904,516
Interest receivable	33,424	30,098
Prepaid expenses and other assets	4,211	5,860
Contributions receivable, net (Note 11)	826,882	1,974,176
Investments (Note 7)	125,034,529	134,469,336
Assets held in trust by others	9,255,127	8,156,108
Plant assets, net (Note 12)	111,438,523	95,657,150
Total noncurrent assets	250,815,747	245,197,244
Total assets	$ 269,211,978	$ 261,526,044
Liabilities and Net Assets		
Liabilities - Current		
Accounts payable and accrued liabilities	$ 7,513,833	$ 4,770,830
Deferred revenue	3,930,093	2,203,411
Notes payable and capital leases	345,279	347,519
Bonds payable (Note 13)	1,186,046	1,131,046
U.S. Government grants refundable	-	54,152
Obligations for split-interest agreements	68,831	182,355
Total current liabilities	13,044,082	8,689,313
Liabilities - Noncurrent		
Accounts payable and accrued liabilities	955,678	71,922
Notes payable and capital leases	345,279	690,557
Bonds payable (Note 13)	33,828,170	35,014,216
U.S. Government grants refundable	5,374,494	4,842,771
Obligations for split-interest agreements	2,024,530	1,899,282
Total non-current liabilities	42,528,151	42,518,748
Total liabilities	55,572,233	51,208,061
Net Assets (Note 4)		
Without donor restriction	107,147,902	111,835,916
With donor restriction	106,491,843	98,482,067
Total net assets	213,639,745	210,317,983
Total liabilities and net assets	$ 269,211,978	$ 261,526,044

Linfield College

Statements of Activities

Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Income (Loss) and Other Support						
Tuition and fees, net	$ 38,896,138	$ -	$ 38,896,138	$ 40,465,662	$ -	$ 40,465,662
Contributions	1,138,505	3,153,929	4,292,434	999,794	865,368	1,865,162
Contracts and grants	960,344	6,866	967,210	781,854	-	781,854
Net investment income designated for operations	549,672	-	549,672	325,798	-	325,798
Other income	2,238,112	1,000	2,239,112	1,341,609	-	1,341,609
Auxiliary enterprises	11,995,684	-	11,995,684	12,659,116	-	12,659,116
Endowment return designated for operations	6,172,602	2,539,903	8,712,505	1,600,976	2,392,109	3,993,085
Net assets released from restrictions, operating	2,762,846	(2,762,846)	-	3,429,312	(3,429,312)	-
Total revenue, income (loss) and other support	64,713,903	2,938,852	67,652,755	61,604,121	(171,835)	61,432,286
Expenses						
Instruction	29,364,560	-	29,364,560	29,093,271	-	29,093,271
Academic support	5,348,605	-	5,348,605	6,108,713	-	6,108,713
Student services	12,540,561	-	12,540,561	12,580,964	-	12,580,964
Auxiliary enterprises	6,784,459	-	6,784,459	7,921,932	-	7,921,932
Institutional support	10,584,880	-	10,584,880	8,566,644	-	8,566,644
Fundraising	1,776,518	-	1,776,518	1,821,296	-	1,821,296
Total expenses	66,399,583	-	66,399,583	66,092,820	-	66,092,820
Change in Net Assets Before Other Activities	(1,685,680)	2,938,852	1,253,172	(4,488,699)	(171,835)	(4,660,534)
Other Activities						
Contributions for endowment and capital aquisition	499,804	2,222,461	2,722,265	50,000	7,048,470	7,098,470
Gain on sale of plant assets	827,429	-	827,429	1,516,696	-	1,516,696
Realized and unrealized gains on investments	671,872	2,810,751	3,482,623	2,313,037	4,114,496	6,427,533
Endowment return designated for operations, net	(6,172,602)	(2,539,903)	(8,712,505)	(1,600,976)	(2,392,109)	(3,993,085)
Net investment income, nonoperating	651,367	1,887,473	2,538,840	938,766	1,507,170	2,445,936
Net assets released from restrictions, nonoperating	780,101	(780,101)	-	1,310,932	(1,310,932)	-
Change in value of split-interest agreements	(260,305)	1,470,243	1,209,938	(166,667)	203,769	37,102
Reclassification	-	-	-	(383,747)	383,747	-
Total other activities	(3,002,334)	5,070,924	2,068,590	3,978,041	9,554,611	13,532,652
Change in Net Assets	(4,688,014)	8,009,776	3,321,762	(510,658)	9,382,776	8,872,118
Net Assets, Beginning of Year	111,835,916	98,482,067	210,317,983	112,346,574	89,099,291	201,445,865
Net Assets, End of Year	$ 107,147,902	$ 106,491,843	$ 213,639,745	$ 111,835,916	$ 98,482,067	$ 210,317,983

See Notes to Financial Statements

Linfield College

Statements of Functional Expenses

Years Ended June 30, 2019 and 2018

	Program Services					Supporting Services			
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Total Program	Institutional Support	Operation and Maintenance	Fundraising	Total
2019									
Salaries and wages	$ 16,549,115	$ 2,542,326	$ 5,405,299	$ 474,924	$ 24,971,664	$ 4,694,101	$ 2,244,273	$ 871,239	$ 32,781,277
Employee benefits	5,408,992	805,756	1,574,335	94,315	7,883,398	1,567,123	929,552	307,101	10,687,174
Depreciation	1,710,758	311,606	736,649	395,258	3,154,271	621,434	-	-	3,775,705
Interest and amortization	755,331	137,580	325,244	174,513	1,392,668	274,374	-	-	1,667,042
Operation and maintenance	1,335,527	243,259	575,076	308,563	2,462,425	403,323	(2,947,557)	81,809	-
Contracted services	667,933	132,088	666,478	2,504,868	3,971,367	1,064,085	750,520	68,908	5,854,880
Other	2,936,904	1,175,990	3,257,480	2,832,018	10,202,392	1,960,440	(976,788)	447,461	11,633,505
	$ 29,364,560	$ 5,348,605	$ 12,540,561	$ 6,784,459	$ 54,038,185	$ 10,584,880	$ -	$ 1,776,518	$ 66,399,583

	Program Services					Supporting Services			
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Total Program	Institutional Support	Operation and Maintenance	Fundraising	Total
2018									
Salaries and wages	$ 16,819,230	$ 2,643,143	$ 5,477,498	$ 522,199	$ 25,462,070	$ 3,082,805	$ 2,327,586	$ 965,354	$ 31,837,815
Employee benefits	6,085,675	965,167	1,899,394	103,600	9,053,836	1,382,437	1,083,225	253,405	11,772,903
Depreciation	1,204,871	797,769	521,029	779,385	3,303,054	430,207	-	-	3,733,261
Interest and amortization	564,543	107,509	244,129	633,528	1,549,709	201,573	-	-	1,751,282
Operation and maintenance	1,384,973	263,748	598,911	2,391,215	4,638,847	408,347	(5,133,361)	86,167	-
Contracted services	584,195	145,571	588,900	3,086,983	4,405,649	1,105,199	979,034	64,640	6,554,522
Other	2,449,784	1,185,806	3,251,103	405,022	7,291,715	1,956,076	743,516	451,730	10,443,037
	$ 29,093,271	$ 6,108,713	$ 12,580,964	$ 7,921,932	$ 55,704,880	$ 8,566,644	$ -	$ 1,821,296	$ 66,092,820

See Notes to Financial Statements

Linfield College

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	$ 3,321,762	$ 8,872,118
Items not requiring (providing) operating activities cash flows		
Depreciation	3,775,705	3,733,261
Amortization of debt issuance costs	34,504	29,604
Amortization of discount/premium on debt	(100,550)	(95,651)
Increase in allowance for uncollectible accounts, notes and contributions receivable	39,495	225,172
Contributions received and payments on contributions receivable restricted for long-term investment	(4,061,071)	(3,046,912)
Contributions received and payments on contributions receivable restricted for capital investment	(332,622)	(925,775)
Gain on sale of plant assets	(827,429)	(1,516,696)
Realized and unrealized gains on investments	(3,482,623)	(6,427,533)
Changes in		
Interest receivable	13,181	107,977
Accounts and notes receivable	1,583,320	(238,160)
Contributions receivable	2,361,786	(3,002,390)
Inventory	(3,919)	25,300
Prepaid expenses and other assets	(599,727)	829,589
Accounts payable and accrued liabilities	3,255,064	(221,796)
Deferred revenue	(973,318)	(12,701)
U.S. Government grants refundable	477,571	273,474
Assets held in trusts by others	(1,099,019)	10,098
Obligations for split-interest agreements	296,867	136,946
Net cash provided by (used in) operating activities	3,678,977	(1,244,075)
Investing Activities		
Proceeds from sales of plant assets	997,692	-
Purchase of plant assets	(16,485,383)	(2,280,247)
Proceeds from sales and maturities of investments	39,581,398	35,937,900
Purchase of investments	(23,478,715)	(33,523,247)
Net cash provided by investing activities	614,992	134,406
Financing Activities		
Proceeds from contributions received and payments on contributions receivable restricted for long-term investment	4,061,071	3,046,912
Proceeds from contributions received and payments on contributions receivable restricted for capital investment	332,622	925,775
Principal payments on notes payable and capital leases	(347,518)	(352,157)
Principal payments on bonds payable	(1,065,000)	(1,015,000)
Payments on obligations for split-interest agreements	(285,143)	(293,780)
Net cash provided by financing activities	2,696,032	2,311,750
Increase in Cash and Cash Equivalents	6,990,001	1,202,081
Cash and Cash Equivalents, Beginning of Year	2,295,625	1,093,544
Cash and Cash Equivalents, End of Year	$ 9,285,626	$ 2,295,625
Supplemental Cash Flows Information		
Cash paid for interest	$ 1,733,088	$ 1,817,399
Gifts of marketable assets for current or long-term use	2,233,788	419,177
Amount receivable for sale of plant assets	-	1,985,681
Plant asset acquisitions in accounts payable	431,642	59,947
Plant asset acquisition related to value of free rent provided	2,700,000	-

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Linfield College (College) is a not-for-profit, accredited four year, comprehensive undergraduate, private, coeducational, liberal arts and science institution located in McMinnville and Portland, Oregon. The College serves more than 1,980 students from 24 states and 23 foreign countries and offers 54 majors. The College's revenues and other support are derived principally from student tuition, fees, room and board and donor contributions. In addition, the College processes federal and state assistance grants and loans for its students to help pay for their educational costs. Some federal, state and private grants are also received for research and development.

Accrual Basis Accounting

The financial statements of the College have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles.

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, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The College considers all short term fixed income investments (highly liquid debt instruments with a maturity of three months or less at purchase), to represent cash equivalents, except for certain cash equivalents included in the investment portfolio that are intended to be invested on a long term basis. The cash and cash equivalent total was $9,285,626 and $2,295,625 at June 30, 2019 and 2018, respectively. The cash and cash equivalent balances were held in money market, bank certificates of deposit or petty cash on hand.

At June 30, 2019, the College's cash accounts exceeded federally insured limits by approximately $9,327,000.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is initially included in net assets with donor restrictions, but then shown as net assets released from restrictions in the same year. Other investment returns are reflected in the statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The College maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

The College follows the provisions of Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value.

The College has certain investments in real estate and related assets that were recorded at cost when purchased or fair value on the date of gift, as appropriate. These investments remain at their initial value and are evaluated annually for impairment. There was no such impairment as of June 30, 2019 and 2018.

Accounts and Notes Receivable

Accounts receivable are stated at the amount of consideration from students of which the College has an unconditional right to receive 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. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts that are unpaid after the due date bear interest at 1 percent per month for the first three months following the end of the applicable semester, after which the balances are transitioned to a service provider to aid with collections and are charged 5 percent annually. Accounts past due more than 120 days are considered delinquent. Interest continues to accrue on delinquent accounts. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Notes receivable consist primarily of amounts due under the Federal Perkins Loan Program and Nursing Student Loan Program, and are stated at their outstanding principal amount, net of an allowance for doubtful loans. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements for the Federal Perkins Loan Program and Nursing Student Loan Program. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The College provides an allowance for doubtful loans which is based upon a review of outstanding loans, historical collection information and existing conditions. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

Inventory

Inventory consists primarily of Campus Mail Center postage and Facilities/Departmental bulk purchased paper supplies as of June 30, 2019 and 2018 and is recorded at the lower of cost (first in, first out) and net realizable value.

Tuition and Auxiliary Services Revenue

Tuition revenue is recognized over the term of the semester as the College provides services to students. Revenue is reported at the amount of consideration which the College expects to be entitled in exchange for providing tuition and auxiliary services. The College determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided for scholarships and other price concessions provided to students.

Contributions

Contributions are provided to the College either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the College overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.,* the donor imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Plant Assets

The College's plant facilities are stated at cost or fair value at the date of donation (in the case of gifts), less accumulated depreciation. All plant assets, other than land, are depreciated over their estimated useful lives using the straight line method. Estimated useful lives used to calculate depreciation are as follows:

	Years
Buildings - main campus	70
Buildings - smaller residential	30
Building improvements	30
Land improvements	30
Furniture and equipment	10
Library books	10
Vehicles	10
Software	5
Land and art work	Not depreciated

Bond Issuance Costs

Bond issuance costs (including bond issue costs, bond discounts and bond premiums) represent amounts amortized by the College in connection with the issuance of the 2010 and 2015 Oregon Facilities Authority Bonds. See Note 13 for further discussion.

The remaining unamortized portion of bond issuance costs and discounts are reported (per FASB ASU 2015-03, Subtopic 835-30, *Simplifying the Presentation of Debt Issuance Costs*), as a contra bonds payable liability account and along with unamortized premiums are included in bonds payable on the statements of financial position. Amortization is calculated using a method that approximates the effective yield over the life of the bonds.

Long-lived Asset Impairment

The College evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds it fair value. No asset impairment was recognized during the years ended June 30, 2019 and 2018.

Deferred Revenue

Deferred revenue consists primarily of prepayments of tuition and fees related to future academic semesters which is recognized over the periods to which the fees relate, as well as deferred revenue related to a rental agreement.

Split-Interest Agreements

The College uses an actuarial method to record certain split-interest arrangements. Under this method, the present value of the payments to beneficiaries is estimated based upon life expectancy tables when the gift is received. The present value of those payments is recorded as a liability and the remainder as net assets with donor restrictions. Periodic adjustments are made between the liability and the net assets to record actuarial gains or losses. The discount rates used by the College in calculating present value of all split-interest agreements range from 1 percent to 10 percent at June 30, 2019 and 2018. Obligations for split-interest agreements include certain liabilities related to charitable gift annuities. These liabilities totaled $946,955 and $865,998 at June 30, 2019 and 2018, respectively.

Net Assets – Basis of Presentation

Net assets, revenue, expenses, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. The definitions used to clarify and report net assets are as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor imposed stipulations and are available for use in general operations or are part of what's invested in property, plant and equipment (net of related debt). However, the governing board may designate any of these funds for specific purposes (*i.e.,* specific purpose reserves or endowments).

Net Assets with Donor Restrictions – Net assets subject to donor imposed stipulations (1) that will be met either by actions of the College or the passage of time or (2) that are to be permanently maintained by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among program services, institutional support and fund raising categories based on total operating costs or square footage or time and effort.

Income Taxes

The College is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) of the IRC, except to the extent of unrelated business income tax under Sections 511 through 515 of the IRC. Unrelated business income tax is insignificant or nonexistent and, therefore, no tax provision has been made.

Accounting principles generally accepted in the United States of America require the College's management to evaluate tax positions taken by the College and recognize a tax liability (or asset) if the College has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed tax positions taken by the College and has concluded that as of June 30, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The College is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The College's management believes it is no longer subject to income tax examinations for years prior to 2016.

Note 2: Changes in Accounting Principle

Revenue Recognition

As of July 1, 2018, the College adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, (ASU 2014-09) using a modified retrospective method of adoption for all contracts in effect as of July 1, 2018.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to students in amounts that reflect the consideration to which the College expects to be entitled in exchange for those goods or services.

The amount to which the College expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

Adoption of ASU 2014-09 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements.

The adoption has no impact on overall change in net assets or net cash provided by operating activities.

Contributions Received and Contributions Made

As of July 1, 2018, the College adopted the FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, (ASU 2018-08) using a modified prospective method of adoption to all agreements that were not completed as of July 1, 2018.

The intent of ASU 2018-08 is to assist an organization in evaluating whether transactions are considered nonreciprocal transactions and should be accounted for as contributions, or if the transactions are considered reciprocal and should be accounted for as exchange transactions. Additionally, the revised guidance helps entities evaluate whether a contribution is conditional or unconditional.

The adoption has no impact on overall change in net assets or net cash provided by operating activities.

Note 3: Revenue From Contracts With Students

Tuition, Residential Services and Meal Plan Services Revenue

Revenue from contracts with students for tuition, residential services and meal plan services is reported at the amount that reflects the consideration to which the College expects to be entitled in exchange for providing instruction and housing, food and other services. These amounts are due from students, third-party payers and others and are net of scholarships and institutional aid of $37,246,757 and $39,560,436 for the years ended June 30, 2019 and 2018, respectively.

Revenue is recognized as performance obligations are satisfied, which is primarily ratably over the academic term, with the exception of meal plans that are recognized at a point in time. Generally, the College bills students prior to the beginning of the semester and student accounts receivable are due in full before classes begin.

If a student withdraws during the academic term, the student is refunded based on the terms published in the student handbook. No refunds are awarded after the end of the fourth week of the academic term. The College determines the refund liability at June 30 based on actual experience subsequent to June 30.

Tuition, residential services and mean plan services revenue are considered to be separate performance obligations. The College allocates the fees charged to students to tuition and housing, food and other services based on standalone charges to students for tuition and those other services.

Transaction Price and Recognition

The College determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships and aid in accordance with the College's policies for granting certain merit based aid. The College determines its estimates of explicit price concessions based on its discount policies and merit awards.

From time to time the College will incur student credit balances and student deposits which represent the excess of tuition and fees and other student payments received as compared to amounts recognized as revenue. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2019 and 2018, the College has a liability for refunds or deposits from students recorded of less than $100,000 for each of the years ended June 30, 2019 and 2018.

Subsequent changes that are determined to be the result of an adverse change in the student's ability to pay are recorded as bad debt expense.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Because all of its performance obligations relate to contracts with a duration of less than one year, the College has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to providing instruction to students. The performance obligations for these contracts are generally completed when the academic term is completed.

During the years ended June 30, 2019 and 2018, the College recognized revenue of $2,002,522 and $2,041,209, respectively, that was recognized as deferred revenue at the beginning of the year. The College expects to recognize revenue of $2,089,402 of tuition revenue in fiscal 2020 when the summer 2019 academic term is completed.

Disaggregation of Revenue

The composition of net student fees revenue by segment for the years ended June 30, 2019 and 2018, is as follows:

	2019	2018
Net tuition and fees	$ 38,896,138	$ 40,465,662
Room	7,200,797	7,306,541
Board	3,898,546	4,301,355
	$ 49,995,481	$ 52,073,558

The composition of revenue based on timing of revenue recognition for the years ended June 30, 2019 and 2018, is as follows:

	2019	2018
Services transferred over time	$ 46,096,935	$ 47,772,203
Sales at point in time	3,898,546	4,301,355
	$ 49,995,481	$ 52,073,558

Note 4: Net Assets

	2019	2018
Without Donor Restrictions		
Internally designated purposes (A)	$ 3,333,466	$ 2,810,275
Quasi-endowment funds (B)	25,354,508	44,329,042
Special annuities and institutional student loan funds	839,076	621,279
Net investment in plant	76,699,849	63,207,883
Institutional portion of Perkins/Nursing loan funds	921,003	867,437
Total net assets without donor restrictions	107,147,902	111,835,916
With Donor Restrictions		
Subject to the passage of time or expenditure for specified purpose		
Operational and academic projects, one-time scholarships and pending endowments	4,867,838	1,903,043
Endowment distributions held for expenditure		
Instruction and operations	2,081,858	2,137,335
Student aid	653,280	657,906
Endowments		
Earnings subject to future appropriations		
Instruction and operations	11,750,359	10,976,095
Student aid	15,676,867	14,828,957
Perpetual endowment funds - original gift corpus		
Instruction and operations	26,254,193	26,025,089
Student aid	30,108,543	28,378,715
Split-interest agreements	11,218,722	9,865,737
Loan funds	331,602	332,836
Plant funds and designations for construction projects	3,548,581	3,376,354
Total net assets with donor restrictions	106,491,843	98,482,067
Total net assets	$ 213,639,745	$ 210,317,983

(A) A variety of reserve or set aside funds. Examples are student course/lab fees, academic projects, grants, capital campaign, reserves (for faculty development and initiatives, wine education studies, technology, enrollment, academic and administrative equipment needs, library, student life/leadership programs, etc.), IPO fees, vehicles, building repairs, energy conservation projects, insurance, strategic initiatives, accreditation, etc.

(B) The College's Board of Trustees (governing Board) through specific action has created internal use designations on all quasi-endowment net assets without donor restrictions. These internal use designations also follow the College's endowment investment and spending policy and thus annually support specific programs and operations that the College relies upon.

Note 5: Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended June 30, 2019 and 2018, as follows:

	2019	2018
Purpose restrictions accomplished		
Instruction and operations	$ 393,227	$ 1,114,783
Academic support	140,101	96,317
Student services	428,310	521,114
Institutional support	159,139	158,017
Scholarships	1,745,535	1,914,717
Operations and maintenance of property and equipment	49,101	3,942
Annuity/trust/life income	593,695	931,354
Total net assets released from restrictions	$ 3,509,108	$ 4,740,244

Note 6: Tuition and Fees

Student tuition and fee revenues for the years ended June 30, 2019 and 2018, consist of the following:

	2019	2018
Tuition and fees	$ 76,142,895	$ 80,026,098
Less		
Unfunded financial aid (institutional tuition discount)	(34,540,643)	(36,956,768)
Funded financial aid (endowed or other designations)	(2,706,114)	(2,603,668)
Tuition and fees, net	$ 38,896,138	$ 40,465,662

Note 7: Investments

Investments at June 30 consisted of the following:

	2019	2018
Restricted cash and cash equivalents	$ 12,400,706	$ 10,326,448
Fixed income securities	25,833,619	24,255,292
Equity mutual funds		
Domestic	37,506,302	45,287,737
International	29,422,883	31,102,266
Marketable alternatives	11,279,967	18,032,144
Split-interest agreements and other assets with trustees		
Cash and cash equivalents held for reinvestment	94,444	98,734
Equity and mutual funds	2,640,986	2,470,504
Fixed income funds	1,815,886	2,041,728
	120,994,793	133,614,853
Real property held for investment	6,641,720	6,641,720
Total investments	$127,636,513	$140,256,573

	2019	2018
Short-term investments	$ 2,601,984	$ 5,787,237
Long-term investments	125,034,529	134,469,336
	$127,636,513	$140,256,573

Certain net asset balances (Note 4) in the financial statements differ from investment balances below due to other assets, liabilities, or timing of transactions between funds. The values of total investments by function at June 30, 2019 and 2018, were as follows:

	2019	2018
Endowments with and without donor restrictions	$108,079,531	$121,439,714
Split-interest agreements	4,360,517	4,087,521
Bond funds and reserves	2,936,850	2,911,892
CD's and other bank investments	9,924,538	9,134,464
Assets invested in real estate, non-endowed	2,276,720	2,276,720
Other investments	58,357	406,262
Total investments	$127,636,513	$140,256,573

Endowment funds are in an investment pool that is professionally managed under the total return concept (unit fair value method), unless special considerations or donor stipulations require that they be held separately or unless in real estate holdings.

All split-interest agreement assets are invested with money managers separate from the endowment investment pool, unless special considerations require that they be held collectively. At June 30, 2019 and 2018, the split-interest agreement assets primarily consisted of equity and fixed income mutual funds.

The College signed a 40 year operating land lease on July 1, 2003, as the lessor for the land included in real property held for investment. The College has leased 342,817 square feet of land. The minimum future rental income associated with this lease is as follows:

2020	$ 198,426
2021	198,426
2022	198,426
2023	198,426
2024	200,080
Thereafter	1,041,737
	$ 2,035,521

Revenue from the lease is recognized ratably over the life of the lease.

Note 8: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

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

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

	2019			
		Fair Value Measurements Using		
	Total Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Restricted cash and cash equivalents	$ 12,400,706	$ 2,199,995	$ 10,200,711	$ -
Domestic equity mutual funds				
Large cap mutual funds	31,130,993	31,130,993	-	-
Small cap mutual funds	6,375,309	6,375,309	-	-
International equity mutual funds				
Large cap mutual funds	21,836,609	21,836,609	-	-
Small cap mutual funds	3,179,794	3,179,794	-	-
Emerging markets	4,406,480	4,406,480	-	-
Fixed income securities				
Bond funds	25,484,627	25,484,627	-	-
Commercial paper	348,992	348,992	-	-
Marketable alternatives	11,279,967	-	11,279,967	-
Split-interest agreements and other assets with trustees				
Fixed income funds	1,815,886	-	1,815,886	-
Equity funds	2,103,659	2,103,659	-	-
Mutual funds				
International growth funds	406,136	406,136	-	-
Real estate funds	131,191	131,191	-	-
Restricted cash and cash equivalents held for reinvestment	94,444	94,444	-	-
Real property held for investment (A)	6,641,720	-	-	-
Total investments	$ 127,636,513			
Assets Held in Trust by Others	9,255,127	-	-	9,255,127

	2018			
		Fair Value Measurements Using		
	Total Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Restricted cash and cash equivalents	$ 10,326,448	$ 1,191,985	$ 9,134,463	$ -
Domestic equity mutual funds				
Large cap mutual funds	36,718,302	36,718,302	-	-
Small cap mutual funds	8,569,435	8,569,435	-	-
International equity mutual funds				
Large cap mutual funds	22,348,356	22,348,356	-	-
Small cap mutual funds	4,214,161	4,214,161	-	-
Emerging markets	4,539,749	4,539,749	-	-
Fixed income securities				
Bonds funds	23,906,300	23,906,300	-	-
Commercial paper	348,992	348,992	-	-
Marketable alternatives	18,032,144	18,032,144	-	-
Split-interest agreements and other assets with trustees				
Fixed income funds	2,041,728	1,692,635	349,093	-
Equity funds	1,991,128	1,991,128	-	-
Mutual funds				
International growth funds	348,144	348,144	-	-
Real estate funds	131,232	131,232	-	-
Restricted cash and cash equivalents held for reinvestment	98,734	98,734	-	-
Real property held for investment (A)	6,641,720	-	-	-
Total investments	$ 140,256,573			
Assets Held in Trust by Others	8,156,108	-	-	8,156,108

(A) Real property held for investment is valued at the lower of cost or market and has therefore not been classified in the fair value hierarchy. The amount included above is intended to permit reconciliation of the fair value hierarchy to the amount presented in the statement of financial position.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2019. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below. The College has no assets or liabilities measured at fair value on a nonrecurring basis.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Level 3 Valuation Process

Fair value determinations for Level 3 measurements of securities and trusts are the responsibility of the Business Office. The Business Office obtains information to generate fair value estimates on a monthly or quarterly basis. The Business Office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States of America.

Assets Held in Trusts by Others

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement, which approximates the fair value of the underlying assets of the trusts. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Level 3 Reconciliation

The College has been designated the irrevocable beneficiary of the income of a portion of certain perpetual trust funds held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the College; however, the College will never receive the assets of the trusts. The related assets are neither in the possession of nor under the control of the College, but are recorded at their estimated fair value. The amounts received or accrued from these trusts was $321,649 and $162,407 for 2019 and 2018, respectively, and is included in the change in value of split-interest agreements for the years then ended.

The College's interest in these irrevocable perpetual agreements held or controlled by a third party is classified as Level 3. The underlying investments in these trusts include marketable securities as well as directly held real estate. The value of the College's beneficial interest is primarily established using unobservable inputs, such as specific estimates of cash flows. Since the College has an irrevocable right to receive the income earned for the trust's assets, the fair value of the College's beneficial interest is estimated to approximate the fair value of the trust's assets.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Assets Held in Trusts by Others
Balance, July 1, 2017	$ 8,166,206
Dividends	4,762
Sales	(167,169)
Total realized and unrealized gains included in change in net assets	152,309
Balance, June 30, 2018	8,156,108
Dividends	1,446
Sales	(323,095)
Total realized and unrealized gains included in change in net assets	1,420,668
Balance, June 30, 2019	$ 9,255,127

The unrealized gains for the assets held in trusts by others are included in the change in value of split-interest agreements on the statement of activities.

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements:

	Fair Value at June 30, 2019	Valuation Technique	Unobservable Inputs	Range (Weighted-Average)
Assets held in trust by others	$ 9,255,127	Discounted cash flows	Discount rates Market return rates	3% - 7%

	Fair Value at June 30, 2018	Valuation Technique	Unobservable Inputs	Range (Weighted-Average)
Assets held in trust by others	$ 8,156,108	Discounted cash flows	Discount rates Market return rates	3% - 7%

Sensitivity of Significant Unobservable Inputs

The following is a discussion of the sensitivity of significant unobservable inputs, the interrelationships between those inputs and other unobservable inputs used in recurring fair value measurement and of how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement:

Assets Held in Trust by Others

The significant unobservable inputs used in the fair value measurement of the College's assets held in trust by others are discount rates and market return rates. The discount rate of the trust is the interest rate utilized to discount future cash flows in a present value cash flow calculation. The discount rate used often represents the return market participants' would demand on similar assets. Therefore, significant increases (decreases) in the discount rate used would result in (lower) higher fair value measurement.

Note 9: Accounts and Notes Receivable

Accounts and notes receivable at June 30, 2019 and 2018, consist of the following:

	2019	2018
Accounts receivable		
Student accounts: Current students	$ 1,432,621	$ 1,304,504
Student accounts: Prior students	1,223,272	1,011,341
Other receivables	1,185,247	2,953,087
	3,841,140	5,268,932
Less allowance for doubtful accounts	(816,192)	(760,397)
Net accounts receivable	3,024,948	4,508,535
Notes receivable		
Perkins loans	2,899,405	3,454,628
Nursing student loans	2,672,000	2,272,305
	5,571,405	5,726,933
Less allowance for doubtful accounts	(529,062)	(558,996)
Net notes receivable	5,042,343	5,167,937
Total accounts and notes receivable, net	$ 8,067,291	$ 9,676,472

It is the College's obligation to collect loans made under the Perkins Loan Program (Program). The loans are payable, including interest at 5 percent, over approximately 10 years following college attendance. Principal payments, interest and losses due to cancelation are shared by the College and the U.S. Government in proportion to their share of funds provided (approximately 83.6 percent of the funds have been provided by the U.S. Government). The Program provides for cancelation of the loans if the student is employed in certain occupations following graduation (employment cancelations). Such employment cancelations are absorbed in full by the U.S. Government.

Note 10: Credit Quality of Financing Receivables

The College's financing receivables consist of the Federal Perkins Loans balance (no longer revolving) and the revolving Federal Nursing Student Loans (NSL) for which the College acts as an agent for the federal Government. Student loans represent 2.1 percent and 2.2 percent of total assets of the College as of June 30, 2019 and 2018, respectively.

The availability of funds for loans under the Nursing loan program is dependent on reimbursements to the pool from repayments on outstanding loans. The federal liability portion (the College also contributed a smaller portion) of funds held in the federal loan programs at June 30, 2019, was $5,374,494, and is ultimately refundable to the Government and is classified as a liability in the statement of financial position.

Allowances for estimated losses are established based on prior collection experience and observed trends in the rate of default, analyzed periodically. Loan balances are written off when they are deemed to be permanently uncollectible. Since student loans under the Perkins loan program and NSL can be assigned to the Government when no longer collectible, a Perkins Loan write off will reduce a portion of the amount refundable to the Government.

The Perkins loan program authorization to make new loans ended with fiscal year 2018 and all of the federal portion of these funds will be returned to the federal Government as collected (paid back) from students.

Balances of financing receivables as of June 30, 2019 and 2018, are presented as follows:

	2019	2018
Perkins loans	$ 2,899,405	$ 3,454,628
Nursing student loans	2,672,000	2,272,305
	5,571,405	5,726,933
Less allowance for doubtful accounts	(529,062)	(558,996)
Notes receivable, net	$ 5,042,343	$ 5,167,937

For each class of financing receivables, the following table presents the performing and nonperforming portion of the financing receivables as of June 30, 2019 and 2018:

	Performing	Nonperforming (Defaulted)	2019 Total
Perkins loans	$ 2,609,650	$ 289,755	$ 2,899,405
Nursing student loans	2,586,860	85,140	2,672,000
Total	$ 5,196,510	$ 374,895	$ 5,571,405

	Performing	Nonperforming (Defaulted)	2018 Total
Perkins loans	$ 3,132,440	$ 322,188	$ 3,454,628
Nursing student loans	2,182,173	90,132	2,272,305
Total	$ 5,314,613	$ 412,320	$ 5,726,933

The aging of financing receivables as of June 30, 2019 and 2018, is presented as follows:

2019 Aging	31-60	61-90	91+	Total past due	Total current	Total
Perkins loans	$ 73,905	$ 59,413	$ 291,299	$ 424,617	$ 2,474,788	$ 2,899,405
Nursing student loans	68,115	18,864	99,121	186,100	2,485,900	2,672,000
Total	$ 142,020	$ 78,277	$ 390,420	$ 610,717	$ 4,960,688	$ 5,571,405

2018 Aging	31-60	61-90	91+	Total past due	Total current	Total
Perkins loans	$ 78,619	$ 37,736	$ 363,804	$ 480,159	$ 2,974,469	$ 3,454,628
Nursing student loans	89,487	-	96,487	185,974	2,086,331	2,272,305
Total	$ 168,106	$ 37,736	$ 460,291	$ 666,133	$ 5,060,800	$ 5,726,933

Note 11: Contributions Receivable

Contributions receivable at June 30 consist of the following:

	2019	2018
Due within one year	$ 1,129,313	$ 2,308,946
Due in one to five years	911,459	2,139,571
	2,040,772	4,448,517
Less		
Unamortized discount (2.42% - 2019; 2.06% - 2018)	(22,523)	(68,482)
Allowance for doubtful pledges	(110,547)	(96,913)
	$ 1,907,702	$ 4,283,122

Note 12: Plant Assets

Plant assets at June 30, 2019 and 2018, consist of the following:

	2019	2018
Land	$ 11,867,862	$ 8,324,860
Land improvements	7,336,730	7,086,729
Buildings	97,837,682	84,449,863
Building improvements	26,385,941	25,731,907
Furniture and equipment	21,906,530	21,476,498
Library holdings	13,851,717	13,761,555
Vehicles	670,350	522,241
Software	344,092	332,649
Artwork	129,435	129,435
Construction in progress	2,869,308	1,826,831
	183,199,647	163,642,568
Less accumulated depreciation	(71,761,124)	(67,985,418)
	$ 111,438,523	$ 95,657,150

Note 13: Bonds Payable

At June 30, 2019 and 2018, bonds payable consisted of the following:

	2019	2018
Oregon Facilities Authority Bonds of 2010		
Series A, 4.75% to 5.25%, due serially to 2040 (A)	$ 23,385,000	$ 23,385,000
Oregon Facilities Authority Bonds of 2015		
Series A, 3.75% to 5.00%, due serially to 2030 (B)	11,070,000	12,135,000
	34,455,000	35,520,000
Add unamortized bond premium	1,156,322	1,256,872
Less unamortized debt issuance costs and discounts	(597,106)	(631,610)
	$ 35,014,216	$ 36,145,262

(A) On August 1, 2010, the College entered into a Loan Agreement with the State Treasurer of the State of Oregon, acting on behalf of the State of Oregon and on behalf of the Oregon Facilities Authority to issue bonds with an aggregate principal amount of $23,385,000 (the 2010 Bonds).

The proceeds of the 2010 Bonds were loaned to the College for (1) the refunding of all of the Issuer's outstanding Revenue Bonds (Linfield College Project), 1998 Series A; (2) the refunding of all of the Issuer's outstanding Revenue Bonds (Linfield College Project), 2001 Series A; (3) the planning, construction and financing of capital construction, improvement, remodeling, renovation and acquisition and installation of equipment for the renovation of Northup Hall and other capital improvements including the construction, remodel, retro fit, and/or conversion of buildings to different uses and payment of architectural and engineering costs for the foregoing; (4) a reserve fund; (5) capitalized interest; and (6) the payment of costs of issuance of the 2010 Bonds.

As of June 30, 2019 and 2018, the reserve fund had assets remaining of $1,150,592 and $1,167,700 (at cost), respectively. The College is responsible for bond principal and interest payments that vary from 4.75 percent to 5.25 percent. Principal reduction begins in October 2028 with the final maturation occurring on October 1, 2040. Bonds maturing on or after October 1, 2020, will be subject to redemption at the option of the College, in whole or in part on any date on or after October 1, 2020, in such maturities as are selected by the College, at a price of par plus accrued and unpaid interest. Other mandatory redemption provisions are outlined in the bond prospectus for bonds maturing in 2028, 2031, 2034 and 2040. Each of these bonds is unsecured and is to be redeemed through annual budgeted revenue. Unamortized bond issuance costs totaled $311,912 and $326,090 as of June 30, 2019 and 2018, respectively.

(B) On June 16, 2015, the College entered into a Loan Agreement with the State Treasurer of the State of Oregon, acting on behalf of the State of Oregon and on behalf of the Oregon Facilities Authority to issue bonds with an aggregate principal amount of $14,245,000 (the 2015 Bonds).

On July 8, 2015, the College closed on the new 2015 Series A State of Oregon, Oregon Facilities Authority Revenue Bonds at a Par amount of $14,245,000. The remaining 2005 Bonds had a call date on October 1, 2015, and were eligible for "current refunding" within 90 days (beginning July 1, 2015) of the call date.

The proceeds of the 2015 Bonds were loaned to the College for (1) the refunding of the Issuer's remaining outstanding Revenue Bonds (Linfield College Project), 2005 Series A and (2) the payment of costs of issuance of the 2015 Bonds. As of June 30, 2019 and 2018, Bond reserve fund had assets remaining of $1,786,075 and $1,744,108 (at cost), respectively. The College is responsible for bond principal and interest payments that vary from 3.75 percent to 5.00 percent.

Principal reduction began in October 2016 with the final maturation occurring on October 1, 2030. Bonds maturing on or after October 1, 2026, will be subject to redemption at the option of the College, in whole or in part on any date on or after October 1, 2025, in such maturities as are selected by the College, at a price of par plus accrued and unpaid interest. Other mandatory redemption provisions are outlined in the bond prospectus. Each of these bonds is unsecured and is to be redeemed through annual budgeted revenues. Unamortized bond issuance costs totaled $177,395 and $192,821 as of June 30, 2019 and 2018, respectively.

The College's investment grade rating of Baa1 was reviewed and reaffirmed by Moody's Investor Services in June 2018. The above 2010 and 2015 Oregon Facilities Authority bonds contained certain covenants, which include the maintenance of certain financial ratios, as defined in the agreements. For the year ended June 30, 2019, management is not aware of any violations of these covenants.

The future maturities of bonds payable excluding any amortization of bond issuance costs or discount/premium are as follows:

	Principal	Interest	Total Payments
2020	$ 1,120,000	$ 1,691,775	$ 2,811,775
2021	1,180,000	1,634,275	2,814,275
2022	1,240,000	1,573,775	2,813,775
2023	1,300,000	1,510,275	2,810,275
2024	1,370,000	1,443,525	2,813,525
Thereafter until 2041	28,245,000	12,291,218	40,536,218
	$ 34,455,000	$ 20,144,843	$ 54,599,843

Note 14: Note Payable and Capital Lease Obligations

At June 30, 2019, notes payable and capital lease obligations consisted of the following:

	2019	2018
Note payable	$ -	$ 2,241
Capital lease covering certain data processing and network equipment for 5 years expiring	690,558	1,035,835
	$ 690,558	$ 1,038,076

Annual maturities of notes payable and capital lease obligations at June 30 are:

	Capital Lease Obligations
2020	$ 376,966
2021	376,966
	753,932
Less amount representing interest	(63,374)
	$ 690,558

Plant assets include the following property under capital leases at June 30, 2019 and 2018:

	2019	2018
Equipment	$ 1,753,980	$ 1,753,980
Less accumulated depreciation	(366,503)	(191,105)
	$ 1,387,477	$ 1,562,875

Note 15: Line of Credit

The College has a $5,000,000 revolving line of credit expiring on March 31, 2020. At June 30, 2019 and 2018, there were no monies borrowed against this unsecured line. Interest varies with the prime rate plus 0.25 percent and is payable monthly.

Note 16: Pension Plan

The College has a defined-contribution retirement plan for all eligible staff and faculty. The plan provides for employee deferrals and for contributions by the College. Previously, the College contributed 11.25 percent (staff) and 16.00 percent (faculty) of eligible earnings to the plan for eligible employees. Effective July 1, 2018, the College contributed 8.45 percent (staff) and 12.00 percent (faculty) of eligible earnings to the plan for eligible employees. The College's contributions totaled $2,479,759 and $3,399,893 in 2019 and 2018, respectively.

Note 17: Auxiliary Enterprises

Auxiliary enterprises consist of food service, bookstore operations, residence life and hosting of camps and conferences.

The College is leasing its bookstore to Barnes & Noble. Barnes & Noble is providing all bookstore services for the College under the terms of a lease agreement that has been renewed until June 30, 2022. During the term of the lease, Barnes & Noble will pay the College a guaranteed payment or a percentage of bookstore sales, whichever is greater.

The College has an ongoing contract with Sodexo Management, Inc. for the College's food service operations.

Certain expenses for the operation and maintenance of the College's physical plant have been allocated between education and general and auxiliary enterprises based on a square footage allocation of campus space. Interest has also been allocated to auxiliary enterprises for the portion that was incurred for food service and residence life facilities.

Note 18: Endowment Funds

The College's endowment consists of approximately 396 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

(a) Interpretation of Relevant Law

The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act of 2007 (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) earnings from the endowments until those amounts per the endowment agreements are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the Act and (d) accumulations to the permanent endowment made in accordance with the direction (if any) of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with the Act, the College permits spending from underwater endowment funds in accordance with the prudent measures required under the law.

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

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

Endowment net assets consist of the following at June 30, 2019 and 2018, excluding split-interest agreement funds:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Instruction and operations	$ -	$ 37,250,264	$ 37,250,264
Student aid	-	45,522,777	45,522,777
Contributions receivable	-	1,016,921	1,016,921
Board-designated endowment funds	25,354,508	-	25,354,508
Total endowment net assets	$ 25,354,508	$ 83,789,962	$ 109,144,470

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Instruction and operations	$ -	$ 34,185,815	$ 34,185,815
Student aid	-	42,940,957	42,940,957
Contributions receivable	-	3,082,084	3,082,084
Board-designated endowment funds	44,329,042	-	44,329,042
Total endowment net assets	$ 44,329,042	$ 80,208,856	$ 124,537,898

Changes in endowment net assets for the year ended June 30, 2019 and 2018, are as follows, excluding balances associated with annuities and trusts:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 44,329,042	$ 80,208,856	$ 124,537,898
Investment return			
Investment and other income	722,569	1,831,365	2,553,934
Net appreciation	564,514	2,642,258	3,206,772
Total investment return	1,287,083	4,473,623	5,760,706
Contributions	200	1,942,371	1,942,571
Appropriation of endowment assets for expenditure	(20,261,817)	(2,834,888)	(23,096,705)
Endowment net assets, end of year	$ 25,354,508	$ 83,789,962	$ 109,144,470

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 42,640,337	$ 71,200,471	$ 113,840,808
Investment return			
Investment and other income	885,615	1,427,734	2,313,349
Net appreciation	2,354,066	3,902,848	6,256,914
Total investment return	3,239,681	5,330,582	8,570,263
Contributions	50,000	6,069,912	6,119,912
Appropriation of endowment assets for expenditure	(1,600,976)	(2,392,109)	(3,993,085)
Endowment net assets, end of year	$ 44,329,042	$ 80,208,856	$ 124,537,898

(b) Return Objectives and Risk Parameters

Endowment and other Board-designated funds are invested on the basis of a total return policy to provide income and to realize appreciation on invested assets. Under this policy, a portion of capital gains, in addition to investment income, can be used to support operations. In certain circumstances, the Board of Trustees has authorized spending from endowment funds that have a fair value less than the historical gift value. In all cases, authorized spending amounts are utilized in accordance with donor imposed restrictions on the use of income earned by the endowment funds.

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the organizations must hold in perpetuity or for a donor specified period as well as Board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a custom index composed of 35 percent Russell 3000 index, 25 percent of the MSCI ACWI Ex U.S. IMI index, 20 percent Barclays U.S. Aggregate Bond index, 15 percent Custom Marketable Alternatives Index, and 5 percent of Linfield’s Real Estate actual return, while assuming a moderate level of investment risk. The primary objective is to achieve a total return that exceeds the combination of the annual withdrawal per the Endowment’s spending policy, the effect of inflation, and management fees. The Board recognizes and acknowledges prudent risk must be assumed in order to achieve these long-term investment objectives.

(c) Strategies Employed for Achieving Objectives

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

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

The College has a policy of appropriating for distribution each year 4.5 percent of its endowment funds' average fair value using the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the College considered the long term expected return on its endowment. The primary objective is to achieve a total return that exceeds the combination of the annual withdrawal per the Endowment's spending policy, the effect of inflation and management fees. The Board recognizes and acknowledges prudent risk must be assumed in order to achieve these long-term investment objectives. 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.

At June 30, 2019 and 2018, the spending rate adopted by the College was 4.5 percent of a 20 quarter moving average market value of pooled net assets with the allocation of earned income made annually. For 2019, an additional spend from the board-designated endowment was authorized to fund the purchase of certain plant assets and operations.

Substantially all investments of the College held for endowment are pooled for investment purposes. Income earned on endowment fund investments is allocated on the basis of each fund's proportionate interest in the pooled investment portfolio.

(e) Underwater Endowments – Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the College to retain as a fund of perpetual duration. If losses reduce the assets of a donor-restricted endowment fund below the donor-restricted corpus, it reduces total net assets with donor restrictions. The value of donor restricted endowment funds, with a fair value of associated assets that is less than the original gift amount, at June 30, 2018, are listed below. There were no underwater endowments at June 30, 2019.

The College's policy regarding spending from Underwater Endowments is "For underwater endowments with market values less than the restricted gift book value, the College will continue to spend at the spending rate above, but will monitor the underwater endowments annually at June 30." There have been no changes to that policy during the current fiscal year and the College followed the policy:

	2018
Fair value of the endowments at June 30	$ 2,198,676
Original gift amount of level to be maintained by donor requirements or by law	2,207,380
Amount of deficiency	$ (8,704)

At June 30, 2018, most underwater endowments were from current year gifts where the market was lower at June 30 than when the gift was received during the year.

Note 19: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2019	2018
Total assets	$ 269,211,978	$ 261,526,044
Less plant assets and other non-financial assets	(122,154,748)	(104,840,973)
Financial assets, at year-end	147,057,230	156,685,071
Less those unavailable for general expenditures within one year, due to		
Contractual or donor-imposed restrictions		
Donor-restricted endowment	(83,789,962)	(80,208,856)
Split-interest agreements	(4,021,057)	(3,727,742)
Loan funds	(331,602)	(332,836)
Other donor-imposed restrictions	(7,602,976)	(4,698,284)
Board or internal designations		
Quasi-endowment fund, net of anticipated draw	(23,812,063)	(42,717,050)
Special annuities and institutional loan funds	(839,076)	(621,279)
Investments held in required bond reserves	(2,936,850)	(2,911,892)
Noncurrent assets		
Accounts and notes receivable	(4,223,051)	(4,904,516)
Interest receivable	(33,424)	(30,098)
Contributions receivable	(30,186)	(125,224)
	$ 19,436,983	$ 16,407,294

The College seeks to maintain financial assets consisting of cash and short-term investments on hand to meet 60 to 90 days of normal operating expenses, which are, on the average approximately $5.2 million per month (30 days). However, June 30 and December 31 are low points in the College's cash flow cycle due to the majority of tuition dollars coming in during August – September and January – February, so the liquidity reported above at June 30 is lower than at most other times during the year.

As part of its liquidity management, the College invests cash in excess of daily requirements in various short-term investments including multiple certificates of deposit up to $250,000 each and short-term treasury instruments. This is handled through a banking trust/custody arrangement and the funds have daily liquidity. Also, the College's quasi-endowment funds are invested mostly in institutional mutual funds that have daily liquidity. Although the College does not normally spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment have been and could be made available if necessary through Board action, but that would reduce future income to the College's operating budget and other programs.

In addition, the College maintains a $5 million line of credit that is available in the event of an unexpected liquidity event, but has not been used in over 10 years. The College has used a disciplined budget approach which has allowed accumulation of some reserves for unforeseen events or revenue declines and these have been very useful.

Note 20: Commitments and Contingencies

The College receives and expends money under federal grant programs and is subject to audits by cognizant governmental agencies. Management believes that any liabilities arising from such audits will not have a material effect on the College.

The College had in the past placed certain of its medical insurance coverage with the Pioneer Educators Health Trust (PEHT), formulated by seven similar western colleges and universities for the purpose of providing medical, dental and vision insurance to higher education institutions. Under the agreement, member institutions were required to make contributions to the fund at such times and in an amount as determined by the Trustees for the various benefit programs sufficient to provide the benefits and pay the administrative expenses of the Plan, which are not otherwise paid by the College directly and to establish and maintain a minimum reserve as determined by the Trustee. The College withdrew from PEHT on March 31, 2018, and has paid all of the subsequent known claims. There are still rulings pending with the DOL (Department of Labor) concerning how past deposits and refunds were handled administratively in the Trust, but the College expects to eventually receive a refund of some prior contributions to the Trust.

Contributions

Approximately 64 percent and 72 percent of contributions receivable were from two donors at June 30, 2019 and 2018, respectively.

Approximately 29 percent and 57 percent of contribution revenue resulted from one donor and two donors in 2019 and 2018, respectively.

Investments

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 values of investment securities will occur in the near term and that such changes could materially affect the investment amounts reported in the statements of financial position.

Note 21: Future Changes in Accounting Principles

Statement of Cash Flows (Topic 230): Restricted Cash

The Financial Accounting Standards Board recently issued Accounting Standards Update (ASU) No. 2016-18, which requires all organizations to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling beginning-of-period and end-of-period total cash in the statement of cash flows. The ASU also requires disclosure of certain information about the nature of restrictions on cash, cash equivalents, and restricted cash. The College expects to first apply the ASU during its fiscal year ending June 30, 2020. The College is in the process of evaluating the effect the amendment will have on the financial statements.

Note 22: Subsequent Events

Subsequent events have been evaluated through November 7, 2019, which is the date the financial statements were issued.

Supplementary Information

Schedule of Expenditures of Federal Awards (SEFA)
In Accordance with Uniform Guidance
(with Independent Auditor's Reports Thereon)

Linfield College

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant or Pass-Through Entity Identifying Number	Total Federal Expeditures
Student Financial Assistance Cluster			
Department of Education			
Federal Pell Grant Program	84.063		$ 2,350,655
TEACH Grant	84.379		54,220
Federal Work-Study Program	84.033		307,836
Federal Supplemental Educational Opportunity Grant Program	84.007		295,256
Federal Direct Student Loan program	84.268		15,106,334
Federal Perkins Loan Program	84.038		3,454,628
Total Department of Education			21,568,929
Department of Health and Human Services			
Federal Nursing Student Loans	93.364		3,185,844
Total Department of Health and Human Services			3,185,844
Total Student Financial Assistance Cluster			24,754,773
Research and Development Cluster			
National Science Foundation			
NSF MRI Grant Microsoft	47.074		178,610
NSF-Collaborative Research: RUI - passed through the University of Richmond	47.074	IO8-1555444	24,103
NSF S-STEM	47.076	1565174	143,118
			345,831
Department of the Interoir			
DOI-BLM WSU Subaward Tillberg - passed through Washington State University	15.231	L14AC00128	2,799
			2,799
Department of Justice			
PSU DOJ Campus Prevention Pjct	16.203		7,742
			7,742
Total Research and Development Cluster			356,372
Total expenditures of federal awards			$ 25,111,145

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Linfield College (College) under programs of the federal Government for the year ended June 30, 2019. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. the College has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. The federal loan programs listed subsequently are administered directly by the College, and balances and transactions relating to the programs are included in the College's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2019, consists of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2019
84.038	Federal Perkins Loan Program	$2,899,405
93.364	Federal Nursing Student Loans	$2,672,000

4. There were no subrecipients during the year ended June 30, 2019.

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Report on Internal Control Over Financial Reporting and Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Linfield College
McMinnville, Oregon

We have audited, 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, the financial statements of Linfield College (College), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2019. Our report contained an *Emphasis of Matter* paragraph regarding the adoption of a new accounting standard.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

BKD, LLP

Fort Wayne, Indiana
November 7, 2019

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

Independent Auditor's Report

Board of Trustees
Linfield College
McMinnville, Oregon

Report on Compliance for Each Major Federal Program

We have audited Linfield College's (College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2019. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

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Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Fort Wayne, Indiana
November 7, 2019

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

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent auditor's report on internal control over financial reporting disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

7. The College's major program was:

Cluster/Program	CFDA Number
Student Financial Assistance Cluster	84.063, 84.379, 84.033, 84.007, 84.268, 84.038 and 93.364

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The College qualified as a low-risk auditee? ☒ Yes ☐ No

Linfield College

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding
	No matters are reportable.

Linfield College

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2019

Reference Number	Summary of Finding	Status
2018-001	***Federal Program*** – Department of Education, Student Financial Assistance Cluster, Federal Pell Grant Program, CFDA 84.063; TEACH Grant, CFDA 84.379; Federal Work-Study Program, CFDA 84.033; Federal Supplemental Educational Opportunity Grant Program, CFDA 84.007; Federal Direct Student Loan Program, CFDA 84.268; Federal Perkins Loan Program, CFDA 84.038; and Federal Nursing Student Loans, CFDA 93.364 ***Program Year*** – July 1, 2017 – June 30, 2018 ***Criteria or Specific Requirement*** – ***Special Tests and Provisions*** – ***Return of Title IV Funds*** – When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs as outlined in this section and no additional disbursements may be made to the student for the payment period or period of enrollment (34 CFR Sections 668.22(a)(1)-(3)). ***Condition*** – The earned percentage, based upon the enrollment period determined and the amount of aid to return, was calculated incorrectly. The College returned the incorrect amount of funds to the Department of Education because of the error in the calculation. ***Questioned Costs*** – $28, Federal Direct Loans, CFDA 84.268 ***Context*** – Of a sample of six return of funds tested from a population of 59 performed during the examination period, six return of funds calculations were not performed correctly. This resulted in an incorrect amount of funds being returned to the Department of Education for two of those six students. Our sample was not, and was not intended to be, statistically valid. ***Cause*** – The number of days in the break for the fall and spring semesters was calculated incorrectly when determining the enrollment period. ***Effect*** – The College returned the incorrect amount of funds to the Department of Education.	Resolved

Linfield
College

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