Juniata College

Financial Statements

May 31, 2016 and 2015

BAKER TILLY

Candor. Insight. Results.

BAKER TILLY

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Independent Auditors' Report

Board of Trustees
Juniata College

We have audited the accompanying financial statements of Juniata College, which comprise the statement of financial position as of May 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity'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 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 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 Juniata College as of May 31, 2016 and 2015, 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.

Baker Tilly Virchow Krause, LLP

State College, Pennsylvania
October 6, 2016

	2016	2015
Assets		
Cash and cash equivalents	$ 6,362,655	$ 9,214,357
Accounts receivable:		
Student, net	541,224	493,499
Governmental agencies	264,596	282,615
Other	715,123	109,287
Unconditional promises to give	3,022,721	2,357,086
Inventory	314,474	319,099
Prepaid expenses	996,219	640,320
Investments	103,981,388	107,447,413
Bond project fund	14,711,852	-
Real estate investments	3,863,993	4,110,382
Cash surrender value life insurance	2,997,449	2,197,620
Student loans receivable	1,636,808	1,824,945
Funds held in trust by others	3,560,534	4,137,986
Collections	1,641,732	1,641,732
Plant assets, net	73,030,310	72,979,133
Total assets	$ 217,641,078	$ 207,755,474
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 308,303	$ 474,627
Construction accounts payable	375,592	235,606
Accrued payroll and related liabilities	3,972,153	3,638,433
Student deposits and prepayments	418,875	465,016
Deferred revenue	3,040,251	3,238,074
Funds held in custody for others	275,111	241,932
Bonds and notes payable	59,945,945	41,756,389
Obligations under capital lease	129,861	303,781
Postretirement benefits	6,573,163	6,719,604
Annuities payable	2,793,336	2,708,636
Advance from federal government for student loans	702,663	1,446,664
Total liabilities	78,535,253	61,228,762
Net Assets		
Unrestricted	44,126,033	49,383,131
Temporarily restricted	24,397,208	28,344,868
Permanently restricted	70,582,584	68,798,713
Total net assets	139,105,825	146,526,712
Total liabilities and net assets	$ 217,641,078	$ 207,755,474

See notes to financial statements

Juniata College

Statement of Activities
Year Ended May 31, 2016
(With Comparative Totals for 2015)

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating Revenues					
Tuition and fees (net of scholarship allowances of $31,792,376)	$ 28,319,596	$ -	$ -	$ 28,319,596	$ 27,894,320
Federal, state and local grants and contracts	1,002,407	-	-	1,002,407	1,102,833
Private gifts, grants and bequests	4,888,679	1,344,752	2,426,516	8,659,947	6,004,710
Interest and dividends	457,527	1,368,354	117,512	1,943,393	1,969,422
Other income	1,419,047	30,244	-	1,449,291	1,527,177
Auxiliary enterprises	12,874,274	-	-	12,874,274	12,975,841
Net assets released from restrictions, satisfaction of time and purpose restrictions	5,080,723	(5,080,723)	-	-	-
Total operating revenues	54,042,253	(2,337,373)	2,544,028	54,248,908	51,474,303
Operating Expenses					
Educational and general:					
Instructional	18,190,359	-	-	18,190,359	17,563,426
Research and public service	1,762,277	-	-	1,762,277	1,826,288
Academic support	5,441,325	-	-	5,441,325	5,268,428
Student services	10,396,430	-	-	10,396,430	10,106,834
Institutional support	8,650,203	-	-	8,650,203	9,240,053
Total educational and general	44,440,594	-	-	44,440,594	44,005,029
Auxiliary enterprises	8,524,037	-	-	8,524,037	8,803,966
Total operating expenses	52,964,631	-	-	52,964,631	52,808,995
Increase (decrease) in net assets from operating activities	1,077,622	(2,337,373)	2,544,028	1,284,277	(1,334,692)
Nonoperating Activities					
Realized and unrealized (loss) gain on investments	(1,898,679)	(2,054,920)	42,441	(3,911,158)	4,309,858
Loss on advance refunding of bonds payable	(3,918,527)	-	-	(3,918,527)	-
(Losses) gains on funds held in trust by others	-	-	(577,452)	(577,452)	70,408
Reclassification of underwater endowments	(477,155)	477,155	-	-	-
Change in valuation of split-interest agreements	(40,359)	(32,522)	(225,146)	(298,027)	(233,479)
(Decrease) increase in net assets from nonoperating activities	(6,334,720)	(1,610,287)	(760,157)	(8,705,164)	4,146,787
Change in net assets	(5,257,098)	(3,947,660)	1,783,871	(7,420,887)	2,812,095
Net Assets, Beginning of Year	49,383,131	28,344,868	68,798,713	146,526,712	143,714,617
Net Assets, End of Year	$ 44,126,033	$ 24,397,208	$ 70,582,584	$ 139,105,825	$ 146,526,712

See notes to financial statements

Juniata College

Statement of Activities
Year Ended May 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Tuition and fees (net of scholarship allowances of $31,125,556)	$ 27,894,320	$ -	$ -	$ 27,894,320
Federal, state and local grants and contracts	1,102,833	-	-	1,102,833
Private gifts, grants and bequests	4,004,424	697,111	1,303,175	6,004,710
Interest and dividends	467,416	1,409,069	92,937	1,969,422
Other income	1,493,241	33,936	-	1,527,177
Auxiliary enterprises	12,975,841	-	-	12,975,841
Net assets released from restrictions, satisfaction of time and purpose restrictions	4,447,010	(4,447,010)	-	-
Total operating revenues	52,385,085	(2,306,894)	1,396,112	51,474,303
Operating Expenses				
Educational and general:				
Instructional	17,563,426	-	-	17,563,426
Research and public service	1,826,288	-	-	1,826,288
Academic support	5,268,428	-	-	5,268,428
Student services	10,106,834	-	-	10,106,834
Institutional support	9,240,053	-	-	9,240,053
Total educational and general	44,005,029	-	-	44,005,029
Auxiliary enterprises	8,803,966	-	-	8,803,966
Total operating expenses	52,808,995	-	-	52,808,995
(Decrease) increase in net assets from operating activities	(423,910)	(2,306,894)	1,396,112	(1,334,692)
Nonoperating Activities				
Realized and unrealized gain on investments	1,362,546	2,912,214	35,098	4,309,858
Gains on funds held in trust by others	-	-	70,408	70,408
Restoration of underwater endowments	83,077	(83,077)	-	-
Change in valuation of split-interest agreements	(128,149)	(58,844)	(46,486)	(233,479)
Increase in net assets from nonoperating activities	1,317,474	2,770,293	59,020	4,146,787
Change in net assets	893,564	463,399	1,455,132	2,812,095
Net Assets, Beginning of Year	48,489,567	27,881,469	67,343,581	143,714,617
Net Assets, End of Year	$ 49,383,131	$ 28,344,868	$ 68,798,713	$ 146,526,712

See notes to financial statements

Juniata College

Statement of Cash Flows
Years Ended May 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	$ (7,420,887)	$ 2,812,095
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,210,561	3,664,892
Realized and unrealized losses (gains) on investments	3,911,158	(4,309,858)
Loss on advance refunding of bonds payable	3,904,310	-
Gains on funds held in trust by others	577,452	(70,408)
(Gain) loss on disposal of plant assets	(88,652)	17,599
Private gifts restricted for long-term investment	(2,426,516)	(1,303,175)
Changes in split-interest agreements	298,027	233,479
Changes in assets and liabilities:		
Accounts receivable	(635,542)	1,341,340
Unconditional promises to give	(917,887)	(704,116)
Inventory	4,625	(16,541)
Prepaid expenses	(355,899)	(92,589)
Accounts payable	(166,324)	(352,947)
Accrued payroll and related liabilities	333,720	(194,523)
Deferred revenue	(197,823)	(128,502)
Funds held in custody for others	33,179	65,853
Student deposits and prepayments	(46,141)	(71,947)
Postretirement benefits	(146,441)	888,626
Net cash provided by operating activities	870,920	1,779,278
Cash Flows from Investing Activities		
Proceeds from sales of investments	3,884,380	12,676,995
Purchases of investments	(4,329,513)	(12,084,659)
Increase in cash surrender value of life insurance	(799,829)	(805,343)
Proceeds from sale of plant assets	229,177	-
Purchases of plant assets	(3,566,791)	(2,179,869)
Payments on student loans receivable	326,193	350,883
Student loans advanced	(138,056)	(127,450)
Net cash used in investing activities	(4,394,439)	(2,169,443)
Cash Flows from Financing Activities		
Payments on bonds, notes payable and capital leases	(916,803)	(996,179)
Payments of bond and note financing costs	(420,968)	-
Proceeds from contributions restricted for long-term investments	2,678,768	1,456,757
Proceeds from funds held by trustee used for construction	288,148	-
Net repayments to federal government for student loans	(744,001)	-
Proceeds of annuity obligations	208,930	10,000
Payments of annuity obligations	(422,257)	(300,435)
Net cash provided by financing activities	671,817	170,143
Net decrease in cash and cash equivalents	(2,851,702)	(220,022)
Cash and Cash Equivalents, Beginning of Year	9,214,357	9,434,379
Cash and Cash Equivalents, End of Year	$ 6,362,655	$ 9,214,357
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 1,376,316	$ 1,496,964
Supplemental Disclosure of Noncash Operating, Investing and Financing Activities		
Plant assets included in accounts payable	$ 375,592	$ 235,606
Issuance of bonds payable	$ 47,542,366	$ -
Repayment of bonds payable	$ 28,638,058	$ -
Funding of deposits held by trustee for construction	$ 15,000,000	$ -
Assets acquired with long-term debt	$ -	$ 1,118,938
Assets acquired under capital lease	$ -	$ 247,477

See notes to financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Juniata College (the “College”), is a nonprofit educational institution organized under the laws of the Commonwealth of Pennsylvania established in 1876 to provide higher education to students. The College awards grants-in-aid and scholarships from its unrestricted and temporarily restricted net assets to individuals who meet the College’s academic standards. The amounts of such awards are determined primarily based upon the academic performance of each applicant. Additional financial aid is provided to students from federal and state programs in which the College participates and from monies contributed to the College by alumni and friends.

During the years ended May 31, 2016 and 2015, the College provided student financial aid from internal resources of approximately $29,153,000 and $29,516,000, which represented 49% and 50% of gross tuition and fee revenue, respectively. During the years ended May 31, 2016 and 2015, the College provided student financial aid from monies contributed to the College by alumni and friends of approximately $2,640,000 and $1,609,000, respectively.

The College evaluated subsequent events for recognition or disclosure through October 6, 2016, the date the financial statements were issued, and determined no events necessitated recognition or disclosure.

Basis of Presentation

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

These financial statements present financial information showing the financial position, the activities, and the cash flows of the College reflecting the presence or absence of donor-imposed restrictions. Accordingly, the amounts of net assets are classified according to the nature of restrictions, as follows:

Permanently Restricted Net Assets - Net assets which are subject to donor-imposed restrictions that they 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.

Temporarily Restricted Net Assets - Net assets which are subject to donor-imposed restrictions that will be met when expenditures are made for the designated purposes or with passage of time. The expiration of temporary restrictions on net assets is reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions and temporarily restricted endowment income whose restrictions are not met in the same period as received or earned are reported as increases in temporarily restricted net assets.

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments, with original maturities of three months or less, that are not held for endowment or other long-term purposes. The College maintains its cash accounts in various financial institutions. Portions of the College's cash balances may exceed FDIC insurance coverage at various times throughout the year. Management considers these excesses to be normal business risks.

Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts receivable are not collateralized. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts.

Promises to Give

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. An allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Conditional promises to give are promises for which donor-imposed conditions specify future and uncertain events whose occurrence or failure to occur release the donors from the obligation to transfer assets in the future. If and when such conditions have been substantially met, these promises cease to be conditional, and revenues are recorded, as appropriate.

Investments

Equity securities with readily determinable fair values and debt securities are valued at fair value based on quoted market prices as reported by the College's investment custodians. Adjustments to reflect increases or decreases in market value, referred to as unrealized gains and losses, are reported in the statement of activities.

The cost of investments received as gifts is fair value as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

All realized and unrealized gains and losses arising from the sale or appreciation (depreciation) in fair value of investments, and all income from investments, are reported as changes in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations, or by law.

Alternative investments, representing ownership in debt and equity funds, private partnerships, and other alternative investments are based on the Net Asset Values ("NAVs") provided by external investment managers or on audited financial statements when available. The NAVs provided by external investment managers are based on estimates, assumptions, and methods that are reviewed by management.

Real estate investments are stated primarily at net book value. Net book value is determined in accordance with the College's policy for plant assets described below.

The College's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the College's investment policy. The degree and concentration of credit risk varies by type of investment. The fair values reported in the statement of financial position are exposed to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

Funds Held in Trust by Others

Funds held in trust by others represent the College's share of these funds based on the terms of various irrevocable trusts. These funds are not in the possession of the College. Such terms provide that the College is to receive annually a certain percentage of the income earned by the funds which are held in trust. The College does not have access to the principal. The present values of the estimated future cash flows from the trusts are recognized as assets and contribution revenues at the dates the trusts are established. Distributions from the trusts are recorded as investment income and the carrying value of the assets is adjusted for changes in the estimates of future receipts. Because of the irrevocable right of the College to its share of the trusts' earnings, the College reports its share of these trusts on its financial statements as "funds held in trust by others," which are classified as permanently restricted net assets.

Collections

The College considers its collection of works of art and rare books as inexhaustible because they have cultural, aesthetic or historical value that will be preserved and, therefore, does not depreciate those assets.

Plant Assets

Plant assets are stated at cost, if purchased, or fair market value at the date of gift, if donated, less accumulated depreciation, computed on a straight-line basis over their estimated useful lives: buildings (40 years); land improvements (20 years); equipment (5-10 years); capital leases (lease term). Maintenance and repairs are charged to expense as incurred; replacements and betterments are capitalized.

Student Deposits and Prepayments

Tuition, fees, and room and board from currently enrolled students are billed in advance and are recognized as revenue when earned.

Life Income Agreements

The College's life income agreements with donors consist of charitable remainder trusts, charitable gift annuities, and pooled income fund agreements for which the College serves as trustee. Assets held in these trusts are included in investments. Contribution revenues are recognized at the date the trusts are established after recording annuities payable for the present value of the estimated future payments to be made to the donors and/or other beneficiaries.

Advance from Federal Government for Student Loans

The College is a participant in the Perkins Loan federal program, which makes student loans available to eligible participants. This program is funded by both the federal government and the College, with the portion estimated to be allocable to the federal government recorded as a liability in the statement of financial position, and the portion allocable to the College included in unrestricted net assets.

Nonoperating Activities

For the purpose of the statement of activities, the College considers its changes in unrestricted net assets to be operational changes, except for gains or losses on investments, gains or losses on bond refunding, gains or losses on funds held in trust by others, restoration of underwater endowments and changes in value of split-interest agreements.

Tuition and Fees

Tuition and fees are presented net of grants-in-aid, scholarships funded from internal resources and private contributions.

Government Grants

Operating funds designated by government funding agencies for particular operating purposes are deemed to be earned and reported as revenues when the College has incurred expenditures in compliance with the contract.

Advertising Costs

Advertising costs are expensed as incurred and amounted to approximately $395,000 in 2016 and $398,000 in 2015.

Fund-Raising Costs

Fund-raising costs are expensed as incurred and amounted to approximately $2,648,000 in 2016 and $1,732,000 in 2015, and are included in institutional support in the statement of activities.

Donor-Restricted Gifts

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted gifts that increases those net asset classifications. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

For contributed property and equipment, and contributions restricted by donors for purchases of property and equipment, if donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, these types of contributions are recorded as unrestricted support.

Cash Flows

For the purposes of the statement of cash flows, the College considers all highly liquid financial instruments with original maturities of three months or less (excluding certain short-term instruments which are classified as investments) to be cash equivalents.

Income Taxes

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (“IRC”) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The College accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in fiscal 2016 or 2015.

The College’s federal Exempt Organization Business Income Tax Returns remain subject to examination by the Internal Revenue Service for the years subsequent to May 31, 2012.

The College’s policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Title IV Requirements

The College participates in Government Student Financial Assistance Programs (“Title IV”) administered by the U.S. Department of Education (“DOE”) for the payment of student tuitions. Substantial portions of the revenue and collection of ending accounts receivable as of May 31, 2016 and 2015 are dependent upon the College’s continued participation in the Title IV programs.

Institutions participating in the Title IV programs are also required by DOE to demonstrate financial responsibility. DOE determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in the regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring, and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. As of May 31, 2016 and 2015 and for the years then ended, the College's composite score exceeded 1.5.

Reclassifications

Certain 2015 amounts have been reclassified to conform to the 2016 presentation.

New Accounting Standards Adopted

During April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability instead of an asset. The recognition and measurement guidance for debt issuance costs is not affected by this update. ASU No. 2015-03 is effective for annual periods beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Early adoption is permitted. The College adopted the guidance for the fiscal year beginning June 1, 2015. The guidance is retrospective, and the adoption of this ASU did not have a significant impact on the College's results of operations, financial position and cash flows. The adoption of ASU 2015-03 resulted in the deferred financing costs previously reported in the May 31, 2015 Statement of Financial Position to decrease by $586,553 and the bonds and notes payable to decrease by $586,553.

In January 2016, FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* This new guidance is intended to improve the recognition and measurement of financial instruments and eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for Institutions that are not public business entities. For non-public business entities, ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted for fiscal years beginning after December 15, 2017. However, the new guidance permits entities that are not public business entities to adopt upon issuance the provision that eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost. The College elected to adopt this provision in fiscal 2016. ASU 2016-01 is to be applied by means of a cumulative-effect adjustment to the statement of financial position as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption of ASU 2016-01. The College is assessing the impact the remainder of this standard will have on its financial statements.

New Accounting Standards Not Yet Adopted

During May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU No. 2014-09. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2018. The College may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The College is currently assessing the effect that ASU Nos. 2014-09 and 2015-14 will have on its results from operations, financial position and cash flows.

During February 2016, FASB issued ASU 2016-02, *Leases.* ASU 2016-02 establishes principles that require a lessee create a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU 2016-02 is effective for annual periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The College is currently assessing the effect that ASU 2016-02 will have on their results of operations, financial position and cash flows.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liability, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The College is assessing the impact this standard will have on its financial statements.

2. Accounts Receivable, Student

Student accounts receivable represent amounts due for tuition, fees, and room and board from currently enrolled and former students. The College extends unsecured credit to students and parents of dependent students in connection with their studies. Some of those students are no longer enrolled in the College.

Student accounts receivable consists of the following at May 31:

	2016	2015
Accounts receivable	$ 735,792	$ 670,216
Allowance for doubtful accounts	(194,568)	(176,717)
Total	$ 541,224	$ 493,499

3. Unconditional Promises to Give

Contributions receivable, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises to be received after one year are recognized at the estimated present value of future cash flows, net of allowances (fair value).

Unconditional promises to give at May 31 are as follows:

	2016	2015
In one year or less	$ 397,053	$ 997,795
Between one year and five years	2,949,860	1,627,995
Thereafter	25,000	27,500
Less:		
Discount	(190,101)	(172,147)
Allowance for doubtful accounts	(159,091)	(124,057)
Total	$ 3,022,721	$ 2,357,086

The net present value of these cash flows was determined by using risk-adjusted discount rates between 0.3% and 6.38% to account for the time value of money for 2016 and 2015.

Management believes the College's allowance for doubtful accounts at May 31, 2016 and 2015 is adequate based upon information currently known. However, events impacting donors can occur in subsequent years that may cause a material change in the allowance for doubtful accounts.

Conditional pledges and bequest intentions totaling approximately $43,734,000 in 2016 and $38,209,000 in 2015 have been excluded from the contributions receivable amounts and are not recorded in the financial statements due to the fact that they are conditional. Restrictions on these conditional pledges and bequest intentions are as follows:

	2016	2015
Buildings	$ 4,132,000	$ 4,132,000
Budget relief	21,650,000	17,029,000
Programming	3,441,000	3,454,000
Unrestricted	14,314,000	13,397,000
Unknown	197,000	197,000
Total	$ 43,734,000	$ 38,209,000

4. Student Loans Receivable

Student loans receivable are carried at estimated net realizable value. Student loans receivable reflected on the statement of financial position includes $685,644 and $760,227 of Perkins Loans and $1,001,225 and $1,120,756 of College-provided loans, less an allowance for doubtful accounts of $50,061 and $56,038 for May 31, 2016 and 2015, respectively. Loans receivable are carried at the original amount less an estimate made for doubtful collections based on a review of all outstanding amounts on a periodic basis. Management determines this allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Loans that are 30 days or more past due are assessed late fees. Interest and late fees are recorded when received. The credit quality of the student is not evaluated after the initial approval and calculation of the loans. Delinquent loans and the allowance for losses on loans receivable are reviewed by management, but are not material to the overall financial statements.

Student loans are made, in part, with funds advanced to the College by the federal government under the Perkins Loan program (the “Program”). Such funds may be reloaned by the College after collection, but in the event that the College no longer participates in the Program, the amounts are refundable to the federal government. The federal government’s portion of these funds at May 31, 2016 and 2015 was $702,663 and $1,446,664, respectively.

5. Fair Value Measurements, Investments and Other Financial Instruments

The College measures its funds held in trust by others and investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. 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. The framework that the authoritative guidance established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the College for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The following tables present the financial instruments measured at fair value as of May 31, 2016 and 2015 by caption on the statement of financial position by the valuation hierarchy defined above:

	2016			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Assets Reported at Fair Value:				
U.S. Treasury obligations	$ -	$ 101,872	$ -	$ 101,872
Corporate and foreign bonds	-	1,040,727	-	1,040,727
Taxable fixed income funds	17,241,040	-	-	17,241,040
Common equity securities:				
Materials	1,335,832	-	-	1,335,832
Industrials	5,928,703	-	-	5,928,703
Telecommunications	1,134,056	-	-	1,134,056
Consumer discretionary	7,375,427	-	-	7,375,427
Consumer staples	2,436,255	-	-	2,436,255
Energy	2,838,648	-	-	2,838,648
Financial	5,613,646	-	-	5,613,646
Health care	5,647,127	-	-	5,647,127
Information technology	6,584,093	-	-	6,584,093
Utilities	1,008,993	-	-	1,008,993
Preferred equity securities	521,731	-	-	521,731
Domestic funds	18,061,590	-	-	18,061,590
Global funds	2,117,564	-	-	2,117,564
Balanced equity mutual funds	4,643,204	-	-	4,643,204
International mutual funds	13,744,111	-	-	13,744,111
Total investments by valuation hierarchy	$ 96,232,020	$ 1,142,599	-	97,374,619
Alternative investments reported at net asset value				6,606,769
Total investments				103,981,388
Fund held in trust by others			3,560,534	3,560,534
Total assets			$ 3,560,534	$ 107,541,922

	2015			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Assets Reported at Fair Value:				
U.S. Treasury obligations	$ -	$ 105,996	$ -	$ 105,996
Corporate and foreign bonds	-	1,021,031	-	1,021,031
Taxable fixed income funds	18,150,975	-	-	18,150,975
Common equity securities:				
Materials	867,226	-	-	867,226
Industrials	6,307,620	-	-	6,307,620
Telecommunications	1,371,366	-	-	1,371,366
Consumer discretionary	7,047,375	-	-	7,047,375
Consumer staples	2,328,970	-	-	2,328,970
Energy	3,217,988	-	-	3,217,988
Financial	5,144,330	-	-	5,144,330
Health care	6,673,514	-	-	6,673,514
Information technology	7,461,132	-	-	7,461,132
Utilities	691,881	-	-	691,881
Domestic equity mutual funds	20,193,907	-	-	20,193,907
Global funds	2,497,861	-	-	2,497,861
Balanced equity mutual funds	4,771,310	-	-	4,771,310
International mutual funds	13,273,809	-	-	13,273,809
Total investments by valuation hierarchy	$ 99,999,264	$ 1,127,027	-	101,126,291
Alternative investments reported at net asset value				6,321,122
Total investments				107,447,413
Fund held in trust by others			4,137,986	4,137,986
Total assets			$ 4,137,986	$ 111,585,399

The Level 3 reconciliation is as follows:

	Funds Held in Trust by Others
Balance at May 31, 2014	$ 4,067,578
Net gains (realized and unrealized, net of unrestricted distributions of $118,528 reported as contributions in the statement of activities)	70,408
Balance at May 31, 2015	4,137,986
Net gains (realized and unrealized, net of unrestricted distributions of $468,961 reported as contributions in the statement of activities)	(577,452)
Balance at May 31, 2016	$ 3,560,534

Valuation Methodologies

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used at May 31, 2016 and 2015.

Cash and cash equivalents: The carrying amounts approximate fair value because of the short maturity of those financial instruments.

Investments: The valuation methodology of utilizing closing prices in an active exchange market was applied to mutual funds, fixed income funds and equity securities. U.S. government and agency obligations are valued based on quoted prices of similar assets, with similar terms, in actively traded markets and are measured using Level 2 inputs.

Alternative Investments: The College measures the fair value for these alternative investments based on the NAVs as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a significantly different value. If not determined as of the Fund's measurement date, the NAVs are adjusted to reflect any significant events that would materially affect the security's value. Certain attributes that impact the security's fair value may not be reflected in the NAVs, including, but not limited to, the investor's ability to redeem the investment at the measurement date and unfunded purchase commitments. If the College sold all or a portion of its alternative investments, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date, because of the nature of the investments, changes in market conditions and the overall economic environment. In accordance with Subtopic 820-10, investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The College may redeem shares in whole or in part per the investment's offering memorandum which typically requires up to a 90 days prior written notice as of the last business day of each quarter. There are various hold back provisions which lapse after audited financial statements are issued ranging from 5% to 10%. The College has the following unfunded commitments:

	2016	2015
CranRidge Capital	$ -	$ 2,000,000
Patriot Financial II	1,000,000	1,150,000
Praesidian Capital	292,394	562,394

The alternative investments represent investments that pursue multiple strategies to diversify risks and reduce volatility. The alternative investments pursue multiple strategies as follows:

- CranRidge Capital - CranRidge Capital is based out of New York City. The firm was founded by experienced mezzanine debt investors. The fund is in the process of identifying senior and mezzanine debt opportunities to help small and middle market companies finance acquisitions, growth, recapitalizations and balance sheet restructurings. The fund is currently seeking SBIC approval to be able to provide leverage to underlying limited partners. As of May 31, 2016, the College has no monies invested in this alternative investment; however, it had an unfunded commitment in 2015 as disclosed above.

- Grosvenor Institutional Partners - Grosvenor is a multi-strategy hedge fund-of-funds manager based in Chicago, Illinois. Grosvenor invests with approximately 40 underlying managers in several strategies, including relative value, distressed debt, event driven and others. The investment team of 38 professionals builds the portfolio with the idea of creating an investment that is uncorrelated to traditional asset classes. The College has monies invested in this alternative investment for fiscal years 2016 and 2015.

- Patriot Financial Partners II - Patriot is a firm out of Philadelphia specializing in regional banks, both privately and publicly traded. The over $200 mm fund has invested in 15 portfolio companies to date. This fund attempts to identify small financial institutions that require capital for expansion or current operations. The fund's general partner will typically take a board seat to better identify opportunities for efficiencies or growth in an attempt to increase operating margins and price-to-book metrics for later sale, either in the public markets or as a takeover by another institution. The College has monies invested in this alternative investment for fiscal years 2016 and 2015 and has an unfunded commitment as disclosed above.

- Praesidian Capital - Praesidian is a private mezzanine debt fund. The firm is based out of New York, NY and focuses solely on private debt offerings to small-to-mid sized businesses in need of financing capital for either: growth and acquisition financing, management and sponsored buyouts or recapitalizations and refinancings. A typical loan will either have first lien and/or equity options as well as a high current coupon. The investment pool currently holds positions in about a dozen separate financing transactions. The College has monies invested in this alternative investment for fiscal years 2016 and 2015 and has an unfunded commitment as disclosed above.

- RECAP Current Income Fund - RECAP is a New York, NY based manager of private real estate partnerships. The partnership has raised $60 mm of limited partner equity to acquire well-leased, well-located rental apartments with the goal of generating current returns to the investors with stable quarterly distributions. The fund is currently fully invested in five operating rental apartment properties and is producing current income. The College has monies invested in this alternative investment for fiscal years 2016 and 2015.

- RECAP Metropolitan - This fund is run by the same firm as currently manages the RECAP Current Income Fund. The current portfolio has two remaining portfolio properties. The investment thesis for this fund is to be able to purchase multi-family units, several near universities, upgrade the properties and the performance thereof and resell those properties at a multiple while creating positive operating cash flows during the holding period. The College has monies invested in this alternative investment for fiscal years 2016 and 2015.

Funds held in trust by others: The fair value is based on the College's interest in the earnings of the trust applied to the fair value of the underlying assets in the trust, which approximates the present value of the estimated cash flows expected from the trust in perpetuity.

Investment (Loss) Return

The College's total investment (loss) return is comprised of the following components at May 31:

	2016	2015
Interest and dividend income	$ 2,341,031	$ 2,328,634
Investment fees	(397,638)	(359,212)
Net interest and dividend income	1,943,393	1,969,422
Net realized (loss) gain on investments	(12,195)	7,508,117
Unrealized loss on investments	(3,898,963)	(3,198,259)
Net investment (loss) return	$ (1,967,765)	$ 6,279,280

6. Plant Assets

The composition of plant assets was as follows at May 31:

	2016	2015
Land	$ 2,818,978	$ 2,008,978
Buildings	108,707,311	107,076,929
Equipment	18,039,073	17,701,879
Land improvements	1,412,985	1,384,471
Construction in progress	1,442,752	633,330
Total	132,421,099	128,805,587
Less accumulated depreciation	(59,390,789)	(55,826,454)
Total	$ 73,030,310	$ 72,979,133

The College provides for depreciation using the straight-line method based on lives, which, in the opinion of management, are adequate to allocate asset costs over their productive years. Depreciation expense was approximately $3,637,000 in 2016 and $3,519,000 in 2015.

In addition to these assets, the College's endowment owns investments in real estate as follows:

	2016	2015
Land	$ 889,239	$ 889,239
Rental properties	4,106,706	4,498,905
Total	4,995,945	5,388,144
Less accumulated depreciation	(1,131,952)	(1,277,762)
Total	$ 3,863,993	$ 4,110,382

Depreciation expense on these rental properties was approximately $125,000 in 2016 and 2015.

Non-depreciable assets, such as collections, totaled $1,641,732 as of May 31, 2016 and 2015.

7. Line of Credit

The College has a $3,000,000 unsecured demand line of credit available from a bank. At May 31, 2016 and 2015, no amounts were outstanding under this line of credit. No amounts were drawn under the line of credit during the years ended May 31, 2016 and 2015.

8. Bonds and Notes Payable

Bonds and notes payable at May 31 are comprised of the following:

	2016	2015
Revenue Note, Series 2004 (issued through Huntingdon County General Authority), due in varying annual installments through May 2024, fixed interest at 2.65%. Collateralized by the gross revenues of the College.	$ 4,787,000	$ 4,906,000
Revenue Note, Series 2007 (issued through Huntingdon County General Authority), refunded May 2016.	-	5,471,160
Revenue Bonds, Series 2010A (issued through Huntingdon County General Authority), advance refunded with a redemption date of November 1, 2020.	-	23,500,000
Revenue Bonds, Series 2010B (issued through Huntingdon County General Authority - federally taxable), repaid in May 2016.	-	100,000
Revenue Note, Series 2013 (issued through Huntingdon County General Authority), due in varying annual installments beginning April 2015 through April 2039. The note bears interest at the Lender's then effective three, five or seven year cost of funds plus 1.78% converted to a bank qualified tax exempt rate (1.49% at May 31, 2016). The note has optional tender dates the month of April in the years 2020, 2027 and 2034. Collateralized by the gross revenues of the College.	8,175,000	8,350,000
Vehicle note payable, repaid in November 2015.	-	15,782
Revenue Bonds, Series 2016 OO2 (issued through Huntingdon County General Authority), due in varying annual installments beginning May 2033 through May 2046, fixed interest ranging from 3.0% to 5.0%. Collateralized by all unrestricted revenues of the College.	33,305,000	-
Revenue Note, Series 2016 U1 (issued through Huntingdon County General Authority), due in varying annual installments beginning May 2017 through May 2029, at fixed interest at 2.46% through May 2023 and, for the remainder of the term, a variable interest rate equal to the LIBOR rate plus 170 basis points converted to a bank qualified tax exempt rate. The variable rate will be determined by the lender monthly. Collateralized by the gross revenues of the College.	5,138,058	-

	2016	2015
Revenue Note Series 2016 U2 (issued through Huntingdon County General Authority), due in varying annual installments beginning May 2027 through May 2032, fixed interest at 2.6% through May 2023 and, for the remainder of the term, a variable interest rate equal to the LIBOR rate plus 170 basis points converted to a non-bank qualified tax exempt rate. The variable rate will be determined by the lender monthly. Collateralized by the gross revenues at the College.	$ 7,690,000	$ -
Deferred financing costs	(558,424)	(586,553)
Unamortized bond premium	1,409,311	-
Total	$ 59,945,945	$ 41,756,389

The aggregate future scheduled principal payments on bonds and notes payable at May 31, 2016 is as follows:

Years ending May 31:	
2017	$ 730,451
2018	1,161,772
2019	1,188,772
2020	1,317,772
2021	1,048,772
Thereafter	54,498,406
Total	$ 59,945,945

Interest expense was approximately $1,389,000 in 2016 and $1,497,000 in 2015. The College capitalizes interest incurred on the cost of property, plant and equipment constructed for its own use along with related loan fees and costs.

The College is required to meet certain financial covenants under the debt agreements.

In May 2016, the College entered into the Series 2016 OO2 Revenue Bonds for the purpose of financing various capital projects, and to advance refund the Series 2010A Revenue Bonds. These funds were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the advance refunded bonds. In conjunction with the creation of the trust, the Huntington County General Authority released the College from its obligation relating to the advance refunded bonds. Accordingly, the assets and the advance refunded bonds are not reflected in the accompanying statement of financial position as of May 31, 2016. The effect of this refunding, a nonoperating loss of $3,918,527 was recorded during the year ended May 31, 2016, and represents the excess of the reacquisition price of the new debt over the net carrying amount of the extinguished debt.

9. Capital Leases

The College leases computer equipment under capital leases, which expire in 2018. The assets and liabilities under capital lease are recorded at the present value of the minimum lease payments. The assets are included in plant assets and are amortized over the lease terms. Amortization of assets under capital lease is included in depreciation expense.

The cost and accumulated amortization of equipment under capital lease were as follows at May 31, 2016:

Cost of equipment under capital lease	$ 539,203
Accumulated amortization	(421,183)
Total	$ 118,020

Minimum future lease payments under capital leases as of May 31, 2016 are as follows:

Years ending May 31:	
2017	$ 74,256
2018	57,271
Total minimum lease payments	131,527
Amount representing interest	(1,666)
Present value of minimum lease payments	$ 129,861

Interest rates on the capital leases as of May 31, 2016 range from .97% to 3.14%, which were imputed based upon the lower of the College's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

10. Operating Leases

The College leases office equipment and vehicles under operating leases having non-cancelable lease terms exceeding one year at May 31, 2016 and 2015. Total rents paid under these operating leases approximated $155,000 and $182,000 for the years ended May 31, 2016 and 2015, respectively. Future minimum rental payments required under these leases by year and in the aggregate at May 31, 2016 follow:

Years ending May 31:	
2017	$ 164,572
2018	67,482
2019	45,177
2020	27,714
2021	23,095
Total	$ 328,040

11. Pension Plan

The College sponsors a defined contribution pension plan. Pension expense related to this plan was approximately $1,890,000 in 2016 and $1,887,000 in 2015.

12. Postretirement Benefits

The College provides postretirement benefits for early retirees. For medical and prescription drug coverage, the College's share of premium is 2.5% for each year of service up to 50%. If a member was less than age 50 as of January 1, 1997, the member's years of service was frozen as of January 1, 1999. For individuals past age 65, the College continues to pay the same percentage of premium as pre-65 for a Medicare Supplement Plan provided by the College. In addition, the College pays $30/month for retirees to select their own Medicare Part D Plan. For grandfathered retirees, the College pays the full premium of Medicare Supplement Plan and Medicare Part D Plan; for another, the full premium of Medicare Supplement Plan; and for two retirees and spouse of another, the full premium of Medicare Supplement Plan.

The postretirement benefit obligations relate to the following categories of participants at May 31, 2016 and 2015:

	2016	2015
Retirees	$ 3,934,552	$ 4,019,549
Actives fully eligible	1,937,649	1,896,567
Actives not fully eligible	700,962	803,488
Total	$ 6,573,163	$ 6,719,604

Net periodic postretirement benefit cost consists of the following at May 31, 2016 and 2015:

	2016	2015
Service cost	$ 20,163	$ 24,827
Interest cost	261,941	241,454
Amortization of net actuarial loss	283,410	244,269
Total	$ 565,514	$ 510,550
Actual cost (cash flow)	$ 310,312	$ 314,223

The estimated future benefit payments over the next 5 fiscal years are as follows:

Years ending May 31:	
2017	$ 318,922
2018	325,661
2019	325,129
2020	334,923
2021	338,950

There are no contributions in excess of expected benefits scheduled to be paid during the next 5 fiscal years.

The measurement date used to determine the benefit obligation information was May 31, 2016 and 2015.

The following table sets forth the change in benefit obligation and the amounts recognized in the statement of financial position at May 31, 2016 and 2015:

	2016	2015
Change in accumulated postretirement benefit obligation:		
Benefit obligation, beginning of year	$ 6,719,604	$ 5,830,978
Service cost	20,163	24,827
Interest cost	261,941	241,454
Change due to change in experience	(388,196)	21,348
Change in actuarial assumptions	269,963	915,220
Benefits paid	(310,312)	(314,223)
Accumulated postretirement benefit obligation, end of year	6,573,163	6,719,604
Change in plan assets:		
Fair value of plan assets, beginning of year	-	-
Fair value of plan assets, end of year	-	-
Funded status	$ (6,573,163)	$ (6,719,604)
Accumulated postretirement benefit cost	$ (6,573,163)	$ (6,179,604)

The discount rates used to determine the accumulated postretirement benefit obligation and the net periodic postretirement benefit cost were 4.0% in 2016 and 4.25% for 2015.

The assumed health care cost trend rates at May 31, 2016 and 2015 were as follows:

	2016	2015
Health care cost trend rate assumed for next year	5.5 %	6.0 %
Rate to which the cost trend rate is assumed to decline	3.3 %	3.3 %
Year that the rate reaches the ultimate trend rate	2075	2075

Sensitivity to Health Care Cost Trend Rate

The following is a sensitivity analysis of the annual net periodic postretirement benefits cost and the accumulated postretirement benefits obligation to changes in the health care cost trend rate. The table below presents the annual net periodic postretirement benefits cost and the accumulated postretirement benefits obligation calculated using the health care cost trend rate of 5.5% as well as what the annual net periodic postretirement benefits cost and the accumulated postretirement benefits obligation would be if it were to be calculated using a health care cost trend rate that is 1 percentage point lower (4.5%) or 1 percentage point higher (6.5%) than the current rate:

	2016		
	1% Decrease (4.5%)	**Current Rate (5.5%)**	**1% Increase (6.5%)**
Annual net periodic postretirement benefits cost	$ 536,197	$ 565,514	$ 601,317
Accumulated postretirement benefits obligation	$ 5,889,055	$ 6,573,163	$ 7,405,033

	2015		
	1% Decrease (5.0%)	**Current Rate (6.0%)**	**1% Increase (7.0%)**
Annual net periodic postretirement benefits cost	$ 485,634	$ 510,550	$ 540,524
Accumulated postretirement benefits obligation	$ 6,015,987	$ 6,719,604	$ 7,576,651

The following were other significant assumptions used in the valuations as of May 31:

	2016	**2015**
Rates of Retirement	2% at ages 55-61; 35% at age 62; 25% at ages 63-64; 40% at ages 65-69; and 100% at age 70	2% at ages 55-61; 35% at age 62; 25% at ages 63-64; 40% at ages 65-69; and 100% at age 70
Mortality		RP-2014 Total Mortality Table, Incorporated into the table are rates projected generationally using Scale MP-2014 to reflect mortality improvement.

Employer contributions which are equivalent to benefits paid under the Plan were approximately $310,000 in 2016 and $314,000 in 2015.

13. Net Assets

Unrestricted net assets are available for the following purposes as of May 31, 2016 and 2015:

	2016	2015
Investment in plant	$ 20,153,375	$ 25,461,875
Other endowment	25,423,634	27,112,450
Reserves and operating funds	(1,450,976)	(3,191,194)
Total	$ 44,126,033	$ 49,383,131

Temporarily restricted net assets are related to, or restricted for, the following as of May 31, 2016 and 2015:

	2016	2015
Gifts available for capital purposes	$ 1,053,517	$ 717,007
Gifts available for scholarship and other academic purposes	3,055,366	2,473,087
Accumulated income and gains or permanently restricted endowment funds	19,329,126	23,863,569
Gift annuity, pooled income, and charitable trusts	959,199	1,291,205
Total	$ 24,397,208	$ 28,344,868

Permanently restricted net assets are related to the following as of May 31, 2016 and 2015:

	2016	2015
Investments held in perpetuity by donor stipulations and Pennsylvania law, the income from which is generally available for scholarships	$ 63,274,525	$ 61,474,976
Funds held in trust	3,560,534	4,137,986
Loan funds held in perpetuity	1,374,533	1,664,591
Seed money	1,026,833	304,087
Gift annuity, pooled income and charitable trusts	1,346,159	1,217,073
Total	$ 70,582,584	$ 68,798,713

Net assets are released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors. Net assets released from restrictions consisted of the following for the years ended May 31, 2016 and 2015:

	2016	2015
Endowment spending policy	$ 4,397,480	$ 3,945,872
Scholarships, academics and grants	677,240	273,665
Matured annuity contracts	6,003	227,473
Total	$ 5,080,723	$ 4,447,010

14. Endowment Funds

The College's endowment consists of approximately 549 donor-restricted individual funds established primarily for scholarships. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the College has interpreted Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as 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 either temporarily restricted or unrestricted net assets based on the existence of donor restrictions or by law.

The College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Callan Associates Median Balanced Fund Database while assuming a moderate level of investment risk. The College expects its endowment funds, over time, to provide an average rate of return of approximately 7.0% net of fees annually. Actual returns in any given year may vary from this amount.

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

Commonwealth of Pennsylvania law permits the College to allocate to income each year a portion of endowment return. The law allows non-profit organizations to spend a percentage of the market value of their endowment funds, including realized and unrealized gains. The percentage, which by law must be between 2% and 7%, is elected annually by the Board of Trustees. The endowment market value is determined based on an average spanning three years. The College's policy for fiscal years 2016 and 2015 allowed for a payout no larger than 6% and not less than 3.5% of the average of the past 5 years of the endowment's closing market values. In establishing this policy, the College considered the long-term expected return on its endowment.

Changes in endowment net assets for the fiscal years ended May 31, 2016 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2014	$ 24,597,948	$ 23,915,987	$ 60,018,219	$ 108,532,154
Investment return:				
Investment income	443,145	1,309,637	-	1,752,782
Net realized and unrealized appreciation	1,362,546	2,842,228	-	4,204,774
Total investment return	1,805,691	4,151,865	-	5,957,556
Contributions	624,065	-	1,456,757	2,080,822
Transfers from other funds (maturity of gift annuity)	1,045,167	(175,334)	-	869,833
Appropriation of endowment assets for expenditure	(1,043,498)	(3,945,872)	-	(4,989,370)
Restoration of under water endowments	83,077	(83,077)	-	-
Endowment net assets, May 31, 2015	27,112,450	23,863,569	61,474,976	112,450,995
Investment return:				
Investment income	444,882	1,260,260	-	1,705,142
Net realized and unrealized depreciation	(1,903,104)	(1,877,053)	-	(3,780,157)
Total investment (loss) return	(1,458,222)	(616,793)	-	(2,075,015)
Contributions	213,345	-	1,799,549	2,012,894
Transfers from other funds	400,000	2,675	-	402,675
Appropriation of endowment assets for expenditure	(366,784)	(4,397,480)	-	(4,764,264)
Reclassification of under water endowments	(477,155)	477,155	-	-
Endowment net assets, May 31, 2016	$ 25,423,634	$ 19,329,126	$ 63,274,525	$ 108,027,285

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or law requires the College to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were $2,406,716 at May 31, 2016 and $1,929,561 at May 31, 2015. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

15. Government Grants and Student Aid

The government grants and student aid amounts reported do not include funds credited to students under various federal and state grant programs including the Pennsylvania Higher Education Assistance Agency Program and the Pell Grants Program. These grants are similar to agency funds as the College acts only as custodian and disbursing agent. Had these amounts been included, revenues and expenses would have increased by approximately $3,067,000 in 2016 and $3,193,000 in 2015.

16. Commitments and Contingencies

The nature of the educational industry is such that, from time to time, claims will be presented against the College on account of alleged negligence, acts of discrimination, breach of contract, or disagreements arising from the interpretation of laws and regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services. Management of the College believes that these claims and their resolution will not have a significant impact on the College's financial position.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The College's management believes disallowances, if any, will not have a significant impact on the College's financial position.

The College owns property constructed prior to the passage of the Clean Air Act that contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe manner prior to demolition or renovation of the property. The College has not recognized the asset retirement obligation for asbestos removal in its financial statements because it currently has no plans to demolish or renovate this property and as such, cannot reasonably estimate the fair value of the obligation. If plans change with respect to the use of the property and sufficient information becomes available to estimate the liability it will be recognized at that time.

17. Expenses

Expenses by natural classification for the years ended May 31 2016 and 2015 were:

	2016	2015
Compensation:		
Salaries	$ 21,457,578	$ 21,522,963
Benefits	9,291,791	8,375,673
Auxiliary cost of sales	3,300,521	3,333,566
Depreciation	3,636,714	3,519,161
Interest on indebtedness	1,386,646	1,496,964
Equipment repair and maintenance	781,355	693,903
Utilities	1,897,649	1,960,133
Student employees	1,299,214	1,323,036
Professional services	1,127,479	984,309
Programming	1,488,078	1,335,596
Travel	1,170,992	1,133,055
Software, office and instructional supplies	1,656,445	1,577,792
Other	4,470,169	5,552,844
Total	$ 52,964,631	$ 52,808,995