

Antioch College Corporation

Financial Statements

June 30, 2018 and 2017

with Independent Auditors' Report



CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Antioch College Corporation
Yellow Springs, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Antioch College Corporation ("the College"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years then ended and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Antioch College Corporation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the supplementary information (shown on page 19) are presented for purposes of additional analysis and are 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 schedule of expenditures of federal awards and the supplementary information are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 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 Antioch 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 of Antioch College's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 12, 2018

Antioch College Corporation
Statements of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets:		
Cash and cash equivalents	\$ 328,731	502,458
Restricted cash	1,413,415	1,144,830
Accounts and grants receivable	708,974	406,044
Contributions receivable, net	14,009,122	15,545,262
Prepaid expenses	22,602	59,979
Investments, at fair value	10,944,261	11,686,225
Investments held in trust, at fair value	195,188	188,141
Beneficial interest in perpetual and remainder trusts	524,782	516,492
Interest rate swap, at fair value	-	3,797
Intangible assets	2,850,637	2,850,637
Property, plant and equipment, net	<u>36,858,405</u>	<u>38,114,393</u>
 Total assets	 \$ <u>67,856,117</u>	 <u>71,018,258</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,167,813	1,358,478
Gift annuity obligations	332,941	378,579
Amounts held on behalf of others in trust	106,179	118,088
Deferred grant revenue	150,198	237,625
Long-term debt	<u>6,250,000</u>	<u>6,250,000</u>
 Total liabilities	 <u>8,007,131</u>	 <u>8,342,770</u>
Net assets:		
Unrestricted (deficit)	(2,605,741)	(862,513)
Board designated - general	928,425	928,425
Board designated - borrowing accumulated endowment gains	<u>25,631,457</u>	<u>25,148,140</u>
Total unrestricted net assets	23,954,141	25,214,052
Temporarily restricted net assets	16,355,054	18,250,408
Permanently restricted net assets	<u>19,539,791</u>	<u>19,211,028</u>
 Total net assets	 <u>59,848,986</u>	 <u>62,675,488</u>
 Total liabilities and net assets	 \$ <u>67,856,117</u>	 <u>71,018,258</u>

See accompanying notes to financial statements.

Antioch College Corporation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue:				
Gifts, pledges and bequests	\$ 4,942,632	3,410,911	320,473	8,674,016
Grants	621,296	-	-	621,296
Interest and dividend income	-	266,961	-	266,961
Net realized gain on investments	-	2,851	-	2,851
Net unrealized loss on investments	-	(22,647)	-	(22,647)
Tuition and fees, net	1,076,144	-	-	1,076,144
Other program income	1,904,456	-	-	1,904,456
In-kind revenue	63,030	-	-	63,030
Other income	426,962	-	-	426,962
Net assets released from restrictions	<u>5,572,753</u>	<u>(5,572,753)</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>14,607,273</u>	<u>(1,914,677)</u>	<u>320,473</u>	<u>13,013,069</u>
Operating expenses:				
Instruction	2,488,342	-	-	2,488,342
Academic support	1,293,131	-	-	1,293,131
Student services	1,970,921	-	-	1,970,921
Institutional support	2,203,696	-	-	2,203,696
Facilities	2,396,587	-	-	2,396,587
Auxiliary enterprises	4,263,609	-	-	4,263,609
Fundraising activities	<u>1,247,101</u>	<u>-</u>	<u>-</u>	<u>1,247,101</u>
Total operating expenses	<u>15,863,387</u>	<u>-</u>	<u>-</u>	<u>15,863,387</u>
Nonoperating gains (losses):				
Change in value of gift annuity	-	328	-	328
Change in value of remainder and perpetual trusts	-	18,995	8,290	27,285
Change in value of interest rate swap	<u>(3,797)</u>	<u>-</u>	<u>-</u>	<u>(3,797)</u>
Total nonoperating gains (losses)	<u>(3,797)</u>	<u>19,323</u>	<u>8,290</u>	<u>23,816</u>
Change in net assets	(1,259,911)	(1,895,354)	328,763	(2,826,502)
Net assets, beginning of year	<u>25,214,052</u>	<u>18,250,408</u>	<u>19,211,028</u>	<u>62,675,488</u>
Net assets, end of year	\$ <u>23,954,141</u>	<u>16,355,054</u>	<u>19,539,791</u>	<u>59,848,986</u>

See accompanying notes to financial statements.

Antioch College Corporation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue:				
Gifts, pledges and bequests	\$ 9,452,348	1,018,342	303,149	10,773,839
Grants	709,687	-	-	709,687
Interest and dividend income	-	264,872	-	264,872
Net realized gain on investments	-	38,754	-	38,754
Net unrealized gain on investments	-	5,049	-	5,049
Tuition and fees, net	1,709,625	-	-	1,709,625
Other program income	1,837,795	-	-	1,837,795
In-kind revenue	236,826	-	-	236,826
Other income	332,925	-	-	332,925
Net assets released from restrictions	<u>1,138,751</u>	<u>(1,138,751)</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>15,417,957</u>	<u>188,266</u>	<u>303,149</u>	<u>15,909,372</u>
Operating expenses:				
Instruction	2,959,066	-	-	2,959,066
Academic support	1,663,409	-	-	1,663,409
Student services	2,331,606	-	-	2,331,606
Institutional support	2,304,284	-	-	2,304,284
Facilities	2,538,067	-	-	2,538,067
Auxiliary enterprises	4,291,769	-	-	4,291,769
Fundraising activities	<u>1,552,427</u>	<u>-</u>	<u>-</u>	<u>1,552,427</u>
Total operating expenses	<u>17,640,628</u>	<u>-</u>	<u>-</u>	<u>17,640,628</u>
Nonoperating gains (losses):				
Change in value of gift annuity	-	(21,333)	-	(21,333)
Change in value of remainder and perpetual trusts	-	28,957	30,459	59,416
Change in value of interest rate swap	<u>35,134</u>	<u>-</u>	<u>-</u>	<u>35,134</u>
Total nonoperating gains (losses)	<u>35,134</u>	<u>7,624</u>	<u>30,459</u>	<u>73,217</u>
Change in net assets	(2,187,537)	195,890	333,608	(1,658,039)
Net assets, beginning of year	<u>27,401,589</u>	<u>18,054,518</u>	<u>18,877,420</u>	<u>64,333,527</u>
Net assets, end of year	\$ <u>25,214,052</u>	<u>18,250,408</u>	<u>19,211,028</u>	<u>62,675,488</u>

See accompanying notes to financial statements.

Antioch College Corporation
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (2,826,502)	(1,658,039)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,233,785	1,273,834
Loss on disposal of property and equipment	60,792	-
Provision for uncollectible accounts and contributions	196,778	336,193
Change in discount for future pledges	885,459	722,159
Net realized gain on investments	(2,851)	(38,754)
Net unrealized loss (gain) on investments	22,647	(5,049)
Change in beneficial interest in perpetual and remainder trusts	(27,285)	(59,416)
Change in value of interest rate swap	3,797	(35,134)
Change in value of gift annuity	(328)	21,333
Contributions restricted for endowment and facilities	(3,731,384)	(1,321,491)
Effects of change in operating assets and liabilities:		
Accounts and grants receivable	(302,930)	(61,245)
Contributions receivable	453,903	(1,128,353)
Prepaid expenses	37,377	371,359
Accounts payable and accrued liabilities	(190,665)	(680,244)
Deferred grant revenue	(87,427)	(21,958)
Accounts held on behalf of others in trust	(11,909)	(28,045)
Net cash from operating activities	<u>(4,286,743)</u>	<u>(2,312,850)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	715,121	647,653
Purchase of property, plant and equipment	(38,589)	(210,161)
Net cash from investing activities	<u>676,532</u>	<u>437,492</u>
Cash flows from financing activities:		
Proceeds from bond payable	-	50,000
Contributions restricted for endowment and facilities	3,731,384	1,321,491
Payments on gift annuity and trust obligations	(26,315)	(12,896)
Net cash from financing activities	<u>3,705,069</u>	<u>1,358,595</u>
Net change in cash and cash equivalents	94,858	(516,763)
Cash and cash equivalents, beginning of year	<u>1,647,288</u>	<u>2,164,051</u>
Cash and cash equivalents, end of year	\$ <u><u>1,742,146</u></u>	<u><u>1,647,288</u></u>
Reconciliation of ending cash to the statement of financial position:		
Cash and cash equivalents	\$ 328,731	502,458
Restricted cash	<u>1,413,415</u>	<u>1,144,830</u>
	\$ <u><u>1,742,146</u></u>	<u><u>1,647,288</u></u>
Supplemental disclosures of cash flow information - interest paid	\$ <u><u>28,598</u></u>	<u><u>142,643</u></u>

See accompanying notes to financial statements.

1. ORGANIZATION:

Antioch College Corporation ("the College"), originally founded in 1854 in Yellow Springs, Ohio, was formerly a wholly-owned subsidiary of Antioch University ("the University") which ceased Antioch College operations in 2008 due to financial reasons. An organization of former alumni and other interested parties subsequently purchased Antioch College and related assets and obligations from the University on September 4, 2009. Included with the purchase were an endowment and other investments, obligations under various split interest agreements, the Glen Helen Nature Preserve, campus buildings and land, and various other assets and obligations. The College acquired the assets of WYSO-FM radio station on July 3, 2013, which operates as a program of the College.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting.

Resources are reported for accounting purposes, in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

Permanently restricted

Permanently restricted net assets are subject to donor-imposed stipulations that the assets be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets. Such assets primarily include the College's permanent endowment funds.

Temporarily restricted

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

Unrestricted

Unrestricted net assets are assets that are not subject to donor-imposed stipulations. Unrestricted net assets have been designated for specific purposes by the Board of Trustees (Note 11). In addition, assets may otherwise be limited by contractual agreements with outside parties.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations, that simultaneously increase one class of net assets and decrease another, are reported as net assets released from restrictions.

Contributions and investment return with donor-imposed restrictions are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction unless such donor-imposed restrictions are met within the period the contribution is made. In these cases, contributions are reported as unrestricted revenues. Contributions restricted for the endowment are classified as permanently restricted and retained as such in perpetuity in accordance with donor stipulations.

Cash and Cash Equivalents

Cash and cash equivalents include cash deposits with original maturities of three months or less. Cash and cash equivalents that comprise part of the investment balances for the endowment, third party trusts, gift annuities, and other restricted investments are not classified as cash or cash equivalents. Certain cash balances are classified as restricted and listed as a separate line item in the statements of financial position. Cash and cash equivalents are primarily deposited in one banking institution.

Grants Receivable and Deferred Grants Revenue

Grants receivable are reported at amounts billed or billable to grantors based upon amounts awarded and expended under these awards prior to the end of the year. Deferred grants revenue represent amounts advanced under certain grant awards whereby the related expenditures have not yet been incurred as of the end of the year. No allowance for uncollectible grants receivable has been recognized because management believes all amounts due are collectible.

Contributions Receivable

The College reports unconditional promises to give as contributions receivable and revenue when the promise is made by individuals and entities. Contributions receivable are unsecured and are reported net of an allowance for uncollectible pledges and a discount for the time value of money for long-term pledges. Contributions received are considered available for unrestricted use unless specifically restricted by the donor. The College's discount rate of 2.75% and 1.83% at June 30, 2018 and 2017, respectively, is the average of the five year risk free rate of return.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statements of financial position with gains and losses included in the statements of activities and changes in net assets. Dividend and interest income are accrued as earned. Realized gains and losses are determined on the average cost method and are reflected in revenue.

Derivative Instruments

The College utilizes interest rate exchanges to hedge interest rate market exposure of its variable rate debt. The College uses the accrual method to account for the interest rate exchanges in connection with the underlying debt. The difference between amounts paid and received under such agreements is reported in interest expense in the statements of activities and changes in net assets. Changes in the fair value of these exchanges are recognized as nonoperating activities in the statements of activities and changes in net assets.

Fair Value of Financial Instruments

The carrying value of the College's cash and cash equivalents, receivables, other assets, accounts payable, accrued expenses and other liabilities approximate fair value because of the short-term nature of these instruments. The College's investments and beneficial interests in trusts are stated at fair value. The fair value of contributions receivable, deferred revenue and split interest agreements cannot be determined due to the uncertainty of the date of the ultimate repayment. The carrying value of long-term debt approximates fair value.

Intangible Assets

Intangible assets at June 30, 2018 and 2017 represent the WYSO broadcast license. An acquired broadcast license expires in five years. The broadcast license is renewable every 10 years if the station provides at least an average level of service to its customers and complies with the applicable Federal Communications Commission (FCC) rules and policies and the FCC Communications Act of 1934. The license may be renewed indefinitely at little cost and was renewed prior to its recent acquisition. The College intends to renew the license indefinitely, and evidence supports its ability to do so. Therefore, the cash flows from the license are expected to continue indefinitely. The broadcast license is deemed to have an indefinite useful life because cash flows are expected to continue indefinitely. Therefore, the license will not be amortized until its useful life is deemed to be no longer indefinite, in which case the license would be tested for impairment.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost at the date of acquisition or, if acquired by gift, at fair value at the date of donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, ranging from 3 to 39 years. The cost and related accumulated depreciation of sales and disposals are removed from the accounts, and any gain or loss is reflected in the current year's operations. Expenditures which substantially increase useful lives are capitalized, while maintenance and repairs are expensed as incurred.

Long-lived Assets

The College reviews its long-lived assets for impairment in conjunction with its current operating plans and operating trends for possible impairment of those assets, and further conducts reviews for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. In the event impairment exists, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset. No impairment has been recognized for the years ended June 30, 2018 and 2017.

Tuition and Fees

Tuition and fee revenues are recognized in the year during which the academic services are rendered. Student tuition and fees received in advance of services to be rendered are reported as deferred revenue. Student aid provided by the College for tuition and fees is reflected as a reduction of gross tuition and fee revenue.

Contributions In-Kind

Donated buildings, equipment, services and other donated goods are recorded at their estimated fair value as of the date of the donation. Certain volunteer services provided throughout the year were not recognized as contributions because the recognition criteria were not met.

Income Taxes

The College is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the College's tax-exempt purpose is subject to taxation as unrelated business income. The College's reporting returns are subject to audit by federal and state taxing authorities. No income tax provision has been included in the financial statements as the College has determined it does not have unrelated business taxable income.

Use of Estimates

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

Reclassifications

Certain amounts reported in 2017 have been reclassified to conform to 2018 financial statement presentation. These reclassifications did not affect change in net assets for 2017.

Subsequent events

The Board evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through December 12, 2018, the date which the financial statements were available to be issued.

3. CONTRIBUTIONS RECEIVABLE:

The College has recognized certain pledges to the College's restricted and unrestricted donor funds. Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category.

Unconditional promises to give are expected to be realized in the following periods as of June 30, 2018:

In one year or less	\$ 3,611,901
Between one and five years	6,101,631
More than five years	6,971,696
Less:	
Allowance for uncollectible pledges	510,000
Discount for future pledges	<u>2,166,106</u>
Net pledges receivable	<u>\$ 14,009,122</u>

4. INVESTMENTS:

The fair value of investments as of June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 8,102,340	8,819,978
Mutual fund fixed income	748,078	673,223
Mutual fund equities	1,195,063	1,207,843
Corporate bonds	832,077	863,157
Equity securities	53,603	98,976
Alternative investments	13,100	23,048
	<u>\$ 10,944,261</u>	<u>11,686,225</u>

The vast majority of the College's investments at June 30, 2018, approximately 84% (85% at June 30, 2017), are held for the purpose of the endowment and can only be spent in accordance with donor-imposed restrictions.

Endowment Funds

The College's endowment includes donor-restricted funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets (or negative unrestricted, if the permanent endowment exceeds the non-endowment loan investment balance).

In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund, (2) the purposes of the College and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the College, and (7) the investment policies of the College. The changes in endowment net assets for the years ended June 30, 2018 and 2017 were as follows:

<u>June 30, 2018</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2017	\$ (8,795,567)	-	18,694,536	9,898,969
Contributions	-	-	320,473	320,473
Investment income:				
Investment income, less fees	43,858	-	-	43,858
Net appreciation	6,443	-	-	6,443
Borrowing of assets for expenditure	(1,051,934)	-	-	(1,051,934)
Endowment net assets, June 30, 2018	\$ (9,797,200)	-	19,015,009	9,217,809
<u>June 30, 2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2016	\$ (7,957,416)	-	18,391,387	10,433,971
Contributions	-	-	303,149	303,149
Investment income:				
Investment income, less fees	57,019	-	-	57,019
Net appreciation	69,376	-	-	69,376
Borrowing of assets for expenditure	(964,546)	-	-	(964,546)
Endowment net assets, June 30, 2017	\$ (8,795,567)	-	18,694,536	9,898,969

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to accumulate a pool of assets sufficient to build capital for future use while providing a predictable level of funding to meet current needs. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in manner that is intended to produce results with a moderate level of investment risk.

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 within both equity and fixed income securities, so as to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has a policy of appropriating for distribution each year between 5% and 7% of the value of the endowment investments. In establishing this policy, the College considered the long-term expected return on its endowment, including endowment loans.

Endowment Loans

The College has borrowed from its endowment funds for campus renovations and to cover certain operating expenses of the College prior to and immediately following its accreditation and approval to participate in federal student financial aid programs. As such, the fair value of assets associated with the donor-restricted endowment funds has fallen below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. According to UPMIFA, a responsible organization may nevertheless spend below the original gift amount as long as the spending is prudent and is in fulfillment of the mission of the organization. Such deficiencies are reported in unrestricted net assets in the amount of \$9,797,200 and \$8,795,567 at June 30, 2018 and 2017, respectively.

The Board of Trustees regularly evaluates repayment of borrowings to the endowment and places limits on amounts that may be borrowed. The College has borrowed funds from its endowment in the amount of \$33,225,744 as of June 30, 2018 and 2017. Related accrued interest (4%) on these loans was \$2,202,913 and \$717,963 as of June 30, 2018 and 2017, respectively. Management believes that the borrowings from the endowment do not violate the intentions of the original donors and were done so consistent with the provisions of UPMIFA. The College has developed long-term plans for maintaining and sustaining its financial stability, including full restoration of the endowment, through the following strategies:

- Increase earned net revenue due to participation in federal student financial aid programs and increasing enrollment;
- Increase unearned revenue through effective outreach to the alumni and community, including obtaining new donors, and increasing planned giving;
- Reduce expenses to the extent possible while still fulfilling the College's mission;
- Through its Framework for Antioch College's Transition (FACT), the College offers a new, more affordable and highly entrepreneurial approach to funding operations by integrating and leveraging assets like Co-op, WYSO, the Wellness Center, the energy sustainability program, the Farm and Food program, Glen Helen, the Coretta Scott King Center, Antioch College Village and others, as major building blocks for learning and revenue generation.

5. CHARITABLE REMAINDER TRUSTS:

The College serves as trustee for various charitable remainder trusts. The College is obligated to make periodic payments, generally quarterly, to the respective trust annuitants. The College records the trust investments as temporarily restricted net assets and reclassifies them according to the trust's directive at the termination of the trust. Currently, the College is paying approximately \$11,200 annually to the respective trust annuitants.

The College has valued the future liability for annuity contract payments by calculating the present value of the expected payments based upon the anticipated remaining length of the trust, with a rate of 3.25% at June 30, 2018 and 2017, respectively, to calculate the present value of the future liability. At June 30, 2018 and 2017, the estimated liability was \$106,179 and \$118,088, respectively. The investments backing the trusts are managed by Morgan Stanley Smith Barney, and totaled \$195,188 and \$188,141 at June 30, 2018 and 2017, respectively. The College has no responsibility to continue making trust payments once the assets of the respective trust assets have expired.

6. GIFT ANNUITIES:

As part of the acquisition of Antioch College the College inherited 34 gift annuity contracts for which the College is obligated to make a periodic payment, generally quarterly, to the respective annuitant. The College records the gift annuities investments as temporarily restricted net assets and reclassifies them according to the donor's wishes at the termination of the annuity contract. Currently, the College is paying approximately \$56,300 annually to the respective annuitants.

The College has valued the future liability for annuity contract payments by calculating the present value of the expected payments based upon the anticipated remaining length of the annuity contract, with a rate of 3.25% at June 30, 2018 and 2017, respectively, to calculate the present value of the future liability. At June 30, 2018 and 2017, the estimated liability was \$332,941 and \$378,579, respectively. The investments backing the gift annuities are managed by Fifth Third Institutional Services, and totaled \$181,630 and \$226,940 at June 30, 2018 and 2017, respectively. The College is responsible for continuing to pay the annuitants under the contract even if there are no remaining investment assets.

7. BENEFICIAL INTEREST IN PERPETUAL AND REMAINDER TRUSTS:

As part of the acquisition of Antioch College, the College also inherited a beneficial interest in three charitable remainder trusts which are administered by outside parties. Two of the trusts are perpetual trusts which provide the College with the irrevocable right to income, approximately \$12,000 annually, in perpetuity from the trusts. The College is the beneficiary (remainder designee) of the final trust in which it is to receive a 15% interest in the remainder upon termination of the trust. The beneficial interests are valued at the fair value of the underlying investments of each trust multiplied by the College's ownership or remainder percentage. At year end June 30, 2018 and 2017, the College's beneficial interest in these trusts was \$524,782 and \$516,492, respectively.

8. PROPERTY, PLANT AND EQUIPMENT:

The components of the College's property, plant and equipment consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 3,813,929	3,813,929
Building and improvements	37,814,864	33,181,965
Furniture and equipment	1,797,540	1,797,540
Construction in progress	-	4,655,288
	<u>43,426,333</u>	<u>43,448,722</u>
Less accumulated depreciation	6,567,928	5,334,329
Net property, plant and equipment	<u>\$ 36,858,405</u>	<u>38,114,393</u>

Depreciation expense was \$1,233,785 and \$1,273,834 for the years ended June 30, 2018 and 2017, respectively.

9. LONG-TERM DEBT:

Long-term debt at June 30, 2018 and 2017 consisted primarily of a \$6,200,000 note payable through The Huntington National Bank at a variable interest rate. Interest only payments are due monthly with the principal and any accrued interest due in full on the initial maturity date of August 31, 2017. On August 30, 2017, the note payable was refinanced under the same terms with a new maturity date of August 31, 2020. In June 2015, The Morgan Family Foundation, who previously served as guarantor on the note, was released from the guaranty. Simultaneously, the Morgan Family Foundation released the lien on certain real assets associated with Antioch College as part of the loan guaranty. On June 24, 2015, as part of the release of the loan guaranty, the loan was rewritten under the same terms noted above, except that the College was required to deposit \$6,200,000 into an account at The Huntington National Bank as cross-collateralization of the note payable to the Bank.

In conjunction with the refinancing in 2015, the College entered into an interest rate swap agreement with The Huntington National Bank that effectively fixed the interest rate of the note payable at 2.15%. This agreement requires monthly supplemental payments or credits that, when coupled with the variable rate interest expense, have the effect of fixing the cost of borrowing. The term of the swap agreement is the same as the promissory note. If terminated early, there would be a payment made or received by the College depending on the variable rate of interest at the time of termination. As of June 30, 2018 and 2017, the interest rate swap is at an (asset) liability position with a fair value of \$0 and (\$3,797), respectively. The interest rate swap agreement matured on August 31, 2017 and was not renewed.

During 2017, the College incurred an additional \$50,000 in debt in the form of bonds payable at an interest rate of 5% with maturity and collateral described below.

In July 2016, the College established a program under which it may, from time to time, borrow up to \$20 million in principal amount at any one time outstanding by issuing "Invest in Antioch's Future Bonds" to persons lending funds to Antioch under the program. The bonds carry interest at an annual rate determined by the Board of Trustees and fixed at the time the bond is issued. Interest on each bond is payable annually on the anniversary date of the date of issuance of that bond. Once a bond has been outstanding for at least three years, if the holder wishes to redeem the bond, the principal amount of that bond, plus accrued interest, will be payable at the request of the holder at any time upon at least 90 days prior notice to the College. The College has the right to redeem any bond at any time by giving notice to the holder. The term of each bond is ten years, if not earlier redeemed by the holder or the College.

The bonds are secured by a mortgage on real property and by a security interest in the tangible personal property of the College. In conjunction with this program, the College has entered into a Trust Indenture with The Huntington National Bank, which provides for the issuance of the bonds and the execution of a mortgage and security agreement providing security for the bonds. The Huntington National Bank will have the right to foreclose on the collateral in the event of any default.

10. FAIR VALUE MEASUREMENTS:

Fair value is defined 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the College has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The fair value of alternative investments funds were estimated by the respective fund managers using the estimated net asset value (NAV) of the investments. In using NAV, certain attributes of the investment that may impact the fair value of the investment are not considered in measuring fair value. Beneficial interests in trusts were valued based upon the College's proportional share of the underlying assets and is valued on a recurring basis. However, because there is not currently an active market to observe quoted prices for beneficial interest in trusts, the assets are considered to be valued using unobservable inputs and are therefore considered to be levels 3 assets. There were no changes to valuation techniques during 2018 and 2017.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

Fair Value Measurements at June 30, 2018 Using:

		Level 1	Level 2	Level 3	Total
Investments:					
Money market funds	\$	8,102,340	-	-	8,102,340
Equity mutual funds		748,078	-	-	748,078
Fixed income mutual funds		1,195,063			1,195,063
Corporate bonds		-	832,077	-	832,077
Equity securities		53,603	-	-	53,603
Alternative investments		-	13,100	-	13,100
Total Investments	\$	<u>10,099,084</u>	<u>845,177</u>	<u>-</u>	<u>10,944,261</u>
Investments held in trust	\$	<u>195,188</u>	<u>-</u>	<u>-</u>	<u>195,188</u>
Beneficial interest in trusts	\$	<u>-</u>	<u>-</u>	<u>524,782</u>	<u>524,782</u>

Fair Value Measurements at June 30, 2017 Using:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 8,819,978	-	-	8,819,978
Equity mutual funds	673,223	-	-	673,223
Fixed income mutual funds	1,207,843	-	-	1,207,843
Corporate bonds	-	863,157	-	863,157
Equity securities	98,976	-	-	98,976
Alternative investments	-	23,048	-	23,048
Total Investments	\$ 10,800,020	886,205	-	11,686,225
Investments held in trust	\$ 188,141	-	-	188,141
Beneficial interest in trusts	\$ -	-	516,492	516,492

The following is a reconciliation of activity for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2018 and 2017:

	2018	2017
Trusts:		
Beginning balance	\$ 516,492	486,033
Change in value of interest in trusts	8,290	30,459
Ending balance	\$ 524,782	516,492

11. BOARD DESIGNATED FUNDS - GENERAL:

As part of the asset purchase agreement with the University, the College also agreed to designate future unrestricted funds of the College to honor the donor stipulations for \$928,425 at June 30, 2018 and 2017 for which the principal had been previously spent by the University, but not necessarily in conjunction with the original donor stipulations. The Board of Trustees of the College has designated that future unrestricted funds, when available, will be spent as necessary to honor the original donor's stipulations.

12. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS:

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

	2018	2017
Contributions receivable at end of year	\$ 14,009,122	15,545,262
Unexpended bequests	1,033,682	1,034,886
Scholarships	978,182	376,423
Capital projects	38,946	197,178
Leenartz	94,117	206,082
Faculty Fund	37,410	525,430
Other	163,595	365,147
Total temporarily restricted net assets	\$ 16,355,054	18,250,408

Permanently restricted net assets consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Endowment:		
Scholarships	\$ 10,154,651	9,555,578
General purpose	5,152,185	5,455,334
Library	219,732	219,732
Faculty	2,264,935	2,275,935
Antioch Review	274,977	239,928
Glen Helen	948,529	948,029
	<u>19,015,009</u>	<u>18,694,536</u>
Beneficial interest in perpetual trusts	<u>524,782</u>	<u>516,492</u>
Total permanently restricted net assets	<u>\$ 19,539,791</u>	<u>19,211,028</u>

The 2017 table above was reclassified as follows from the presentation in the prior year notes to the financial statements: \$1,085,184 previously classified as "Other" is now included in "Scholarships."

13. RETIREMENT PLAN:

The College maintains a 401(k) defined contribution retirement plan for its eligible employees who elect to participate. The College's plan contribution match expense for the years ended June 30, 2018 and 2017 was \$90,938 and \$103,017, respectively. Prior to 2015, the College did not keep proper documentation of employees' elections to not participate in the plan. Therefore, in 2017, the College paid \$115,311 to the plan in correction of the error.

14. TUITION AND FEES, NET:

The following is included in tuition and fees, net as of June 30:

		<u>2018</u>			
		<u>Tuition</u>	<u>Room and Board</u>	<u>Other Fees</u>	<u>Total</u>
Gross revenue	\$	4,070,590	736,840	157,382	4,964,812
Scholarships and fellowships		<u>(3,661,299)</u>	<u>(227,369)</u>	-	<u>(3,888,668)</u>
Net revenue	\$	<u>409,291</u>	<u>509,471</u>	<u>157,382</u>	<u>1,076,144</u>
		<u>2017</u>			
		<u>Tuition</u>	<u>Room and Board</u>	<u>Other Fees</u>	<u>Total</u>
Gross revenue	\$	6,621,596	1,441,796	241,462	8,304,854
Scholarships and fellowships		<u>(6,189,111)</u>	<u>(406,118)</u>	-	<u>(6,595,229)</u>
Net revenue	\$	<u>432,485</u>	<u>1,035,678</u>	<u>241,462</u>	<u>1,709,625</u>

15. FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the College's various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

16. FEDERAL DIRECT LENDING PROGRAM:

The College distributed \$476,805 and \$644,428 for student loans through the U.S. Department of Education federal direct lending program for the years ended June 30, 2018 and 2017, respectively. These distributions and related funding source are not included as expenses or revenue in the accompanying financial statements.

17. RISKS AND CONTINGENCIES:

Credit Risk

Financial instruments which potentially subject the College to a concentration of credit risk consist principally of interest-bearing cash and cash equivalents, certificates of deposit, and investments. The College places cash and cash equivalents with high credit quality financial institutions. The College has not experienced any losses on such accounts.

The College's investments are managed by independent asset management firms whose performance is reviewed by the Finance Committee of the Board of Trustees on a periodic basis.

Contingencies

State and federally funded financial aid programs are subject to special audits. Such audits could result in claims against the resources of the College. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

The College is involved in legal matters arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the College's future financial position or results from operations.

SUPPLEMENTARY INFORMATION

Antioch College Corporation
Schedule of Operating Expenses
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating expenses:		
Compensation:		
Salaries and wages	\$ 6,894,776	8,342,325
Benefits	1,437,825	1,408,797
Payroll taxes	<u>612,520</u>	<u>657,791</u>
Total compensation	<u>8,945,121</u>	<u>10,408,913</u>
Other operating expenses:		
Investment and banking fees	89,388	74,828
Information technology	170,206	199,938
Office and other administrative	452,511	346,858
Insurance and taxes	347,862	300,327
Utilities	935,126	985,233
Instructional supplies	26,640	36,964
Student services	145,092	222,119
Equipment	63,617	77,235
Maintenance and repairs	381,747	349,994
Dining	206,223	289,770
Meetings and travel	134,592	159,732
Memberships and subscriptions	364,612	223,220
Contract labor and consulting	399,062	570,575
Marketing and communications	1,159,921	964,546
Legal	33,229	67,003
Accounting	62,670	69,248
Interest expense	224,645	142,643
Depreciation	1,233,787	1,273,834
Bad debt	196,778	336,193
Other	<u>290,558</u>	<u>541,455</u>
Total other operating expenses	<u>6,918,266</u>	<u>7,231,715</u>
Total operating expenses	\$ <u><u>15,863,387</u></u>	<u><u>17,640,628</u></u>

Antioch College Corporation
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Education:			
Student Financial Aid - cluster:			
Federal Pell Grant	84.063	P063P158236	\$ 371,396
Direct Loan Program	84.268	P268K153404	<u>476,805</u>
Total Department of Education Student Financial Aid - Cluster			<u>848,201</u>
Total expenditures of federal awards			\$ <u><u>848,201</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

1. BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Antioch College Corporation ("the College") under programs of the federal government for the year ended June 30, 2018. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College did not pass-through any federal awards to subrecipients during the year ended June 30, 2018.

Expenditures for Federal student financial aid programs are recognized as incurred and include Pell program grants to students and administrative cost allowances, where applicable.

The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Loan Programs

The College also makes loans to certain eligible students under Federal student loan programs directly through the U.S. Department of Education; however, only the current loan disbursements under the Direct Loan Program are included in the Schedule of Expenditures of Federal Awards, as the related outstanding loan balances are not included as current federal expenditures, as set forth by the Uniform Guidance.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
Antioch College Corporation
Yellow Springs, Ohio

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 Antioch College Corporation ("the College"), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audits 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 the 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 entity'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.

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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an other matter that is required to be reported under *Government Auditing Standards* and which is described in the schedule of findings and questioned costs as matter 2018-001.

The College's response to the other matter identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 12, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Trustees
Antioch College Corporation
Yellow Springs, Ohio

Report on Compliance for Each Major Federal Program

We have audited Antioch College Corporation's ("the College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2018. The College's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs 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 each 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 each of its major federal programs for the year ended June 30, 2018.

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 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 12, 2018

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted
Other matter material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None noted
Identification of major programs:	
Student Financial Aid Cluster:	
CFDA# 84.063 – Pell Grant	
CFDA# 84.268 – Federal Direct Student Loans	
Dollar threshold to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings and Other Matters

Matter 2018-001

Criteria:	Ohio Revised Code 1715.53, (Ohio UPMIFA) <i>Appropriations from net appreciation</i> states that “an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which an endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. In making a determination to appropriate or accumulate, the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.”
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Condition:	The College has borrowed from its endowment funds for campus renovations and to cover certain operating expenses of the College prior to and immediately following its accreditation and approval to participate in federal student financial aid programs. As such, the fair value of assets associated with the donor-restricted endowment funds has fallen below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration.
Cause/Effect:	The judgment of the Board of Trustees is that the endowment exists for the sole purpose of benefitting the College and that the continuing operation of the College could not be assured without borrowing of funds from the endowment.
Repeat Finding:	Yes
Views of Responsible Officials and Planned Action:	Please see accompanying corrective action plan.

Section III – Federal Awards Findings and Questioned Costs

None noted



Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
GAGAS Matter 2017-001	The College has borrowed from its endowment funds and the fair value of assets associated with the donor-restricted endowment funds has fallen below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration.	No	Partially corrected; Repeated as Matter 2018-001
Federal Finding 2017-002	Three of the eight College's Return to Title IV (R2T4) calculations were completed after the required period and/or included errors in the calculations.	Yes	Finding no longer valid.
Federal Finding 2017-003	The College disbursed Title IV aid to three students who had been placed on academic probation having not maintained satisfactory academic progress.	Yes	Finding no longer valid.



Antioch College Corporation

Name of audit firm: Clark, Schaefer, Hackett & Co.

Period covered by the audit: Year ended June 30, 2018

Corrective Action Plan prepared by: Stacie Haley, Controller

Telephone Number: 937-319-0156

1. Current Findings on the Schedule of Findings and Questioned Costs

a. Matter 2018-001

(1) Contact Person(s) Responsible for Corrective Action. Tom Manley, President

(2) Corrective Action Planned.

The College obtained guidance from legal counsel regarding the appropriateness of borrowing from the endowment fund under Ohio UPMIFA. The College has developed long-term plans for maintaining and sustaining its financial stability and endowment, including full restoration of the endowment, through the following strategies:

- Increase earned net revenue due to participation in federal student financial aid programs and increasing enrollment;
- Increase unearned revenue through effective outreach to the alumni and community, including obtaining new donors, and increasing planned giving;
- Reduce expenses to the extent possible while still fulfilling the College's mission;
- Through its Framework for Antioch College's Transition (FACT), the College offers a new, more affordable and highly entrepreneurial approach to funding operations by integrating and leveraging assets like Co-op, WYSO, the Wellness Center, the energy sustainability program, the Farm and Food program, Glen Helen, the Coretta Scott King Center, Antioch College Village and others, as major building blocks for learning and revenue generation.

(3) Anticipated Completion Date: This is a long-term endeavor and strategies implemented are producing desired results.

