

Financial Statements Together with  
Report of Independent Certified Public Accountants

**ST. FRANCIS COLLEGE**

June 30, 2016 and 2015

# ST. FRANCIS COLLEGE

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Grant Thornton LLP  
757 Third Avenue, 9th Floor  
New York, NY 10017  
T 212.599.0100  
F 212.370.4520  
[GrantThornton.com](http://GrantThornton.com)  
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of  
**St. Francis College**

We have audited the accompanying financial statements of St. Francis College (the “College”), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management’s responsibility for the financial statements

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

### Auditor’s 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 our 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 auditor’s 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 College’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 College’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 aspects, the financial position of St. Francis College as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*GRANT THORNTON LLP*

New York, New York  
October 21, 2016

**ST. FRANCIS COLLEGE**  
**Statements of Financial Position**  
**As of June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,789,337	\$ 1,504,695
Receivables		
Student accounts, net	1,519,317	1,360,067
Government grants	51,990	74,197
Other	1,000,139	830,190
Contributions, net	2,652,815	3,189,513
Student notes, net	556,324	604,614
Prepaid expenses and other assets	1,540,087	1,405,579
Investments	71,009,106	74,729,255
Funds held by trustee	566,733	613,786
Cash restricted for loan programs	35,326	53,122
Property, equipment and collections, net	<u>57,649,676</u>	<u>60,452,974</u>
Total assets	<u>\$ 138,370,850</u>	<u>\$ 144,817,992</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 3,881,593	\$ 4,018,964
Deferred revenue and student deposits	889,532	892,499
Accrued interest payable	315,711	318,811
Deferred contract revenue	2,362,767	2,964,789
Long-term debt	35,928,190	36,229,207
Refundable loan program	<u>510,525</u>	<u>569,522</u>
Total liabilities	<u>43,888,318</u>	<u>44,993,792</u>
Commitments and Contingencies		
<b>NET ASSETS</b>		
Unrestricted		
Available for operations	7,731,971	7,432,606
Quasi-endowment	28,957,468	32,754,641
Investment in plant	22,288,219	24,837,552
Campaign	173,412	117,209
Renewals and replacements	9,618,399	9,597,395
Plant projects	1,585,888	1,769,692
Institutional loans	<u>104,000</u>	<u>111,378</u>
Total unrestricted net assets	70,459,357	76,620,473
Temporarily restricted	11,610,002	11,075,397
Permanently restricted	<u>12,413,173</u>	<u>12,128,330</u>
Total net assets	<u>94,482,532</u>	<u>99,824,200</u>
Total liabilities and net assets	<u>\$ 138,370,850</u>	<u>\$ 144,817,992</u>

*The accompanying notes are an integral part of these statements.*

**ST. FRANCIS COLLEGE**  
**Statement of Activities**  
**For the year ended June 30, 2016, with summarized totals for 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2016	2015
<b>OPERATING REVENUES AND SUPPORT</b>					
Student tuition and fees	\$ 60,523,072	\$ -	\$ -	\$ 60,523,072	\$ 57,611,431
College scholarships	(20,727,859)	-	-	(20,727,859)	(18,432,938)
Federal financial assistance	(301,015)	-	-	(301,015)	(298,709)
Net tuition and fees	39,494,198	-	-	39,494,198	38,879,784
Government appropriations	519,848	-	-	519,848	511,945
Gifts and private grants	1,472,879	1,515,625	-	2,988,504	4,027,928
Investment return used for operations	3,464,781	-	-	3,464,781	3,666,017
Other	2,131,937	-	-	2,131,937	2,185,900
Net assets released from restrictions	1,144,306	(1,144,306)	-	-	-
Total operating revenues and support	48,227,949	371,319	-	48,599,268	49,271,574
<b>OPERATING EXPENSES</b>					
Instruction	19,258,902	-	-	19,258,902	19,639,519
Academic support	4,860,100	-	-	4,860,100	4,743,401
Student services	11,634,339	-	-	11,634,339	10,814,378
Institutional support	12,984,876	-	-	12,984,876	12,323,352
Total operating expenses	48,738,217	-	-	48,738,217	47,520,650
Change in net assets from operating activities	(510,268)	371,319	-	(138,949)	1,750,924
<b>NONOPERATING ACTIVITIES</b>					
Gifts and private grants	(196,768)	92,780	284,843	180,855	954,885
Capital campaign expenses	(686,034)	-	-	(686,034)	(753,918)
Capital project expenses	(463,371)	-	-	(463,371)	(585,120)
Investment return net of amounts in support of operations	(3,695,269)	70,506	-	(3,624,763)	(2,522,326)
Early retirement program	(609,406)	-	-	(609,406)	(613,083)
Change in net assets from nonoperating activities	(5,650,848)	163,286	284,843	(5,202,719)	(3,519,562)
Change in net assets	(6,161,116)	534,605	284,843	(5,341,668)	(1,768,638)
Net assets, beginning of year	76,620,473	11,075,397	12,128,330	99,824,200	101,592,838
Net assets, end of year	\$ 70,459,357	\$ 11,610,002	\$ 12,413,173	\$ 94,482,532	\$ 99,824,200

*The accompanying notes are an integral part of this statement.*

**ST. FRANCIS COLLEGE**  
**Statement of Activities**  
**For the year ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>OPERATING REVENUES AND SUPPORT</b>				
Student tuition and fees	\$ 57,611,431	\$ -	\$ -	\$ 57,611,431
College scholarships	(18,432,938)	-	-	(18,432,938)
Federal financial assistance	(298,709)	-	-	(298,709)
Net tuition and fees	38,879,784	-	-	38,879,784
Government appropriations	511,945	-	-	511,945
Gifts and private grants	1,975,796	2,052,132	-	4,027,928
Investment return used for operations	3,666,017	-	-	3,666,017
Other	2,185,900	-	-	2,185,900
Net assets released from restrictions	1,270,669	(1,270,669)	-	-
Total operating revenues and support	<u>48,490,111</u>	<u>781,463</u>	<u>-</u>	<u>49,271,574</u>
<b>OPERATING EXPENSES</b>				
Instruction	19,639,519	-	-	19,639,519
Academic support	4,743,401	-	-	4,743,401
Student services	10,814,378	-	-	10,814,378
Institutional support	12,323,352	-	-	12,323,352
Total operating expenses	<u>47,520,650</u>	<u>-</u>	<u>-</u>	<u>47,520,650</u>
Change in net assets from operating activities	<u>969,461</u>	<u>781,463</u>	<u>-</u>	<u>1,750,924</u>
<b>NONOPERATING ACTIVITIES</b>				
Gifts and private grants	285,435	90,232	579,218	954,885
Capital campaign expenses	(753,918)	-	-	(753,918)
Capital project expenses	(585,120)	-	-	(585,120)
Investment return net of amounts in support of operations	(2,821,994)	299,668	-	(2,522,326)
Early retirement program	(613,083)	-	-	(613,083)
Change in net assets from nonoperating activities	<u>(4,488,680)</u>	<u>389,900</u>	<u>579,218</u>	<u>(3,519,562)</u>
Change in net assets	(3,519,219)	1,171,363	579,218	(1,768,638)
Net assets, beginning of year	<u>80,139,692</u>	<u>9,904,034</u>	<u>11,549,112</u>	<u>101,592,838</u>
Net assets, end of year	<u>\$ 76,620,473</u>	<u>\$ 11,075,397</u>	<u>\$ 12,128,330</u>	<u>\$ 99,824,200</u>

*The accompanying notes are an integral part of this statement.*

**ST. FRANCIS COLLEGE**  
**Statements of Cash Flows**  
**For the years ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (5,341,668)	\$ (1,768,638)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation	4,364,972	4,377,362
Uncollectible student accounts and loans receivable	(76,746)	(71,349)
Allowance and discount for multi-year pledges	590,998	251,563
Amortization of bond discount	8,983	124,707
Permanently restricted contributions	(284,843)	(579,218)
Realized and unrealized loss and (gain) on investments	508,633	(544,123)
Changes in assets and liabilities		
(Increase) decrease in student accounts receivable	(82,791)	216,272
Increase in contributions receivable	(54,300)	(1,071,596)
Increase in prepaid expenses, other assets and receivables	(282,250)	(945,244)
Decrease in accounts payable and accrued expenses	(137,371)	(993,076)
Decrease in deferred revenue and student deposits	(2,967)	(23,497)
Decrease in accrued interest payable	(3,100)	(138,315)
Decrease in deferred contract revenue	<u>(602,022)</u>	<u>(602,021)</u>
Net cash used in operating activities	<u>(1,394,472)</u>	<u>(1,767,173)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities and sale of investments	45,878,089	13,936,018
Purchases of investments	(42,666,574)	(10,502,690)
Collections of loans to students	110,035	96,041
Advances of loans to students	(61,458)	(92,100)
Purchase of property, plant, and equipment	<u>(1,561,673)</u>	<u>(2,058,259)</u>
Net cash provided by investing activities	<u>1,698,419</u>	<u>1,379,010</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Permanently restricted contributions	284,843	579,218
Proceeds from issuance of long-term debt	-	12,585,000
Repayments of long-term debt	(310,000)	(14,075,000)
Restricted cash	17,796	(15,124)
Funds held by bond trustee	47,053	1,019,324
Refundable loan program	<u>(58,997)</u>	<u>9,941</u>
Net cash (used in) provided by financing activities	<u>(19,305)</u>	<u>103,359</u>
Net increase (decrease) in cash and cash equivalents	284,642	(284,804)
Cash and cash equivalents, beginning of year	<u>1,504,695</u>	<u>1,789,499</u>
Cash and cash equivalents, end of year	<u>\$ 1,789,337</u>	<u>\$ 1,504,695</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 1,516,560	\$ 1,810,164
Accounts payable and accrued expenses for capital expenditures	116,333	13,379

*The accompanying notes are an integral part of these statements.*

**ST. FRANCIS COLLEGE**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

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**1. ORGANIZATION**

St. Francis College (the “College”), located in Brooklyn Heights, New York, is a private, nonprofit, independent, co-educational college chartered by the Legislature of the State of New York and the Board of Regents of the University of the State of New York and accredited by the Middle States Association of Colleges and Universities.

The College offers undergraduate degree programs in the arts, sciences, and professions. The College welcomes students from various backgrounds and provides a liberal arts education at an affordable price. By integrating liberal arts and pre-professional programs, the College promotes the development of the whole person.

Both the Franciscan heritage and the Catholic tradition establish a cornerstone of academic excellence, social responsibility, and mutual respect throughout the entire College community. The College derives its revenues principally from student tuition and fees, government appropriations, grants, contracts and gifts and investment returns. The College expends these resources to meet its instructional and educational mission.

The College has been classified as a Section 501(c)(3) organization and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and similar provisions under New York state tax laws. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements (Note 2).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies employed by the College follow:

**Basis of Presentation**

The accompanying financial statements have been prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, college resources are classified and reported as separate classes of net assets based upon the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets - 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 Board of Trustees or may be limited by contractual agreements with outside parties.

Unrestricted Net Assets are comprised of the following:

Available for operations: include resources associated with the principal educational mission of the College and are, therefore, available to support current operations.

Quasi-endowment: include resources that have been designated by the Board of Trustees to function as endowments. Any portion of the quasi-endowment may be expended upon approval of the Board of Trustees. Investment income from these net assets supports the current operations of the College in accordance with the total return spending policy.

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Investment in plant: represent assets invested in property and equipment (net of accumulated depreciation) plus funds held by the trustee for debt service and accrued interest thereon, if any, less related debt incurred to acquire property and equipment.

Campaign: represent the cumulative unrestricted donations established to support the College's future plans for facilities improvement and program enhancement.

Renewals and replacements: represent resources that have been designated for the future acquisition, renewal or replacement of plant and equipment.

Plant projects: represent amounts that have been committed for specific plant improvements or acquisitions.

Institutional loans: represent resources in support of the College's share of the Federal Perkins Loan Program.

Temporarily Restricted Net Assets - Resources subject to donor-imposed stipulations that will be met either by actions of the College and/or the passage of time. In addition, earnings on certain donor-restricted endowment funds are classified as temporarily restricted until appropriated for expenditure by the Board of Trustees (Notes 14 and 19).

Permanently Restricted Net Assets - Resources subject to donor-imposed stipulations requiring such funds to be maintained permanently by the College. The donors of these assets permit the College to use the income earned on related investments for general or specific purposes. At June 30, 2016 and 2015, permanently restricted net assets totaled \$12,413,173 and \$12,128,330, respectively, all of which were restricted for endowed scholarships (Note 19).

Revenues and gains and losses on investments and other assets are reported as changes in unrestricted net assets unless limited by explicit donor-imposed stipulations. 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, and/or the stipulated time period has elapsed are reported as net assets released from restrictions. Provisions for uncollectible multi-year pledges, if any, are charged directly to the respective temporarily or permanently restricted net assets to which they relate. As a result of changes in donor stipulations, certain net assets may be reclassified from time to time.

Income and net gains on investments of endowment and similar funds are reported as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income, or if such income and gains are pending Board appropriation.

**Fair Value Measurements**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As required by U.S. GAAP for fair value measurement, the College uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

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The College uses, where appropriate, the Net Asset Value (“NAV”) per share, or its equivalent to determine the fair value as of the measurement date of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their investees financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

In 2015, the Financial Accounting Standards Board (the “FASB”) issued guidance eliminating the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV as a practical expedient. The amendments within this update must be applied retrospectively to all periods presented. As such, the College has adopted this guidance for the years ended June 30, 2016 and 2015. This new guidance only amended disclosure requirements and did not have any impact on the College’s consolidated statements of financial position or consolidated statements of activities for the years presented.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the College. The College considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the College’s perceived risk of that instrument.

**ST. FRANCIS COLLEGE**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

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**Tuition and Fees**

Student tuition and fees are recognized as revenue when earned. The carrying value of student receivables has been reduced by an appropriate allowance for uncollectible accounts, based on historical collection experience and, therefore, approximates net realizable value. Receivables are written off in the period in which they are deemed to be uncollectible. Amounts received in advance are reported as deferred revenues.

Net student tuition and fees represent total tuition and fees less College and endowment funded scholarships, and federal financial assistance.

Certain tuition and fees have been pledged as collateral for the College's Revenue Bonds, series 2010 (Note 10).

**Contributions**

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of the gift.

Contributions to be received after one year are discounted using an appropriate risk adjusted discount rate.

Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity.

Contributions with purpose or time restrictions that are met in the same reporting period are reported as increases in unrestricted net assets. Otherwise, they are reported as increases in temporarily restricted net assets and subsequently released when the conditions are met. The College has determined that any donor-imposed restrictions for current programs and activities are generally met within the operating cycle of the College and, therefore, such contributions are recorded as unrestricted.

Contributions, including cash or other assets, to be used to acquire long-lived assets are reported as temporarily restricted nonoperating support. Restrictions are considered released when the long-lived assets are placed into service.

Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. As of June 30, 2016 and 2015, there were no outstanding conditional pledges due to the College.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of money market funds and liquid financial instruments, including U.S. government and government agency obligations, bank certificates of deposit, commercial paper, corporate notes, and short-term and intermediate-term investment funds, with original maturities of three months or less, except for those managed by the College's investment managers as part of their long-term investment strategies, and represent the College's working capital.

**ST. FRANCIS COLLEGE**  
**Notes to Financial Statements**  
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**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and reported in the accompanying statements of financial position based upon quoted market prices. Investments in hedge funds are based upon published current market prices when available. In the absence of readily ascertainable market values, the fair values of these financial instruments are based on estimates and assumptions determined by the respective fund managers, which the College believes are reasonable and appropriate.

**Financial Instruments**

The carrying amounts of cash and cash equivalents, student accounts receivable, prepaid expenses, other receivables, and accounts payable and other liabilities approximate fair value due to the short maturity of these financial instruments.

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Contributions to be received after one year are discounted using an appropriate risk adjusted rate of return and, approximate fair value.

The fair values of investments are based on the quoted market values of the underlying securities or NAV per share, as appropriate.

A reasonable estimate of the fair value of student notes receivable under the Federal Perkins Loan Program could not be made because the notes are not saleable and can only be assigned to the U.S. Government or its designees.

The fair value of the Dormitory Authority of the State of New York Facility Revenue Bonds, which were issued in December 2014, approximated \$13,780,000 at June 30, 2016.

The fair value of the Dormitory Authority of the State of New York Facility Revenue Bonds, which were issued in August 2011, approximated \$26,463,139 at June 30, 2016.

**Risks and Uncertainties**

Investment securities, in general, are exposed to various 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 value of investments could occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements. Management believes that it has mitigated market risk by diversifying its portfolio.

**Annuity and Life Income Agreements**

The College accepts certain gifts on the condition that periodic annuity or life income distributions are made to designated beneficiaries. Assets associated with these gifts are recorded at their fair value. The College recognizes contribution revenue in an amount equal to the present value of the remainder trust at the anticipated time of receipt, and classifies the related contribution revenue as an increase in temporarily restricted net assets. Liabilities associated with these gifts (the liability under unitrust agreement) represent the present value of payments expected to be made to beneficiaries. Changes in annuity and life income obligations resulting from changes in actuarial assumptions and the accretion of the discount are recorded as increases or decreases in temporarily restricted net assets. As of June 30, 2016 and 2015, such annuity

**ST. FRANCIS COLLEGE**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

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and life income agreements amounted to \$77,936 and \$82,020, respectively, and are included within investments in the accompanying statements of financial position. As of June 30, 2016 and 2015, the liabilities for such annuity and life income agreements amounted to \$25,161 and \$28,214, respectively, and are included within accounts payable and accrued expenses in the accompanying statements of financial position.

**Property, Equipment, and Collections**

Property, equipment and art collections are stated at cost if purchased or at fair value if donated. All gifts of land, buildings, and equipment are recorded as unrestricted nonoperating activities unless explicit donor stipulations specify how the donated assets must be used, in which case the gifts are recorded as temporarily restricted nonoperating activities.

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 and the resulting gain or loss, if any, is reflected within nonoperating activities.

Depreciation is computed on the straight-line basis over the estimated useful lives of the buildings (20 to 50 years), building improvements (10 to 30 years), and equipment (5 to 10 years). Certain assets of the College meet the criteria of Collections and accordingly are not depreciated (Note 8).

The College's capitalization policy requires that all donated or purchased property with a cost or fair value exceeding \$5,000 be recorded as a capital asset.

**Functional Expenses**

U.S. GAAP requires the College to provide information about expenses by their functional classification either in the statement of activities or in the notes to the financial statements. The College allocates its facilities costs (operation and maintenance of plant, depreciation expense and interest expense) to its respective functional categories in the accompanying statements of activities and discloses the amounts by natural classifications (Note 18).

**Grants and Contracts**

Grants and contracts are reported as unrestricted revenues when expenses are incurred in accordance with the terms of the respective agreements. Amounts received in advance are presented as deferred revenue in the accompanying statements of financial position.

**Refundable Loan Program**

Funds provided by the U.S. Government under the Federal Perkins Student Loan program are loaned to qualified students and are re-loaned after collection. These funds are ultimately refundable to the government and are presented in the accompanying statements of financial position as a liability.

On September 30, 2015, the Federal Perkins Loan Program expired, however, the Federal Perkins Loan Extension Act of 2015, enacted on December 18, 2015, effectively extended the Perkins Loan Program through September 30, 2017.

**ST. FRANCIS COLLEGE**  
**Notes to Financial Statements**  
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**Income Taxes**

The College follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance requires that a tax position be recognized or derecognized based on a “more likely than not” threshold, and applies to positions taken or expected to be taken in a tax return. During fiscal 2016 and 2015, the College evaluated its tax positions and concluded that it does not have any uncertain tax positions that meet the criteria under the standard. The tax years ended June 30, 2013, 2014, 2015, and 2016 are still open to audit for both federal and state purposes. The College has processes presently in place to ensure the maintenance of its tax-exempt status; identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and identify and evaluate other matters that may be considered tax positions.

**Conditional Asset Retirement Obligations**

Accounting standards governing Asset Retirement Obligations required the College to recognize the cost associated with the eventual remediation and abatement of asbestos located within certain of the College’s existing buildings. Based on the results of a site-specific survey previously conducted, such liability approximated \$73,000 and \$99,200 at June 30, 2016 and 2015, respectively, and has been included within accounts payable and accrued expenses on the accompanying statements of financial position.

**Operating Measure**

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 and training programs and, supporting activities. Operating revenues also include unrestricted and temporarily restricted contributions of a noncapital nature; investment return pursuant to the College’s spending policy; and releases of temporarily restricted net assets in support of operating purposes.

The College has defined nonoperating activities to principally include investment return net of amounts used in support of operations; capital contributions and bequests added to the endowment or supporting major capital acquisition or construction; capital expenditures funded by campaigns; net assets released from restrictions designated for capital expenditures, if any; and other revenues or expenses considered to be of a more unusual or non-recurring nature.

**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 liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**ST. FRANCIS COLLEGE**  
**Notes to Financial Statements**  
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**3. STUDENT ACCOUNTS RECEIVABLE**

Student accounts receivable are reported net of an allowance for doubtful accounts of \$904,760 and \$828,301 at June 30, 2016 and 2015, respectively.

**4. INVESTMENTS**

A summary of investments at June 30, 2016 and 2015, follows:

	<u>2016</u>	<u>2015</u>
Pooled investments	\$ 70,931,170	\$ 74,647,235
Investments relating to annuity and life income agreements	77,936	82,020
	<u>\$ 71,009,106</u>	<u>\$ 74,729,255</u>

A summary of investment securities, at June 30, 2016 and 2015, follows:

	<u>2016</u>	<u>2015</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Cash held for investments	\$ 3,454,800	\$ -
Money market funds	3,237,543	822,692
Equity mutual funds	21,583,354	34,495,364
Fixed income mutual funds	9,418,760	15,113,130
Private debt	-	2,221,803
Private real estate fund	5,372,935	6,200,705
Hedge funds	27,941,714	15,875,561
	<u>\$ 71,009,106</u>	<u>\$ 74,729,255</u>

Of the investment balance presented to above, the \$3.5M in cash at June 30, 2016 represented proceeds from the liquidation of York Credit Opportunities Unit Trust, which will be reinvested in accordance with the College's investment guidelines.

Since real estate, certain hedge funds and other types of investments may not be readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. The values assigned to these holdings do not necessarily represent amounts which might ultimately be realized upon sale or other disposition since such amounts depend on future circumstances and cannot reasonably be determined until the actual liquidation occurs. Because of the inherent uncertainty of such valuations, the estimated fair values of such investments may differ significantly from values that would have been used had a ready market for such investments existed and, such differences could be material.

**ST. FRANCIS COLLEGE**  
**Notes to Financial Statements**  
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The following table presents the fair value hierarchy of the College's investments, measured at fair value, as of June 30, 2016.

	<b>Fair Value</b>		<b>Total</b>
	<b>Level 1</b>	<b>Net Asset Value</b>	
Equity mutual funds	\$ 21,583,354	\$ -	\$ 21,583,354
Fixed income mutual funds	9,418,760	-	9,418,760
Private real estate fund	-	5,372,935	5,372,935
Hedge funds	-	27,941,714	27,941,714
	<u>\$ 31,002,114</u>	<u>\$ 33,314,649</u>	<u>64,316,763</u>
Cash held for investments			3,454,800
Money market funds			<u>3,237,543</u>
Total investments			<u>\$ 71,009,106</u>

The following table details certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, for the fiscal year ended June 30, 2016:

<u>Strategy</u>	<u>NAV</u>	<u>Number of Funds</u>	<u>Remaining Life</u>	<u>Amount of Unfunded Commitments</u>	<u>Timing to Draw-Down Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Absolute Return Hedge	\$ 12,821,061	5	N.A.	N.A.	N.A.	Monthly with 60 days notice, quarterly with 45 days notice, and annually with 60 days notice.	Subject to a 5% redemption
Private Equity Fund	15,120,653	5	1 to 6 years	\$ 702,952	Remaining life of fund	Redemption available with consent from fund investment manager.	None
Private Real Estate Fund	<u>5,372,935</u>	<u>2</u>	1 to 3 years	\$ 1,111,060	Remaining life of fund	Redemption available with consent from fund investment manager.	None
	<u>\$ 33,314,649</u>	<u>12</u>					

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The following table presents the fair value hierarchy of the College's investments, measured at fair value, as of June 30, 2015.

	<b>Fair Value</b>		<b>Total</b>
	<b>Level 1</b>	<b>Net Asset Value</b>	
Equity mutual funds	\$ 34,495,364	\$ -	\$ 34,495,364
Fixed income mutual funds	15,113,130	-	15,113,130
Private debt	-	2,221,803	2,221,803
Private real estate fund	-	6,200,705	6,200,705
Hedge funds	-	15,875,561	15,875,561
	<u>\$ 49,608,494</u>	<u>\$ 24,298,069</u>	73,906,563
Money market funds			<u>822,692</u>
Total investments			<u>\$ 74,729,255</u>

The following table details certain attributes pertaining to the investments reported at fair value using a NAV, or its equivalent, for the fiscal year ended June 30, 2015:

Strategy	NAV	Number of Funds	Remaining Life	Amount of Unfunded Commitments	Timing to Draw-Down Commitments	Redemption Terms	Redemption Restrictions
Private Debt	\$ 2,221,803	1	6 years	\$ 1,223,375	Remaining life of fund	Redemption available with consent fund investment manager.	
Absolute Return Hedge	12,155,866	6	N.A.	N.A.	N.A.	Monthly with 60 days notice, quarterly with 45 days notice, and annually with 60 days notice.	Subject to a 5% redemption
Private Equity Fund	3,719,695	2	1 to 6 years	\$ 702,417	Remaining life of fund	Redemption available with consent from fund investment manager.	None
Private Real Estate Fund	<u>6,200,705</u>	<u>2</u>	1 to 3 years	\$ 1,082,645	Remaining life of fund	Redemption available with consent from fund investment manager.	None
	<u>\$ 24,298,069</u>	<u>11</u>					

**ST. FRANCIS COLLEGE**  
**Notes to Financial Statements**  
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**5. INVESTMENT RETURN**

The College maintains a total return (income plus changes in the fair value of investments) spending rate policy. The spending rate policy was designed to provide a predictable flow of funds to support operations and to preserve the real value of the College's investment portfolio over time. In fiscal 2016 and 2015, the Board of Trustees approved a spending policy that made available up to 5.5% and 6.0%, respectively, of the average market value of investments. The actual amount used for operations was approximately 5.0% in fiscal 2016 and 5.5% in fiscal 2015. The average market value is calculated based upon the market value of investments for the previous twenty quarters. Any investment return in excess of the spending amount is retained to support operations of future years and to offset potential market declines and inflation.

The following schedule presents investment return and its related classification in the accompanying statements of activities:

	<u>2016</u>	<u>2015</u>
Investment return:		
Interest	\$ 15,751	\$ 3,296
Dividends	332,900	596,272
Realized and unrealized gains	<u>(508,633)</u>	<u>544,123</u>
Total return on investments	(159,982)	1,143,691
Less: Investment return used for operations	<u>(3,464,781)</u>	<u>(3,666,017)</u>
Investment return in excess of amounts used for operations	<u>\$ (3,624,763)</u>	<u>\$ (2,522,326)</u>

For the years ended June 30, 2016 and 2015, investment management expenses of \$106,929 and \$106,789, respectively, were netted against the investment return, above.

**6. CONTRIBUTIONS RECEIVABLE, NET**

Contributions receivable, net, consisted of the following at June 30, 2016 and 2015, respectively:

	<u>2016</u>	<u>2015</u>
Amounts expected to be collected:		
In one year or less	\$ 2,270,613	\$ 1,655,209
Between one year and five years	<u>1,333,269</u>	<u>1,894,373</u>
	3,603,882	3,549,582
Less: discount to present value at 0.77 to 1.57%	(58,125)	(43,867)
Less: allowance for uncollectible amounts	<u>(892,942)</u>	<u>(316,202)</u>
	<u>\$ 2,652,815</u>	<u>\$ 3,189,513</u>

**ST. FRANCIS COLLEGE**  
**Notes to Financial Statements**  
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**7. STUDENT LOANS RECEIVABLE**

The College makes uncollateralized loans to students based on financial need. Student loans are funded through the Federal government Perkins revolving loan program. At June 30, 2016 and 2015, student loans represented 0.40% and 0.42% of total assets, respectively.

At June 30, 2016 and 2015, student loans consisted of the following:

	<u>2016</u>	<u>2015</u>
Federal government programs	\$ 579,202	\$ 627,779
Less allowance for doubtful accounts:		
Beginning of year	(23,165)	(24,321)
Decrease	<u>287</u>	<u>1,156</u>
End of year	<u>(22,878)</u>	<u>(23,165)</u>
Student loans receivable, net	<u>\$ 556,324</u>	<u>\$ 604,614</u>

The availability of funds for loans under the program is dependent upon repayments of outstanding loans by students. Funds advanced to students of \$61,458 and \$92,100 for the years ended June 30, 2016 and 2015, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At June 30, 2016 and 2015, the following amounts were past due under the Perkins student loan program:

<u>June 30,</u>	<u>240 Days or Less Past Due</u>	<u>240 Days to 2 Years Past Due</u>	<u>2 Years to 5 Years Past Due</u>	<u>5 Years or More Past Due</u>	<u>Total</u>
2016	\$ 105,984	\$ 48,326	\$ 64,867	\$ 49,949	\$ 269,126
2015	\$ 480,400	\$ 32,270	\$ 86,460	\$ 28,649	\$ 627,779

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms.

**ST. FRANCIS COLLEGE**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

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**8. PROPERTY, EQUIPMENT AND COLLECTIONS, NET**

Property, equipment and collections, net, consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Buildings	\$ 96,115,197	\$ 95,682,506
Furniture and equipment	411,341	1,459,331
Computer equipment	10,675,293	10,222,946
Transportation equipment	<u>30,000</u>	<u>30,000</u>
	107,231,831	107,394,783
Less accumulated depreciation	<u>(50,770,121)</u>	<u>(47,566,837)</u>
	56,461,710	59,827,946
Land	105,640	105,640
Artwork collection	200,205	200,205
Construction in progress	<u>882,121</u>	<u>319,183</u>
	<u>\$ 57,649,676</u>	<u>\$ 60,452,974</u>

Depreciation expense amounted to \$4,364,972 and \$4,377,362 for the years ended June 30, 2016 and 2015, respectively.

Certain of the College's buildings have been used as collateral (Note 10).

**9. FUNDS HELD BY TRUSTEE**

In December, 2014, the College, through the Dormitory Authority of the State of New York (the "DASNY"), issued \$12,585,000 of Series 2014 tax-exempt bonds for the purpose of refunding the College's existing tax-exempt Series 2004 bonds. Funds held by trustee under this issuance totaled \$39,472 and \$90,219 for the years ended June 30, 2016 and 2015, respectively, inclusive of \$28,528 in a debt service fund at June 30, 2016 and 2015.

In August 2010, the College entered into an agreement with the DASNY. The Authority issued \$25,000,000 Revenue Bonds for the benefit of the College to finance various construction and renovation projects throughout the College's campus. Proceeds from the August 2010 Revenue Bond issuance were initially deposited into a construction fund with a trustee. The proceeds were invested in qualified investments whose yield may not exceed the yield on the bonds. Funds held by trustee under this issuance totaled \$527,261 and \$523,567, inclusive of \$527,261 and \$523,567 in a debt service fund at June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, the College's funds held by trustee were considered cash and cash equivalents.

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**Notes to Financial Statements**  
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**10. BONDS PAYABLE**

In December, 2014, the College, through the DASNY, issued \$12,585,000 of Series 2014 tax-exempt bonds for the purpose of refunding the College's existing tax-exempt Series 2004 bonds. These Series 2014 bonds were sold directly to a bank that provided a ten-year commitment to hold the bonds at a fixed rate of 2.72%.

In December, 2024, at the end of the ten-year commitment period, the bonds will be subject to mandatory tender and the rate will need to be reset or the bonds refunded.

The payment of the principal and interest on the bonds is guaranteed by the College. The bonds are not secured by any mortgage lien.

This agreement also includes financial covenants that are consistent with the Series 2010 bonds. The College is in compliance with these financial covenants at June 30, 2016.

Interest payment dates are April 1 and October 1, which commenced April 1, 2015. For fiscal years 2016 and 2015, interest paid was, \$348,017 and \$153,090, respectfully. No interest was capitalized. Principal payments are to be made annually commencing on October 1, 2016.

Debt service payments for the DASNY Series 2014 bonds for each of the next five years and thereafter were as follows at June 30, 2016:

<b>Fiscal Year Ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2017	\$ 420,000	\$ 338,403	\$ 758,403
2018	440,000	326,408	766,408
2019	460,000	313,861	773,861
2020	485,000	301,474	786,474
2021	505,000	288,017	793,017
Thereafter	<u>10,275,000</u>	<u>892,071</u>	<u>11,167,071</u>
Total DASNY Series 2014 bond payable	<u>\$ 12,585,000</u>	<u>\$ 2,460,234</u>	<u>\$ 15,045,234</u>

In August 2010, the College issued \$25,000,000 of tax exempt bonds through the DASNY. The St. Francis College Revenue Bonds, Series 2010, are special obligations of the DASNY, payable solely from and secured by a pledge of (i) certain payments to be made under a Loan Agreement between the College and the Authority, and (ii) all funds and accounts (except the Arbitrage Rebate Fund) authorized under the Authority's St. Francis College Revenue Bond Resolution, and established under the Series 2010 Resolution authorizing the Series 2010 Bonds, adopted June 23, 2010. The Loan Agreement is a general obligation of the College and requires the College to pay, in addition to the fees and expenses of the Authority and the Trustee, amounts sufficient to pay, when due, the principal, sinking fund installments, if any, and redemption price of and interest on the Series 2010 Bonds. The obligations of the College under the Loan Agreement are secured by a pledge of an amount equal to maximum annual debt service from tuition and fees charged to students for academic instruction, the right to receive the same and the proceeds thereof. Maximum annual debt service is defined as the maximum amount of annual debt service in any

**ST. FRANCIS COLLEGE**  
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fiscal year up to the final maturity date of the bonds. A building on the College's property has been mortgaged to the Authority as part of the Loan Agreement.

The Serial Bonds mature through 2025 and incur interest at rates ranging from 2.00% to 4.625% per annum. The Term Bonds mature from 2026 to 2040 and incur interest at a rate of 5.00% per annum.

This agreement includes financial covenants with which the College is in compliance at June 30, 2016.

Interest payment dates are April 1 and October 1, which commenced April 1, 2011. For fiscal years 2016 and 2015, interest paid was \$1,151,614 and \$1,166,445, respectively. No interest was capitalized in fiscal years 2016 and 2015. Principal payments are made annually and commenced on October 1, 2011.

Annual sinking fund redemptions commenced on October 1, 2011. The Bonds are subject to optional redemption at any time on or after October 1, 2020. Mandatory redemption dates are as follows: (1) for bonds maturing on October 1, 2032: October 1, 2026 - 2032 and (2) for bonds maturing on October 1, 2040: October 1, 2033 - 2040.

The Series 2010 Bonds maturing after October 1, 2020 are also subject to purchase in lieu of optional redemption prior to maturity at the election of the College on or after October 1, 2020, in any order, in whole or in part at any time, at a price of 100% of the principal amount thereof, plus accrued interest to the date set for purchase.

In addition, the Series 2010 Bonds are subject to redemption prior to maturity, in whole or in part, at 100% of the principal amount thereof plus accrued interest to the date of redemption, at the option of the Authority on any interest payment date, (i) from proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Series 2010 Project, and (ii) from unexpended proceeds of the Series 2010 Bonds upon the abandonment of all or a portion of the Series 2010 Project due to a legal or regulatory impediment.

Debt service payments for the DASNY Series 2010 bonds for each of the next five years and thereafter were as follows at June 30, 2016:

<b><u>Fiscal Year Ending June 30:</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
2017	\$ 320,000	\$ 1,142,114	\$ 1,462,114
2018	335,000	1,129,014	1,464,014
2019	350,000	1,115,314	1,465,314
2020	365,000	1,101,014	1,466,014
2021	380,000	1,090,500	1,470,500
Thereafter	<u>21,810,000</u>	<u>14,882,871</u>	<u>36,692,871</u>
	23,560,000	<u>\$ 20,460,827</u>	<u>\$ 44,020,827</u>
Less: Unamortized bond discount, net	<u>(216,810)</u>		
Total DASNY Series 2010 bond payable	<u>\$ 23,343,190</u>		

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**11. LINE OF CREDIT FACILITY**

The College has an unsecured line of credit of \$10 million that expired in March 2016 and was renewed to March 2017. The terms of the line are LIBOR plus 250 basis points or prime rate with a floor of 175 basis points. The line was established to provide interim funding for new capital projects and working capital needs. The College expects new capital projects to be funded by government grants and other external or College related funds. Consequently, these funds will be used to pay down any borrowings on the line of credit.

There is no demand deposit requirement under this agreement. At June 30, 2016 and 2015, there were no amounts outstanding under this facility.

During fiscal years 2016 and 2015, interest paid on this line amounted to \$13,829 and \$18,186, respectively. No such interest was capitalized as part of project costs during the construction period.

**12. DEFERRED CONTRACT REVENUE**

During 2003, the College entered into a licensure agreement with the New York City School Construction Authority (“NYSCA”), which provided for payments to the College totaling \$3,600,000 for the construction of the Anthony J. Genovesi Center. In return, the New York City Department of Education (“NYC DOE”) was granted access, subject to the discretion of the College, to its facilities for a period of seventeen years. Revenue from this agreement is recognized over the term of the agreement. Deferred contract revenue under this agreement was \$1,066,667 and \$1,333,333 as of June 30, 2016 and 2015, respectively.

During fiscal 2006, the College entered into another licensure agreement with the NYSCA, which provided for payments to the College totaling \$3,375,000 for the construction of the academic center. In return, the NYC DOE was granted the use of a theater and certain classrooms within the academic center for a period of fifteen years. Use is subject to the discretion of the College. Deferred contract revenue under this agreement was \$1,197,060 and \$1,519,718 at June 30, 2016 and 2015, respectively.

During fiscal year 2008, the College entered into another licensure agreement with the NYSCA, which provided for payments to the College totaling \$740,000 for the construction of the fitness center. In return, the NYC DOE was granted the use of the fitness center for a period of 15 years. Use is subject to the discretion of the College. Deferred contract revenue under this agreement was \$99,040 and \$111,738 at June 30, 2016 and 2015, respectively. Revenue from this agreement is recognized over the term of the agreement.

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**13. NET ASSETS RELEASED FROM RESTRICTIONS**

Donor-imposed restrictions that were met during the years ended June 30, 2016 and 2015, were as follows:

	<u>2016</u>	<u>2015</u>
Academic support	\$ 10,532	\$ 14,115
Instruction	97,199	76,004
Student services	42,356	138,338
Student aid	674,772	604,256
Pledge payments received	<u>319,447</u>	<u>437,956</u>
Total net assets released from restrictions	<u>\$ 1,144,306</u>	<u>\$ 1,270,669</u>

**14. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were held for the following purposes at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Time restricted - for general college purposes	\$ 1,569,682	\$ 1,843,809
Purpose restricted:		
Scholarships	7,116,350	7,238,565
Campaign	2,500,655	1,605,053
Student services	<u>423,315</u>	<u>387,970</u>
Total temporarily restricted net assets	<u>\$ 11,610,002</u>	<u>\$ 11,075,397</u>

**15. GOVERNMENT APPROPRIATIONS**

The College recognized revenues from government appropriations in support of current operations totaling \$519,848 and \$511,945 for the years ended June 30, 2016 and 2015, respectively.

**16. PENSION PLAN**

Substantially all employees of the College are covered under a defined contribution pension plan administered by the Teachers Insurance and Annuity Association (“TIAA”) and College Retirement Equities Fund (“CREF”). The College’s contribution to the pension plan is based on specified percentages of each employee’s annual salary. Pension expense for the years ended June 30, 2016 and 2015 was \$1,684,166 and \$1,701,518, respectively.

**17. EARLY RETIREMENT PROGRAM**

During fiscal years 2016 and 2015, the College offered a voluntary retirement package to employees who met certain age and years-of-service criteria. The associated liability under this program totaled \$609,406 and \$273,468 at June 30, 2016 and 2015, respectively, and was included within accounts payable and

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accrued expenses in the accompanying statements of financial position. The College expects this liability to be fully paid by August 31, 2017.

**18. EXPENSE ALLOCATIONS**

Facilities costs, including depreciation, are allocated and presented by functional category within the accompanying Statements of Activities. The College allocated these costs based on proportional expenditures using estimates of building square footage. The College allocated the interest expense on the bonds based upon the square footage of the facilities financed. For the years ended June 30, 2016 and 2015, fundraising expenses incurred only by the College's development office totaled \$ 684,988 and \$524,919, respectively, and are included within Institutional Support in the accompanying statements of activities.

For the years ended June 30, 2016 and 2015, costs allocated to the respective functional categories follow.

	<b>Plant Operation and Maintenance</b>		<b>Depreciation</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Instruction	\$ 2,461,610	\$ 2,340,324	\$ 2,268,038	\$ 2,274,021
Academic support	466,656	443,664	429,781	431,094
Student services	1,148,560	1,091,970	1,057,801	1,061,033
Institutional support	<u>661,635</u>	<u>629,036</u>	<u>609,352</u>	<u>611,214</u>
	<u>\$ 4,738,461</u>	<u>\$ 4,504,994</u>	<u>\$ 4,364,972</u>	<u>\$ 4,377,362</u>
			<b>Interest Expense</b>	
			<b>* 2016</b>	<b>* 2015</b>
Instruction			\$ 1,070,821	\$ 1,483,517
Academic support			<u>442,638</u>	<u>188,332</u>
			<u>\$ 1,513,459</u>	<u>\$ 1,671,849</u>

\* No interest was capitalized in fiscal years 2016 and 2015, respectively.

**19. ENDOWMENT NET ASSETS**

The College's endowment consists of 275 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, 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.

In September 2010, the State of New York adopted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All not-for-profit corporations formed in the State of New York are required to apply this law. This legislation, which applies only to donor-restricted endowments, was effective for the College's

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2011 fiscal year and did not result in a cumulative effect adjustment to reclassify certain accumulated unspent unrestricted net assets to temporarily restricted net assets.

The College classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated by the Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

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

Where appropriate, alternatives to spending from the donor-restricted endowment fund and the possible effects on the College are also considered.

The following table summarizes endowment net asset composition as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,411,390	\$ 12,413,173	\$ 18,824,563
Board-designated endowment funds	<u>28,957,468</u>	<u>-</u>	<u>-</u>	<u>28,957,468</u>
Total funds	<u>\$ 28,957,468</u>	<u>\$ 6,411,390</u>	<u>\$ 12,413,173</u>	<u>\$ 47,782,031</u>

Included within the board-designated endowment funds are amounts designated for scholarships of \$8,534,172 at June 30, 2016.

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The following table summarizes endowment net asset composition as of June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,731,795	\$ 12,128,330	\$ 18,860,125
Board-designated endowment funds	<u>32,754,641</u>	<u>-</u>	<u>-</u>	<u>32,754,641</u>
Total funds	<u>\$ 32,754,641</u>	<u>\$ 6,731,795</u>	<u>\$ 12,128,330</u>	<u>\$ 51,614,766</u>

Included within the board-designated endowment funds are amounts designated for scholarships of \$8,473,162 at June 30, 2015.

The following table summarizes the changes in endowment net assets for the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Endowment net assets, beginning of year</b>	\$ 32,754,641	\$ 6,731,795	\$ 12,128,330	\$ 51,614,766
Investment return:				
Investment income	38,468	86,876	-	125,344
Net depreciation - realized and unrealized	(142,791)	(121,781)	-	(264,572)
Contributions			284,843	284,843
Appropriated for expenditure:				
Scholarships	(228,069)	(285,500)	-	(513,569)
Support for operations	<u>(3,464,781)</u>	<u>-</u>	<u>-</u>	<u>(3,464,781)</u>
<b>Endowment net assets, end of year</b>	<u>\$ 28,957,468</u>	<u>\$ 6,411,390</u>	<u>\$ 12,413,173</u>	<u>\$ 47,782,031</u>

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The following table summarizes the changes in endowment net assets for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Endowment net assets, beginning of year</b>	\$ 35,715,321	\$ 6,886,510	\$ 11,549,112	\$ 54,150,943
Investment return:				
Investment income	95,665	146,104	-	241,769
Net appreciation - realized and unrealized	817,961	159,239	-	977,200
Contributions	-	-	579,218	579,218
Appropriated for expenditure:				
Scholarships	(208,289)	(460,058)	-	(668,347)
Support for operations	<u>(3,666,017)</u>	<u>-</u>	<u>-</u>	<u>(3,666,017)</u>
<b>Endowment net assets, end of year</b>	<u>\$ 32,754,641</u>	<u>\$ 6,731,795</u>	<u>\$ 12,128,330</u>	<u>\$ 51,614,766</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the College to retain as a fund of perpetual duration. There were no deficiencies of this nature at June 30, 2016 and 2015.

**20. COMMITMENTS AND CONTINGENCIES**

The College has a line of credit facility with a financial institution that expires March 2017 (Note 11).

The College is a party to various legal actions arising in the ordinary course of operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the College's accompanying financial statements.

During fiscal 2016 and fiscal 2013, the College entered into multi-year employment contracts with certain key employees, which extend through fiscal 2018. Total commitments remaining under these agreements totaled \$1,200,000 and \$360,600 at June 30, 2016 and 2015, respectively.

**21. SUBSEQUENT EVENTS**

The College evaluated its June 30, 2016 financial statements for subsequent events through October 21, 2016, the date the financial statements were available to be issued, management of the College is not aware of any subsequent events which would require recognition or disclosure to the accompanying financial statements.