ALLEGHENY COLLEGE
Meadville, Pennsylvania

Financial Statements
For the years ended June 30, 2017 and 2016

and Independent Auditors' Report Thereon

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Allegheny College
Meadville, Pennsylvania

We have audited the accompanying financial statements of Allegheny College (College), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2017 and 2016, 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 Statements of America.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
October 23, 2017

ALLEGHENY COLLEGE

STATEMENTS OF FINANCIAL POSITION

	June 30 2017	June 30 2016
ASSETS		
Cash and cash equivalents	$ 833,798	$ 792,085
Restricted and other cash	4,344,808	5,998,227
Student and other receivables - net	497,185	1,073,572
Government grants and receivable - net	2,237,365	348,157
Inventories	853,880	748,074
Contribution receivable - net	3,274,379	4,738,598
Student loans receivable - net	5,867,140	6,008,594
Investments	224,570,848	202,886,455
Land, buildings and equipment - net	113,961,669	115,703,234
Trusts held by others	7,726,993	7,252,943
Total Assets	$364,168,065	$345,549,939
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 829,148	$ 1,571,196
Accrued salaries and wages	3,853,906	3,802,363
Student deposits and deferred revenue	1,729,811	1,716,389
Accrued liabilities	2,259,631	2,190,832
Annuities payable	3,607,594	3,763,795
Swap liability	860,989	1,791,599
Trusts payable	2,482,706	2,432,121
Trusts held for others	407,344	372,609
Bonds and notes payable	48,671,454	49,977,865
Refundable government advances for student loans	5,474,362	5,390,470
Total Liabilities	70,176,945	73,009,239
NET ASSETS		
Unrestricted	99,711,543	95,073,373
Temporarily restricted	87,955,264	76,782,539
Permanently restricted	106,324,313	100,684,788
Total Net Assets	293,991,120	272,540,700
Total Liabilities And Net Assets	$364,168,065	$345,549,939

See notes to financial statements.

ALLEGHENY COLLEGE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and fees	$81,697,263	-	-	$ 81,697,263
Less student aid	(47,041,556)	-	-	(47,041,556)
	34,655,707	-	-	34,655,707
Federal grants and contracts	528,510	$ 921,424	-	1,449,934
State grants and contracts	255,982	2,015,761	-	2,271,743
Private gifts and grants	3,737,298	1,890,759	$ 4,658,519	10,286,576
Auxiliary enterprises	20,411,615	-	-	20,411,615
Investment return designated for current operations	3,027,445	5,585,482	-	8,612,927
Other sources	1,257,416	692,622	251,013	2,201,051
	63,873,973	11,106,048	4,909,532	79,889,553
Gift annuities transferred	(282,605)	-	282,605	-
Net assets released from restrictions	10,809,425	(10,809,425)	-	-
Total Revenues, Gains And Other Support	74,400,793	296,623	5,192,137	79,889,553
EXPENSES				
Instruction	25,759,378	-	-	25,759,378
Research	1,637,615	-	-	1,637,615
Academic support	6,956,307	-	-	6,956,307
Student services	17,870,938	-	-	17,870,938
Institutional support	12,061,030	-	-	12,061,030
Auxiliary enterprises	12,777,992	-	-	12,777,992
Total Operating Expenses	77,063,260	-	-	77,063,260
(Decrease) Increase In Net Assets - From Operating Activities	(2,662,467)	296,623	5,192,137	2,826,293
NONOPERATING INCOME GAIN/(LOSS)				
Investment gain/(loss) not designated for current operations, net	6,591,839	11,105,794	724,557	18,422,190
Change in value of split-interest agreements	(221,812)	(229,692)	(277,169)	(728,673)
Change in value of swap agreement	930,610	-	-	930,610
Total Nonoperating Gain - Net	7,300,637	10,876,102	447,388	18,624,127
Changes In Net Assets	4,638,170	11,172,725	5,639,525	21,450,420
NET ASSETS				
Beginning of year	95,073,373	76,782,539	100,684,788	272,540,700
End of year	$99,711,543	$87,955,264	$106,324,313	$293,991,120

See notes to financial statements.

ALLEGHENY COLLEGE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and fees	$79,644,958	-	-	$ 79,644,958
Less student aid	(43,326,868)	-	-	(43,326,868)
	36,318,090	-	-	36,318,090
Federal grants and contracts	529,906	$ 753,529	-	1,283,435
State grants and contracts	304,814	29,000	-	333,814
Private gifts and grants	4,150,232	1,883,723	$ 11,460,064	17,494,019
Auxiliary enterprises	19,577,474	-	-	19,577,474
Investment return designated for current operations	2,873,281	5,824,867	-	8,698,148
Other sources	1,146,539	676,149	-	1,822,688
	64,900,336	9,167,268	11,460,064	85,527,668
Gift annuities transferred	-	-	-	-
Net assets released from restrictions	9,840,437	(9,840,437)	-	-
Total Revenues, Gains And Other Support	74,740,773	(673,169)	11,460,064	85,527,668
EXPENSES				
Instruction	26,589,179	-	-	26,589,179
Research	1,430,116	-	-	1,430,116
Academic support	7,278,640	-	-	7,278,640
Student services	17,338,555	-	-	17,338,555
Institutional support	12,291,106	-	-	12,291,106
Auxiliary enterprises	12,737,143	-	-	12,737,143
Total Operating Expenses	77,664,739	-	-	77,664,739
(Decrease) Increase In Net Assets - From Operating Activities	(2,923,966)	(673,169)	11,460,064	7,862,929
NONOPERATING INCOME GAIN/(LOSS)				
Investment gain/(loss) not designated for current operations, net	(3,408,612)	(6,836,340)	(383,799)	(10,628,751)
Change in value of split-interest agreements	(433,781)	(66,189)	(100,255)	(600,225)
Change in value of swap agreement	(737,735)	-	-	(737,735)
Total Nonoperating Loss - Net	(4,580,128)	(6,902,529)	(484,054)	(11,966,711)
Changes In Net Assets	(7,504,094)	(7,575,698)	10,976,010	(4,103,782)
NET ASSETS				
Beginning of year	102,577,467	84,358,237	89,708,778	276,644,482
End of year	$95,073,373	$76,782,539	$100,684,788	$272,540,700

See notes to financial statements.

ALLEGHENY COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$21,450,420	$(4,103,782)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	5,980,449	5,931,394
Amortization of deferred financing costs, included in interest expense	98,568	108,637
Loss on refinancing	201,228	-
Realized and unrealized (gains) losses on investments	(26,539,950)	1,751,328
Contributions restricted for long-term investment and investment in plant	(6,801,571)	(12,971,875)
Investment gain restricted for long-term investment	(94,967)	(53,252)
Change in value of split interest agreements	728,673	600,225
Change in value of swap agreement	(930,610)	737,735
Changes in assets and liabilities:		
Student and other receivable	(1,270,179)	(190,984)
Contributions receivable	7,341,953	11,534,525
Other assets	(579,856)	158,515
Accounts payable and other liabilities	(439,072)	216,664
Net Cash (Used In) Provided By Operating Activities	(854,914)	3,719,130
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of land, buildings and equipment	(4,238,885)	(2,464,034)
Proceeds from sales of investments	21,684,393	25,099,572
Purchases of investments	(16,828,836)	(25,897,218)
Investment gain restricted for long-term investment	94,967	53,252
Disbursements of loans to students	(900,000)	(900,000)
Repayments of loans from students	998,813	984,352
Net Cash Provided By (Used In) Investing Activities	810,452	(3,124,076)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investment and investment in plant	923,837	999,151
Payments on annuity obligations	(884,874)	(818,110)
New borrowings	13,445,988	-
Repayments of borrowings	(15,052,195)	(1,649,593)
Net Cash Used In Financing Activities	(1,567,244)	(1,468,552)
Decrease In Cash And Cash Equivalents and Restricted Cash	(1,611,706)	(873,498)
CASH AND CASH EQUIVALENTS		
Beginning of year	6,790,312	7,663,810
End of year	$ 5,178,606	$ 6,790,312
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 1,712,264	$ 1,868,019

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

In 2017 and 2016, the College incurred $37,382 and $862,887, respectively, in accounts payable related to purchases of land, buildings and equipment.

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements is as follows:

Organization - Allegheny College (College) is a four-year coeducational college fully accredited by the Middle States Association of Colleges and Secondary Schools. The College generates its operating revenues generally from student tuition, fees and gifts. The College's students are primarily from the states of Pennsylvania, New York and Ohio. The College is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Presentation - The College classifies net assets, revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the College and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations or restricted by law that may or will be met either by actions of the College and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use the income earned on related investments for general or specific purposes.

Revenue Recognition - Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulations or by law.

Cash and Cash Equivalents - The College considers all short-term investments with a maturity at the date of acquisition of three months or less and that are not intended for long-term or restricted purposes to be cash equivalents. The balance of restricted and other cash at June 30, 2017 and 2016 is related to funds designated for restricted use.

Student Receivables - Student receivables represent balances due from students for tuition, fees and other charges and are reported at their net realizable value. Student receivables are considered to be due when invoiced. Provisions are established for estimated uncollectible receivables when considered necessary. The College's estimate is based on historical collection experience, a review of the current status of receivables, and judgment. Decisions to charge-off receivables are based on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. Management has recorded an allowance of $690,358 and $628,170 as of June 30, 2017 and 2016, respectively; however, it is reasonably possible that this estimate of the allowance could change in future periods.

Loans to Students - Loans to students under the Federal Perkins Loans Program are reported at their outstanding principal adjusted for any charge-offs and net of the allowance for loan losses. The availability of funds for loans under the Federal Perkins Loans Program is dependent on reimbursement to the pool from repayments on outstanding loans. The College recognizes interest, delinquency charges and other fees when earned and collectability is reasonably assured. Outstanding loans canceled under the program result in a reduction of the funds available for future loans and a decrease in the liability due to the government. The allowance for loan losses is increased by charges and decreased by charge-offs (net of recoveries). The College's periodic evaluation of the adequacy of the allowance is based on the College's loan loss experience, adverse situations that may affect the borrower's ability to repay, and current economic conditions. Loan balances are written off when they are deemed to be permanently uncollectible.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions - Contributions are recognized when the donor makes a promise to give to the College that is, in substance, unconditional. Noncash contributions are valued at the fair value of the asset contributed at the date of the contribution. Contributions received and unconditional promises to give are recorded as unrestricted, temporarily restricted or permanently restricted support depending on existence of donor restrictions and nature of restrictions, if they exist.

Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is met or expires, temporarily restricted net assets are released to unrestricted net assets.

Pledges expected to be collected within one year are recorded at their net realizable value. Pledges 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 calculated using a risk-free rate of return.

Substantially all of the temporary restrictions on assets as of June 30, 2017 and 2016 relate to amounts given to the College for future capital additions, loans and scholarships to students, or unexpended gains under Pennsylvania Trust Law. Permanently restricted net assets consist of endowment fund investments to be held indefinitely, certain split-interest agreements, and certain trusts held and administered by others.

Agency Transactions - The College receives resources in certain transactions where it is acting as an intermediary for the resource providers. The resources are then delivered to third parties. These transactions are recognized as changes in assets and liabilities and do not affect the statements of activities and changes in net assets.

Inventories - Inventories are stated at the lower of cost (first-in, first-out basis) or market and represent books and other merchandise held for resale.

Investments and Investment Income - Investments are reported at fair values. Investments received from donors as gifts are recorded at fair value at the date of gift. Investment return includes interest, dividends, and both realized and unrealized gains and losses.

The College’s investments comprise the College’s endowment and other investments held for general operating purposes. Level 1 investments are defined as marketable securities, including money market funds, mutual funds and bond funds, and are reported at fair values based on quoted active market prices. Level 2 investments, including international equity funds, are reported based on observable prices not quoted on active exchanges or readily determinable fair values based on comparable market data.

Alternative investments, which are not readily marketable, are carried at net asset value (NAV) as a practical expedient, as provided by the investment managers. Alternative investments consist of venture capital, private equity, private real estate and hedge funds. NAV is assessed by management to approximate fair value. The College reviews and evaluates the values and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed. Due to the level of risk associated with certain investment securities, changes in values of investment securities will occur in the near term, and it is reasonably possible that such changes could materially affect the amounts reported in the statements of changes in net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pennsylvania Trust Law's "Total Investment Return Policy" - The Board of Trustees, in accordance with Pennsylvania Trust Law's "Total Investment Return Policy," designates only a portion of the College's cumulative investment return for support of current operations. The amount computed under the endowment spending policy and nonendowment investment income is used to support current operations. The spendable return on endowment, as calculated based on the 12-quarter average market value of the endowment, was 4.5% for 2017 and 4.75% for 2016. Additionally, the College's Board of Trustees may specifically authorize an amount for fundraising spending, which is also classified as current operating, up to a maximum of $600,000 in total. The total spendable return on endowment was 4.75% for 2017 and 2016. The remaining endowment income (loss) is recorded as nonoperating investment return not designated for current operations.

Annuities - Annuities represent the College's obligation to pay a donor an annual amount, based on the donor's original contribution, over the remaining life of the donor. These annuities are stated at the net present value of the projected future cash flows assuming discount rates ranging from 4% to 9% in 2017 and 2016.

During the year ended June 30, 2017, the College transferred approximately $283,000 of previously recorded unrestricted gift annuities to permanently restricted net assets based on donor intent. Amount is reflected as a transfer on the statement of activities.

Debt Issuance Costs - Debt issuance costs are stated at cost and are being amortized over the term of the related debt. Effective June 30, 2017, the College adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) No. 2015-03 Interest - Imputation of Interest (ASU 2015-03), which simplifies the presentation of debt issuance costs. Debt issuance costs related to a recognized debt liability are presented in the statements of financial position as a direct reduction to the carrying amount of debt. See Note 7 for the impact of ASU 2015-03 and the presentation of unamortized debt issuance costs as a reduction to the corresponding financing arrangements. The related amortization is presented as a component of interest expense.

Land, Buildings and Equipment - Land, buildings and equipment are stated at cost at date of acquisition (in the case of gifts, fair value at date of donation), less accumulated depreciation. Interest expense is capitalized on qualifying assets during the period necessary to ready the asset for its intended use. Interest capitalized is net of interest earnings, if any, from proceeds of tax-exempt borrowings for the respective projects. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. The estimated useful lives of buildings and equipment are summarized as follows:

	Years
Building and improvements	20-50
Equipment and fixtures	3-10
Vehicles	3

The College reviews its land, buildings and equipment for impairment when events or changes in circumstances may indicate that the carrying amount of these assets might not be recoverable. No impairment charges were recorded by the College in 2017 or 2016. Repairs, maintenance and minor replacements of existing facilities are charged to expense as incurred.

Split-Interest Agreements and Trusts Held by Others - The College's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts and gift annuities 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 liabilities for the present value of the estimated future payments to be made to the donors and/or beneficiaries. The liabilities are adjusted during the terms of the trusts for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The College is also the beneficiary of certain trusts held and administered by others. The College's portion of the fair market value of the underlying assets of these trusts and the net realized and unrealized gains (losses) of trusts held by others are primarily recorded in permanently restricted net assets. Trusts that permit the principal of the trust to be invaded and distributed to the College are recorded in temporarily restricted net assets. The College considers these trusts held by others to be a Level 2 measurement.

Contributions with Restrictions Met in the Same Year - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a release to unrestricted net assets is made to reflect the satisfaction or expiration of such restrictions.

Tuition and Fees - Tuition and fees are reported on the statements of activities and changes in net assets are reported net of discretionary discounts. The College generally recognizes revenue in the academic period that tuition is earned and collectability is reasonably assured. All payments received in advance for the subsequent academic period are recorded as deferred revenue. Discretionary tuition discounts are College funds awarded by the College to reduce the net amount of tuition paid by students.

Auxiliary Enterprises - The College's auxiliaries exist primarily to furnish goods and services to students, faculty and staff. Managed as essentially self-supporting activities, the College's auxiliary activities consist primarily of housing services and dining services.

Fund-Raising Expense - The College includes fund-raising expenses in institutional support. These expenses are $3,327,050 and $3,555,452 in 2017 and 2016, respectively. Included in these amounts are approximately $301,185 and $319,073, respectively, which are the allocated portion (joint costs) of fund-raising costs for activities that include program and other components.

Use of Estimates and Assumptions - 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.

Risks and Uncertainties - The College utilizes various investment instruments that are exposed to risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements and accompanying notes.

Income Taxes - The College follows the FASB guidance for accounting for uncertainty in income taxes, which provides criteria for the recognition and measurement of uncertain tax positions. This guidance requires that an uncertain tax position should be recognized only if it is "more likely than not" that the position is sustainable based on its technical merits. Recognizable tax positions should then be measured to determine the amount of benefit recognized in the financial statements. The College files U.S. federal, state and local information returns, and no returns are currently under examination. The statute of limitations on the College's U.S. federal tax returns remains open for the years ended June 30, 2014 through the present. The College continues to evaluate its tax positions pursuant to the principles of FASB guidance and has determined that there is no material impact on the College's financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Effective July 1, 2014, the College maintains a self-insured medical program under which the cost for such claims is recognized in the year the claims are incurred. Prior to July 1, 2014, the College was fully insured with a third-party insurance provider. Management also records an estimate of incurred but not reported claims. In addition, the College maintains a stop-loss insurance policy, which pays the cost in excess of $175,000 in 2017 for any medical insurance claim, with an annual aggregate maximum of $1,000,000 as of June 30, 2017. Expenses under the medical program were approximately $3,995,000 and $4,596,000 in 2017 and 2016, respectively, including accrued and unpaid claims, which totaled approximately $165,000 and $100,000 at June 30, 2017 and 2016, respectively.

Recent Accounting Pronouncements - The FASB has issued ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which is the result of a joint project of FASB and the International Accounting Standards Board (IASB) to clarify the principles for recognizing revenue and to develop a common revenue standard for use in the U.S. and internationally. ASU 2014-09 supersedes the revenue recognition requirements in Topic 605 of the FASB Codification and most industry-specific guidance throughout the Industry Topics of the Codification. ASU 2014-09 enhances comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, reduces the number of requirements an entity must consider for recognizing revenue, and requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. In August 2015, the FASB issued ASU 2015-14, a deferral on the implementation date, and this guidance is effective for annual reporting periods beginning after December 15, 2018. ASU 2014-09 requires either retrospective application by restating each prior period presented in the financial statements, or retrospective application by recording the cumulative effect on prior reporting periods to beginning retained earnings in the year that the standard becomes effective. The College is assessing the impact that ASU 2014-09 will have on its financial statements and related disclosures.

The FASB issued ASU No. 2015-07 Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (ASU 2015-07), which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient and removes the requirement to make certain disclosures for these investments. ASU 2015-07 should be applied retrospectively and is effective for financial statements issued for fiscal years beginning after December 15, 2015. Early adoption is permitted. The College adopted ASU 2015-07 as of June 30, 2017, and as such, these financial statements have revised disclosures to reflect this adoption.

The FASB issued ASU No. 2016-02 Leases (Topic 842) (ASU 2016-02), which is the result of a joint project of FASB and IASB to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 amends Topic 842 to require a lessee to recognize a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term initially measured at the present value of the lease payments. The lessee should also include payments to be made on an optional lease extension if the company is reasonably certain that the extension will be exercised when measuring the asset and liability. Companies will be permitted to make an accounting policy election to not recognize leases with a term of 12 months or less. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019. Early application is permitted. The College is assessing the impact that ASU 2016-02 will have on its financial statements and related disclosures.

In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14), which is intended to simplify and improve not-for-profit financial reporting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Specifically, ASU 2016-14:

- Revises the net asset classification scheme to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three, while maintaining the requirement to report total net assets and changes in the classes of total net assets.

- Continues to allow for a choice between the direct and indirect method of reporting operating cash flows; however, presentation of the indirect reconciliation is no longer required if using the direct method.

- Enhances disclosures for:

    - Self-imposed limits on the use of resources without donor-imposed restrictions
    - Composition of net assets with donor restrictions, and how the restrictions affect the use of resources
    - Qualitative disclosures on how a not-for-profit manages its available liquid resources, to meet cash needs for general expenditures within one year of the statement of financial position date
    - Quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date
    - Methods used to allocate costs among program and support functions

- Requires the presentation of expenses by nature as well as function, including an analysis of expenses showing the relationship between functional and natural classification for all expenses.

- Updates the accounting and disclosure requirements for underwater endowment funds, which include required disclosure of (1) policy concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate original gift amount (or level required by donor or law) to be maintained, and (4) the aggregate amount by which funds are underwater, which is to be classified as part of net assets with donor restrictions.

- Requires net presentation of investment expenses against investment return on the statement of activities and changes in net assets and eliminates the requirement to disclose investment expenses that have been netted.

- Requires the use of, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expiration of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassification of amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restrictions over the estimated useful life of the acquired asset).

ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early application permitted. The College is currently evaluating the impact ASU 2016-14 will have on its financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2016, the FASB issued ASU No. 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (ASU 2016-51), which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The specific cash issues addressed include the following: debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interest in securitization transactions and separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective for fiscal years beginning after December 15, 2018 and should be applied retrospectively. Early adoption is permitted. The College is currently assessing the impact that the adoption of ASU 2016-15 will have on its financial statements.

The FASB has issued ASU No. 2016-18 Statement of Cash Flows (Topic 230) (ASU 2016-18), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The standard is effective for fiscal years beginning after December 15, 2017 for public businesses and December 15, 2018 for all other entities, with early adoption permitted. The College is currently assessing the impact that the adoption of 2016-15 will have on its financial statements.

NOTE 2 - RECEIVABLES

Student accounts receivable as of June 30 consist of the following:

	2017	2016
Accounts and other receivables	$ 1,187,543	$ 1,701,742
Less allowance for doubtful accounts	(690,358)	(628,170)
	$ 497,185	$ 1,073,572

The Board budgets for direct write-offs at the beginning of the year. In order to create the allowance, the College performs a student-by-student review for internal and external collection accounts. Once the analysis is complete, an allowance percentage is placed on each age and type for all internal and external collection accounts.

Contributions receivable are promises to give from various donors that are unconditional. The net present value of the contributions receivable as of June 30 is as follows:

	2017	2016
Amounts due in:		
Less than one year	$ 2,543,935	$ 2,338,104
One to five years	1,526,513	2,530,813
Greater than five years	-	100,000
	4,070,448	4,968,917
Discounts and allowances	(796,069)	(230,319)
Net contributions receivable	$ 3,274,379	$ 4,738,598

NOTE 2 - RECEIVABLES (Continued)

The College received a $1,000,000 pledge in May 2005 as a challenge grant, which is a conditional contribution. The challenge grant is being recognized as revenue when the matching contributions are made. As of both June 30, 2017 and 2016, $905,000 has been recognized as revenue.

Student Loans Receivable - Net - The College makes loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources.

As of June 30, student loans receivable - net consisted of the following:

	2017	2016
Student loans receivable	$ 6,787,382	$ 6,884,689
Less allowance for doubtful accounts	(920,242)	(876,095)
Student loans receivable - net	$ 5,867,140	$ 6,008,594

Allowances for doubtful accounts are established based on prior collection experience and current economic factors that, in management's judgement, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written-off only when they are deemed to be permanently uncollectible.

NOTE 3 - INVESTMENTS

Investments are carried at fair value of $224,570,848 and $202,886,455 as of June 30, 2017 and 2016, respectively. The aggregate carrying value of investments, exclusive of cash equivalents, as of June 30 are summarized as follows:

	2017 Endowment Investments			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market	$ 4,561,256	-	-	$ 4,561,256
U.S. Equity Large Cap	54,390,989	-	-	54,390,989
Global ex. U.S. Equity	42,821,079	-	-	42,821,079
Global ex. U.S. Small Cap Equity	5,687,521	-	-	5,687,521
U.S. government/credit securities	28,974,943	-	-	28,974,943
Emerging markets	-	$ 4,859,191	-	4,859,191
Public Natural Resources and RE	9,094,716	-	-	9,094,716
Assets in the fair value hierarchy	145,530,504	4,859,191	-	150,389,695
Investments measured at NAV (a)	-	-	-	54,123,025
Total fair value of assets	$ 145,530,504	$ 4,859,191	-	$ 204,512,720

NOTE 3 - INVESTMENTS (Continued)

	2017 Other Investments			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market	$ 2,502,488	-	-	$ 2,502,488
U.S. Equity Large Cap	7,152,309	-	-	7,152,309
U.S. Equity Mid Cap	286,868	-	-	286,868
U.S. Equity Small Cap	1,663,656	-	-	1,663,656
Global ex. U.S. Equity	1,600,338	-	-	1,600,338
Fixed income and bond	5,150,176	-	-	5,150,176
Assets in the fair value hierarchy	18,355,835	-	-	18,355,835
Equity-method investment (b)	-	-	-	1,702,293
Total fair value of assets	$ 18,355,835	-	-	$ 20,058,128

	2016 Endowment Investments			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market	$ 3,015,055	-	-	$ 3,015,055
U.S. Equity Large Cap	45,371,364	-	-	45,371,364
Global ex. U.S. Equity	38,621,938	-	-	38,621,938
Global ex. U.S. Small Cap Equity	4,393,323	-	-	4,393,323
U.S. government/credit securities	30,627,745	-	-	30,627,745
Emerging markets	-	$ 4,962,335	-	4,962,335
Assets in the fair value hierarchy	122,029,425	4,962,335	-	126,991,760
Investments measured at NAV (a)	-	-	-	54,644,410
Total fair value of assets	$ 122,029,425	$ 4,962,335	-	$ 181,636,170

	2016 Other Investments			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market	$ 4,611,940	-	-	$ 4,611,940
U.S. Equity Large Cap	6,751,618	-	-	6,751,618
U.S. Equity Mid Cap	274,467	-	-	274,467
U.S. Equity Small Cap	1,744,453	-	-	1,744,453
Global ex. U.S. Equity	1,172,815	-	-	1,172,815
Fixed income and bond	5,014,973	-	-	5,014,973
Assets in the fair value hierarchy	19,570,266	-	-	19,570,266
Equity-method investment (b)	-	-	-	1,680,019
Total fair value of assets	$ 19,570,266	-	-	$ 21,250,285

NOTE 3 - INVESTMENTS (Continued)

(a) In accordance with the College's adoption of ASU 2015-07 and Codification Subtopic 820-10, certain investments were measured at NAV per share (or its equivalent) as a practical expedient, and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of fair value hierarchy line items presented in the statements of financial position

(b) Equity-method investments are excluded from the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of fair value hierarchy line items presented in the statements of financial position.

There were no significant transfers in or out of Levels 1, 2 or 3 for the years ended June 30, 2017 and 2016.

Total investment summary is as follows:

	2017	2016
Endowment	$ 204,512,720	$ 181,636,170
Other	20,058,128	21,250,285
	$ 224,570,848	$ 202,886,455

The following redemption table clarifies the nature and risk of the College's investments and liquidity for investments, including alternative investments, measured using net asset value as of June 30, 2017.

Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Venture Capital and Private Equity	$ 12,600,778	$ 20,931,494	Generally upon dissolution	N/A
Private Real Estate	12,031,819	13,397,974	Generally upon dissolution	N/A
Hedge Funds	29,490,428	-	Quarterly	30-90 days
	$ 54,123,025	$ 34,329,468		

The total investment pool provides daily liquidity for 72% of the holdings.

Individual endowment funds within the College's consolidated endowment pool had fair values less than the individual principal values by approximately $199,855 and $395,457 as of June 30, 2017 and 2016, respectively.

As of June 30, 2017 and 2016, there were no significant concentrations of investments, since no individual investment exceeded 10% of total assets.

The College uses prices and inputs that are current as of the measurement date obtained through multiple third-party custodians from independent pricing services.

A description of the valuation techniques applied to the major categories of investments measured at fair value is outlined below. The fair value of common, preferred, and foreign stocks are valued using quoted market prices in active markets. Such actively traded securities are categorized in Level 1 of the fair value hierarchy.

NOTE 3 - INVESTMENTS (Continued)

Mutual funds are open-ended Securities and Exchange Commission registered funds with daily NAV. The mutual funds allow investors to sell their interest to the fund at a published daily NAV, with no restrictions on redemptions. These mutual funds are categorized in Level 1 of the fair value hierarchy.

Government securities, government agency securities, corporate fixed-income securities, and asset-backed mortgage securities including residential mortgage-backed securities, commercial mortgage-backed securities, and other securitized assets are categorized in Level 1 of the fair value hierarchy.

Limited liability partnerships are partnerships created and administered by a general partner who invests either directly in a specified investment strategy or indirectly through other limited liability partnerships in a so-called "fund of funds." The underlying investments of these funds can be actively traded securities in the case of certain hedge fund strategies or illiquid and privately held equity investment, as in the case of private equity investments, private real estate, hedge fund strategies or real assets. The partnership documents outline the terms and conditions by which the general partner administers the partnership and its investments. Each limited partner owns a specified share of the partnership. These partnerships cannot be marketed to the public and are restricted, by regulation, to qualified investors. The underlying investments of these partnerships include many different types of investments, including interest rate swaps, commercial paper, foreign currency, private equity, short interest in common stock, and convertible bonds. The valuation of the partnership interest typically is performed at least quarterly by the general partner through unaudited statements and validated through annual audited financial statements. In certain partnerships, the readily available data on market values allows for monthly valuation of the partnership interest.

There has been no significant change in valuation techniques of investments during either year.

A breakdown of total investment return for the years ended June 30 is as follows:

	2017	2016
Interest and dividends earnings	$ 2,394,440	$ 2,254,748
Realized and unrealized gains (losses), net	26,539,950	(1,751,328)
Fees and other expenses	(1,899,271)	(2,434,023)
	27,035,119	(1,930,603)
Total investment return policy amount designated for current operations	8,612,929	8,698,148
Total investment gain (loss) not designated for current operations	$ 18,422,190	$ (10,628,751)

Endowment Pennsylvania Trust Law Spending for the years ended June 30 consists of:

	2017	2016
Total Pennsylvania Trust Law Spending	$ 8,012,927	$ 8,098,148
Fund raising spending	600,000	600,000
Total investment gain	8,612,927	8,698,148
Investment return designated for current operations	$ 8,612,927	$ 8,698,148

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The College applies fair value guidance to all assets and liabilities that are being measured and reported on a fair value basis. This guidance establishes a hierarchal disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value. This guidance requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following categories:

Level 1 - Valuations based on quoted market prices in active markets for identical assets that the organization has the ability to access. Since valuations are based on quoted market prices that are readily available in the active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment.

The hierarchy has three levels based on the observability of inputs as follows. The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is practicable to estimate fair value:

- The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the short maturity of these instruments.

- Contributions receivable are reported at the present value of estimated future receipts, which approximates fair value.

- The carrying values of investments, trusts held by others, annuities and remainder interest trusts are based primarily on Level 1 quoted market prices. Where such quoted market prices are not available, Level 2 and Level 3 inputs which include audited financial statements, appraisals or recent or comparable cost are used as an estimate of fair value.

- The carrying value of split-interest obligations approximates fair value, since the obligations are recorded at the net present value of estimated future payments.

- The carrying value of the Bonds is $30,292,816 as of June 30, 2017, as compared to the estimated fair value of $30,071,206. Fair value of the bonds payable were calculated by discounting scheduled cash flows through the maturity of the bonds and notes using Level 2 inputs and estimated market rates. The carrying value of the Note Payable is $18,827,365 as of June 30, 2017, as compared to the estimated fair value of $26,386,313. Fair value of the Notes was calculated by discounting scheduled cash flows using Level 2 inputs and estimated market rates.

NOTE 5 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment as of June 30 consist of the following:

	2017	2016
Land	$ 15,187,093	$ 15,187,093
Buildings and improvement	181,065,666	177,369,641
Furniture, fixtures and equipment	20,196,747	18,919,895
Computer equipment	11,947,885	11,868,981
Scientific equipment	9,643,826	9,237,674
Vehicles	460,450	426,567
Works of art	1,820,102	1,820,102
	240,321,769	234,829,953
Less - Accumulated depreciation	126,530,071	120,598,131
	113,791,698	114,231,822
Construction-in-progress	169,971	1,471,412
	$ 113,961,669	$ 115,703,234

The College maintains various collections of inexhaustible assets to which at times no value can be determined. Such collections could include contributed works of art, historical treasures, literature, and the like that are held for exhibition and public service. These collections are neither disposed of for financial gain nor encumbered by any means. Accordingly, such collections are not capitalized or recognized for financial statement purposes.

Depreciation expense amounted to $5,980,449 and $5,931,394 for the years ended June 30, 2017 and 2016, respectively.

Construction-in-progress includes approximately $37,382 and $862,887 of obligations not paid as of June 30, 2017 and 2016, respectively. There was no capitalized interest in 2017 or 2016.

NOTE 6 - ACCOUNTING FOR CONDITIONAL ASSET RETIREMENT OBLIGATIONS

Under the provisions of FASB Accounting Standards Codification (ASC) 410-20 Asset Retirement and Environmental Obligations, the College is obligated to record a liability for conditional asset retirement obligations. The College performed an analysis of such obligations and determined that asbestos remediation costs represented the College's primary source of such liabilities. The College reviewed all facilities and determined the timing, method, and cost of asbestos remediation using a variety of assumptions and estimates. The analysis included an estimated inflation factor and discount rate, which were used to determine the present value of the obligation. The cumulative cost of asset remediation is amortized over the remaining useful life of the affected asset.

The liability related to conditional asset remediation obligations as of June 30 is included in accrued liabilities in the accompanying statements of financial position as follows:

	2017	2016
Beginning balance	$ 1,093,694	$ 1,043,302
Accretion	52,825	50,392
	$ 1,146,519	$ 1,093,694

NOTE 7 - BORROWING ARRANGEMENTS

Bonds and notes payable as of June 30 consist of the following:

	2017	2016
Refinancing note payable to bank, quarterly variable interest payments, swapped to fixed-rate payments.	$ 18,827,365	$ 20,161,516
College Revenue Bonds Series 2009 - capital improvement (net of unamortized discount of $156,737 in 2017 and $163,916 in 2016).	15,923,263	16,266,084
College Revenue Bonds Series 2006 - capital improvement (net of unamortized discount of $-0- in 2017 and $88,587 in 2016).	-	13,911,413
College Revenue Bonds Series 2016 - capital improvement (including unamortized Premium of $934,553 in 2017).	14,369,553	-
Note payable - athletic equipment	67,165	56,177
	49,187,346	50,395,190
Less - Unamortized deferred financing costs	515,892	417,325
	$ 48,671,454	$ 49,977,865

On December 15, 2010, the College obtained a bank loan in the amount of $26,386,313 (2010 Refinancing Note). The proceeds of the 2010 Refinancing Note were used to (i) refund the Pennsylvania Higher Educational Facilities Authority Bonds Series 1998 (Refinanced Bonds) and (ii) pay the cost of issuance of the 2010 Refinancing Note. The College recognized a loss on refinancing related to the write-off of unamortized bond issuance costs of $967,632. The 2010 Refinancing Note carries a variable rate of interest. Amounts outstanding under the 2010 Refinancing Note will bear interest at a rate per annum equal to the sum of 65% of London InterBank Offered Rate (LIBOR) in effect on each reset date plus 1.22%. The 2010 Refinancing Note is a limited obligation of the College, as it is payable solely from net revenues. Principal and interest are payable in quarterly installments, which commenced March 1, 2011, with a final payment due on June 1, 2031. The Note agreement provides that the College maintain certain ratios and other covenants.

In addition, the College entered into a Rate Swap Transaction (RST) for the purpose of fixing the interest rate on the 2010 Refinancing Note at a rate of 3.315%. The RST was effective December 15, 2010, and will continue to June 1, 2031. The fair value of the RST as of June 30, 2017 was approximately $860,989, with a notional amount of $18,827,365. The fair value of the RST as of June 30, 2016 was approximately $1,791,599, with a notional amount of $20,161,516.

The Series 2009A and 2009B Bonds were issued through the Crawford County Industrial Development Authority. The bond agreement is entered into between the Crawford County Industrial Development Authority, the College and a bank. The Series 2009A Bonds require semiannual interest payments at fixed interest rates originally ranging from 2.375% to 6.00% and have maturity dates from 2010 to 2031. The Series 2009B Bonds require weekly variable interest calculations and monthly payments. The principal portion is payable in installments, which commenced on November 1, 2010, with final payment due November 1, 2039. The Bond agreement provides that the College maintain certain ratios and other covenants. As of both June 30, 2017 and 2016, the College had approximately $846,461 of debt service reserve funds from the 2009 bond proceeds, which is included in investments.

NOTE 7 - BORROWING ARRANGEMENTS (Continued)

The Series 2006 Bonds were issued through the Pennsylvania Higher Educational Facilities Authority. The Series 2006 Bonds require semiannual interest payments with two interest rates of 4.75% and 4.80%, with two maturity dates of 2031 and 2036, respectively. The principal portion is payable in installments, which will commence on May 1, 2028, with final payment due May 1, 2036. The Bond agreement provides that the College maintain certain ratios and other covenants. As of June 30, 2017 and 2016, the College had approximately $0 and $1.3 million, respectively, of debt service reserve funds from the 2006 bond proceeds, which is included in investments.

The College has three long-term debt agreements with a financial institution for the purchase of athletic equipment. Interest accrues on the borrowings at an average rate of 4.39%. The combined loan balance outstanding at June 30, 2017 and 2016 was $67,165 and $56,177, respectively.

In July 2016, the Series 2016 Bonds were issued through the Crawford County Industrial Development Authority for a total amount of $14,329,575 with the purpose of refinancing the Series 2006 Bonds and various capital improvements at the College. The Series 2016 Bonds require semiannual interest payments at fixed interest rates ranging from 3% to 5% and have maturity dates from May 1, 2028 with final payment due May 1, 2036. The Bond agreement provides that the College maintain certain ratios and other covenants.

Scheduled payments in each of the next five fiscal years and thereafter, including the Series 2016 bonds issued subsequent to year-end, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 1,818,131	$ 1,816,390	$ 3,634,521
2019	1,875,178	1,751,163	3,626,341
2020	1,929,345	1,684,873	3,614,218
2021	1,991,020	1,611,580	3,602,600
2022	2,066,645	1,536,660	3,603,305
Thereafter	39,507,027	11,276,770	50,783,797
	$ 49,187,346	$ 19,677,436	$ 68,864,782

Interest expense was approximately $1,712,264 for 2017 and $1,868,019 for 2016.

NOTE 8 - LINE OF CREDIT

The College currently has available a $5,000,000 revolving line of credit, which is payable on demand. This line of credit is unsecured. Interest is payable monthly on the outstanding principal balance at the best rate option or LIBOR rate, plus 0.65% (1.83% as of June 30, 2017). This line of credit may be canceled by either the lender or the College upon notification in writing to either party. There were no outstanding borrowings on the line of credit as of June 30, 2017 and 2016.

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from temporary restrictions during at June 30 are as follows:

	2017	2016
Instructional	$ 2,065,872	$ 2,202,898
Research	922,643	680,875
Academic support	756,184	986,845
Student services	1,221,412	1,218,666
Institutional support	188,777	452,348
Scholarships	3,243,064	3,093,396
Capital additions	2,411,473	1,046,650
Satisfaction of time restriction and other	(282,605)	158,759
	$ 10,526,820	$ 9,840,437

The satisfaction of time restriction and other at June 30, 2017 is comprised of prior unrestricted net asset gifts that were released to permanently restricted net assets during the current year.

NOTE 10 - NET ASSETS

Unrestricted net assets as of June 30 include the following:

	2017	2016
Board-designated endowment	$ 33,972,221	$ 27,885,202
Undesignated	65,739,322	67,188,171
	$ 99,711,543	$ 95,073,373

Temporarily restricted net assets as of June 30 include the following:

	2017	2016
Education and general	$ 7,935,481	$ 8,104,322
Split-interest agreements	1,539,364	1,436,515
Trusts held by others	16,195	16,195
Capital additions, renovations and maintenance	2,225,721	1,754,314
Endowment - unexpended gains	76,238,503	65,471,193
	$ 87,955,264	$ 76,782,539

Permanently restricted net assets as of June 30 include the following:

	2017	2016
Endowment	$ 97,350,604	$ 92,193,469
Split-interest agreements	1,262,911	1,254,571
Trusts held by others	7,710,798	7,236,748
	$ 106,324,313	$ 100,684,788

NOTE 10 - NET ASSETS (Continued)

Changes in endowment net assets for the years ended June 30 are as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ 27,885,200	$ 65,471,193	$ 92,193,467	$ 185,549,860
Investment gains, net	8,141,570	16,352,792	251,013	24,745,375
Contributions - outright gifts and contributions - less changes in unamortized discounts and allowances	972,896	-	4,623,519	5,596,415
Gift annuities transferred into endowment	-	-	282,605	282,605
Appropriation of endowment assets for expenditure (spending funds)	(3,027,445)	(5,585,482)	-	(8,612,927)
	$ 33,972,221	$ 76,238,503	$ 97,350,604	$ 207,561,328

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ 30,282,475	$ 72,362,932	$ 80,733,404	$ 183,378,811
Investment losses, net	(611,730)	(1,066,872)	(17,175)	(1,695,777)
Contributions - outright gifts and contributions - less changes in unamortized discounts and allowances	1,087,736	-	11,477,238	12,564,974
Appropriation of endowment assets for expenditure (spending funds)	(2,873,281)	(5,824,867)	-	(8,698,148)
	$ 27,885,200	$ 65,471,193	$ 92,193,467	$ 185,549,860

NOTE 11 - PELL GRANT AND PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY PROGRAMS

Activity of the Pell Grant and Pennsylvania Higher Education Assistance Agency (PHEAA) programs is not reflected in the College's statements of activities and changes in net assets. Students received approximately $2,462,000 and $2,108,000 from the Federal Pell Grant and $1,468,000 and $1,371,000 from the PHEAA programs in the years ended June 30, 2017 and 2016, respectively.

NOTE 12 - EMPLOYEE BENEFITS

The College has defined contribution pension plans covering substantially all of its full-time employees. Contributions to these annuity-funded plans amounted to approximately $2,079,000 and $2,148,000 for the years ended June 30, 2017 and 2016, respectively.

NOTE 12 - EMPLOYEE BENEFITS (Continued)

The College provides medical premium coverage at the option of employees who have completed 10 consecutive years of full-time employment and who have attained the age of 58 or upon retirement until they reach the age of 65. The College and employee each pay their same percentages of the premium monthly during the period after retirement as they did while the employee was working. The liability related to this postretirement benefit was approximately $430,000 and $414,000 as of June 30, 2017 and 2016, respectively, and is included in the accrued liabilities line on the accompanying statements of financial position.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Guaranteed Access to Educational Program (GATE) is a private subsidized educational loan program designed specifically to meet the educational costs of students attending participating accredited institutions. The GATE loans must be repaid by borrowers over a period that typically extends 13 years after graduation. The College participated in the GATE Loan Program through the 2006-2007 academic year. The total potential commitments in excess of the expected contribution by the College to this program amount to approximately $1,400,000 as of June 30, 2017.

In addition, the College receives significant financial assistance from governmental agencies in the form of grants. The disbursement of funds received under such programs generally requires compliance with terms and conditions specified in grant agreements and is subject to audit by grantor agencies. The grant agreements provide for possible auditing of expenditures by grantor agencies and possible disallowance of certain expenditures.

The College is involved in various legal proceedings, administrative actions and claims arising in the normal course of business. In the opinion of management, the College’s liability, if any, under pending litigation and administrative actions will not materially affect its financial statements.

NOTE 14 - RELATED PARTIES

The College engages in transactions with businesses whose executives are members of the Board of Trustees. The College undergoes an annual review process to identify and evaluate all such relationships and has concluded that these transactions were conducted at arm’s length.

NOTE 15 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 23, 2017, the date the financial statements were issued.