COLLEGE FUTURES FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

TABLE OF CONTENTS

BPM

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
College Futures Foundation

We have audited the accompanying consolidated financial statements of College Futures Foundation (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of College Futures Foundation as of December 31, 2017 and 2016, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BPM LLP

San Francisco, California
September 26, 2018

College Futures Foundation

Consolidated Statements of Financial Position

As of December 31, 2017 and 2016

(In thousands)

	2017	2016
ASSETS		
Cash and cash equivalents	$ 5,099	$ 4,241
Investments, at fair value	506,586	468,579
Net receivables from unsettled trades	5,000	13,500
Other assets, net	2,751	3,063
Total assets	$ 519,436	$ 489,383
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 847	$ 788
Grants payable, net	12,457	11,495
Deferred federal excise tax liability	2,328	1,429
Total liabilities	15,632	13,712
Net assets - unrestricted	503,804	475,671
Total liabilities and net assets	$ 519,436	$ 489,383

The accompanying notes are an integral part of these consolidated financial statements.

College Futures Foundation

Consolidated Statements of Activities and Changes in Net Assets

For the years ended December 31, 2017 and 2016

(In thousands)

	2017	2016
Revenue:		
Investment income, net	$ 51,810	$ 28,085
Other income, net	6	102
Net revenue before excise and income tax expense	51,816	28,187
Excise and income tax expense	(1,206)	(576)
Net revenue after excise and income tax expense	50,610	27,611
Expenses:		
Program expenses:		
Grants awarded and direct charitable activities	17,410	16,948
Program-related expenses	3,103	2,494
Total program expenses	20,513	19,442
Management and general expenses	1,964	1,983
Total expenses	22,477	21,425
Change in net assets	28,133	6,186
Net assets - unrestricted, beginning of year	475,671	469,485
Net assets - unrestricted, end of year	$ 503,804	$ 475,671

The accompanying notes are an integral
part of these consolidated financial statements.

COLLEGE FUTURES FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

(In thousands)

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 28,133	$ 6,186
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation of fixed assets	417	365
Net realized and unrealized gain on investments	(52,607)	(28,379)
Provision for loan losses	14	16
Deferred federal excise tax	899	247
Changes in operating assets and liabilities:		
Net decrease in other assets	76	95
Net increase (decrease) in accounts payable and accrued liabilities	59	(27)
Net increase in grants payable	962	1,397
Net cash used in operating activities	(22,047)	(20,100)
Cash flows from investing activities:		
Proceeds from sale of investments	28,870	33,938
Purchases of investments	(14,270)	(18,308)
Net receivables from unsettled trades	8,500	4,000
Purchases of property and equipment	(195)	(247)
Net cash provided by investing activities	22,905	19,383
Net increase (decrease) in cash and cash equivalents	858	(717)
Cash and cash equivalents, beginning of year	4,241	4,958
Cash and cash equivalents, end of year	$ 5,099	$ 4,241

The accompanying notes are an integral
part of these consolidated financial statements.

1. Organization and Business

College Futures Foundation ("College Futures") is a private foundation working with partners throughout California to increase bachelor's degree attainment among low-income students and others who are under-represented in higher education.

College Futures operates on the belief that every qualified student in California should have the opportunity to succeed in college and it recognizes that creating a vibrant future for our state requires awarding more bachelor's degrees to broader populations of students.

Each year, College Futures awards grants to dozens of partner organizations throughout California, funding and supporting work in three main areas: improving student transitions toward degree completion; developing and strengthening partnerships across institutions, systems, and regions to drive increases in bachelor's degree attainment; and reducing gaps between policy and practice to advance student access to and success in college.

College Futures was funded in 2005 with the proceeds from the wind-down of the nonprofit Chela Education Financing, Inc. As a result of corporate restructurings associated with the wind-down, College Futures held a wholly owned subsidiary, CEFI Corporation ("CEFI"), until December 31, 2017, when CEFI was dissolved.

2. Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying Consolidated Financial Statements of College Futures have been prepared on the accrual basis of accounting and are presented on the basis of unrestricted, temporarily restricted, or permanently restricted net assets. At December 31, 2017 and 2016, College Futures had no temporarily or permanently restricted net assets. The Consolidated Financial Statements include the accounts of College Futures and CEFI. All significant intercompany accounts and transactions have been eliminated. As mentioned in Note 1, as of December 31, 2017, CEFI was dissolved.

Cash and Cash Equivalents

Cash equivalents consist of demand deposits in banks and money market funds with original maturities of 90 days or less.

Investments

Investments are stated at fair value. Net realized and unrealized gains or losses on investments are reflected as increases or decreases in unrestricted net assets. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses are calculated based on purchase prices. Dividend income is recorded on ex-dividend dates. Interest income from investments is recorded on an accrual basis.

Continued

2. Summary of Significant Accounting Policies, continued

Investments, continued

Debt and equity securities with readily determinable fair values are carried at estimated fair value, based on quoted market prices. College Futures invests in limited partnerships including diversified inflation hedges, fixed income and bond funds, multi-strategy endowment pools, and private equity funds that may not be immediately liquid nor have readily determinable fair values. These investments are valued at amounts reported to College Futures by the general partners of such entities, in accordance with their established guidelines. Further, management reviews the annual forms K-1, the audited financial statements for the partnerships, reviews investment managers' valuation policies, monitors news in the public domain in connection with its investment managers, meets periodically with investment managers, and participates in quarterly investor calls. Management believes these methods provide a reasonable basis for the fair value. These values may differ significantly from values that would have been used had a readily available market existed for such investments, and the differences could be material.

Net Receivables from Unsettled Trades

Receivables from unsettled trades are amounts due from pending investment redemption requests made before December 31, 2017 and 2016. These trades were settled in January 2018 and January 2017, respectively.

Other Assets, Net

Other assets, net include net student loan receivable, net fixed assets, deferred compensation, prepaid expenses, and taxes.

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. In determining fair value, College Futures uses various valuation approaches. In accordance with Generally Accepted Accounting Principles ("GAAP"), a hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of College Futures. Unobservable inputs are inputs that reflect College Futures' assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

College Futures classifies its financial assets and liabilities according to the following hierarchy, from (1) highest to (3) lowest in the use of observable inputs, and minimizes the use of unobservable inputs when measuring fair value:

Level 1 – quoted prices in active markets for identical investments. The types of investments in Level 1 include listed equities held in the name of College Futures.

Continued

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

Level 2 – pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. College Futures' assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the investment.

Grants

Unconditional grants are recognized as grant expense and a liability when College Futures' Board of Directors (the "Board") approves the grants or the President and Chief Executive Officer authorizes grants in accordance with Board-approved authority. Unconditional grants that are expected to be paid in less than one year are measured at net settlement value. Unconditional grants that are expected to be paid in more than one year are measured at the present value of the estimated future cash flows. Grant refunds are recorded as a reduction of grant expense at the time College Futures becomes aware the grant will be refunded.

Income Taxes

College Futures is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and Section 23701(d) of the Revenue and Taxation Code of the State of California. Since the beginning of fiscal year 2010, College Futures has been classified as a private foundation within the meaning of Section 509(a) of the Code. As such, College Futures is still exempt from federal income taxes under Section 501(c)(3) of the Code and is exempt from California franchise and/or income taxes under Section 23701(d) of the Revenue and Taxation Code. However, College Futures is subject to federal excise taxes as well as federal and state unrelated business income tax.

Prior to its dissolution (see Note 1 and Note 8), as a for-profit Delaware corporation, CEFI used the liability method to account for income taxes. Under this method, deferred income tax assets and liabilities were based on the differences between the financial statement and tax bases of assets and liabilities that would result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances were established when necessary to reduce deferred tax assets to the amount expected to be realized.

2. Summary of Significant Accounting Policies, continued

Income Taxes, continued

College Futures recognizes interest and penalties accrued related to unrecognized tax benefits in "Management and general expenses" on the Consolidated Statements of Activities and Changes in Net Assets. No interest or penalties have been accrued as of December 31, 2017 and 2016. College Futures follows guidance for the recognition of uncertain tax positions. Management has concluded there are no uncertain tax positions at December 31, 2017 and 2016.

Tax returns will remain open for examination by federal and state taxing authorities for three and four years, respectively.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Investment related expenses are included in "Investment income, net" on the Consolidated Statements of Activities and Changes in Net Assets. Directly identifiable expenses, such as grants awarded, certain grant-making expenses, and other costs, are charged to program, and management and general expenses. Expenses related to more than one function are charged to programs, management and general expenses, direct charitable activities, and investment related expenses on the basis of periodic time studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of College Futures.

Use of Estimates

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

Reclassifications

For comparative purposes, certain amounts in the prior year's Consolidated Financial Statements have been reclassified to conform to the current year presentation.

Continued

2. Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases*, amending the ASC 842. This update requires lessees to recognize operating and financing lease liabilities and corresponding right-of use assets on the statement of financial position. The new guidance is effective for College Futures beginning January 1, 2020. College Futures is currently evaluating the impact that this guidance will have on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, amending the ASC 958. This update changes the presentation of certain information in the financial statements and footnote disclosures of not-for-profit entities. The update also changes the way that not-for-profit entities classify net assets. The new guidance is effective for College Futures for the year beginning January 1, 2018. College Futures is currently evaluating the impact that this guidance will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update changed the criteria for determining whether a contribution is conditional from a probability-based approach to one focused on barriers in an arrangement. For nonpublic entities making contributions, the ASU is effective for annual reporting periods after December 15, 2019 with early adoption permitted. The Foundation is currently evaluating the impact that this guidance will have on its financial statements.

3. Fair Value Measurements and Investments

The following table presents investment income for the years ended December 31, 2017 and 2016 (in thousands):

	2017	2016
Interest, dividends, and other	$ 7,023	$ 7,476
Realized gains, net	16,584	15,342
Unrealized gains (losses), net	36,023	13,037
Investment related fees and expenses	(7,820)	(7,770)
Total investment income, net	$ 51,810	$ 28,085

Continued

3. Fair Value Measurements and Investments, continued

The following tables summarize the valuation of College Futures' assets and liabilities measured on a recurring basis as of December 31, 2017 and 2016 (in thousands):

	2017	2016
Fair value measurements:		
Cash equivalents—money market (Level 1)	$ 1,238	$ 505
Investments:		
Balanced global mutual fund (Level 1)	3,804	3,340
Investments measured using NAV:		
Fixed income and bond funds	9,123	12,975
Multi-strategy endowment pool	465,869	422,477
Diversified inflation hedges	7,051	8,328
Private equity funds	20,739	21,459
Total investments, at fair value	506,586	468,579
Net receivables from unsettled trades (Level 2)	5,000	13,500
Total	$ 512,824	$ 482,584

There were no significant transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy during 2017 and 2016. College Futures recognizes transfers into and out of levels on their respective transaction dates.

Continued

3. Fair Value of Measurements and Investments, continued

College Futures uses NAV to estimate the fair value of underlying investments that a) do not have readily determinable fair values and b) prepare their financial statements consistent with the measurement principles of an investment company or have attributes of an investment company. The following table lists investments in other investment companies (in partnership or trust format) by major class as of December 31, 2017 (in thousands):

	Strategy	NAV in Funds	Number of Funds	Remaining Life	Unfunded Commitments	Redemption Notice Period	Redemption Restrictions
Assets:							
Fixed income and bond funds	Short-term fixed income	$ 9,123	1	NA	$ -	10 days	Redemptions only on last business day of any month.
Multi-strategy endowment pool	Multi-strategy[(a)]	465,869	1	NA	-	120 days	Full fund redemptions permitted annually, subject to a 10% holdback and side pockets for illiquid assets. College Futures can redeem up to 7% annually in aggregate during the specified redemption periods. There are no further restrictions on redemptions.
Diversified inflation hedges	Natural resources and real estate	7,051	4	2–7 years	680	NA	NA*
Private equity funds	Venture and buyout U.S. and international	20,739	6	2–8 years	1,910	NA	NA*
Total		$ 502,782			$ 2,590		

* Private equity fund structures with no ability to redeem.

Continued

3. Fair Value Measurements and Investments, continued

(a) The Multi-strategy endowment pool is one fund that includes investments in equities, real assets, commodities, natural resources, credit, fixed income, hedge funds, and direct hedges. Equity investments strategies include long-only and long-biased, public and private equities in both domestic and international markets. Real asset investment strategies include investments in real estate, power, infrastructure, and non-resource real assets. Commodities and natural resources investment strategies are focused on liquid commodities such as metals and agricultural products and private natural resources such as timber and mining interests. Credit investment strategies are primarily non-investment grade and distressed credit. Fixed income investment strategies are United States Treasuries and Treasury Inflation Protected securities, other sovereign debt, and investment grade credit. Hedge fund strategies include those that are event-driven, such as corporate merger activity and the use of long and offsetting short positions. Finally, the strategies for direct hedges include investments in currencies, gold, and options such as puts and calls.

The liquidity profile for the multi-strategy endowment pool is actively managed to maintain sufficient liquidity for limited partners. At December 31, 2017, 56% and 65% of the pool was convertible to cash within one year and three years, respectively, and at December 31, 2016, 59% and 66% of the pool was convertible to cash within one year and three years, respectively.

4. Grants Payable

Future minimum unconditional grants payable as of December 31, 2017 are scheduled as follows (in thousands):

2018	$ 9,829
2019	2,776
Total unconditional grants payable	12,605
Less discounts to net present value	(148)
Net unconditional grants payable	$ 12,457

5. Employee Benefits

College Futures sponsors a 403(b) plan to which eligible employees may voluntarily contribute a percentage of their compensation. College Futures also contributes matching amounts. College Futures' 403(b) plan expense was $199,000 and $195,000, respectively, for the years ended December 31, 2017 and 2016. Beginning in 2014, College Futures also provides a contributory money purchase 401(a) plan for all eligible employees. The 401(a) plan is funded by College Futures only. College Futures' 401(a) plan expense was $199,000 and $197,000, respectively, for the years ended December 31, 2017 and 2016. Both plans are maintained by an independent trustee.

Continued

5. Employee Benefits, continued

College Futures also has an unfunded deferred compensation plan for a select group of highly compensated or management level employees under Section 457(b) of the Code. Eligible employees may voluntarily contribute a percentage of their compensation to the plan. In addition, College Futures contributes to the plan on behalf of eligible employees that did not receive their full contributions through the 403(b) or 401(a) plans due to Internal Revenue Service ("IRS") limits covering those plans. At December 31, 2017 and 2016, respectively, College Futures held $501,000 and $384,000 in "Other assets, net" which are designated to pay an offsetting deferred compensation liability that is included in "Accounts payable and accrued liabilities" on the Consolidated Statements of Financial Position.

6. Excise and Income Taxes

Excise Taxes

In accordance with the applicable provisions of the Code, College Futures is required to distribute 5% of the average fair market value of its investment assets annually. Excess distributions may be carried forward up to 5 years to offset years with distributions below 5%. College Futures met this minimum pay out requirement in each of the years presented in these financial statements.

Private foundations are liable for an excise tax of 2% (1% if minimum payout requirements prescribed by the Code are met) on investment income, excluding unrealized gains. College Futures paid 2% in 2017 and 2016. Deferred federal excise taxes arise primarily from unrealized gains on investments and have been accrued based on a 2% rate. If taxes are due, current federal excise taxes payable are included in "Accounts payable and accrued liabilities" on the Consolidated Statements of Financial Position. Conversely, if a refund is due, these accounts are included in "Other assets, net" on the Consolidated Statements of Financial Position. For the years ended December 31, 2017 and 2016, current federal excise tax credits were included in "Other assets, net."

The provision for federal excise taxes and unrelated business income taxes at December 31, 2017 and 2016 (in thousands) are:

	2017	2016
Current	$ 306	$ 329
Deferred	899	247
Total	$ 1,205	$ 576

Continued

6. Excise and Income Taxes, continued

Unrelated Business Income Taxes

Unrelated business income taxes arise primarily from income generated from certain types of investments, such as particular kinds of real estate investments. If taxes are due, federal and state unrelated business income taxes payable are included in “Accounts payable and accrued liabilities” on the Consolidated Statements of Financial Position. Conversely, if a refund is due, these accounts are included in “Other assets, net” on the Consolidated Statements of Financial Position. For the years ended December 31, 2017 and 2016, unrelated business income tax refunds were included in “Other assets, net.”

On December 22, 2017, the U.S. government enacted the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act incorporates broad and complex changes to the U.S. tax code. The main provision of the Tax Act that is applicable to the Foundation is the reduction of a maximum federal tax rate associated with unrelated business income of 35% to a flat tax rate of 21%, effective January 1, 2018. The Foundation measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid. Accordingly, the Foundation’s deferred tax assets and liabilities were re-measured to reflect the reduction in the income tax rate from 35% to 21%.

College Futures realized pre-tax unrelated business income of $103,000 and $1,012,000 in 2017 and 2016, respectively. Although College Futures realized pre-tax income, no income tax was recognized as of December 31, 2017 and 2016, as College Futures utilized operating loss carryforwards to offset income.

College Futures’ federal and state deferred tax asset balances are associated with its operating loss carryforwards at December 31, 2017 and 2016, and amounted to $471,000 and $643,000, respectively. Based on the available objective evidence at December 31, 2017 and 2016, College Futures does not believe it is more likely than not that the net deferred tax assets will be fully realizable. Accordingly, College Futures has provided a full valuation allowance against its net deferred tax assets at December 31, 2017 and 2016. The valuation allowance decreased by $173,000 and $335,000 for the years ended December 31, 2017 and 2016, respectively.

As of December 31, 2017, College Futures had federal and state net operating loss carryforwards associated with unrelated business income of approximately $1,789,000 and $1,629,000, respectively. There is no limitation on the use of these net operating losses and, if not utilized, the net operating loss carryforwards begin expiring in 2032. College Futures’ ability to utilize the net operating losses or realize any benefit is uncertain; therefore, a full valuation allowance has been applied against the associated deferred tax asset.

Income Taxes

Prior to its dissolution, CEFI realized a pre-tax loss of $(95,000) and $(22,000) in 2017 and 2016, respectively. CEFI recognized $800 as income tax expense in 2017 and 2016 based on California regulatory minimum payment requirements.

Continued

6. Excise and Income Taxes, continued

Income Taxes, continued

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. As CEFI was dissolved as of December 31, 2017, there are no remaining deferred income taxes to report. In addition, federal and state net operating losses were also eliminated.

7. Commitments, Contingencies, and Concentrations of Risk

Premises and Equipment Lease Commitments

College Futures has a lease agreement for office space expiring in February 2019. Total rental expense for the years ended December 31, 2017 and 2016 was $264,000 and $212,000, respectively. Future minimum lease commitments under the noncancelable operating lease are (in thousands):

2018	$ 253
2019	42
Total	$ 295

Contingencies

From time to time, College Futures may be involved as a party to certain legal proceedings and other claims arising in the normal course of its business. While litigation and claims resolution are subject to many uncertainties and cannot be predicted with assurance, it is management's opinion that any resulting losses would not have a material effect on College Futures' Consolidated Financial Statements.

Concentrations of Risk

Financial instruments that potentially subject College Futures to credit risk consist primarily of cash, cash equivalents, net receivables from unsettled trades, investments, and student loan receivables. College Futures maintains cash and cash equivalents with two major financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation ("FDIC") limits.

College Futures' credit risk is inherent principally in its investments. Adverse economic conditions either nationwide or internationally may result in a reduction of the investments carrying amount. The maximum loss on the investments would be the carrying amount in the Consolidated Financial Statements. As of December 31, 2017 and 2016, College Futures held investments in excess of the Securities Investor Protection Corporation ("SIPC") insurance limits.

Continued

7. Commitments, Contingencies, and Concentrations of Risk, continued

Concentrations of Risk, continued

To address investment risk, College Futures maintains a formal investment policy that sets out risk management guidelines, performance criteria, investment and asset allocation guidelines, and requires review of the investment manager's performance. Investments are managed by investment managers who have responsibility for investing the funds in various investment classes. From time to time, an independent investment consultant is also utilized. This entire process is actively overseen by the Investment Committee of the Board.

8. Dissolution of Subsidiary

As of December 31, 2017, CEFI, a wholly owned subsidiary of College Futures' was wound-down and legally dissolved. All external debts and obligations were paid and retired and a dividend of $158,000 was transferred to College Futures.

9. Subsequent Events

College Futures evaluated subsequent events for recognition and disclosure through September 26, 2018, the date that these financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2017 that required recognition or disclosure in the Consolidated Financial Statements.