

**COLUMBIA COLLEGE CHICAGO**

Financial Statements

August 31, 2001 and 2000

(With Independent Auditors' Report Thereon)

# COLUMBIA COLLEGE CHICAGO

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303 East Wacker Drive  
Chicago, IL 60601

## Independent Auditors' Report

The Board of Trustees  
Columbia College Chicago:

We have audited the accompanying balance sheets of Columbia College Chicago (the College) as of August 31, 2001 and 2000, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbia College Chicago as of August 31, 2001 and 2000, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

December 4, 2001

## COLUMBIA COLLEGE CHICAGO

### Balance Sheets

August 31, 2001 and 2000

<b>Assets</b>	<b>2001</b>	<b>2000</b>
Cash and cash equivalents	\$ 2,790,472	16,904,381
Student accounts receivable, less allowance of \$3,038,000 and \$2,610,000, respectively	1,844,709	1,489,257
Other accounts and interest receivable, net	204,542	858,171
Deposits and prepaid expenses	2,333,834	2,305,724
Grants and contributions receivable, net (note 3)	2,322,767	1,837,498
Mortgage receivable (note 4)	401,529	416,500
Investments (note 5)	52,315,493	37,803,652
Bond funds held in trust (note 5)	3,675,333	3,869,635
Unamortized bond issue costs, net	1,844,328	1,922,630
Land, buildings, and equipment, less accumulated depreciation (note 6)	<u>99,667,213</u>	<u>95,235,983</u>
Total assets	<u>\$ 167,400,220</u>	<u>162,643,431</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Note payable to bank (note 7)	\$ 1,000,000	—
Deferred revenue	1,994,763	4,484,174
Accounts payable	5,984,912	5,422,418
Accrued expenses	4,284,442	2,982,105
Refundable deposits and prepayments	1,409,177	1,158,183
Accrued interest payable	568,449	609,000
Long-term debt (note 8)	<u>55,985,000</u>	<u>57,100,000</u>
Total liabilities	<u>71,226,743</u>	<u>71,755,880</u>
Commitments and contingencies (note 10)		
Net assets:		
Unrestricted	83,159,321	78,269,103
Temporarily restricted (note 11)	12,203,853	11,911,434
Permanently restricted (note 11)	<u>810,303</u>	<u>707,014</u>
Total net assets	<u>96,173,477</u>	<u>90,887,551</u>
Total liabilities and net assets	<u>\$ 167,400,220</u>	<u>162,643,431</u>

**COLUMBIA COLLEGE CHICAGO**

Statements of Activities

Years ended August 31, 2001 and 2000

		<b>2001</b>
	<b>Unrestricted</b>	<b>Temporarily restricted</b>
Operating activities:		
Revenue:		
Tuition and fees, net of \$1,953,730 and \$2,123,776 in tuition allowances	\$ 89,056,788	—
Residence center, net of \$136,394 and \$91,607 in room allowances	2,412,257	—
Sales and services	1,331,136	16,469
Private gifts and grants	601,930	413,115
Contracts and sponsored activities	1,845,788	2,534,266
State appropriations	1,551,476	—
Interest and dividends	1,184,556	841,569
Other	618,910	—
Net assets released from restrictions	3,023,546	(3,023,546)
Total operating revenue	101,626,387	781,873
Expenses:		
Salaries and wages	48,755,244	—
Employee benefits	10,612,311	—
Supplies and services	18,671,806	—
Operation and maintenance of plant	9,578,379	—
Interest	2,751,404	—
Depreciation and amortization	7,072,805	—
Total operating expenses	97,441,949	—
Operating revenue in excess of expenses	4,184,438	781,873
Nonoperating activities:		
Net realized gain (loss) on sale of investments	9,160,944	(489,454)
Increase (decrease) in accumulated unrealized gain on investments	(9,021,615)	—
Capital gifts for facilities and collections	566,451	—
Net assets released from restrictions	—	—
Increase in net assets	4,890,218	292,419
Net assets at beginning of year	78,269,103	11,911,434

2000					
<u>Permanently restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
—	89,056,788	79,469,601	—	—	79,469,601
—	2,412,257	1,681,844	—	—	1,681,844
—	1,347,605	1,272,962	5,039	—	1,278,001
98,289	1,113,334	731,438	241,630	129,494	1,102,562
5,000	4,385,054	958,782	3,169,405	50,000	4,178,187
—	1,551,476	1,493,541	—	—	1,493,541
—	2,026,125	1,549,067	408,584	—	1,957,651
—	618,910	944,449	—	—	944,449
—	—	2,810,822	(2,810,822)	—	—
<u>103,289</u>	<u>102,511,549</u>	<u>90,912,506</u>	<u>1,013,836</u>	<u>179,494</u>	<u>92,105,836</u>
—	48,755,244	43,096,414	—	—	43,096,414
—	10,612,311	9,080,586	—	—	9,080,586
—	18,671,806	16,464,647	—	—	16,464,647
—	9,578,379	8,253,700	—	—	8,253,700
—	2,751,404	2,592,283	—	—	2,592,283
—	7,072,805	6,614,362	—	—	6,614,362
—	<u>97,441,949</u>	<u>86,101,992</u>	—	—	<u>86,101,992</u>
103,289	5,069,600	4,810,514	1,013,836	179,494	6,003,844
—	8,671,490	1,872,728	879,865	—	2,752,593
—	(9,021,615)	1,871,012	—	—	1,871,012
—	566,451	—	1,464,593	—	1,464,593
—	—	964,593	(964,593)	—	—
103,289	5,285,926	9,518,847	2,393,701	179,494	12,092,042
<u>707,014</u>	<u>90,887,551</u>	<u>68,750,256</u>	<u>9,517,733</u>	<u>527,520</u>	<u>78,795,509</u>

**COLUMBIA COLLEGE CHICAGO**

Statements of Cash Flows

Years ended August 31, 2001 and 2000

	<b>2001</b>	<b>2000</b>
Cash flows from operating activities:		
Increase in net assets	\$ 5,285,926	12,092,042
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation of plant and equipment	6,980,000	6,529,057
Amortization of bond issue costs	92,805	85,305
(Gain) or loss on disposal of fixed assets	(13,300)	23,797
Donation of fixed assets and collections	(254,101)	(517,503)
Net (gain) loss on investments	350,125	(4,623,605)
Capital gifts for facilities and collections	(312,350)	(947,090)
Gifts to endowment	(103,289)	(179,494)
Changes in assets and liabilities:		
Student accounts receivable	(355,452)	(189,744)
Other receivables	653,629	(247,868)
Deposits and prepaid expenses	(28,110)	(426,385)
Grants and contributions receivable	(485,269)	(292,634)
Deferred revenue	(2,489,411)	69,946
Accounts payable	562,494	405,526
Accrued expenses	1,302,337	403,198
Refundable deposits and prepayments	250,994	301,974
Accrued interest payable	(40,551)	122,278
Net cash provided by operating activities	<u>11,396,477</u>	<u>12,608,800</u>
Cash flows from investing activities:		
Proceeds from sale of investments	53,745,381	2,383,898
Purchase of investments	(68,413,045)	(2,751,477)
Issuance of mortgage receivable	—	(416,500)
Principal payments received on mortgage receivable	14,971	458,964
Purchase of land, buildings and equipment (net of disposals)	(11,143,829)	(16,995,403)
Net cash used in investing activities	<u>(25,796,522)</u>	<u>(17,320,518)</u>
Cash flows from financing activities:		
Proceeds from capital gifts for facilities and collections	312,350	947,090
Proceeds from gifts to endowment	103,289	179,494
Proceeds from bank note	1,000,000	—
Principal payments on long-term debt	(1,115,000)	(1,060,000)
Proceeds from sales of bonds	—	17,100,000
Payment of bond issue costs	(14,503)	(285,442)
Net cash provided by financing activities	<u>286,136</u>	<u>16,881,142</u>
Net increase (decrease) in cash and cash equivalents	(14,113,909)	12,169,424
Cash and cash equivalents at beginning of year	<u>16,904,381</u>	<u>4,734,957</u>
Cash and cash equivalents at end of year	<u>\$ 2,790,472</u>	<u>16,904,381</u>

## COLUMBIA COLLEGE CHICAGO

### Notes to Financial Statements

August 31, 2001 and 2000

#### (1) Description of Organization

Columbia College Chicago (the College) is a private, nonprofit, fully accredited college offering comprehensive academic programs in the performing, visual, communications, and writing arts within a liberal arts framework. The College is an urban institution located in Chicago's south Loop that enrolls students primarily from the Chicago area, but also from across the country and around the world.

#### (2) Summary of Significant Accounting Policies

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

##### (a) Basis of Presentation

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

For external reporting purposes, however, the College's financial statements have been prepared to focus on the organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions. Net assets and related activity are classified as unrestricted, temporarily restricted, and permanently restricted as follows:

- **Unrestricted** – net assets that are not subject to donor-imposed restrictions.
- **Temporarily Restricted** – net assets that are subject to donor-imposed restrictions that will be met either by actions of the College or the passage of time.
- **Permanently Restricted** – net assets that are subject to donor-imposed restrictions to be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

##### (b) Revenue

Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

## COLUMBIA COLLEGE CHICAGO

### Notes to Financial Statements

August 31, 2001 and 2000

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

Contributions received with donor-imposed restrictions are reported as revenue of the temporarily restricted net asset class and released to the unrestricted net asset class when the restriction has been met. Contributions of land, buildings, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with donor-imposed use restrictions are reported as revenue of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Revenue from government grant and contract agreements is recognized as it is earned through expenditure in accordance with the agreement.

**(c) Endowment Payout**

The College has adopted a spending policy in support of current operational budget requirements. This policy allows for the spending of a percentage (between 7% and 5% for fiscal years 2001 and 2000) of the average market value of pooled investments over the past three years. If investment yields (i.e. interest and dividends) are in excess of the established spending rate, such excess is returned to the endowment fund and reinvested. If investment yields are not sufficient to support the spending policy, the yield shortfall is provided from realized gains.

**(d) Operations**

Operating results in the statements of activities reflect all transactions increasing or decreasing unrestricted net assets except those items of a capital nature, that is, associated with long-term investments or physical plant.

**(e) Deferred Revenue**

Deferred revenue consists primarily of dormitory rental amounts paid in advance.

**(f) Cash Equivalents**

Cash equivalents consist primarily of highly liquid debt instruments acquired with a maturity of three months or less.

**COLUMBIA COLLEGE CHICAGO**

Notes to Financial Statements

August 31, 2001 and 2000

**(g) Investments**

Investments, excluding the investment in physical plant, are carried at fair value, which is generally determined based on quoted market prices.

**(h) Land, Buildings, and Equipment**

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

Buildings	50 years
Building improvements	25 years
Library books	10 years
Furnishings and equipment	<u>5-10 years</u>

**(i) Income Taxes**

The College has received a determination letter from the Internal Revenue Service indicating that it is a tax-exempt organization as provided in Section 501(c)(3) of the Internal Revenue Code of 1986 and, except for taxes pertaining to unrelated business income, is exempt from Federal and state income taxes. No provision has been made for income taxes in the accompanying financial statements, as the College has had no significant unrelated business income.

**(j) Use of Estimates**

In order to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America, the administration of the College has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reporting of revenue, expenses, gains, and losses during the period. Actual results could differ from these estimates.

**(3) Pledges Receivable**

At August 31, 2001 and 2000, pledges receivable were \$1,445,765 and \$1,727,025, respectively. Of the amount outstanding at August 31, 2001, \$587,685 is expected to be collected within one year and \$858,080 is expected to be collected within five years.

**COLUMBIA COLLEGE CHICAGO**

Notes to Financial Statements

August 31, 2001 and 2000

**(4) Mortgage Receivable**

During fiscal year 2000, the College sold a facility to another not for profit organization under a mortgage note. The mortgage receivable at is payable in monthly installments of \$4,224 including interest at 9% per annum. Total monthly payments of principal and interest will provide for payment in full by August 31, 2005.

Principal amounts due under the mortgage receivable at August 31, 2001, are as follows:

2002	\$ 15,058
2003	16,471
2004	18,016
2005	<u>351,984</u>
	<u>\$ 401,529</u>

**(5) Investments**

Investments at August 31, 2001 and 2000, consisted of the following:

	2001		2000	
	Cost	Fair value	Cost	Fair value
Long-term investments:				
Mutual funds – bonds	\$ 649,109	676,384	9,778,304	9,551,097
Mutual funds – stocks/equity	—	—	19,084,367	28,249,610
Cash and cash equivalents held by investment managers	2,294,015	2,294,015	—	—
Corporate/Government bonds	13,362,279	13,447,208	—	—
Corporate – preferred stocks	1,090,636	1,058,873	—	—
Corporate – common stocks	<u>35,070,818</u>	<u>34,839,013</u>	<u>2,540</u>	<u>2,945</u>
Total long-term investments	52,466,857	52,315,493	28,865,211	37,803,652
Bond funds held in trust – funds deposited with trustee for bond fund requirements (note 8)	<u>3,537,733</u>	<u>3,675,333</u>	<u>3,799,225</u>	<u>3,869,635</u>
	<u>\$ 56,004,590</u>	<u>55,990,826</u>	<u>32,665,436</u>	<u>41,673,287</u>

**COLUMBIA COLLEGE CHICAGO**

Notes to Financial Statements

August 31, 2001 and 2000

**(6) Land, Buildings, and Equipment**

Land, buildings, and equipment at August 31, 2001 and 2000, consisted of the following:

	<b>2001</b>	<b>2000</b>
Land	\$ 12,641,473	12,141,473
Buildings and improvements	89,607,859	84,425,052
Furnishings and equipment	30,173,549	26,897,514
Library books	5,315,112	4,820,519
Museum collection	5,603,062	5,296,812
Construction-in-process	1,651,545	—
	144,992,600	133,581,370
Less accumulated depreciation	45,325,387	38,345,387
	\$ 99,667,213	95,235,983

The College acquired one property during fiscal year 2001 in an effort to control long term costs associated with executive housing. In November 2000, the College acquired the property located at 1258 North LaSalle for a cash payment in the amount of \$1,371,357.

**(7) Note payable to bank**

The College maintains a \$1,000,000 unsecured revolving line of credit from Harris Trust and Savings Bank to finance working capital needs. Advances under the line of credit bear interest at either the prime rate (6.5% as of August 31, 2001) or the London Interbank Offering Rate (LIBOR) at the College's option. As of August 31, 2001, the College had borrowed the maximum amount. The loan was paid down in its entirety as of September 30, 2001. The line of credit expires in April 2002.

**(8) Long-term Debt**

Long-term debt at August 31, 2001 and 2000, is as follows:

	<b>2001</b>	<b>2000</b>
IEFA first mortgage notes:		
– 1992 Series issued June 1, 1992	\$ 8,515,000	9,195,000
– 1993 Series issued March 9, 1993	8,040,000	8,285,000
– 1998 Series issued February 11, 1998	21,830,000	22,020,000
– 2000 Series issued April 1, 2000	17,100,000	17,100,000
Land trust note issued April 30, 1993	500,000	500,000
	\$ 55,985,000	57,100,000

Maturities of long-term debt outstanding at August 31, 2001, are as follows:

**COLUMBIA COLLEGE CHICAGO**

Notes to Financial Statements

August 31, 2001 and 2000

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Thereafter</u>
IEFA notes:						
– 1992 Series	\$ 720,000	765,000	810,000	860,000	910,000	4,450,000
– 1993 Series	260,000	275,000	290,000	310,000	325,000	6,580,000
– 1998 Series	275,000	345,000	355,000	370,000	1,025,000	19,460,000
– 2000 Series	—	—	—	—	—	17,100,000
Land trust note	—	—	—	—	—	500,000
	<u>\$ 1,255,000</u>	<u>1,385,000</u>	<u>1,455,000</u>	<u>1,540,000</u>	<u>2,260,000</u>	<u>48,090,000</u>

All first mortgage notes were issued by Illinois Educational Facilities Authority (IEFA) to finance the costs of the acquisition, construction, renovation, and equipping of educational or student housing facilities and are secured by such facilities. Interest rates range between 3.5% and 7%. Interest payments are due semiannually except for the Series 2000 mortgage notes on which interest is due monthly. Debt service reserve funds and other accounts are required by the 1992, 1993, and 1998 bond indentures. These funds are maintained in trust by U.S. Bank and are invested in government securities (see note 5). Income earnings from these funds are applied to interest payments.

The land trust note is secured by a certain Security Agreement and Collateral Assignment of Beneficial Interest in a Land Trust holding title to property located at 731 S Plymouth Court. The net book value of 731 S. Plymouth Court is approximately \$6.5 million at August 31, 2001. The note is payable in full on April 30, 2029; interest on the note is 5% payable annually.

The College also has an irrevocable letter of credit with Harris Trust and Savings Bank which is appended to a reimbursement agreement associated with the Series 2000 Bonds. This is to provide the necessary credit enhancement and liquidity that make the Series 2000 Bonds marketable at a reasonable interest cost. The amount available under this agreement is \$17,263,973 and carries an interest rate equal to the prime rate in effect at the time of use. The reimbursement agreement and LOC are for a three year term and are renewable annually.

**(9) Employee Benefit Plans**

**(a) Columbia College Pension Plan**

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

## COLUMBIA COLLEGE CHICAGO

### Notes to Financial Statements

August 31, 2001 and 2000

The following table sets forth the Columbia College Pension Plan's funded status and amounts recognized in the College's financial statements at August 31, 2001 and 2000:

	<b>2001</b>	<b>2000</b>
Actuarial present value of benefit obligations – accumulated benefit obligation	\$ <u>19,205,063</u>	<u>18,937,830</u>
Projected benefit obligation	\$ 24,483,699	23,919,030
Plan assets at fair value	<u>25,219,670</u>	<u>24,183,135</u>
Plan assets greater than projected benefit obligation	735,971	264,105
Unrecognized prior service cost	402,042	485,266
Unrecognized net loss	1,311,229	1,852,982
Unrecognized transition amount being recognized over 21 years	<u>(89,536)</u>	<u>(102,327)</u>
Prepaid pension cost	\$ <u>2,359,706</u>	<u>2,500,026</u>

Net periodic pension cost for the plan for the fiscal years ended August 31, 2001 and 2000 included the following components:

	<b>2001</b>	<b>2000</b>
Service cost	\$ 1,635,309	1,337,552
Interest cost on projected benefit obligation	1,713,191	1,537,688
Actual return on plan assets	1,928,543	1,762,680
Net amortization and deferral	<u>(3,875,766)</u>	<u>(3,583,186)</u>
Net periodic pension cost	\$ <u>1,401,277</u>	<u>1,054,734</u>

A discount rate of 7.5% was used in determining the actuarial present value of the projected benefit obligations for fiscal years 2001 and 2000. The expected long-term rate of return on assets was 8.5% for both years. The projected salary increase to normal retirement age for all employees for fiscal years 2001 and 2000 was 3%.

**(b) Columbia College Employees' Retirement Plan**

The College has a second defined benefit pension plan, the Columbia College Employees' Retirement Plan. The College has received a determination letter from the Internal Revenue Service indicating that the plan is exempt from tax under the applicable provisions of the Internal Revenue Code.

## COLUMBIA COLLEGE CHICAGO

### Notes to Financial Statements

August 31, 2001 and 2000

The following table sets forth the funded status and amounts recognized in the College's financial statements for the Columbia College Employees' Retirement Plan at August 31, 2001 and 2000:

	<b>2001</b>	<b>2000</b>
Actuarial present value of benefit obligations – accumulated benefit obligation	\$ <u>7,474,250</u>	<u>6,365,647</u>
Projected benefit obligation	\$ 8,610,700	7,472,108
Plan assets at fair value	<u>6,904,684</u>	<u>6,415,944</u>
Plan assets less than projected benefit obligation	(1,706,016)	(1,056,164)
Unrecognized net loss	947,487	349,837
Unrecognized transition amount being recognized over 21 years	<u>121,214</u>	<u>138,532</u>
Accrued pension cost	\$ <u>(637,315)</u>	<u>(567,795)</u>

Net periodic pension cost for the plan for the fiscal years ended August 31, 2001 and 2000, included the following components:

	<b>2001</b>	<b>2000</b>
Service cost	\$ 531,727	465,442
Interest cost on projected benefit obligation	541,452	476,232
Actual return on plan assets	517,405	467,648
Net amortization and deferral	<u>(1,044,224)</u>	<u>(1,035,156)</u>
Net periodic pension cost	\$ <u>546,360</u>	<u>374,166</u>

A discount rate of 7.5% was used in determining the actuarial present value of the projected benefit obligations for fiscal years 2001 and 2000. The expected long-term rate of return on assets used was 8.5% for both years. The projected salary increase to normal retirement age for all employees for fiscal years 2001 and 2000 was 3%.

All benefit plans are noncontributory on the part of employees, with distributions of benefits being made to participants or their beneficiaries upon death, retirement, or disability. The benefits are based on years of service and the employee's compensation. The plan assets were invested in mutual funds, with American National Bank and Trust Company as the plan custodian through February 28, 2001. As of March 2001, the plan assets were invested in equity and fixed income securities under the investment management of Solomon Smith Barney, as the plan trustee. Funding contributions are based on the maximum amount allowed under the Employee Retirement Income Security Act of 1974 as actuarially determined.

**COLUMBIA COLLEGE CHICAGO**

Notes to Financial Statements

August 31, 2001 and 2000

**(10) Commitments and Contingencies**

**(a) Commitments**

The College is committed under various noncancelable operating ground leases on the properties at 600 and 624 South Michigan Avenue, 731 South Plymouth Court, and for certain auxiliary building space leases at other locations. Minimum lease payments payable in future years are as follows:

2002	\$ 656,000
2003	634,000
2004	639,000
2005	645,000
2006	100,000
Later years (to 2104)	<u>4,810,000</u>
	\$ <u>7,484,000</u>

Property and equipment rental expense was approximately \$1,471,000 and \$836,000 for fiscal years 2001 and 2000, respectively.

At August 31, 2001, future minimum rental income for space leased to others is as follows:

2002	\$ 198,000
2003	200,000
2004	200,000
2005	170,000
2006	170,000
Later years (to 2022)	<u>298,000</u>
	\$ <u>1,236,000</u>

**(b) Contingencies**

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

The College is a principal in the joint venture "Education Advancement Fund, Inc." (EAF) representing a 40% ownership interest in the project. The two other principals are other universities located in the downtown Chicago area. EAF will build and operate a facility at the corner of State and Congress that will provide student housing. The College maintains a \$2,450,000 letter of credit that bears interest at the prime rate. In addition the College has guaranteed 40% of EAF's first year's debt service, which is estimated to be approximately \$3.4 million in total debt service.

**COLUMBIA COLLEGE CHICAGO**

Notes to Financial Statements

August 31, 2001 and 2000

**(11) Restrictions and Limitations on Net Asset Balances**

Temporarily restricted net assets at August 31, 2001 and 2000 consisted of the following:

	<b>2001</b>	<b>2000</b>
Gifts and other unexpended resources available for:		
Academic programs	\$ 6,415,626	7,047,043
Scholarships and fellowships	3,534,700	3,318,076
Student services	562,896	592,486
Community programs	1,690,631	953,829
Total temporarily restricted net assets	\$ 12,203,853	11,911,434

Permanently restricted net assets consist of endowment funds at August 31, 2001 and 2000. The income earned on the investment of permanently restricted net assets is generally available for use in providing scholarships and supporting the College's educational programs.

**(12) Expenses by Functional Classifications**

The following is a summary of total expenses classified by function for fiscal years 2001 and 2000:

	<b>2001</b>	<b>2000</b>
Education and general:		
Instruction	\$ 57,683,224	50,748,158
Research	3,760,018	3,143,313
Public service	3,716,863	2,714,206
Library and other academic support	8,341,339	7,159,915
Student services	10,299,441	7,579,715
Institutional support	8,913,567	11,389,139
Auxiliary enterprises	2,791,428	1,724,587
Fundraising	1,936,069	1,642,959
	\$ 97,441,949	86,101,992