Financial Statements

2017 and 2016

LAFAYETTE COLLEGE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Lafayette College
Easton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Lafayette College (the College), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 Lafayette 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 States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 21, 2017

LAFAYETTE COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016
(DOLLARS IN THOUSANDS)

	2017	2016
ASSETS		
Cash and Cash Equivalents	$ 33,031	$ 20,024
Short-Term Investments (Note 2)	13,674	8,840
Accounts and Loans Receivable, Net (Note 3)	6,834	5,118
Contributions Receivable and Bequests, Net (Note 4)	31,262	19,415
Prepaid Expenses and Other Assets	3,920	3,733
Deposits with Bond and Other Trustees (Note 10)	80,011	6,495
Long-Term Investments (Note 5)	852,709	812,259
Property and Equipment, Net (Note 7)	311,548	293,205
Total Assets	$ 1,332,989	$ 1,169,089
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 12,404	$ 9,968
Deposits and Deferred Revenues	4,685	5,363
Funds Held For Others	3,042	2,590
Annuities Payable (Note 2)	23,954	22,363
Postretirement Benefits (Note 15)	47,892	51,253
Federal Student Loans Refundable	2,067	2,142
Interest Rate Hedge/Swap Agreements (Note 11)	14,396	19,801
Conditional Asset Retirement Obligation (Note 13)	1,778	1,651
Capitalized Lease Obligations (Note 12)	4,828	4,644
Bonds Payable, Net (Note 9)	276,153	192,842
Total Liabilities	391,199	312,617
COMMITMENTS AND CONTINGENCIES (Notes 7 and 19)	-	-
NET ASSETS (Note 17)		
Unrestricted	289,447	251,031
Temporarily Restricted	322,627	293,806
Permanently Restricted	329,716	311,635
Total Net Assets	941,790	856,472
Total Liabilities and Net Assets	$ 1,332,989	$ 1,169,089

See accompanying Notes to Financial Statements.

LAFAYETTE COLLEGE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016
(DOLLARS IN THOUSANDS)

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE								
Student Related Revenue:								
Tuition and Fees	$ 124,413	$ -	$ -	$ 124,413	$ 118,247	$ -	$ -	$ 118,247
Scholarships and Fellowships	(43,172)	-	-	(43,172)	(40,041)	-	-	(40,041)
Net Student Related Revenue	81,241	-	-	81,241	78,206	-	-	78,206
Government Grants	2,500	21	-	2,521	1,289	27	-	1,316
Private Gifts and Grants	7,754	1,732	-	9,486	7,171	677	-	7,848
Endowment Support	37,722	688	-	38,410	35,827	428	-	36,255
Other	4,404	190	-	4,594	3,708	227	-	3,935
Sales and Services of Auxiliaries	33,767	-	-	33,767	31,997	-	-	31,997
Net Assets Released from Restriction	1,359	(1,359)	-	-	1,552	(1,552)	-	-
Total Operating Revenue	168,747	1,272	-	170,019	159,750	(193)	-	159,557
OPERATING EXPENSES								
Instruction	60,374	-	-	60,374	59,501	-	-	59,501
Research	2,036	-	-	2,036	1,694	-	-	1,694
Academic Support	13,055	-	-	13,055	11,501	-	-	11,501
Student Services	33,463	-	-	33,463	31,830	-	-	31,830
Institutional Support	30,884	-	-	30,884	27,427	-	-	27,427
Auxiliary Services	27,268	-	-	27,268	26,923	-	-	26,923
Total Operating Expenses	167,080	-	-	167,080	158,876	-	-	158,876
INCREASE (DECREASE) IN NET ASSETS FROM OPERATING ACTIVITIES	1,667	1,272	-	2,939	874	(193)	-	681
NONOPERATING ACTIVITIES								
Long-Term Investment Return	49,484	27,479	7,672	84,635	21,339	(25,161)	(4,532)	(8,354)
Endowment Support	(37,722)	(688)	-	(38,410)	(35,827)	(428)	-	(36,255)
Capital Gifts	2,861	14,691	11,240	28,792	4,188	7,160	6,775	18,123
Redesignation of Net Assets	(45)	(324)	369	-	(2,448)	2,384	64	-
Deferred Giving, Net	9,389	(7,235)	(1,200)	954	(53)	3,908	(247)	3,608
Change in Fair Value of Interest Rate Hedge/Swap Agreements	5,405	-	-	5,405	(5,368)	-	-	(5,368)
Change in Postretirement Benefits Cost	4,379	-	-	4,379	3,065	-	-	3,065
Disposal of Property and Equipment	8	-	-	8	9	-	-	9
Loss of Defeasement of Debt	(3,384)	-	-	(3,384)	-	-	-	-
Net Assets Released from Restriction	6,374	(6,374)	-	-	2,512	(2,512)	-	-
Increase (Decrease) in Net Assets from Nonoperating Activities	36,749	27,549	18,081	82,379	(12,583)	(14,649)	2,060	(25,172)
NET INCREASE (DECREASE) IN NET ASSETS FOR THE YEAR	38,416	28,821	18,081	85,318	(11,709)	(14,842)	2,060	(24,491)
Net Assets - Beginning of Year	251,031	293,806	311,635	856,472	262,740	308,648	309,575	880,963
NET ASSETS - END OF YEAR	$ 289,447	$ 322,627	$ 329,716	$ 941,790	$ 251,031	$ 293,806	$ 311,635	$ 856,472

See accompanying Notes to Financial Statements.

LAFAYETTE COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016
(DOLLARS IN THOUSANDS)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 85,318	$ (24,491)
Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	15,892	14,730
Net Realized and Unrealized Loss on Short-Term Investments	1	252
(Gain) Loss on Conditional Asset Retirement Obligation	127	220
(Gain) Loss on Adjustment for Experience of Postretirement Benefits Cost	1,018	1,950
(Gain) Loss on Property and Equipment Disposals	(9)	(2)
Contributions for Investment in Endowment and Annuities	(22,725)	(13,125)
Changes in Assets and Liabilities:		
Change in Short-Term Investments	(4,834)	(25)
Change in Accounts and Loans Receivable, Net	(2,038)	(48)
Change in Contributions and Bequests, Net	(821)	(203)
Change in Prepaid Expenses and Other	(187)	(677)
Change in Issuance Costs	85	73
Change in Accounts Payable and Accrued Liabilities	(2,585)	(3,547)
Change in Deposits and Deferred Revenues	(677)	(661)
Change in Funds Held for Others	451	97
Change in Postretirement benefits	(4,379)	(3,065)
Change in Interest Rate Hedges/ Swaps Agreements	(5,405)	5,368
Net Cash Provided (Used) by Operating Activities	59,232	(23,154)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(28,312)	(26,582)
Student Loans Issued	(446)	(692)
Student Loans Repaid, Net	768	851
Unrealized (Gain) Loss on Investments, Net	(24,984)	55,496
Change in Contributions and Bequests, Net	(11,026)	(3,439)
Purchases of Investments	(501,860)	(344,669)
Proceeds from Sales and Maturities of Investments	486,394	334,802
Net Cash Provided (Used) by Investing Activities	(79,466)	15,767
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Principal of Debt	(74,511)	(789)
Proceeds from Issuance of Debt	157,027	-
Change in Deferred Giving Liability	1,591	(6,080)
Change in Federal Student Loans Refundable	(75)	22
Contributions for Investment in Endowment and Annuities	22,725	13,125
Change in Deposits with Bond and Other Trustees	(73,516)	1,504
Net Cash Provided by Financing Activities	33,241	7,782
CHANGE IN CASH AND CASH EQUIVALENTS	13,007	395
Cash and Cash Equivalents - Beginning of Year	20,024	19,629
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 33,031	$ 20,024
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash Transactions:		
Amounts Included in Accounts Payable for Purchase of Property and Equipment	$ 5,021	$ 2,747
Equipment Acquired through Capital Lease	$ 894	$ 1,804
Cash Paid During the Year for Interest	$ 9,413	$ 9,736

See accompanying Notes to Financial Statements.

1. THE COLLEGE

Lafayette College (the College), located in Easton, Pennsylvania, is an independent institution offering undergraduate bachelor of arts, science, and engineering degrees. The College was chartered in 1826 and named for the Revolutionary War hero the Marquis de Lafayette. The College is fully accredited by the Middle States Association of Colleges and Schools. The College is coeducational with approximately 2,520 and 2,505 full-time students in Fall 2016 and Fall 2015, respectively. The College occupies a 110-acre campus; the campus comprises approximately 69 academic, residential, and student activity buildings as well as various athletic and playing fields.

The College derives its revenues principally from student tuition, fees, gifts, and investment earnings. Additional support is generated through auxiliary activities, such as dining services and residence facilities. The College expends its resources to meet the College's instructional and educational mission. The College is exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and similar Commonwealth of Pennsylvania provisions. Donations to the College qualify for deduction as charitable contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the College in the preparation of its financial statements are described below:

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). College resources are classified and reported in the accompanying financial statements as separate classes of net assets based on the existence or absence of donor-imposed restrictions within the following categories:

Permanently Restricted — Net assets subject to donor-imposed stipulations that require the corpus to be maintained in perpetuity by the College. The donors of these assets permit the College to use these funds based on the endowment spending policy for general or specific purposes.

Temporarily Restricted — Net assets subject to donor-imposed stipulations that will be met either by actions of the College or the passage of time. Temporarily restricted net assets also include earnings on permanently restricted endowment funds that have not yet been appropriated by the College's Board of Trustees for expenditure.

Unrestricted — Expendable resources that are used to carry out the College's operations and are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by the College's Board of Trustees or may be limited by contractual agreements with outside parties.

Revenue Recognition

Revenue from sources other than contributions is reported as increases in unrestricted net assets. Contributions are reported as increases in the appropriate category of net assets. Long-term investment return is reported as changes in unrestricted net assets unless limited by explicit donor-imposed stipulations, in which case related returns are reported as changes in either temporarily or permanently restricted assets. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished, or the stipulated time period has elapsed, are reported as net assets released from restrictions. Because of changes or clarifications in donor-imposed stipulations, certain net assets may be reclassified amongst permanently restricted, temporarily restricted, or unrestricted net assets.

Tuition and fee revenues are reported net of scholarships and financial aid. Scholarships and financial aid are provided from unrestricted College resources, endowment earnings, donor-restricted gifts, or government grants awarded to students by the College.

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged at their net realizable value. Unconditional promises to give, which are to be received after one year, are discounted using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided in the net asset class in which the contribution receivable resides based on an assessment of the creditworthiness of the respective donor and nature of fundraising activity. Contributions receivable are written-off in the period deemed uncollectible.

Contributions with purpose or time restrictions are reported as increases in temporarily restricted net assets and subsequently released when the restrictions on which they depend are met. The College has determined that any donor-imposed restrictions for current programs and activities met within the operating cycle of the College are recorded directly as unrestricted support. Contributions subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets.

Contributions to be used to acquire or construct long-lived assets are reported as temporarily restricted revenues. The restriction is satisfied when the assets are acquired or constructed and placed in service.

Conditional promises to give and intentions to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Fair Value Measurements

The College has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy in accordance U.S. GAAP. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the hierarchy under U.S. GAAP are described below:

Level 1 – Financial assets and liabilities with values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets, or liabilities.

Level 2 – Financial assets and liabilities with values based on one or more of the following:

1. Quoted prices for similar assets or liabilities in active markets;
2. Quoted prices for identical or similar assets or liabilities in nonactive markets;
3. Pricing models whose inputs are observable for substantially the full term of the asset or liability; or
4. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities with values based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The College's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Both observable and unobservable inputs may be used to determine the fair value of positions that the College has classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable (for example, changes in market interest rates) and unobservable (for example, changes in unobservable long-dated volatilities) inputs, if any.

A review of the fair value hierarchy classifications is conducted on an annual basis. Changes in the types of inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the year in which reclassifications occur.

As a practical expedient, in accordance with ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent) (NAV)*, the College is permitted to estimate the fair value of an investment in an investment company at the measurement date using the reported Net Asset Value (NAV). Adjustment is required if the College expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U. S. GAAP. Accordingly, all investments, for which fair value is measured using NAV, are excluded within the fair value hierarchy.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position and reported based on quoted market prices. Reported fair values for private equities, venture capital limited partnership interests, hedge funds and similar interests (collectively, alternative investments) are estimated by the respective external investment manager if ascertainable fair values are not readily available. Such valuations involve assumptions and methods that are reviewed by the College. Because the College's alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ significantly from the fair value that would have been reported had a ready market for such investments existed. Due to inherent risks and potential volatility in investment valuations, the amounts reported in the accompanying financial statements can vary substantially from year to year and such differences could be material.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly liquid investments with a maturity of three months or less at the time of purchase and debt securities with original maturities of three months or less from the date of purchase, except for those assigned to the College's investment managers as part of the College's long-term investment strategies.

Short-Term Investments

Short-term investments primarily include money market funds and fixed income securities with maturities of up to one year at the time of purchase and are reported at net asset value. Short-term investments are classified as Level 1 in the fair value hierarchy.

Concentrations of Credit Risk

The College's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and deposits with bond and other trustees. These funds are held in various high-quality financial institutions managed by College personnel and outside advisors. The College maintains its cash and cash equivalents in financial institutions that typically, significantly exceed federally insured limits. The College believes that the concentrations of credit risk are reasonable for its cash and cash equivalents, investments, and deposits with bond and other trustees.

Accounts and Loans Receivable

The College's accounts and loans receivable relate to tuition and fees for student attendance and auxiliary activities. Accounts receivable are due at the beginning of each semester and are stated at amounts due from students, net of an allowance for doubtful accounts. The College determines its allowance based on the anticipated net realizable value of collections expected. Receivables are written-off in the period in which they are deemed uncollectible.

Student loans receivable represent institutional loans to students and loans issued under federal student loan programs and are reported net of an allowance for doubtful accounts. Certain student loans through the federal Perkins revolving loan program (see Note 3) are guaranteed by the federal government. Allowances for doubtful accounts are established for all student loans receivable, including federal Perkins loans receivable, based on prior collection experience and current economic factors that, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written off when they are deemed to be permanently uncollectible.

Deposits with Bond and Other Trustees

Deposits with bond and other trustees represent funds held by bond trustees for capital projects and the collateral obligation to the counterparty under the College's various interest rate hedge/swap agreements. Deposits with bond trustees include highly liquid investments with varying maturities and investment goals of preserving capital and maintaining daily liquidity. Deposits with bond and other trustees and the College's obligation to provide collateral to the counterparty of its various swap agreements are classified as Level 2 in the fair value hierarchy.

Property and Equipment

The College capitalizes assets acquired for greater than $5,000 and with useful lives greater than one year. Gifts of property and equipment are recorded at fair value at the date of donation as part of unrestricted nonoperating activities, unless explicit donor stipulations specify how the donated assets must be used.

Maintenance, repairs, and minor improvements are charged to operations as incurred. Major improvements, which substantially extend the useful lives of assets, are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts of the College and the resulting gain or loss, if any, is reflected as part of nonoperating activities.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

	Years
Infrastructure and Land Improvements	40
Building Acquisition and New Construction	40
Building Improvements	25
Library Books	10
Furniture, Fixtures, Equipment, and Vehicles	4-10
Software	4-10

Included in property and equipment is the College's rare works collection. The College carries its rare works collection, works of art, historical treasures, and similar assets at the fair value of the collection items at the date of gift or purchase. These collections are held for public exhibition, education, and research in furtherance of the College's educational and public service mission. The College's collections are not depreciated.

Leasehold improvements are amortized over the shorter of their useful lives or the term of the lease using the straight-line method. Assets under capital leases are amortized on the straight-line method over either the lease term or the estimated useful life of the assets in accordance with current accounting standards.

Capitalized interest is charged to construction in progress or buildings during the period of construction of the capital assets, and is amortized over the useful lives of the associated assets.

The College capitalizes certain computer software costs which are amortized consistent with College policy upon being placed in service. Amortization of capitalized software is included in depreciation expense. No capitalized software was placed in service in 2017 and 2016.

Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The College periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the College's long-lived assets were considered to be impaired as of June 30, 2017 and 2016.

Deposits and Deferred Revenues

Deposits and deferred revenues relate to tuition and matriculation deposits and other payments for future services that are received prior to the end of the current fiscal year. The College apportions revenues and the related expenses of academic semesters which span fiscal years, between the fiscal years to which they pertain. Funds held on behalf of the student organizations and collected for activity fees wherein the College is acting as the fiscal agent are reported as funds held for others.

Annuities Payable

Under the College’s charitable gift annuities program, the College has various types of split-interest agreements, including charitable gift annuities, charitable remainder trusts, and pooled life income funds. Liabilities are recorded at the present value of the estimated future payments expected to be made to donors or other designated beneficiaries. Assets pertaining to the College’s charitable gift annuities program are measured at fair value, are classified as Level 2 in the fair value hierarchy, and are included in long-term investments.

Contribution revenue is recognized at the date the agreements are established based on the fair value of the assets contributed less a liability of the present value of the expected payments to be made to the beneficiaries, which are actuarially determined. Such revenue is reported as an increase in unrestricted, temporarily restricted, or permanently net assets, based on the existence or absence of donor stipulated use restrictions.

For the years ended June 30, 2017 and 2016, the discount rates used to value split-interest agreements ranged between 1.2% and 11.2% and represented the applicable Internal Revenue Service discount rate in effect at the time the gift arrangement originated.

Each year, the College re-evaluates the expected future payments to beneficiaries based on changes in life expectancy and other actuarial assumptions. The changes in the value of the agreements are reported as nonoperating on the statements of activities. Changes in the life expectancy, amortization of the discount, and other changes in the estimates of future annuity payments are recognized annually and are reported as change in value of split-interest agreements in the statement of activities. Upon termination of a life interest, the share of the corpus attributable to the life interest holder becomes available to the College, which may temporarily be restricted based on the existence or absence of donor stipulated use restrictions.

(DOLLARS IN THOUSANDS)

At June 30, 2017 and 2016, the fair value of the assets associated with split-interest agreements was $58,982 and $65,917, respectively, and the liability is recorded as annuities payable in the statements of financial position.

The following table summarizes the changes in the College's annuities payable balance for the years ended June 30, 2017 and 2016:

	2017	2016
Beginning of Year	$ 22,363	$ 28,443
New Agreements	201	242
Terminations of Life Interest	(609)	(4,360)
Actuarial Valuation Change	1,999	(1,962)
End of Year	$ 23,954	$ 22,363

Federal Student Loans Refundable

Funds provided by the federal government under the Perkins Student Loan Program are loaned to qualified students and may be reloaned after collection. The amounts due from students are reported as student loans receivable. These funds are ultimately refundable to the U.S. government and are presented in the statement of financial position as a liability (see Note 3).

On September 30, 2017, the Federal Perkins Loan Program expired. This is an extension to an earlier program expiration of September 30, 2015. No new loans can be issued under this federal program. Students who received their first Perkins Loan before July 1, 2017; however, may be eligible for four more years of loans unless they change their major.

Interest Rate Hedge/Swap Agreements

Interest rate hedge/swap agreements are recognized as either assets or liabilities in accordance with the netting provisions in the counterparty agreement and are measured at fair value. Gains or losses resulting from changes in the fair values of the interest rate hedge/swap agreements are reported by the College as nonoperating gains or losses.

The interest rate hedge/swap agreements liability is measured by alternative pricing sources with reasonable levels of price transparency in markets that may not be continuously active. Based on the complex nature of interest rate hedge/swap agreements, the markets these instruments trade in are not as efficient and are less liquid than that of the more mature Level 1 markets. These markets do, however, have comparable, observable inputs in which an alternative pricing source values these assets in order to arrive at a fair market value. These characteristics classify interest rate hedge/swap agreements as Level 2 in the fair value hierarchy.

Conditional Asset Retirement Obligation

A conditional asset retirement obligation is a legal obligation to perform an asset retirement activity in which the timing and method of settlement are conditional on a future event that may be within the control of the entity. The assets are depreciated over their remaining useful lives and the conditional asset retirement obligation is adjusted for accretion and payments made, if any, on an annual basis.

Debt - Original Issue Premium or Discount

A premium or discount resulting from the issuance of long-term debt (typically the difference between the par amounts of bonds compared to the proceeds received) is amortized to interest expense over the life of the debt instrument using the straight-line method.

The presentation of net borrowings as required under Accounting Standards Update 2015-03 (ASU 2015-03), *Simplifying the Presentation of Debt Issuance Costs* includes the total premium or discount and cost of issuance such as underwriting, bond rating, and legal fees associated with the debt issuance. The carrying value of debt on the statement of financial position includes the unamortized issuance costs in determining the net premium.

Tax Status

The College has been recognized by the Internal Revenue Service (IRS) as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose. Accordingly, the College is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. The College has accrued costs of $250 within its accrued liabilities at June 30, 2017 and 2016 for the estimated income tax liability.

U.S. GAAP requires management to evaluate tax positions taken by the College and recognize a tax liability if the College has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the College, and has concluded that as of June 30, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 reported period.

The most significant management estimates and assumptions relate to the determination of allowances for doubtful accounts for student accounts, loans, and bequests receivable in probate; valuation of investments without a readily determinable fair value; useful lives of fixed assets; conditional asset retirement obligations; actuarial estimates for the College's postretirement health plan and annuities payable; and the reported fair values of certain of the College's assets and liabilities. Actual results could differ from those estimates.

Fund Accounting

The College maintains its internal accounts in accordance with the principles of fund accounting to ensure observance of limitations and restrictions placed on the use of resources available to the College, and to reflect how the College manages its resources. This is the procedure by which resources for various purposes are classified into funds that are in accordance with specified activities or objectives. These financial statements; however, are prepared to focus on the College as a whole and according to the existence or absence of donor-imposed restrictions as required by U.S. GAAP.

Operations

The accompanying statements of activities present the changes in net assets distinguishing between operating and nonoperating activities. Operating activities principally include all revenues and expenses that relate to the College's educational programs, research, and supporting activities. Operating revenues include investment return pursuant to the College's endowment spending policy and appreciation earned on working capital funds. Operating revenues also include the release of temporarily restricted net assets in support of operating activities, and all unrestricted contributions.

The College has defined nonoperating activities principally to include endowment investment return, net of amounts distributed to support operations in accordance with the endowment spending policy (see Note 6); contributions and bequests added to the endowment or supporting major capital acquisition or construction; net assets released from restrictions for capital expenditures; gains or losses on derivative financial instruments; activity related to split interest agreements; and actuarial adjustments associated with postretirement benefits. Certain other gains and losses considered to be of a more unusual or nonrecurring nature are also included as part of nonoperating activities.

(DOLLARS IN THOUSANDS)

Reclassifications

Certain line items in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Specifically, certain property and equipment was reclassified to prepaid expenses and other assets, a private gift and grant was reclassified to other revenue, and conditional asset retirement obligation expense was reclassified from nonoperating activities to instruction. These reclassifications had no impact on total assets, total liabilities, or net assets.

3. ACCOUNTS AND LOANS RECEIVABLE, NET

Accounts and other receivables are reported net of allowance for doubtful accounts. Adjustments to the provision are recorded as part of institutional support in the statement of activities.

The College makes uncollateralized loans to students based on financial need. Student loans are funded through federal government and institutional loan programs, and are reported net of allowance for doubtful loans. Allowances for uncollectible amounts are established based on prior collection experience, student default rates, and current economic factors which, in management's judgment, 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 uncollectible. Loans disbursed under the Federal Perkins Loan program are able to be assigned to the federal government in certain nonrepayment situations. In these situations, the federal portion of the loan balance is guaranteed.

Student account and other receivables as of June 30 consist of the following:

	2017	2016
Students	$ 1,647	$ 979
Grants	1,043	201
Other	1,331	833
Less: Allowance for Doubtful Accounts	(528)	(561)
Subtotal	3,493	1,452
Student Loans	4,213	4,536
Less: Allowance for Doubtful Accounts	(872)	(870)
Subtotal	3,341	3,666
Total	$ 6,834	$ 5,118

The availability of funds for loans under Federal Perkins revolving loan program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government, including allocated interest earnings of $2,067 and $2,142 at June 30, 2017 and 2016, respectively, are ultimately refundable to the government and are classified as federal student loans refundable in the statements of financial position.

(DOLLARS IN THOUSANDS)

4. CONTRIBUTIONS RECEIVABLE AND BEQUESTS, NET

Contributions receivable are recorded at estimated fair value on the date the donor's unconditional promise to contribute is made using the present value of future cash flows. Contributions receivable are not measured at fair value subsequent to the initial measurement because the discount rate selected for each contribution receivable remains constant over time. Contributions receivable, net, consists of the following unconditional promises to give and bequests in probate at June 30, 2017 and 2016:

	2017	2016
Expected to be Collected in:		
Less than One Year, Including Bequests of $66 in 2017 and $1,056 in 2016	$ 9,934	$ 7,620
Between One and Five Years	24,116	13,076
In More than Five Years	251	203
Total	34,301	20,899
Less: Discount to Present Value at Discount Rates Ranging from (0.9% to 2.8%)	(1,670)	(648)
Less: Allowance for Uncollectible Amounts	(1,369)	(836)
Total Contributions Receivable and Bequests, Net	$ 31,262	$ 19,415

The net present value of the contribution receivable is recorded as follows:

	2017	2016
Unrestricted	$ 113	$ 143
Temporarily Restricted (Donor-Imposed Purpose and Time Restrictions)	24,003	12,825
Permanently Restricted (Donor-Endowment Funds)	7,146	6,447
Total Contributions Receivable and Bequests, Net	$ 31,262	$ 19,415

The College has been notified of certain intentions to give under various wills and trust agreements, the realizable amounts of which are not presently determinable. The College's share of such bequests is recorded when the College has an irrevocable right to the bequest and the proceeds are measurable.

At June 30, 2017 and 2016, the College also had conditional contributions of approximately $2,111 and $4,193, respectively, which are not recognized until the condition on which they depend is substantially met.

At June 30, 2017 and 2016, the College also had outstanding contributions receivable from related parties (trustees) of $2,241 and $3,055, respectively. Such trustees are not part of the College's management team.

(DOLLARS IN THOUSANDS)

5. LONG-TERM INVESTMENTS

The following table represents a summary of long-term investments at June 30, 2017 and 2016:

	2017	2016
Endowment Funds	$ 791,505	$ 744,307
Deferred Giving	58,981	65,917
Funds Held for Others	2,223	2,035
Total	$ 852,709	$ 812,259

The following table presents information about the College's long-term investments measured at fair value as of June 30, 2017 and 2016 and indicates the fair value hierarchy of the valuation techniques utilized by the College to determine such fair value:

	2017				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total
Cash and Cash Equivalents	$ 39,818	$ -	$ -	$ -	$ 39,818
Fixed Income:					
Investments	11,246	-	-	-	11,246
Mutual Funds	46,557	-	-	-	46,557
Institutional Mutual Funds	39,449	21,318	-	-	60,767
Total Fixed Income	97,252	21,318	-	-	118,570
Equity:					
Stocks	160,201	-	-	-	160,201
Mutual Funds	15,660	-	-	-	15,660
Institutional Mutual Funds	-	41,130	-	131,541	172,671
Total Equity	175,861	41,130	-	131,541	348,532
Alternative Investments:					
Event Driven/Distressed	-	-	-	47,014	47,014
Long-Short	-	-	-	85,015	85,015
Multi-Strategy/Absolute Return	-	-	-	126,731	126,731
Real Estate	-	-	-	21,621	21,621
Private Equity	-	-	-	65,408	65,408
Total Alternative Investments	-	-	-	345,789	345,789
Total Long-Term Investments	$ 312,931	$ 62,448	$ -	$ 477,330	$ 852,709

(DOLLARS IN THOUSANDS)

	2016				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total
Cash and Cash Equivalents	$ 37,431	$ -	$ -	$ -	$ 37,431
Fixed Income:					
Investments	13,683	-	-	-	13,683
Mutual Funds	72,410	-	-	-	72,410
Institutional Mutual Funds	43,064	20,343	-	-	63,407
Total Fixed Income	129,157	20,343	-	-	149,500
Equity:					
Stocks	195,311	-	-	-	195,311
Mutual Funds	29,751	-	-	-	29,751
Institutional Mutual Funds	-	33,735	-	84,429	118,164
Total Equity	225,062	33,735	-	84,429	343,226
Alternative Investments:					
Event Driven/Distressed	-	-	-	33,883	33,883
Long-Short	-	-	-	67,802	67,802
Multi-Strategy/Absolute Return	-	-	-	86,945	86,945
Real Estate	-	-	-	20,447	20,447
Private Equity	-	-	-	53,025	53,025
Total Alternative Investments	-	-	-	262,102	262,102
Investment Receivable	20,000	-	-	-	20,000
Total Long-Term Investments	$ 411,650	$ 54,078	$ -	$ 346,531	$ 812,259

The estimated fair value of investments is based on quoted market prices, except for certain investments for which quoted market prices are not available and measured at net asset value. Because certain alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a market for such investments existed. These instruments may contain elements of both credit risk and market risk. Such risks include, but are not limited to: limited liquidity, dependence upon key individuals, emphasis on speculative investments, nondisclosure of portfolio composition, and absence of oversight. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions (third-party price verifications for example) used in determining the fair value of the alternative investments. The College requests, receives, and reviews the audited financial statements from all investment managers. Under the terms of certain limited partnership agreements, the College is obligated to periodically advance additional funding or capital calls.

(DOLLARS IN THOUSANDS)

The following tables summarize the liquidity, redemption frequency, redemption notice, and unfunded commitments that have not expired of the Long-Term Investments as of June 30, 2017 and 2016:

	2017					Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	Within 30 Days	31-90 Days	91-365 Days	>365	Total			
Cash and Cash Equivalents	$ 39,818	$ -	$ -	$ -	$ 39,818	$ -	N/A	N/A
Fixed Income:								
Investments	11,246	-	-	-	11,246	-	N/A	N/A
Mutual Funds	46,557	-	-	-	46,557	-	N/A	N/A
Institutional Mutual Funds	60,767	-	-	-	60,767	-	N/A	N/A
Total Fixed Income	118,570	-	-	-	118,570	-		
Equity:								
Stocks	160,201	-	-	-	160,201	-	N/A	N/A
Mutual Funds	15,660	-	-	-	15,660	-	N/A	N/A
Institutional Mutual Funds	103,185	68,533	953	-	172,671	-	Daily - Qtr	N-A - 90 Days
Total Equity	279,046	68,533	953	-	348,532	-		
Alternative Investments:								
Event Driven/Distressed	-	-	29,214	17,800	47,014	14,626	None-Annual	N/A-90 Days
Long-Short	-	36,373	17,810	30,832	85,015	-	None-Annual	30-90 Days
Multi-Strategy/Absolute Return	14,549	15,779	20,937	75,466	126,731	-	Weekly- Annual	3-60 Days
Real Estate	-	-	-	21,621	21,621	3,731	N/A	N/A
Private Equity	-	-	-	65,408	65,408	55,847	N/A	N/A
Total Alternative Investments	14,549	52,152	67,961	211,127	345,789	74,204		
Total Long-Term Investments	$ 451,983	$ 120,685	$ 68,914	$ 211,127	$ 852,709	$ 74,204		

	2016					Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	Within 30 Days	31-90 Days	91-365 Days	>365	Total			
Cash and Cash Equivalents	$ 37,431	$ -	$ -	$ -	$ 37,431	$ -	N/A	N/A
Fixed Income:								
Investments	13,683	-	-	-	13,683	-	N/A	N/A
Mutual Funds	72,410	-	-	-	72,410	-	N/A	N/A
Institutional Mutual Funds	63,407	-	-	-	63,407	-	N/A	N/A
Total Fixed Income	149,500	-	-	-	149,500	-		
Equity:								
Stocks	195,311	-	-	-	195,311	-	N/A	N/A
Mutual Funds	29,751	-	-	-	29,751	-	N/A	N/A
Institutional Mutual Funds	56,898	61,266	-	-	118,164	-	Daily - Qtr	N-A - 90 Days
Total Equity	281,960	61,266	-	-	343,226	-		
Alternative Investments:								
Event Driven/Distressed	-	-	27,567	6,316	33,883	6,383	None-Annual	N/A-90 Days
Long-Short	-	33,895	17,540	16,367	67,802	-	None-Annual	30-90 Days
Multi-Strategy/Absolute Return	-	-	19,105	67,840	86,945	-	Weekly-Annual	3-60 Days
Real Estate	-	-	-	20,447	20,447	6,931	N/A	N/A
Private Equity	-	-	-	53,025	53,025	36,969	N/A	N/A
Total Alternative Investments	-	33,895	64,212	163,995	262,102	50,283		
Investment Receivable	20,000	-	-	-	20,000	-	N/A	N/A
Total Long-Term Investments	$ 488,891	$ 95,161	$ 64,212	$ 163,995	$ 812,259	$ 50,283		

The following provides a brief description of the types of financial instruments held in the long-term investments, the methodology for estimating fair value, and the level within the hierarchy of the estimate. As mentioned previously, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Fixed Income Investments: U.S. dollar denominated, investment grade fixed income securities with quoted prices in active markets. Fixed income investments are considered a Level 1 in the hierarchy.

Fixed Income – Mutual Funds: Mutual funds (open to the general public with quoted prices in active markets) investing in publicly traded fixed income securities with quoted prices in active markets. These mutual funds are generally considered to be a Level 1 in the hierarchy. However, certain fixed income mutual funds that do not have quoted prices in active markets for which fair value is measured using NAV are excluded within the fair value hierarchy.

Fixed Income – Institutional Mutual Funds: Mutual funds (open to institutions only) investing in publicly traded fixed income securities with quoted prices in active markets. Fixed income institutional mutual funds are generally considered to be a Level 1 in the hierarchy. However, certain fixed income institutional mutual funds that do not have quoted prices in active markets for which fair value is measured using NAV are excluded within the fair value hierarchy.

Equity – Stocks: Domestic and/or foreign equity securities with quoted prices in active markets. Equity stocks are considered a Level 1 in the hierarchy.

Equity – Mutual Funds: Mutual funds (open to the general public with quoted prices in active markets) investing in domestic and/or foreign equity securities with quoted prices in active markets. Equity mutual funds are generally considered to be a Level 1 in the hierarchy. However, certain equity income mutual funds that do not have quoted prices in active markets, for which fair value is measured using NAV are excluded within the fair value hierarchy.

Equity – Institutional Mutual Funds: Mutual funds (open to institutions only) investing in domestic and/or foreign equity securities with quoted prices in active markets. Certain equity institutional mutual funds that do not have quoted prices in active markets, are considered to be Level 2 in the hierarchy unless fair value is measured using NAV which are excluded within the fair value hierarchy.

Alternative Investments: Funds and partnerships that invest in a variety of investments to include: private equity, derivatives, real estate, multi-strategy, long/short equities, distressed, and opportunistic fixed income. These investments for which fair value is measured using NAV are excluded within the fair value hierarchy.

Event Driven/Distressed Funds: This category invests in U.S. dollar denominated securities of distressed global companies.

Long/Short Equity Funds: This category invests directly in long and short positions in U.S. and international equities.

(DOLLARS IN THOUSANDS)

Multi-Strategy/Absolute Return Funds: Investments in this category focus on multi-strategy investing including, but not limited to, a variety of arbitrage strategies, distressed investments, private equity, long/short equity, and special situations.

Opportunistic Fixed Income Funds: Investments in this category include senior bank loan fixed income securities, emerging market sovereign debt, and mortgage market securities with advantageous price terms resulting from market dislocations.

Real Estate Funds: This category's investments include any interest in or vehicle relating to real estate assets.

Private Equity Funds: Holdings in this category include private equity, venture capital funds, buyout funds, secondary funds, and direct investments.

The components of long-term investment return from all sources are reflected below for the years ended June 30:

	2017	2016
Investment Earnings	$ 7,871	$ 7,318
Realized Gains, Net	51,780	39,824
Change in Unrealized Gains (Losses), Net	24,984	(55,496)
Long-Term Investment Return	$ 84,635	$ (8,354)

Investment advisory fees paid by the College to external consultants and custodians included in long-term investment return for the years ended June 30, 2017 and 2016 are $702 and $1,001, respectively. The long-term investment return above includes approximately $2,737 and $2,556 of internal investment office management expenses for 2017 and 2016, respectively.

6. ENDOWMENT

The College's endowment consists of approximately 1,409 individual funds established primarily for scholarships, academic program support, and facilities maintenance. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period and funds designated by the Board of Trustees to function as endowments (quasi-endowments). Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Net assets of the deferred giving program (investment fair value less annuities payable) primarily designated for the endowment at maturity are also included in the endowment. Some endowment assets are held, controlled, and administered by third-party trustees (funds held in trust by others).

The College has interpreted Commonwealth of Pennsylvania law as requiring the donor-restricted endowment funds, absent explicit donor stipulations to the contrary, to be managed with the long-term objective of preserving the real value (after inflation) of the funds. As a result of this interpretation, the College classifies as permanently restricted net assets: (a) the original value of gifts donated to its permanent endowment; (b) the original value of subsequent gifts to its permanent endowment; and, (c) accumulations of income to its permanent endowment made in accordance with the direction of the applicable donor gift instrument. Therefore, permanently restricted endowment net assets represent the original corpus of gifts given to the College for which the gift instruments stipulate that the principal be invested in perpetuity and only income be used for donor intended purposes, if any.

(DOLLARS IN THOUSANDS)

Total return earned on the corpus of permanently restricted endowment net assets, is spendable and, accordingly, the College classifies the earnings as temporarily restricted net assets, pending appropriation for expenditure by the College's Board of Trustees.

The fair value of the endowment net assets consists of the following net asset classes:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ (559)	$ 255,656	$ 312,264	$ 567,361
Board-Designated Endowment Funds	222,943	-	-	222,943
Total Managed Endowment Net Assets	222,384	255,656	312,264	790,304
Annuity Net Assets	276	8,999	6,618	15,893
Funds Held in Trust by Others	-	-	3,688	3,688
Pledges and Bequests	-	16,038	7,146	23,184
Total Endowment Net Assets	$ 222,660	$ 280,693	$ 329,716	$ 833,069

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ (1,249)	$ 229,578	$ 293,943	$ 522,272
Board-Designated Endowment Funds	210,971	-	-	210,971
Total Managed Endowment Net Assets	209,722	229,578	293,943	733,243
Annuity Net Assets	366	17,956	7,819	26,141
Funds Held in Trust by Others	-	-	3,426	3,426
Pledges and Bequests	-	5,472	6,447	11,919
Total Endowment Net Assets	$ 210,088	$ 253,006	$ 311,635	$ 774,729

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "historic dollar value." Deficiencies of this nature that are reported in unrestricted net assets totaled $559 and $1,249 as of June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new restricted contributions.

(DOLLARS IN THOUSANDS)

Much of the College's individual endowments are pooled for investment purposes, each unitized fund subscribing to or disposing of units on the basis of the fair value per unit at the beginning of the quarter within which the transaction takes place, while others are invested separately in accordance with donor direction. Total managed endowment net assets are invested as follows:

	2017	2016
Endowment Pooled Funds	$ 681,141	$ 631,880
Separately Invested Endowment Funds	109,163	101,363
Total Managed Endowment Net Assets	$ 790,304	$ 733,243

The investment portfolios are managed to achieve a prudent long-term total return. 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. Under the College's investment policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to provide an average rate of return, over time that exceeds the endowment spending rate plus inflation, defined as the Consumer Price Index, and related investment costs.

The College has adopted an endowment spending policy designed to provide a predictable flow of funds to support annual operations. The spending policy is intended to balance current spending needs and preserve the endowment's future purchasing power. The College applies a 5% spending rate to a 36-month moving average of the endowment's market value ending as of the previous December. The purpose of using a moving average is to smooth out wide fluctuations in the fair value of endowment investments. The Board of Trustees sets the spending rate through the College's annual budget process. Endowment earnings in excess of the spending rate are classified as temporarily restricted net assets until such time that they are appropriated for expenditure. When annual yield is insufficient to support spending appropriations, the balance is provided from temporarily restricted net assets. Special appropriations from the College's quasi-endowment are made for certain purposes in addition to the spending rate, as approved by the College's Board of Trustees, annually, if determined to be necessary.

In accordance with the spending rate and special appropriations, endowment spending distribution of $38,410 and $36,255 was made available in 2017 and 2016, respectively, to support operations of the College. Included in the fiscal 2017 and 2016 appropriations were $2,050 and $1,700, respectively, of support for the College's capital campaign and $4,500 and $5,675, respectively, of additional support for property acquisitions.

(DOLLARS IN THOUSANDS)

The following tables summarize the changes in managed endowment net assets:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Managed Endowment Net Assets - June 30, 2016	$ 209,722	$ 229,578	$ 293,943	$ 733,243
Endowment Return	23,856	49,272	11,513	84,641
Contributions	1,282	(130)	10,587	11,739
Endowment Support	(12,856)	(21,805)	(3,749)	(38,410)
Matured Annuity Funds	2,629	-	512	3,141
Deficiencies in Historical Values	690	(690)	-	-
Operating Transfers and Other Changes	(2,939)	(569)	(542)	(4,050)
Endowment Net Assets - June 30, 2017	$ 222,384	$ 255,656	$ 312,264	$ 790,304

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Managed Endowment Net Assets - June 30, 2015	$ 230,751	$ 254,086	$ 289,351	$ 774,188
Endowment Return	1,045	(8,541)	(746)	(8,242)
Contributions	667	87	8,522	9,276
Endowment Support	(15,754)	(17,049)	(3,452)	(36,255)
Matured Annuity Funds	-	-	203	203
Deficiencies in Historical Values	(1,012)	1,012	-	-
Change in Donor Intent	102	(17)	65	150
Operating Transfers and Other Changes	(6,077)	-	-	(6,077)
Endowment Net Assets - June 30, 2016	$ 209,722	$ 229,578	$ 293,943	$ 733,243

(DOLLARS IN THOUSANDS)

7. PROPERTY AND EQUIPMENT

Property and equipment, net, consists of the following at June 30, 2017 and 2016:

	2017	2016
Land Improvements	$ 55,307	$ 51,271
Buildings and Building Improvements	392,869	358,369
Library Books	30,994	30,856
Furniture, Equipment, Software, and Other Plant Assets	41,465	36,312
Total	520,635	476,808
Less: Accumulated Depreciation and Amortization	(232,590)	(218,446)
Total	288,045	258,362
Land	7,749	6,716
Works of Art and Historical Treasures	4,597	3,834
Construction-in-Progress	11,157	24,293
Total Property and Equipment, Net	$ 311,548	$ 293,205

Depreciation expense for the years ended June 30, 2017 and 2016 was $15,892 and $14,730, respectively.

Buildings and building improvements include capitalized conditional asset retirement obligations at a cost of $1,778 and $1,651 at June 30, 2017 and 2016, with accumulated depreciation of $789 and $821 at June 30, 2017 and 2016, respectively.

Construction in progress is put into service when projects are completed for use. Estimated outstanding construction contract commitments at June 30, 2017 were $3,209 and will be funded through contributions, operating resources, or bond financing proceeds.

8. UNSECURED LINE OF CREDIT

The College has a committed and unsecured line of credit with a financial institution at a maximum borrowing amount of $10,000 for working capital needs. This line of credit is periodically renewed and is scheduled to expire on October 30, 2018. Interest, if funds are drawn, is payable monthly at a floating rate. The College has a depository relationship with this financial institution. There were no borrowings against the line in both June 30, 2017 and 2016.

The College has a committed and unsecured line of credit with a second financial institution at a maximum borrowing amount of $20,000 for working capital. This line of credit is periodically renewed and is scheduled to expire on February 1, 2018. Interest, if funds are drawn, is payable monthly at a floating rate. The College also has a depository relationship with this financial institution. There were no borrowings against the line in both June 30, 2017 and 2016.

9. BONDS PAYABLE, NET

Bonds payable, net consisting of bonds with varying terms and maturity dates through November 2053 (fiscal 2054) totaled $276,153 and $192,842 at June 30, 2017 and 2016, respectively.

Total interest expense on long-term obligations, including net payments related to swap agreements, and investment income offset from deposits with bond trustee, totaled $9,388 and $9,588 for the years ended June 30, 2017 and 2016, respectively. Cash paid for bond interest totaled $9,231 and $9,371, for the years ended June 2017and 2016, respectively. Interest expense totaling $306 and $-0- was capitalized to construction projects for years ended June 30, 2017 and 2016, respectively.

The College amortizes on a straight-line basis bond issuance costs and bond discounts and premiums over the life of the bonds. As of June 30, 2017 and 2016, unamortized bond issuance costs were $1,843 and $1,277, respectively, and are included in bonds payable in the College's statements of financial position. Amortization expense for issuance cost was $85 and $73 for the years ended June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, unamortized bond premiums were $23,671 and $2,289, respectively, are also included in bonds payable in the College's statement of financial position. Amortization expense for bond premiums was $247 and $177 for the years ended June 30, 2017 and 2016, respectively.

In May 2017, the College entered into a loan agreement with the Northampton County General Purpose Authority to issue $136,050 in tax-exempt bonds to finance the construction of an integrated sciences center and other campus improvements and to defease $73,305 of the Series 2008 Bonds. The defeasance resulted in a nonoperating charge of $3,384 in fiscal 2017.

(DOLLARS IN THOUSANDS)

Bonds payable consist of the following at June 30, 2017 and 2016:

Description	2017	2016
Northampton County General Purpose Authority Variable Rate Revenue Refunding Bonds, Series 2003, bearing a weekly variable market interest rate paid monthly, principal payments due in 2023. Interest rate at June 30, 2017 is 0.94%. The bonds are subject to an interest rate swap agreement.	$ 10,190	$ 10,190
Northampton County General Purpose Authority Variable Rate Revenue Bonds, Series 2006, bearing a weekly variable market interest rate paid monthly, with principal payment due in 2036. Interest rate at June 30, 2017 is 0.94%. The bonds are subject to an interest rate swap agreement.	11,000	11,000
Northampton County General Purpose Authority Refunding and Revenue Bonds, Series 2008, 3.25% to 4.5%, principal payments due in 2018 and 2027.	21,400	94,955
Northampton County General Purpose Authority Variable Rate Revenue Refunding Bonds, Series 2010A, principal payments due in 2030, bearing a weekly variable market interest rate paid monthly. The interest rate at June 30, 2017 is 0.94%. The bonds are subject to an interest rate swap agreement.	22,290	22,290
Northampton County General Purpose Authority Revenue Bonds, Series 2010B, 5%, with principal payments due in 2022.	4,000	4,000
Northampton County General Purpose Authority Refunding and Revenue Bonds, Series 2013A, 4.25% - 5%, with principal payments due in 2032 and 2043.	33,715	33,715
Northampton County General Purpose Authority Taxable Refunding and Revenue Bonds, Series 2013B, 5.9%, with principal payment due in 2053.	15,680	15,680
Northampton County General Purpose Authority Taxable Refunding and Revenue Bonds, Series 2017 3.125%-5%, with principal payments due in 2023, 2027 2034, and 2047.	136,050	-
Par Value	254,325	191,830
Unamortized Premium	23,671	2,289
Unamortized Bond Issuance Costs	(1,843)	(1,277)
Total Bonds Payable, Net	$ 276,153	$ 192,842

(DOLLARS IN THOUSANDS)

Aggregate principal maturities of bonds obligations are as follows:

Year Ending June 30,	Amount
2018	$ 250
2019	21,150
2020	-
2021	-
2022	4,000
Thereafter	228,925
Total	$ 254,325

10. DEPOSITS WITH BOND AND OTHER TRUSTEES

Under the terms of its various debt agreements, the College is required to pledge revenues, maintain certain funding for debt repayment and collateral, and comply with various financial covenants including the maintenance of a specified debt service coverage ratio. Deposits with bond trustees, pursuant to these provisions, as of June 30, 2017 and 2016, are as follows:

	2017	2016
Counterparty Collateral	$ -	$ 4,228
Project Funds	80,011	2,267
Total	$ 80,011	$ 6,495

Management is unaware of any violations of the covenants as of June 30, 2017.

11. INTEREST RATE HEDGE/SWAP AGREEMENTS

At June 30, 2017, the College has three fixed interest rate exchange agreements (Swap Contracts) in order to hedge a portion of its interest rate exposure on floating rate tax-exempt bonds. The College pays a Counterparty a fixed rate, and the Counterparty pays the College a variable rate based on an index.

Each of the three Swap Contracts is used to hedge certain interest rate exposures and is not used for speculative purposes. These items are considered Level 2 in the fair value hierarchy. The net payments either made to or received from the counterparty are reported as interest expense within the operating expenses of the statements of activities. For the years ended June 30, 2017 and 2016, net payments to the counterparty were $1,823 and $2,080, respectively.

The College is required to collateralize the amount in excess of $15,000 in aggregate at June 30, 2017 and 2016, of fair value liability of the swap contracts to the valuation calculated by the counterparty. The counterparty is required to provide collateral to the College if a positive fair value is due to the College for the amount in excess of $5,000. For purposes of these daily collateral calculations, the fair values of the three Swap Contracts are netted. The thresholds and collateralization requirements can change with ratings of the College’s outstanding bonds. No collateral was required as of June 30, 2017. A collateral amount of $4,228 was required as of June 30, 2016, which is presented on the statements of financial position within deposits with bond and other trustees.

(DOLLARS IN THOUSANDS)

Description	2017	2016
2003 Swap - In December 2002, the College entered into a fixed-payor swap contract to hedge its 2003 Variable Rate Refunding Bonds. The College is paying the counterparty 4.34% and receiving the SIFMA Index on the 2003 Swap. The 2003 Swap terminates in 2023.	$ 1,705	$ 2,499
2006 Swap - In May 2004, the College entered into a fixed-payor Swap Contract to hedge a portion of its Second Series of 2004 Variable Rate Bonds. In August 2008, the College retired the Second Series of 2004 Variable Rate Bonds and subsequently associated the provisions of the 2004 Swap to the 2006 Bonds. The College is paying the counterparty 3.88%, and the College receives a varying percentage of one-month LIBOR. The 2006 Swap terminates in 2034.	2,901	4,456
2010 Swap - In March 2003, the College sold the counterparty an option to enter into a fixed-payor swap contract which the counterparty exercised in May 2010. The College has associated the 2010 Swap to the 2010A Bonds. The College pays the counterparty a fixed rate of 6% and receives the SIFMA Index plus 0.25%. The 2010 Swap terminates in 2030.	9,790	12,846
Total Interest Rate Hedge/Swap Agreements	$ 14,396	$ 19,801

12. LEASES

The College has entered into various lease agreements for buildings vehicles, computers, and related equipment. The leases expire at various dates through December 31, 2030. For financial reporting purposes, certain minimum lease payments have been capitalized. Capitalized lease obligations consist of the following at June 30, 2017 and 2016:

	2017	2016
Student Residence at 512 March Street	$ 2,490	$ 2,580
Equipment Leases	2,338	2,064
Total	$ 4,828	$ 4,644

In August 2011, the College entered into various agreements related to the development of a new residential facility on a College-owned land parcel within Easton, Pennsylvania. The College is leasing this property to a developer who constructed and manages the facility. The College master leases the facility from the developer as a student residence. As part of the development agreement, the College guarantees the borrower's $3,000 loan. Principal payments of $510 have been made life to date; therefore, the current outstanding balance is $2,490. The loan bears a fixed interest rate of 3.75% with a maturity date of August 29, 2021.

(DOLLARS IN THOUSANDS)

The College retains ownership of the land, and the agreement allows the College to purchase the facility from the developer and assume the loan according to the negotiated terms. The lease agreement is subject to certain Put rights with the developer having the right to put the development to the College with prior notice annually beginning in 2017; such notice was provided to the College on June 1, 2017, effective November 1, 2017. Accordingly, the College will purchase the facility in consideration of the College's assumption of the then existing principal ($2,430), all accrued interest of the developer's bank loan, payment of transfer taxes and closing costs. The assumption of the lease is expected to have no impact on the College's statement of position as the value of the lease is capitalized. The College's lease payments correspond to the mortgage to be assumed, with the College paying $120 in principal and approximately $86 in interest per year through fiscal 2020; and a $1,980 payment due in August 2021.

Other capitalized lease obligations are collateralized by related property and equipment. A summary of the minimum lease payments as of June 30, 2017 and 2016 are as follows:

	2017	2016
Minimum Lease Payments	$ 709	$ 525
Less: Amount Representing Interest	(181)	(164)
Present Value of Minimum Lease Payments	$ 528	$ 361

Amortization of assets under capital leases is included in depreciation expense and amounted to $752 and $506 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments under capital leases at June 30, 2017 are as follows:

Year Ending June 30,	Amount
2018	$ 915
2019	783
2020	756
2021	652
2022	2,356
Thereafter	-
Total	$ 5,462

Total interest costs incurred related to the obligation under capital leases are $149 and $164 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments under operating leases at June 30, 2017 are as follows:

Year Ending June 30,	Amount
2018	$ 170
2019	175
2020	180
2021	186
2022	191
Thereafter	989
Total	$ 1,891

(DOLLARS IN THOUSANDS)

13. CONDITIONAL ASSET RETIREMENT OBLIGATIONS (CARO)

The College has asset retirement obligations (CARO) for asbestos related removal costs. The College accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. The College applied retrospective application to the inception of the liability using an inflation rate of 3.5% and a discount rate of 4.88%. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the College will recognize a gain or loss for any difference between the settlement amount and liability amount recorded. The abatement projects, to which the adjustment pertains, are expected to be completed by fiscal 2024.

The following table summarizes the activity for the CARO for the years ended June 30, 2017 and 2016:

	2017	2016
Beginning of Year	$ 1,651	$ 1,430
Obligations Settled During the Period	(32)	(73)
Accretion Expense	159	294
End of Year	$ 1,778	$ 1,651

14. STUDENT AID

Tuition and fees revenue are presented net of amounts awarded to students to defray the cost of attending the College based on academic merit, need, leadership, service, athleticism, among other criteria.

	2017	2016
Institutional Support	$ 34,674	$ 31,823
Sponsored Support	8,498	8,218
Total	$ 43,172	$ 40,041

Institutional aid includes tuition discounts, financial aid, and merit scholarships awarded to students from unrestricted operating resources. Sponsored aid includes financial aid and scholarships funded from donor-restricted spendable and endowed gifts and other external sources including federal and state grant programs.

15. POSTRETIREMENT BENEFIT OBLIGATIONS

The College maintains a defined contribution retirement plan which covers substantially all eligible employees. The Plan qualifies under Section 403(b) of the Internal Revenue Code and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The College contributes approximately 9.5% of full-time employees' base salary and 8% of eligible part-time employees' base salary. The College's contributions to the Plan for the years ended June 30, 2017 and 2016 amounted to $5,671 and $5,328, respectively.

(DOLLARS IN THOUSANDS)

The College accrues expected medical postretirement benefits over the years that the employees render the necessary service. The postretirement health plan primarily covers full-time employees who joined the College before July 1, 1996 and have continued on a full-time basis since their start of employment.

The following sets forth the plan status with amounts reported in the College's financial statements at June 30:

	2017	2016
Accumulated Postretirement Benefit Obligation (APBO):		
Retirees and Spouses	$ 20,011	$ 21,188
Other Fully Eligible Participants	23,683	24,765
Other Active Plan Participants Not Yet Fully Eligible	4,198	5,300
Accumulated Postretirement Benefit Obligation	$ 47,892	$ 51,253

	2017	2016
Service Cost - Benefits Attributed to Service During the Period	$ 220	$ 289
Interest Cost on Accumulated Postretirement Benefit Obligation	1,898	2,324
Amortization of Net Loss	-	427
Net Periodic Postretirement Benefit Cost	2,118	3,040
Net Benefit Payments	(1,100)	(1,090)
Net Change in Accrued Postretirement Benefit Costs	1,018	1,950
Current Year Adjustments:		
Amortization of Net Gain (Loss)	-	(427)
Discount Rate Changes	(2,050)	6,011
Experience and Other Assumption Changes	(2,329)	(8,649)
Net Change in Accrued Postretirement Benefit Obligation	$ (3,361)	$ (1,115)

A 7% annual rate of increase in the per capita costs of covered health care benefits was assumed for 2016 and all years thereafter. Increasing the assumed health care cost trend rates by one percentage point in each year would increase the medical portion of the APBO as of June 30, 2017 by $8,449 and increase the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost for 2017 by $391. The June 30, 2017 and 2016 APBO is based on a discount rate of 4.0% and 3.75%, respectively.

The College recognizes the difference between the cumulative accrued periodic postretirement benefits expense charged to annual operations and the total APBO accrued as the postretirement benefits liability with a corresponding credit or charge to nonoperating unrestricted net assets. At June 30, 2017 and 2016, the corresponding cumulative charge was $(72) and $4,307, respectively.

(DOLLARS IN THOUSANDS)

The net periodic postretirement benefits cost includes $-0- and $427 for the years ended June 30, 2017 and 2016, respectively, for the amortization of a portion of the unrecognized loss resulting from the difference between the APBO and the cumulative accrued periodic postretirement benefits. In addition, gains or losses from discount rate changes have been recognized and added or (deducted) from the APBO in the amount of $(2,050) and $6,011 as of June 30, 2017 and 2016, respectively. Lastly Experience and Mortality Table Changes were deducted from the APBO in the amount of $(2,329) and ($8,649) as of June 30, 2017 and 2016, respectively.

Projected benefit payments are as shown below:

Year Beginning July 1,	Expected College Cost
2018	$ 1,410
2019	1,543
2020	1,665
2021	1,797
2022	1,926
2023-2027	10,772

16. SUMMARY OF EXPENSES BY NATURAL CLASSIFICATION

The College's primary program services are instruction and research. Expenses reported as academic support, student services, and auxiliary activities are incurred in support of these primary program services. Institutional support includes general and administrative expenses. Expenses by functional classification, in accordance with the categories recommended by the National Association of College and University Business Officers, include allocations of depreciation, operation and maintenance costs, and interest. Depreciation and operation and maintenance costs are allocated based upon the use of facilities. Interest costs are allocated based upon the use of debt proceeds.

Expenses, by natural classification, for the years ended June 30, 2017 and 2016 were as follows. Operations and maintenance includes interest in the amount of $386 and $650, as of June 30, 2017 and 2016, respectively.

	2017							
	Instruction	Research	Academic Support	Student Services	Institutional Support	Auxiliary Services	Operations and Maintenance	Total
Salaries and Wages	$ 27,800	$ 723	$ 3,575	$ 10,687	$ 13,986	$ 5,132	$ 4,445	$ 66,348
Benefits	9,797	71	1,189	3,370	4,768	1,642	1,690	22,527
Total Compensation	37,597	794	4,764	14,057	18,754	6,774	6,135	88,875
Scholarships and Fellowships	282	151	6	157	46	-	-	642
Materials, Equipment, and Supplies	1,367	194	1,252	1,224	701	2,125	1,167	8,030
Purchased for Contractual Services	3,113	226	489	1,575	3,087	8,474	4,485	21,449
Lodging, Travel, and Similar Costs	2,263	338	215	2,566	1,121	55	121	6,679
Utilities, Taxes, Occupancy, and Insurance	120	-	46	304	997	888	4,670	7,025
Other Expenses	1,038	148	529	1,993	3,728	1,143	246	8,825
Depreciation and Amortization	4,119	185	2,292	2,906	1,166	2,644	2,580	15,892
Interest	3,295	-	801	1,869	210	3,102	386	9,663
Operations and Maintenance	7,180	-	2,661	6,812	1,074	2,063	(19,790)	-
Total Expenses	$ 60,374	$ 2,036	$ 13,055	$ 33,463	$ 30,884	$ 27,268	$ -	$ 167,080

(DOLLARS IN THOUSANDS)

	2016							
	Instruction	Research	Academic Support	Student Services	Institutional Support	Auxiliary Services	Operations and Maintenance	Total
Salaries and Wages	$ 27,190	$ 589	$ 3,311	$ 9,943	$ 13,167	$ 5,208	$ 4,450	$ 63,858
Benefits	9,824	54	1,140	3,259	4,612	1,669	1,664	22,222
Total Compensation	37,014	643	4,451	13,202	17,779	6,877	6,114	86,080
Scholarships and Fellowships	112	130	5	102	45	-	-	394
Materials, Equipment, and Supplies	1,963	220	182	1,272	531	1,911	1,373	7,452
Purchased for Contractual Services	2,892	152	298	1,206	3,379	7,968	4,312	20,207
Lodging, Travel, and Similar Costs	2,505	363	206	2,593	1,146	44	429	7,286
Utilities, Taxes, Occupancy, and Insurance	72	1	54	247	1,009	718	4,245	6,346
Other Expenses	764	176	648	1,943	1,912	1,063	123	6,629
Depreciation and Amortization	4,436	9	2,988	3,193	697	3,407	-	14,730
Interest	3,141	-	797	1,944	144	3,076	650	9,752
Operations and Maintenance	6,602	-	1,872	6,128	785	1,859	(17,246)	-
Total Expenses	$ 59,501	$ 1,694	$ 11,501	$ 31,830	$ 27,427	$ 26,923	$ -	$ 158,876

Fundraising expenses are included in institutional support in the accompanying statements of activities. For the years ended June 30, 2017 and 2016, fundraising costs total $5,224 and $4,693, respectively. The College includes only those fundraising costs incurred by its development office for purposes of reporting fundraising expenses and does not allocate other College personnel costs or overhead to this category.

17. NET ASSETS

Certain unrestricted net assets have been designated for specific purposes or uses under various internal operating and administrative arrangements of the College. As a result, substantially all the net assets classified as unrestricted in the accompanying statements of financial position as of June 30, 2017 and 2016 have been earmarked for long-term investment, special purposes, or are invested in plant. Unrestricted net assets consisted of the following at June 30, 2017 and 2016:

	2017	2016
Undesignated	$ 20,551	$ 16,028
Quasi-Endowment	222,384	209,722
Postretirement Benefits Provision	(47,892)	(51,253)
Hedge/Swap Agreements Provision	(14,396)	(19,801)
Net Investment in Plant	108,800	96,335
Total	$ 289,447	$ 251,031

Temporarily restricted net assets are principally restricted for educational and other donor-stipulated purposes. Temporarily restricted net assets also include certain gifts for which the donors have not yet articulated their intended purposes.

(DOLLARS IN THOUSANDS)

The composition of temporarily restricted net assets at June 30, 2017 and 2016 is as follows:

	2017	2016
Appreciation on Endowed Donor Contributions Supporting:		
Scholarship and Financial Aid	$ 55,751	$ 43,540
Educational and General Programs	168,493	165,926
Facilities and Maintenance	45,496	35,395
Loan Funds for Students	750	750
Annuity Funds	28,134	35,370
Contributions Receivable	24,003	12,825
Total	$ 322,627	$ 293,806

Permanently restricted net assets consist principally of endowment funds and funds held in trust by others, which are designated for the following purposes at June 30:

	2017	2016
Donor-Contributed Principal Invested to Support:		
Scholarship and Financial Aid	$ 87,068	$ 76,946
Educational and General Programs	198,692	192,673
Facilities and Maintenance	29,982	27,541
Loan Funds for Students	210	210
Annuity Funds	6,618	7,818
Contributions Receivable	7,146	6,447
Total	$ 329,716	$ 311,635

Deferred Giving net assets consist of the following for the years ended June 30:

	2017	2016
Unrestricted	$ 275	$ 367
Temporarily Restricted	28,134	35,369
Permanently Restricted	6,618	7,818
Total	$ 35,027	$ 43,554

18. NET ASSETS RELEASED FROM RESTRICTIONS AND RECLASSIFICATIONS

Net assets released from donor-imposed restrictions for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Academic Support	$ 330	$ 219
Expiration of Time and Purpose Restrictions	7,403	3,845
Net Assets Released from Restrictions	$ 7,733	$ 4,064

From time to time, certain funds may be reclassified from permanently restricted net assets to temporarily restricted net assets or unrestricted net assets or from temporarily restricted net assets to permanently restricted net assets due to clarification of donor stipulations. During fiscal 2017 and 2016, the College reclassified $-0- and $2,448 from unrestricted net assets primarily to temporarily restricted net assets, respectively.

19. CONTINGENCIES

Amounts received and expended by the College under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, would not have a material effect on the financial position, changes in net assets, or cash flows of the College.

The College is, from time to time, subject to routine litigation incidental to its business. College counsel believes that existing insurance policies are sufficient and, as such, management believes that pending litigation will not have a material adverse effect on the financial position, changes in net assets, or cash flows of the College.

20. SUBSEQUENT EVENTS

The College evaluated its June 30, 2017 financial statements for subsequent events through October 21, 2017, the date the financial statements were issued, and determined that all significant events and disclosures are included in the accompanying financial statements. See Note 12 regarding the student residence at 512 March Street.

LAFAYETTE COLLEGE

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