

Financial Statements Together with
Report of Independent Certified Public Accountants

ST. FRANCIS COLLEGE

June 30, 2018 and 2017

ST. FRANCIS COLLEGE

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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, 2018 and 2017, 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 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 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 respects, the financial position of St. Francis College as of June 30, 2018 and 2017, 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
November 2, 2018

ST. FRANCIS COLLEGE
Statements of Financial Position
As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 710,369	\$ 2,284,460
Receivables		
Student accounts, net	2,108,347	1,934,462
Other	1,240,391	1,280,408
Contributions, net	3,034,661	2,302,758
Student notes, net	539,321	548,023
Prepaid expenses and other assets	631,964	503,870
Investments	74,008,715	75,827,352
Funds held by trustee	616,277	576,787
Cash restricted for loan programs	40,993	39,619
Property, equipment and collections, net	<u>54,155,408</u>	<u>55,911,311</u>
Total assets	<u>\$ 137,086,446</u>	<u>\$ 141,209,050</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 6,752,688	\$ 4,951,048
Deferred revenue and student deposits	775,020	733,192
Accrued interest payable	308,098	311,549
Deferred contract revenue	1,158,723	1,760,745
Long-term debt, net	33,750,815	34,481,793
Refundable loan program	<u>505,083</u>	<u>510,508</u>
Total liabilities	<u>43,250,427</u>	<u>42,748,835</u>
Commitments and Contingencies		
NET ASSETS		
Unrestricted		
Available for operations	10,164,475	8,504,737
Quasi-endowment	24,451,455	30,396,489
Investment in plant	20,925,432	22,006,305
Campaign	295,598	127,338
Renewals and replacements	5,747,681	7,469,641
Plant projects	3,141,000	3,375,197
Institutional loans	<u>100,901</u>	<u>104,701</u>
Total unrestricted net assets	64,826,542	71,984,408
Temporarily restricted	15,013,028	13,163,598
Permanently restricted	<u>13,996,449</u>	<u>13,312,209</u>
Total net assets	<u>93,836,019</u>	<u>98,460,215</u>
Total liabilities and net assets	<u>\$ 137,086,446</u>	<u>\$ 141,209,050</u>

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

ST. FRANCIS COLLEGE
Statement of Activities
For the year ended June 30, 2018, with summarized totals for 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2018	2017
OPERATING REVENUES AND SUPPORT					
Student tuition and fees	\$ 58,693,266	\$ -	\$ -	\$ 58,693,266	\$ 63,484,419
College scholarships	(23,078,355)	-	-	(23,078,355)	(22,100,106)
Federal financial assistance	(307,192)	-	-	(307,192)	(335,220)
Net tuition and fees	35,307,719	-	-	35,307,719	41,049,093
Government appropriations	587,148	-	-	587,148	500,368
Gifts and grants	1,920,203	1,844,114	-	3,764,317	2,283,992
Investment return used for operations	3,586,215	-	-	3,586,215	3,508,012
Quasi-endowment funds used for operations	5,150,000	-	-	5,150,000	-
Other	2,196,136	-	-	2,196,136	2,224,742
Net assets released from restrictions	2,006,156	(2,006,156)	-	-	-
Total operating revenues and support	50,753,577	(162,042)	-	50,591,535	49,566,207
OPERATING EXPENSES					
Instruction	20,031,492	-	-	20,031,492	19,881,276
Academic support	5,497,888	-	-	5,497,888	5,109,845
Student services	13,154,624	-	-	13,154,624	12,449,495
Institutional support	14,008,666	-	-	14,008,666	13,737,684
Total operating expenses	52,692,670	-	-	52,692,670	51,178,300
Change in net assets from operating activities	(1,939,093)	(162,042)	-	(2,101,135)	(1,612,093)
NONOPERATING ACTIVITIES					
Gifts and private grants	3,149,601	90,173	684,240	3,924,014	2,711,903
Campaign expenses	(943,299)	-	-	(943,299)	(761,905)
Capital project expenses	(1,016,057)	-	-	(1,016,057)	(280,748)
Investment return in excess of amounts in support of operations	51,556	1,921,299	-	1,972,855	4,540,769
Quasi-endowment funds used to support operations	(5,150,000)	-	-	(5,150,000)	-
Early retirement program	(1,310,574)	-	-	(1,310,574)	(620,243)
Change in net assets from nonoperating activities	(5,218,773)	2,011,472	684,240	(2,523,061)	5,589,776
Change in net assets	(7,157,866)	1,849,430	684,240	(4,624,196)	3,977,683
Net assets, beginning of year	71,984,408	13,163,598	13,312,209	98,460,215	94,482,532
Net assets, end of year	\$ 64,826,542	\$ 15,013,028	\$ 13,996,449	\$ 93,836,019	\$ 98,460,215

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

ST. FRANCIS COLLEGE
Statement of Activities
For the year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>
OPERATING REVENUES AND SUPPORT				
Student tuition and fees	\$ 63,484,419	\$ -	\$ -	\$ 63,484,419
College scholarships	(22,100,106)	-	-	(22,100,106)
Federal financial assistance	(335,220)	-	-	(335,220)
Net tuition and fees	41,049,093	-	-	41,049,093
Government appropriations	500,368	-	-	500,368
Gifts and private grants	1,445,739	838,253	-	2,283,992
Investment return used for operations	3,508,012	-	-	3,508,012
Other	2,224,742	-	-	2,224,742
Net assets released from restrictions	1,557,890	(1,557,890)	-	-
Total operating revenues and support	<u>50,285,844</u>	<u>(719,637)</u>	<u>-</u>	<u>49,566,207</u>
OPERATING EXPENSES				
Instruction	19,881,276	-	-	19,881,276
Academic support	5,109,845	-	-	5,109,845
Student services	12,449,495	-	-	12,449,495
Institutional support	13,737,684	-	-	13,737,684
Total operating expenses	<u>51,178,300</u>	<u>-</u>	<u>-</u>	<u>51,178,300</u>
Change in net assets from operating activities	<u>(892,456)</u>	<u>(719,637)</u>	<u>-</u>	<u>(1,612,093)</u>
NONOPERATING ACTIVITIES				
Gifts and private grants	1,764,007	48,860	899,036	2,711,903
Capital campaign expenses	(761,905)	-	-	(761,905)
Capital project expenses	(280,748)	-	-	(280,748)
Investment return net of amounts in support of operations	2,316,396	2,224,373	-	4,540,769
Early retirement program	(620,243)	-	-	(620,243)
Change in net assets from nonoperating activities	<u>2,417,507</u>	<u>2,273,233</u>	<u>899,036</u>	<u>5,589,776</u>
Change in net assets	1,525,051	1,553,596	899,036	3,977,683
Net assets, beginning of year	<u>70,459,357</u>	<u>11,610,002</u>	<u>12,413,173</u>	<u>94,482,532</u>
Net assets, end of year	<u>\$ 71,984,408</u>	<u>\$ 13,163,598</u>	<u>\$ 13,312,209</u>	<u>\$ 98,460,215</u>

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

ST. FRANCIS COLLEGE
Statements of Cash Flows
For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (4,624,196)	\$ 3,977,683
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation	4,324,124	4,216,424
Uncollectible student accounts and loans receivable	255,414	136,230
Allowance and discount for multi-year pledges	(637,042)	25,182
Amortization of bond discount and issuance costs	44,022	44,022
Permanently restricted contributions	(684,240)	(899,036)
Realized and unrealized gain on investments	(5,559,070)	(8,048,781)
Changes in assets and liabilities		
Increase in student accounts receivable	(420,992)	(546,683)
(Increase) decrease in contributions receivable	(94,861)	324,875
(Increase) decrease in prepaid expenses, other assets and receivables	(88,077)	57,519
Increase in accounts payable and accrued expenses	1,801,640	1,069,455
Increase (decrease) in deferred revenue and student deposits	41,828	(156,340)
Decrease in accrued interest payable	(3,451)	(4,162)
Decrease in deferred contract revenue	<u>(602,022)</u>	<u>(602,022)</u>
Net cash used in operating activities	<u>(6,246,923)</u>	<u>(405,634)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities and sale of investments	13,477,707	15,297,345
Purchases of investments	(6,100,000)	(12,066,810)
Collections of loans to students	51,023	106,108
Advances of loans to students	(50,628)	(102,499)
Purchase of property, plant, and equipment	<u>(2,568,221)</u>	<u>(2,478,059)</u>
Net cash provided by investing activities	<u>4,809,881</u>	<u>756,085</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	684,240	899,036
Repayments of long-term debt	(775,000)	(740,000)
Restricted cash	(1,374)	(4,293)
Funds held by bond trustee	(39,490)	(10,054)
Refundable loan program	<u>(5,425)</u>	<u>(17)</u>
Net cash (used in) provided by financing activities	<u>(137,049)</u>	<u>144,672</u>
Net (decrease) increase in cash and cash equivalents	(1,574,091)	495,123
Cash and cash equivalents, beginning of year	<u>2,284,460</u>	<u>1,789,337</u>
Cash and cash equivalents, end of year	<u>\$ 710,369</u>	<u>\$ 2,284,460</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 1,479,671</u>	<u>\$ 1,490,035</u>
Accounts payable and accrued expenses for capital expenditures	<u>\$ 721,585</u>	<u>\$ 638,209</u>

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

ST. FRANCIS COLLEGE
Notes to Financial Statements
June 30, 2018 and 2017

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 (Note 19). Investment income from these net assets supports the current operations of the College in accordance with the total return spending policy.

ST. FRANCIS COLLEGE
Notes to Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017, permanently restricted net assets totaled \$13,996,449 and \$13,312,209, 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 returns 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.

ST. FRANCIS COLLEGE
Notes to Financial Statements
June 30, 2018 and 2017

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. As required by the practical expedient, the College separately discloses the information required for assets measured at NAV and also shows the carrying amount of investments at NAV as a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the financial statements.

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.

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.

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.

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Notes to Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017, 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.

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.

ST. FRANCIS COLLEGE
Notes to Financial Statements
June 30, 2018 and 2017

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.

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, 2018 and 2017, such annuity and life income agreements amounted to \$70,533 and \$74,058, respectively, and are included within investments in the accompanying statements of financial position. As of June 30, 2018 and 2017, the liabilities for such annuity and life income agreements amounted to \$17,367 and \$21,292, 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.

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Notes to Financial Statements
June 30, 2018 and 2017

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. Yet, as no additional legislation was introduced to extend the Program any further, the Perkins Loan Program expired as of September 30, 2017. Subsequent to this date, current college students that have received federal financial aid under the Perkins Loan Program will not lose funding for the current academic year. Nevertheless, no new federal student loans will be issued through the Perkins student loan program.

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 2018 and 2017, the College evaluated its tax positions and concluded that it does not have any uncertain tax positions that meet the criteria under the standard.

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

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Notes to Financial Statements
June 30, 2018 and 2017

approximated \$16,700 and \$52,700 at June 30, 2018 and 2017, 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. In addition, during fiscal year ended 2018, the Board of Trustees of the College approved the use of an additional \$5,150,000 of quasi endowment funds to support operations.

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.

Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 (i.e., fiscal year ending June 30, 2019), with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The College is in the process of evaluating the impact this standard will have on the financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year. The guidance is effective for the interim and annual periods on or after December 15, 2017 (i.e., fiscal year ending June 30, 2019). The

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guidance permits the use of either a retrospective or cumulative effect transition method. The College is currently evaluating the new guidance and has not determined the impact this standard may have on the financial statements nor decided upon the method of adoption.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If the agreement (or a referenced document) includes both, the recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barriers in the agreement. For recipients, the effective date of the amendments is for annual periods beginning after December 15, 2018 (i.e., fiscal year ending June 30, 2020). The College is currently evaluating the new guidance and has not determined the impact this standard may have on the financial statements nor decided upon the method of adoption.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the College for fiscal year 2020. Early adoption is permitted. The College is in the process of evaluating the impact this standard will have on the financial statements.

In March 2017, the FASB issued final guidance on the presentation of net periodic pension and postretirement benefit cost ("Benefit Cost"). The guidance requires bifurcation whereby the service cost component will be presented with the other components of employee compensation costs in operating expenses while the other components will be reported in nonoperating activities. While this guidance changes the presentation of Benefit Costs in the Statement of Activities, it will not change the rules over how the costs are measured. This guidance will be effective for annual periods beginning after December 15, 2018 (i.e., fiscal year ending June 30, 2020), with early adoption permitted.

3. STUDENT ACCOUNTS RECEIVABLE, NET

Student accounts receivable are reported net of an allowance for doubtful accounts of \$1,283,405 and \$1,036,298 at June 30, 2018 and 2017, respectively.

4. INVESTMENTS

A summary of investments at June 30, 2018 and 2017, follows:

	<u>2018</u>	<u>2017</u>
Pooled investments	\$ 73,938,182	\$ 75,753,294
Investments relating to annuity and life income agreements	70,533	74,058
	<u>\$ 74,008,715</u>	<u>\$ 75,827,352</u>

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A summary of investment securities, at June 30, 2018 and 2017, follows:

	<u>2018</u>	<u>2017</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Cash held for investments	\$ 2,200,000	\$ -
Money market funds	134,004	270,995
Equity mutual funds	21,774,671	25,427,891
Fixed income mutual funds	8,838,826	10,445,706
Private real estate fund	2,213,228	4,372,408
Hedge funds	38,847,986	35,310,352
	<u>\$ 74,008,715</u>	<u>\$ 75,827,352</u>

Cash held for investments of \$2,200,000 at June 30, 2018 represented cash committed for the purchase of Cedar Rock Partner Series. The purchase of this investment was completed subsequent to year end.

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.

The following table presents the fair value hierarchy of the College's investments, measured at fair value, as of June 30, 2018.

	<u>Fair Value</u>		
	<u>Level 1</u>	<u>Net Asset Value</u>	<u>Total</u>
Equity mutual funds	\$ 21,774,671	\$ -	\$ 21,774,671
Fixed income mutual funds	8,838,826	-	8,838,826
Private real estate fund	-	2,213,228	2,213,228
Hedge funds	-	38,847,986	38,847,986
	<u>\$ 30,613,497</u>	<u>\$ 41,061,214</u>	71,674,711
Cash held for investments			2,200,000
Money market funds			<u>134,004</u>
Total investments			<u>\$ 74,008,715</u>

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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, 2018:

Strategy	NAV	Number of Funds	Remaining Life	Amount of Unfunded Commitments	Timing to Draw-Down Commitments	Redemption Terms	Redemption Restrictions
Absolute Return Hedge	\$ 16,387,158	4	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	23,108,473	11	1 to 6 years	\$ -	Remaining life of fund	Redemption available with consent from fund investment manager.	None
Private Real Estate Fund	<u>1,565,583</u>	<u>2</u>	1 to 3 years	\$ -	Remaining life of fund	Redemption available with consent from fund investment manager.	None
	<u>\$ 41,061,214</u>	<u>17</u>					

The following table presents the fair value hierarchy of the College's investments, measured at fair value, as of June 30, 2017.

	Fair Value		
	Level 1	Net Asset Value	Total
Equity mutual funds	\$ 25,427,891	\$ -	\$ 25,427,891
Fixed income mutual funds	10,445,706	-	10,445,706
Private real estate fund	-	4,372,408	4,372,408
Hedge funds	-	<u>35,310,352</u>	<u>35,310,352</u>
	<u>\$ 35,873,597</u>	<u>\$ 39,682,760</u>	<u>75,556,357</u>
Money market funds			<u>270,995</u>
Total investments			<u>\$ 75,827,352</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, 2017:

Strategy	NAV	Number of Funds	Remaining Life	Amount of Unfunded Commitments	Timing to Draw-Down Commitments	Redemption Terms	Redemption Restrictions
Absolute Return Hedge	\$ 14,469,587	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	20,840,765	9	1 to 6 years	\$ 11,898,474	Remaining life of fund	Redemption available with consent from fund investment manager.	None
Private Real Estate Fund	<u>4,372,408</u>	<u>2</u>	1 to 3 years	\$ 1,256,320	Remaining life of fund	Redemption available with consent from fund investment manager.	None
	<u>\$ 39,682,760</u>	<u>16</u>					

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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 2018 and 2017, the Board of Trustees approved a spending policy that made available up to 13% and 5.5%, respectively, of the average market value of investments. The actual amount used for operations was approximately 13% in fiscal 2018 and 5.0% in fiscal 2017. 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>2018</u>	<u>2017</u>
Investment return:		
Interest	\$ 875	\$ 24,403
Dividends	286,137	325,422
Realized and unrealized gains	<u>5,272,058</u>	<u>7,698,956</u>
Total return on investments	5,559,070	8,048,781
Less: Investment return used for operations	<u>(3,586,215)</u>	<u>(3,508,012)</u>
Investment return in excess of amounts used for operations	<u>\$ 1,972,855</u>	<u>\$ 4,540,769</u>

For the years ended June 30, 2018 and 2017, investment management expenses of \$145,633 and \$111,774, respectively, were netted against the investment return, above.

6. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, consisted of the following at June 30, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Amounts expected to be collected:		
In one year or less	\$ 2,769,008	\$ 2,235,917
Between one year and seven years	<u>604,860</u>	<u>1,043,090</u>
	3,373,868	3,279,007
Less: discount to present value at 1.62 to 2.29%	(21,123)	(24,830)
Less: allowance for uncollectible amounts	<u>(318,084)</u>	<u>(951,419)</u>
	<u>\$ 3,034,661</u>	<u>\$ 2,302,758</u>

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7. STUDENT LOANS RECEIVABLE, NET

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, 2018 and 2017, student loans represented 0.39% and 0.39% of total assets, respectively.

At June 30, 2018 and 2017, student loans consisted of the following:

	<u>2018</u>	<u>2017</u>
Federal government programs	\$ 567,289	\$ 575,594
Less allowance for doubtful accounts:		
Beginning of year	(27,571)	(22,878)
Increase	<u>(397)</u>	<u>(4,693)</u>
End of year	<u>(27,968)</u>	<u>(27,571)</u>
Student loans receivable, net	<u>\$ 539,321</u>	<u>\$ 548,023</u>

The availability of funds for loans under the program is dependent upon repayments of outstanding loans by students. Funds advanced to students of \$50,628 and \$102,499 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, 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>
2018	\$ 64,247	\$ 72,522	\$ 76,344	\$ 80,352	\$ 293,465
2017	\$ 44,163	\$ 67,481	\$ 66,028	\$ 68,094	\$ 245,766

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.

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8. PROPERTY, EQUIPMENT AND COLLECTIONS, NET

Property, equipment and collections, net, consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Buildings	\$ 99,967,487	\$ 96,858,106
Furniture and equipment	411,341	411,341
Computer equipment	12,335,291	11,206,572
Transportation equipment	<u>-</u>	<u>30,000</u>
	112,714,119	108,506,019
Less accumulated depreciation	<u>(59,008,170)</u>	<u>(54,684,046)</u>
	53,705,949	53,821,973
Land	105,640	105,640
Artwork collection	200,205	200,205
Construction in progress	<u>143,614</u>	<u>1,783,493</u>
	<u>\$ 54,155,408</u>	<u>\$ 55,911,311</u>

Depreciation expense amounted to \$4,324,124 and \$4,216,424 for the years ended June 30, 2018 and 2017, 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 \$37,899 and \$38,636 for the years ended June 30, 2018 and 2017, respectively, inclusive of \$27,463 and \$28,528 in a debt service fund at June 30, 2018 and 2017, respectively.

In August 2010, the College entered into an agreement with the DASNY. The DASNY 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 \$578,378 and \$538,151, which were fully comprised of a debt service fund at June 30, 2018 and 2017, respectively.

At June 30, 2018 and 2017, the College's funds held by trustee were invested in cash and cash equivalents.

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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 includes financial covenants with which the College is in compliance, in part, by utilizing \$5,150,000 of quasi endowment funds approved by the Board of Trustees to support operations during the fiscal year ended June 30, 2018.

Interest payment dates are April 1 and October 1, which commenced April 1, 2015. For fiscal years 2018 and 2017, interest paid was \$326,408 and \$310,724, respectively. No interest was capitalized. Principal payments are 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, 2018:

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 460,000	\$ 313,861	\$ 773,861
2020	485,000	301,474	786,474
2021	505,000	286,872	791,872
2022	530,000	272,430	802,430
2023	555,000	258,656	813,656
Thereafter	<u>9,190,000</u>	<u>337,696</u>	<u>9,527,696</u>
	11,725,000	<u>\$ 1,770,989</u>	<u>\$ 13,495,989</u>
Add: Unamortized bond premium	225		
Less: Unamortized bond issuance costs	<u>(277,028)</u>		
Total DASNY Series 2014 bond payable	<u>\$ 11,448,197</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 DASNY, and (ii) all funds and accounts (except the Arbitrage Rebate Fund) authorized under the DASNY'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 DASNY 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

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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 fiscal year up to the final maturity date of the bonds. A building on the College's property has been mortgaged to the DASNY 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, in part, by utilizing \$5,150,000 of quasi endowment funds approved by the Board of Trustees to support operations during the fiscal year ended June 30, 2018.

Interest payment dates are April 1 and October 1, and commenced April 1, 2011. For fiscal years 2018 and 2017, interest paid was \$1,129,014 and \$1,142,230, respectively. No interest was capitalized in fiscal years 2018 and 2017. 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 DASNY 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.

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Debt service payments for the DASNY Series 2010 bonds for each of the next five years and thereafter were as follows at June 30, 2018:

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 350,000	\$ 1,115,314	\$ 1,465,314
2020	365,000	1,101,014	1,466,014
2021	380,000	1,085,876	1,465,876
2022	395,000	1,069,744	1,464,744
2023	410,000	1,052,531	1,462,531
Thereafter	<u>21,005,000</u>	<u>12,765,220</u>	<u>33,770,220</u>
	22,905,000	<u>\$ 18,189,699</u>	<u>\$ 41,094,699</u>
Less: Unamortized bond discount, net	(199,071)		
Less: Unamortized bond issuance costs	<u>(403,311)</u>		
Total DASNY Series 2010 bond payable	<u>\$ 22,302,618</u>		

11. LINE OF CREDIT FACILITY

The College has an unsecured line of credit of \$10 million that expired in March 2018 and was renewed to March 2019. The terms of the line are LIBOR plus 175 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, 2018 and 2017, there were no amounts outstanding under this facility.

During fiscal years 2018 and 2017, interest paid on this line amounted to \$24,249 and \$33,981, 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 \$533,333 and \$800,000 as of June 30, 2018 and 2017, 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

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period of fifteen years. Use is subject to the discretion of the College. Deferred contract revenue under this agreement was \$551,745 and \$874,402 at June 30, 2018 and 2017, 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 \$73,645 and \$86,343 at June 30, 2018 and 2017, respectively. Revenue from this agreement is recognized over the term of the agreement.

13. NET ASSETS RELEASED FROM RESTRICTIONS

Donor-imposed restrictions that were met during the years ended June 30, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Academic support	\$ 57,441	\$ 4,703
Instruction	43,251	49,576
Student services	35,670	83,262
Student aid	1,427,015	1,070,422
General institutional	222,184	-
Pledge payments received	<u>220,595</u>	<u>349,927</u>
Total net assets released from restrictions	<u>\$ 2,006,156</u>	<u>\$ 1,557,890</u>

14. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were held for the following purposes at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Time restricted - for general college purposes	\$ 838,577	\$ 1,423,003
Purpose restricted:		
Scholarships	11,764,417	9,045,612
Campaign	2,025,175	2,153,891
Student services	<u>384,859</u>	<u>541,092</u>
Total temporarily restricted net assets	<u>\$ 15,013,028</u>	<u>\$ 13,163,598</u>

15. GOVERNMENT APPROPRIATIONS

The College recognized revenues from government appropriations in support of current operations totaling \$587,148 and \$500,368 for the years ended June 30, 2018 and 2017, respectively.

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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, 2018 and 2017 was \$1,682,109 and \$1,666,978, respectively.

17. EARLY RETIREMENT PROGRAM

During fiscal years 2018 and 2017, 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 \$1,310,574 and \$620,243 at June 30, 2018 and 2017, respectively, and was included within accounts payable and accrued expenses in the accompanying statements of financial position. The College paid this liability in full in August 31, 2019.

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, 2018 and 2017, fundraising expenses incurred only by the College’s development office totaled \$935,791 and \$418,001 respectively, and are included within Institutional Support in the accompanying statements of activities.

For the years ended June 30, 2018 and 2017, costs allocated to the respective functional categories follow:

	Plant Operation and Maintenance		Depreciation	
	2018	2017	2018	2017
Instruction	\$ 2,557,941	\$ 2,454,826	\$ 2,246,364	\$ 2,200,452
Academic support	484,918	465,371	425,851	417,148
Student services	1,193,507	1,145,395	1,048,129	1,026,707
Institutional support	<u>687,527</u>	<u>659,912</u>	<u>603,780</u>	<u>591,440</u>
	<u>\$ 4,923,893</u>	<u>\$ 4,725,504</u>	<u>\$ 4,324,124</u>	<u>\$ 4,235,747</u>
			Interest Expense	
			* 2018	* 2017
Instruction			\$ 1,044,418	\$ 1,047,903
Academic support			<u>432,799</u>	<u>439,032</u>
			<u>\$ 1,477,217</u>	<u>\$ 1,486,935</u>

* No interest was capitalized in fiscal years 2018 and 2017, respectively.

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19. ENDOWMENT NET ASSETS

The College's endowment consists of 288 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 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, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 9,651,169	\$ 13,996,449	\$ 23,647,618
Board-designated endowment funds	<u>24,451,455</u>	<u>-</u>	<u>-</u>	<u>24,451,455</u>
Total funds	<u>\$ 24,451,455</u>	<u>\$ 9,651,169</u>	<u>\$ 13,996,449</u>	<u>\$ 48,099,073</u>

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Included within the board-designated endowment funds are amounts designated for scholarships of \$9,911,248 at June 30, 2018.

The following table summarizes the changes in endowment net assets for the year ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 30,396,489	\$ 8,181,752	\$ 13,312,209	\$ 51,890,450
Investment return:				
Investment income	203,185	83,827	-	287,012
Net appreciation - realized and unrealized	3,434,586	1,837,472	-	5,272,058
Contributions			684,240	684,240
Appropriated for expenditure:				
Scholarships	(846,590)	(451,882)	-	(1,298,472)
Support for operations	(3,586,215)	-	-	(3,586,215)
Quasi-endowment funds used for operations	<u>(5,150,000)</u>	<u>-</u>	<u>-</u>	<u>(5,150,000)</u>
Endowment net assets, end of year	<u>\$ 24,451,455</u>	<u>\$ 9,651,169</u>	<u>\$ 13,996,449</u>	<u>\$ 48,099,073</u>

During the year ended June 30, 2018, the College's Board of Trustees approved the use of quasi-endowment funds totaling \$5,150,000 to support operations.

The following table summarizes endowment net asset composition as of June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 8,181,752	\$ 13,312,209	\$ 21,493,961
Board-designated endowment funds	<u>30,396,489</u>	<u>-</u>	<u>-</u>	<u>30,396,489</u>
Total funds	<u>\$ 30,396,489</u>	<u>\$ 8,181,752</u>	<u>\$ 13,312,209</u>	<u>\$ 51,890,450</u>

Included within the board-designated endowment funds are amounts designated for scholarships of \$8,280,421 at June 30, 2017.

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The following table summarizes the changes in endowment net assets for the year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 28,957,468	\$ 6,411,390	\$ 12,413,173	\$ 47,782,031
Investment return:				
Investment income	38,518	91,596	-	130,114
Net appreciation - realized and unrealized	5,785,892	2,132,777	-	7,918,669
Contributions			899,036	899,036
Appropriated for expenditure:				
Scholarships	(877,377)	(454,011)	-	(1,331,388)
Support for operations	<u>(3,508,012)</u>	<u>-</u>	<u>-</u>	<u>(3,508,012)</u>
Endowment net assets, end of year	<u>\$ 30,396,489</u>	<u>\$ 8,181,752</u>	<u>\$ 13,312,209</u>	<u>\$ 51,890,450</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, 2018 and 2017.

20. COMMITMENTS AND CONTINGENCIES

The College has a line of credit facility with a financial institution that expires March 2019 (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 years 2016 and 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 \$340,000 and \$812,000 at June 30, 2018 and 2017, respectively.

21. SUBSEQUENT EVENTS

The College evaluated its June 30, 2018 financial statements for subsequent events through November 2, 2018, the date the financial statements were available to be issued. Other than the matter referred to below, management of the College is not aware of any subsequent events which would require recognition or disclosure to the accompanying financial statements.

In June 2018, the College's Board of Trustees approved the use of quasi-endowment funds totaling \$8,500,000 to support fiscal 2019 operations.