ELIZABETHTOWN COLLEGE
Elizabethtown, Pennsylvania

AUDIT REPORT ON FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2015 and 2014

ELIZABETHTOWN COLLEGE

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Elizabethtown College
Elizabethtown, Pennsylvania

We have audited the accompanying financial statements of Elizabethtown College (the "College"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees
Elizabethtown College

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elizabethtown College as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
October 26, 2015

ELIZABETHTOWN COLLEGE

STATEMENTS OF FINANCIAL POSITION
As of June 30, 2015 and 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	$ 7,199,597	$ 8,726,776
Short-term investments	9,098,818	2,141,948
Accounts and notes receivable		
Students (net of allowance for uncollectible accounts of $38,445 and $48,972 in 2015 and 2014, respectively)	941,710	789,592
Other	323,430	1,788,854
Inventories	433,561	385,961
Prepaid expenses	245,939	276,830
Pledges receivable due in less than one year (net of allowance for uncollectible pledges of $81,927 and $59,992 in 2015 and 2014, respectively)	1,507,045	887,914
Total current assets	19,750,100	14,997,875
Funds held in trust	4,139,720	3,955,409
Pledges receivable (net of allowance for uncollectible pledges of $320,007 and $223,135 in 2015 and 2014, respectively)	4,342,333	2,082,367
Student loans (net of allowance for uncollectible loans of $60,000 in 2015 and 2014)	1,329,869	1,241,106
Investments	76,172,040	73,884,750
Property, plant and equipment (net of accumulated depreciation of $66,887,134 and $62,933,345 in 2015 and 2014, respectively)	77,418,815	79,489,735
Other assets	459,572	495,895
TOTAL ASSETS	$ 183,612,449	$ 176,147,137

LIABILITIES AND NET ASSETS

	2015	2014
LIABILITIES		
Accounts payable	$ 1,777,626	$ 1,550,011
Accrued salaries, wages and benefits	1,729,683	1,683,810
Deposits and agency funds	1,270,458	1,278,048
Current liability on annuity contracts and trusts	109,681	172,763
Current portion of long-term debt	2,480,025	1,059,086
Total current liabilities	7,367,473	5,743,718
Advances from federal government for student loans	1,250,276	1,250,276
Annuity contracts and trusts liability	3,489,722	3,562,701
Post-retirement liability	14,332,101	11,479,084
Interest rate swap agreement	17,310	332,015
Long-term debt	36,335,951	38,840,590
Total liabilities	62,792,833	61,208,384
NET ASSETS		
Unrestricted	48,185,189	50,037,406
Temporarily restricted	37,027,679	30,610,688
Permanently restricted	35,606,748	34,290,659
Total net assets	120,819,616	114,938,753
TOTAL LIABILITIES AND NET ASSETS	$ 183,612,449	$ 176,147,137

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

ELIZABETHTOWN COLLEGE

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015 with comparative totals for 2014

	2015				2014
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
REVENUE					
Student related revenue					
Student tuition and fees, gross	$ 76,648,426	$ -	$ -	$ 76,648,426	$ 75,953,741
Less tuition discount	(34,541,842)	-	-	(34,541,842)	(33,173,301)
Student tuition and fees, net	42,106,584	-	-	42,106,584	42,780,440
Auxiliary enterprises	17,196,621	-	-	17,196,621	17,263,963
Private gifts and grants	1,087,144	7,078,853	1,341,089	9,507,086	6,471,260
Government grants	1,056,156	62,500	-	1,118,656	2,414,757
Investment income	296,022	1,162,148	-	1,458,170	341,063
Gains on investments	834,361	1,873,674	-	2,708,035	8,087,936
Gain on interest rate swap	314,705	-	-	314,705	86,837
Other	298,286	-	-	298,286	154,966
Net assets released from restrictions	3,785,184	(3,760,184)	(25,000)	-	-
Total revenue	66,975,063	6,416,991	1,316,089	74,708,143	77,601,222
EXPENSES					
Instruction	24,815,946	-	-	24,815,946	23,640,577
Academic support	1,632,791	-	-	1,632,791	1,746,458
Student services	7,388,790	-	-	7,388,790	7,383,579
Institutional support	13,373,897	-	-	13,373,897	12,894,534
Facilities					
Operation and maintenance of plant	5,845,483	-	-	5,845,483	6,050,607
Depreciation and amortization	3,965,497	-	-	3,965,497	4,000,889
Interest	2,011,233	-	-	2,011,233	2,093,734
Auxiliary enterprises	7,231,599	-	-	7,231,599	7,578,616
Total expenses	66,265,236	-	-	66,265,236	65,388,994
Pension related charges other than net periodic pension cost	(2,562,044)	-	-	(2,562,044)	(417,235)
Change in net assets	(1,852,217)	6,416,991	1,316,089	5,880,863	11,794,993
NET ASSETS					
Net assets, beginning of year	50,037,406	30,610,688	34,290,659	114,938,753	103,143,760
END OF YEAR	$ 48,185,189	$ 37,027,679	$ 35,606,748	$ 120,819,616	$ 114,938,753

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

ELIZABETHTOWN COLLEGE

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	Unrestricted	Temporarily restricted	Permanently restricted	Total
REVENUE				
Student related revenue				
Student tuition and fees, gross	$ 75,953,741	$ -	$ -	$ 75,953,741
Less tuition discount	(33,173,301)	-	-	(33,173,301)
Student tuition and fees, net	42,780,440	-	-	42,780,440
Auxiliary enterprises	17,263,963	-	-	17,263,963
Private gifts and grants	1,466,676	3,319,244	1,685,340	6,471,260
Government grants	788,952	1,625,805	-	2,414,757
Investment income	140,537	200,526	-	341,063
Gains on investments	2,480,262	5,607,674	-	8,087,936
Gain on interest rate swap	86,837	-	-	86,837
Other	154,966	-	-	154,966
Net assets released from restrictions	5,106,495	(5,091,945)	(14,550)	-
Total revenue	70,269,128	5,661,304	1,670,790	77,601,222
EXPENSES				
Instruction	23,640,577	-	-	23,640,577
Academic support	1,746,458	-	-	1,746,458
Student services	7,383,579	-	-	7,383,579
Institutional support	12,894,534	-	-	12,894,534
Facilities				
Operation and maintenance of plant	6,050,607	-	-	6,050,607
Depreciation and amortization	4,000,889	-	-	4,000,889
Interest	2,093,734	-	-	2,093,734
Auxiliary enterprises	7,578,616	-	-	7,578,616
Total expenses	65,388,994	-	-	65,388,994
Pension related charges other than net periodic pension cost	(417,235)	-	-	(417,235)
Change in net assets	4,462,899	5,661,304	1,670,790	11,794,993
NET ASSETS				
Net assets, beginning of year	45,574,507	24,949,384	32,619,869	103,143,760
END OF YEAR	$ 50,037,406	$ 30,610,688	$ 34,290,659	$ 114,938,753

ELIZABETHTOWN COLLEGE

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 5,880,863	$ 11,794,993
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation of property and equipment	3,953,790	3,989,181
Amortization of bond issuance costs	36,320	36,322
Accretion of bond discount	(24,613)	(24,616)
Provision for uncollectible accounts	331,117	301,470
Net gain on investments	(2,708,035)	(8,087,936)
Gain on swap	(314,705)	(86,837)
Permanently restricted gifts and donations received	(944,274)	(1,389,240)
Changes in assets and liabilities		
Actuarial liability for annuities payable	(136,061)	(181,710)
Short-term investments	(6,956,870)	(1,345,587)
Due from students	(152,118)	143,112
Accounts receivable	(21,308)	(4,782)
Grants receivable	1,452,921	(294,618)
Pledges receivable	(3,176,403)	(1,365,119)
Inventories	(47,600)	9,326
Prepaid expenses	30,891	76,985
Accounts payable	(64,141)	(712,490)
Accrued salaries and wages	45,873	705,449
Deposits and agency funds	(7,590)	(225,485)
Post-retirement liability	2,853,017	962,723
Net cash flows from operating activities	31,074	4,301,141
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(3,265,252)	(5,697,403)
Proceeds from sales of investments	3,685,999	6,630,190
Purchase of property and equipment	(1,591,114)	(1,270,788)
(Increase) decrease in funds held in trust	(184,311)	382,926
Loan disbursements to students	(382,367)	(322,500)
Repayments of students loans	293,604	257,868
Net cash flows from investing activities	(1,443,441)	(19,707)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of long-term debt	(1,059,086)	(2,179,050)
Proceeds from issuance of long-term debt	-	112,750
Permanently restricted gifts and donations received	944,274	1,389,240
Increase in advances from federal government for student loans	-	8,956
Net cash flows from financing activities	(114,812)	(668,104)
Net change in cash and cash equivalents	(1,527,179)	3,613,330
Cash and cash equivalents		
Beginning of year	8,726,776	5,113,446
END OF YEAR	$ 7,199,597	$ 8,726,776
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 2,011,233	$ 2,093,734

NONCASH INVESTING AND FINANCING ACTIVITIES

The College incurred capitalized construction costs of $291,756 and $363,104 which are included as accounts payable at June 30, 2015 and 2014, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Elizabethtown College (the College), founded in 1899, is a comprehensive residential college located in Pennsylvania's historic Lancaster County. More than 45 major programs of study in liberal arts, sciences and professional studies are offered to more than 2,000 students. Elizabethtown College is a community of learners dedicated to educating students intellectually, socially, aesthetically and ethically for lives of service and leadership as citizens of the world.

Basis of Presentation

The accounting policies of the College reflect practices common to colleges and universities and conform to accounting principles generally accepted in the United States of America. The more significant accounting policies are summarized below:

- Unrestricted - Net assets not subject to donor-imposed stipulations.
- Temporarily Restricted - Net assets subject to donor-imposed stipulations that will be met by action of the College and/or the passage of time.
- Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Revenues from sources other than contributions are generally reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Income earned on donor restricted funds is initially classified as temporarily restricted net assets and is reclassified as unrestricted net assets when expenses are incurred for their intended purpose.

Contributions, including unconditional promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire property and equipment are reported as temporarily restricted revenues; the restrictions are considered to be released at the time such long-lived assets are placed in service.

In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss reduces unrestricted net assets. If losses reduce the assets of a donor-restricted endowment fund below the level required by the donor stipulations or law, gains that restore the fair value of the assets of the endowment fund to the required level are classified as increases in unrestricted net assets.
Losses on investments of endowment funds created by a board designation of unrestricted funds are classified as reductions in unrestricted net assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments with purchased maturities of 90 days or less. Each night, the College sweeps all cash into a short-term investment account which is considered cash equivalent to maximize interest earned.

Short-Term Investments

The College holds funds in certain short-form investment accounts which are used primarily for operating activities at the College.

Concentrations of Credit Risk

Financial instruments which subject the College to concentrations of credit risk consist primarily of investments in long-term corporate and governmental fixed income instruments, and equity holdings of domestic and foreign corporations. In addition, the College typically maintains cash and cash equivalents and short-term investments in local banks which may, at times, exceed the FDIC insurance limits.

The College's operations are located in Elizabethtown, Pennsylvania and its students come primarily from Pennsylvania and surrounding states. The College's major source of revenue is from tuition and room and board fees.

Student Accounts Receivable

Student accounts receivable are carried at the unpaid balance of the original amount billed to students. Student accounts receivable are reported net of allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts receivable are written off when deemed uncollectible. Recoveries of student accounts previously written-off are recorded when received. Receivables are generally unsecured. A student account receivable is considered to be delinquent if not paid by the due date. A finance charge is applied to delinquent amounts.

Funds Held in Trust

Funds held in trust include funds held by the designated trustee for payment on construction costs and maintenance of debts reserve funds and funds held in reserve for payment of future employee healthcare costs.

Inventories

Inventories consist of items for the College store and dining services, and are valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Investments

The College records investments at fair value. Equity securities and mutual funds are valued at quoted market prices. Mortgage investments and cash surrender values of life insurance policies, are carried at the stated value which approximates the market value of these assets. Alternative investments are recorded at the estimated fair value established by the fund managers and reviewed by the investment consultant. Alternative investments consist of private equity securities, real estate investment, mortgages and hedge funds. Because such investments are not readily marketable, their estimated value is subject to uncertainty, and, therefore, may differ from the value that would have been used had a ready market for such investments existed. The College reviews and evaluates the values provided by the outside parties and agrees with the valuation methods and assumptions used in determining the fair value of alternative investments.

Gains and losses on investments are determined using an average cost method for securities and the specific identification method for other investments. Gains and losses are based on the trade date for investments.

The College is the recipient/beneficiary of several irrevocable trust arrangements which are held by others. The related income from these arrangements is recognized as either temporarily restricted or unrestricted revenue by the College when received, depending on whether the donor-imposed restrictions exist. The recorded value of the stream of future revenue associated with these trusts is required to be measured using the present value of future cash receipts. The market value of the pro rata ownership portion of the trusts' assets is used as an approximation of the present value of the future receipts and is included in investments.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of gifts. Depreciation is computed on a straight-line basis over the estimated useful lives of land improvements (20 years), buildings (20-87 years) and equipment (3-15 years).

The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation amounts and any resulting gain or loss is recorded in the period of disposal.

Renewals and improvements which extend the useful lives of assets are capitalized at cost. Library books are expensed when purchased. Maintenance and repairs are included as expenses in the statements of activities.

Other Assets

Other assets consist of costs associated with debt issuance. All deferred costs associated with issued debt are being amortized over the term of respective debt.

Deposits and Agency Funds

Deposits relate primarily to summer and fall session tuition and matriculation and breakage deposits received prior to June 30. Agency funds consist of assets held for others, primarily student organizations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Net Student Tuition and Fees

Net student tuition revenue is reported at the net realizable amounts received from students. Net tuition and fees is reported net of institutional student aid, contributions, and investment income restricted for student aid and certain federal grants restricted for student aid.

Private Gifts and Grants

The College distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Under current accounting guidance, donor-restricted contributions are reported as unrestricted operating revenue when the restriction is satisfied within the same year that the contribution is received.

Advertising Costs

The College follows the policy of expensing advertising and marketing costs when incurred. For the years ended June 30, 2015 and 2014, advertising related costs amounted to $509,300 and $604,331, respectively.

Fundraising Expenses

The College follows the policy of expensing the costs of fundraising when incurred. For the years ended June 30, 2015 and 2014, fundraising costs amounted to $1,994,617 and $1,827,471, respectively.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions relate to the determination of allowances for doubtful student accounts, pledges and other receivables, alternative investment values, useful lives of fixed assets, assumptions related to the post-retirement liability and the reported fair values of certain of the College's assets and liabilities. Actual results could differ from those estimates.

Income Tax Status

The Internal Revenue Service has determined that the College is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income tax. However, any unrelated business income may be subject to taxation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Income Tax Status (cont.)

The College follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the College for uncertain tax positions as of June 30, 2015 and 2014. The College's tax returns are subject to review and examination by federal and state authorities. The tax returns for the current year as well as fiscal years 2012 and thereafter are open to examination by federal and state authorities.

New Accounting Pronouncement Not Yet Effective

In May 2014, new accounting guidance was issued that outlines a single comprehensive model for organizations to use in accounting for revenue from contracts with customers. This guidance is effective for the College's fiscal year ending June 30, 2019. The College is assessing the impact this guidance will have on its financial statements.

NOTE 2 – LONG TERM INVESTMENTS

Investments consisted of the following at June 30:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	$ 2,743,000	$ 2,721,272	$ 2,373,814	$ 2,373,814
Equities	7,476,093	9,395,375	7,371,192	9,666,692
Fixed income	1,054,721	1,060,064	1,054,721	1,068,176
Annuity funds	2,363,933	2,389,255	1,873,439	1,873,439
Alternative investments	50,088,300	60,280,573	45,566,976	58,426,471
Funds in trust	325,501	325,501	476,158	476,158
Totals	$ 64,051,548	$ 76,172,040	$ 58,716,300	$ 73,884,750

The fair value of the total endowment assets included in long term investments amounted to $69,815,043 and $67,653,893 at June 30, 2015 and 2014, respectively. Included in those amounts are quasi-endowment assets of $15,281,435 and $15,186,944 at June 30, 2015 and 2014, respectively.

NOTE 3 – CREDIT QUALITY OF FINANCING RECEIVABLES

The College issues uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Student loans receivable are carried at the amount of unpaid principal less an estimate for doubtful accounts. 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. At both June 30, 2015 and 2014, student loans represented less than 1% of total assets.

At June 30, student loans consisted of the following:

	2015	2014
Federal government programs	$ 1,293,410	$ 1,204,596
Institutional programs	96,459	96,510
	1,389,869	1,301,106
Less allowance for doubtful accounts		
Beginning of year	(60,000)	(60,000)
End of year	(60,000)	(60,000)
Student loans receivable, net	$ 1,329,869	$ 1,241,106

Funds advanced by the Federal government of $1,250,276 at both June 30, 2015 and 2014 are ultimately refundable to the government and are classified as liabilities in the statement of financial position.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on student loans receivable and is recognized as it is charged. Student loans receivable through the loan programs are considered to be past due if a payment is not made within 30 days of the payment due date, at which time, late charges are charged and recognized. The Federal Perkins Loan Program receivables may be assigned to the U.S. Department of Education (ED). Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by ED.

At June 30, the following amounts were past due under student loan programs:

	Amounts Past Due			
June 30	1-60 days	60-90 days	90+ days	Total
2015	$ 459	$ 164	$ 97,095	$ 97,718
2014	439	277	95,481	96,197

The Federal Perkins Loan Program is set to expire in September 2015. ED issued guidance in January 2015 (Dear Colleague Letter GEN-15-03) which addressed the grandfathering of Perkins loans for students who received loans prior to June 30, 2015. According to the guidance issued by ED, if these students meet certain conditions, they will still be able to receive Perkins loans until 2020 to allow them to "continue or complete their courses of study". However, Perkins loans may not be made to "new borrowers" for whom the first disbursement of a Federal Perkins loan will occur on or after October 1, 2015. Other issues, including the settlement of school revolving funds and outstanding loan portfolios, still need to be addressed. The College is monitoring this issue and is currently assessing the impact on its financial statements.

NOTE 4 – PLEDGES RECEIVABLE

As of June 30, 2015 and 2014, donors to the College have made written promises to give totaling $6,511,611 and $3,541,467 respectively, on which management has established a reserve for uncollectible pledges of $401,934 and $283,127, respectively. Discounts on pledges receivable were $260,299 and $288,059 at June 30, 2015 and 2014, respectively. Pledges were discounted to their present value assuming their respective terms, and at the discount rate corresponding to the date each pledge was received. The discount rate ranged from 0.10% to 5.18% for 2015 and for 2014. The discounted pledges, net of allowance as of June 30, 2015 are scheduled to be collected as follows:

	Temporarily Restricted	Permanently Restricted	Total
Less than one year	$ 1,409,732	$ 97,313	$ 1,507,045
One to three years	1,918,923	136,164	2,055,087
Three to five years	1,410,178	30,063	1,440,241
More than five years	633,168	213,837	847,005
Totals	$ 5,372,001	$ 477,377	$ 5,849,378

Under current accounting guidance, unconditional promises to give (pledges) are required to be recorded as receivables and revenue, and the College is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Donor-restricted contributions are reported as unrestricted operating revenue when the restriction is satisfied within the same year that the contribution is received.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

As of June 30, the components of the College's property, plant and equipment were as follows:

	2015	2014
Land and improvements	$ 19,183,837	$ 19,183,837
Buildings	114,789,761	111,961,196
Furniture and equipment	8,894,816	8,867,382
Construction in process	1,437,536	2,410,665
	144,305,950	142,423,080
Less: Accumulated depreciation	(66,887,135)	(62,933,345)
Totals	$ 77,418,815	$ 79,489,735

The College recorded depreciation expense of $3,953,790 and $3,989,181 for the years ended June 30, 2015 and 2014, respectively.

NOTE 6 – LONG-TERM DEBT

Long-term debt payable at June 30 consisted of the following:

Description	Maturity Dates	Interest Rates	Principal Balance 2015	Principal Balance 2014
Series 2009 Revenue bonds	2029	2.38%	$ 11,963,480	$ 12,483,480
Mortgage payable	2018	5.00%	142,732	175,127
Series 2006 FF2 Revenue bonds, net of premium of $307,700 and $332,300, respectively	2027	5.00%	24,502,685	24,527,300
2002 Refinancing bonds	2020	2.38%	1,923,734	2,291,267
Capital leases	2017	1.20%	283,345	422,502
			$ 38,815,976	$ 39,899,676

The proceeds of the Series of 2009 Revenue bonds were used for two purposes. $14,555,000 was used to refund the 2006 Variable Rate bonds. The refunded bonds have a fixed rate of 2.38% through June 2015 and a variable rate from June 2015 through June 2029. The remaining $2,048,255 of these funds has been used to fund energy projects on campus. This portion of the debt has a fixed rate of 2.38% and will be repaid from 2011 through 2019. There is an additional credit of $61,520 available under these bonds for campus energy projects.

The College purchased a property adjacent to the campus in 2009 and entered in a mortgage agreement. The mortgage has a fixed rate of 5% and will be repaid completely in 2018.

The proceeds of the Series 2006 FF2 Revenue bond were used to refinance the 2001 Revenue note. This transaction was considered a legal defeasance. The term of the bonds remained unchanged but the interest rate was reduced from 5.9% to 5.0%.

The proceeds of the Series 2006 Revenue bond were used to refinance the 2002 Series I refinancing bond and partially refinance the 2002 Series II bond. The 2006 Revenue bond also included $7,155,000 in new debt. This portion of the proceeds was used to assist in the construction of the new science, math and engineering center. They were refunded by the Series 2009 Revenue bonds in 2009.

NOTE 6 – LONG-TERM DEBT (cont.)

Aggregate maturities of long-term debt are as follows:

Year Ending June 30,	Maturities
2016	$ 2,480,025
2017	2,591,915
2018	2,530,571
2019	2,638,887
2020	2,691,892
Thereafter	25,882,686
Total	$ 38,815,976

The College has entered into guarantees with the various bond authorities to collateralize the full and prompt payment of the principal and interest of the bonds. The obligation of the College to make payments under the guarantees is a general obligation of the College and is collateralized by the full faith and credit of the College. The College has collateralized its obligation under the guarantees by granting an interest in (i) unrestricted revenues, (ii) the tangible personal property, fixtures, equipment, furnishings and certain buildings and land, (iii) the proceeds from disposition of such tangible personal property, fixtures and equipment and furnishings, and (iv) proceeds of any insurance thereon and condemnation awards thereon.

Under the terms of the various debt documents, the College covenants, among other things, that it will generate certain levels of net revenue as defined in the agreements, abide by limitations on the size of deficits incurred as defined by the agreements, and maintain certain minimum endowment fund investments. The College is in compliance with these covenants as of June 30, 2015 and 2014.

As of June 30, 2015 and 2014, $459,572 and $495,895 of unamortized bond issue expense were included in other assets, respectively.

NOTE 7 – LINE OF CREDIT AGREEMENT

The College has a $6,000,000 line of credit agreement with a bank. The line of credit is unsecured and bears interest at LIBOR plus 2.35%. As of June 30, 2015 and 2014, there were no amounts outstanding on the line of credit.

NOTE 8 – POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

The College sponsors a post-retirement health care plan covering retirees and eligible spouses and employees who have met certain eligibility requirements. The plan is contributory for retirees with a retirement date prior to July 1, 1998. The College contributions are currently set at 100% of the required premium for the retiree and 0% for the covered spouse for individuals who held the rank of associate or full professor, or attained age 50, or have completed 15 years of full-time service by September 1, 2004. Individuals who did not meet the aforementioned criteria by September 1, 2004, receive 50% of the required premium for the retiree. All new employees who began employment after September 1, 2004, are not covered.

	2015	2014
Change in Projected Benefit Obligation		
Benefit obligation at beginning of year	$ 11,479,084	$ 10,516,361
Interest cost	531,320	511,317
Actuarial loss	539,386	606,689
Assumptions	2,022,658	200,051
Service cost	341,754	282,944
Benefit payments	(582,101)	(638,278)
Benefit Obligation at End of Year	$ 14,332,101	$ 11,479,084

	2015	2014
Change in Fair Value of Plan Assets		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contributions	712,098	638,278
Benefit payments	(712,098)	(638,278)
Fair Value of Plan Assets at End of Year	$ -	$ -

Assumptions

Weighted average assumptions used to determine benefit obligations:

	2015	2014
Discount rate	4.60%	4.50%

The effect of a one-percentage point increase in the assumed healthcare cost trend rates for each future year on the aggregate of the service and interest cost components of the net periodic postretirement health care benefit cost is $185,000 and the accumulated postretirement benefit obligation is $1,959,000.

NOTE 8 – POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (cont.)

Net periodic pension cost

	2015	2014
Service cost	$ 341,754	$ 282,944
Interest cost	531,320	511,317
Actuarial loss	2,562,044	5,027,359
Totals	$ 3,435,118	$ 5,821,620

The amount expected to be recognized in net periodic cost for the years ended June 30, 2015 and 2014 for loss recognition is $0 and $389,505, respectively.

Healthcare cost trend assumptions

	2015	2014
Initial trend rate	5%	5%
Ultimate trend rate	5%	5%
Years until ultimate is reached	-	-

Other changes in plan assets and benefit obligation recognized

	2015	2014
Net actuarial loss	$ 539,386	$ 606,689
Recognized actuarial loss	-	(389,505)
Totals	$ 539,386	$ 217,184

Expected future benefit payments

The benefit payments and plan contributions, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year Ending June 30,	
2016	$ 779,000
2017	763,000
2018	777,000
2019	754,000
2020	796,680
2021-2025	5,684,000

NOTE 8 – POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (cont.)

Medicare Prescription Drug Act

The Medicare Prescription Drug Improvement and Modernization Act of 2003 provides for a direct government subsidy for employers who continue to offer a retiree drug program that is deemed to be actuarially equivalent to the government plan. The federal government will pay a subsidy to employers who continue to offer prescription drug coverage if the employer provided benefit is “actuarially equivalent” to the Medicare Part D benefit.

Based on available guidance, the College does not believe that benefits under the Postretirement Medical and Life Insurance Plan are “actuarially equivalent” to the Medicare Part D benefit. Therefore, the accumulated postretirement benefit obligation and the net periodic postretirement benefits disclosed do not reflect any amount associated with the subsidy, nor do they reflect any anticipated reduction in costs due to employees waiving employer coverage and enrolling in Medicare Part D.

NOTE 9 – FAIR VALUE MEASUREMENTS

Financial Instruments - The carrying amounts of cash and cash equivalents, restricted cash, student accounts receivable, other receivables, accounts payable and deposits approximate fair value because of the short term maturity of these financial instruments. The carrying amounts of contributions receivable are recorded using the applicable discount rates in effect at the date of the gifts.

A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to the government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the U.S. government or its designee.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift.

Fair Value Hierarchy - Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

NOTE 9 – FAIR VALUE MEASUREMENTS (cont.)

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

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

While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents information about the College's assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 based upon the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
ASSETS				
Short-term investments	$ 15,875,533	$ -	$ 15,875,533	$ -
Investments:				
Cash and cash equivalents	2,721,272	2,579,885	141,387	-
Equities				
Domestic	7,148,827	-	7,148,827	-
Foreign	2,246,548	-	2,246,548	-
Domestic fixed income	1,060,064	-	1,060,064	-
Annuity funds	2,389,255	-	-	2,389,255
Alternative investments				
Private equity	9,932,016	-	-	9,932,016
Real assets	1,439,444	-	-	1,439,444
Real estate	3,014,681	-	455,300	2,559,381
Multi-strategy	45,894,432	-	-	45,894,432
Funds held in trust by others	325,501	-	-	325,501
Funds held in trust	4,139,720	4,139,720	-	-
Totals	$ 96,187,293	$ 6,719,605	$ 26,927,659	$ 62,540,029
LIABILITIES				
Interest rate swap agreement	$ 17,310	$ -	$ 17,310	$ -

NOTE 9 – FAIR VALUE MEASUREMENTS (cont.)

The following table presents information about the College's assets and liabilities measured at fair value on a recurring basis as of June 30, 2014 based upon the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
ASSETS				
Short-term investments	$ 8,089,675	$ -	$ 8,089,675	$ -
Investments:				
Cash and cash equivalents	2,373,814	2,204,721	169,093	-
Equities				
Domestic	7,320,835	-	7,320,835	-
Foreign	2,345,857	-	2,345,857	-
Domestic fixed income	1,068,176	-	1,068,176	-
Annuity funds	1,873,439	-	-	1,873,439
Alternative investments				
Private equity	10,736,577	-	-	10,736,577
Real assets	1,633,126	-	-	1,633,126
Real estate	2,994,287	-	455,300	2,538,987
Multi-strategy	43,062,481	-	-	43,062,481
Funds held in trust by others	476,158	-	-	476,158
Funds held in trust	3,955,409	3,955,409	-	-
Totals	$ 85,929,834	$ 6,160,130	$ 19,448,936	$ 60,320,768
LIABILITIES				
Interest rate swap agreement	$ 332,015	$ -	$ 332,015	$ -

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value.

Short-term investments – The fair value of short-term investments, consisting primarily of money market funds and municipal and corporate bonds, is classified as Level 2 as the fair value is based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Cash and cash equivalents – Cash and cash equivalents classified as level 1 represent demand deposits and other investments with purchased maturities of 90 days or less and their value is based on quoted prices in active markets. Those cash and cash equivalents which are classified as level 2 consist primarily of money market funds, whose fair value is based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

NOTE 9 – FAIR VALUE MEASUREMENTS (cont.)

Equities – Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 if they are traded in an active market for which closing stock prices are readily available. They are classified as Level 2 when the investment is not traded in active markets.

Fixed income securities – Investments in fixed income securities are comprised of commingled trust funds which are not actively traded, and are classified as a level 2.

Annuity funds – The fair value of annuity funds is classified as level 3 as the fair value is based on a combination of level 2 inputs (interest rate, individual's age, payment, and term) and significant unobservable inputs (individual or specific estimates of cash flows).

Investment in alternative investments – Investments in land are classified as level 2 as fair value is based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets. Investments in hedge funds, private equity funds, real estate partnerships, real estate funds, funds of funds, and real assets partnerships for which there is no readily determinable fair value are classified as level 3 as the valuation is based on significant unobservable inputs. In cases where the investee has provided its investors with a net asset value per share that has been calculated in accordance with the AICPA Audit and Accounting Guide, *Investment Companies*, the College has estimated its fair value by using the net asset value provided by the investee as of December 31, or March 31, adjusted for cash receipts, cash disbursements, significant known valuation changes in market values of publicly held securities contained in the portfolio and security distributions through June 30.

Funds held in trust by others – The College's beneficial interest in funds held in trust administered by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rate and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). Since the College has an irrevocable right to receive the income earned from the trust's assets, the fair value of the College's beneficial interest is estimated to approximate the fair value of the trust's assets.

Funds held in trust – Funds held in trust are based on quoted market prices in active markets and are classified as Level 1 inputs. These investments primarily are money market funds, certificates of deposit, and mutual funds.

Interest rate swaps – Interest rate swaps are classified as Level 2 as the fair value is based on observable inputs to a valuation model (interest rates, credit spreads, etc.) which take into account the present value of the estimated future cash flows and credit valuation adjustments.

There have been no changes in the techniques and inputs used as of June 30, 2015 and 2014.

NOTE 9 – FAIR VALUE MEASUREMENTS (cont.)

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2015:

	Balance June 30, 2014	Net Realized and Unrealized Gains (Losses)	Purchases	Sales	Settlement	Balance June 30, 2015
Assets						
Funds held in trust						
by others	$ 476,158	$ (150,657)	$ -	$ -	$ -	$ 325,501
Annuity funds	1,873,439	515,816	-	-	-	2,389,255
Alternative						
investments						
Private equity	10,736,577	2,194,081	299,659	-	(3,298,301)	9,932,016
Real assets	1,633,126	(19,020)	25,906	-	(200,568)	1,439,444
Real estate	2,538,987	1,045,469	-	-	(1,025,075)	2,559,381
Multi-strategy	43,062,481	1,716,600	3,700,000	-	(2,584,649)	45,894,432
Totals	$ 60,320,768	$ 5,302,289	$ 4,025,565	$ -	$ (7,108,593)	$ 62,540,029

The amount of total gains (losses) for the period included in change in net assets attributable to the change in unrealized gains (losses) relating to assets measured at fair value still held at June 30, 2015.	$ 2,165,254

NOTE 9 – FAIR VALUE MEASUREMENTS (cont.)

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2014:

	Balance June 30, 2013	Net Realized and Unrealized Gains	Purchases	Sales	Settlement	Balance June 30, 2014
Assets						
Funds held in trust by others	$ 436,638	$ 39,520	$ -	$ -	$ -	$ 476,158
Annuity funds	1,817,988	55,451	-	-	-	1,873,439
Alternative investments						
Private equity	12,817,902	2,687,165	648,549	(2,021,322)	(3,395,717)	10,736,577
Real assets	1,662,149	330,990	65,265	-	(425,278)	1,633,126
Real estate	2,798,742	632,991	-	-	(892,746)	2,538,987
Multi-strategy	35,484,164	4,373,591	5,250,000	-	(2,045,274)	43,062,481
Totals	$ 55,017,583	$ 8,119,708	$ 5,963,814	$ (2,021,322)	$ (6,759,015)	$ 60,320,768

The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains relating to assets measured at fair value still held at June 30, 2014. $ 6,200,153

The fair value of certain funds has been estimated using the Net Asset Value ("NAV") as reported by the management of the fund. FASB guidance allows for the use of the NAV as a "practical expedient" estimating the fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the College's interest in the fund. Investments are categorized as Level 2 instruments when the College has the ability to redeem its investment in the entity at the NAV per share in the near term. If the College does not know when it will have the ability to redeem its investment or it does not have the ability to redeem its investment at NAV per share in the near term, the investments are categorized as Level 3 instruments The College generally considers a redemption period of 90 days or less to be considered near term.

NOTE 9 – FAIR VALUE MEASUREMENTS (cont.)

A summary of the significant categories of such investments and their attributes is as follows:

Assets	Fair value as of June 30, 2015	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Real estate funds	$ 2,559,381	$ 295,510	N/A	N/A
Private equity funds	9,932,016	1,822,277	N/A	N/A
Real assets	1,439,444	428,490	N/A	N/A
Multi-strategy	45,894,432	-	30-90 days	180 days
Totals	$ 59,825,273	$ 2,546,277		

Real estate funds - This category includes real estate funds that invest primarily in the U.S. and are diversified across sectors. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying investments in the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated 7 to 10 years after initial investment. As of June 30, 2015, the College's real estate portfolio consists of two funds, the oldest of which began making underlying investments in 2005. The fair values of the investments in this category have been derived using the net asset value of the College's ownership interest in Partners' Capital. Partners' Capital for each fund has been prepared in accordance with fair value methodology as outlined by U.S. GAAP and ASC Topic 820, *Fair Value Measurements and Disclosures*.

Private equity funds - This category includes several private equity funds that are diversified by strategy, region, and vintage year. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying investments in the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated 5 to 10 years after initial investment. As of June 30, 2015, the College's private equity portfolio consists of 16 funds, with vintage years ranging from 2001 to 2011. The fair values of the investments in this category have been derived using the net asset value of the College's ownership interest in Partners' Capital. Partners' Capital for each fund has been prepared in accordance with U.S. GAAP and ASC Topic 820, *Fair Value Measurements and Disclosures*.

Real asset funds - This category includes funds that invest primarily in timber, energy, and infrastructure; these investments are primarily in the U.S. and diversified by strategy. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying investments in the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated 7 to 10 years after initial investment. As of June 30, 2015, the College's real asset portfolio consists of two funds, the oldest of which began making underlying investments in 2007. The fair values of the investments in this category have been derived using the net asset value of the College's ownership interest in Partners' Capital. Partners' Capital for each fund has been prepared in accordance with U.S. GAAP and ASC Topic 820, *Fair Value Measurements and Disclosures*.

Multi-Strategy funds - This category includes one fund with a globally diverse mix of public and private assets. The fund invests in hedge funds, private equity funds, as well as exchange traded funds. The fair values of the investments in this category have been derived using the net asset value of the College's ownership interest in Partners' Capital. Partners' Capital for each fund has been prepared in accordance with U.S. GAAP and ASC Topic 820, *Fair Value Measurements and Disclosures*.

NOTE 10 – DERIVATIVE INSTRUMENTS

The College uses interest rate exchange agreements as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. Interest rate exchange agreements are used to manage identified and approved exposures and are not used for speculative purposes. The interest rate exchange agreements are recognized as either assets or liabilities on the statements of financial position and are measured at fair value. Interest rate exchange agreements are often held for the life of the strategy, but may reflect significant interim unrealized gains or losses depending on the change in value since the inception of the contract. All unrealized and realized gains and losses from the interest rate exchange agreements are reflected in the statements of activities.

Interest rate exchange agreements between the College and a third party (counterparty) provide for periodic exchange of payments between the parties based on changes in a defined index and a fixed rate and include counterparty credit risk. Counterparty credit risk is the risk that contractual obligations of the counterparties will not be fulfilled. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Counterparty credit risk is managed by requiring high credit standards for the College's counterparties. The counterparties to these contracts are financial institutions that carry investment-grade credit ratings. The interest rate exchange agreements contain collateral provisions applicable to both parties to mitigate credit risk. The College does not anticipate non-performance by its counterparties.

In fiscal 2015, the College received $70,610 more than it paid in interest under the swap agreements. In fiscal 2014, the College received $67,637 more than it paid in interest under the swap agreements. The difference between interest received and interest paid under the swap agreements is recorded as investment income in the statements of activities.

Liability on Swap

On February 22, 2005, the College entered into a basic swap (the Basic Swap) in connection with the Series of 2001 revenue note. The College received a cash payment from Wachovia Bank, National Association (the Swap Provider), in the amount of $800,000, which has been recorded as a liability in the statement of financial position. In return for receiving the option payment, the College has agreed to receive 65% of LIBOR, plus .25% and to pay the Swap Provider the monthly BMA index rate. Both calculations will be made Thursday of every week and the net cash flows will be settled on the fifteenth day of each month, commencing March 15, 2005, for the preceding month. The notional amount is $22,720,000.

The Basic Swap amortizes as the Series 2001 revenue notes amortize and the term of the swap expires December 15, 2027. The College issued a Swap Revenue Note to the Swap Provider, providing a parity lien in the College's unrestricted revenues.

The swap agreement had a fair value of $(17,310) and $(332,015) at June 30, 2015 and 2014, respectively, which is reflected on the statement of financial position. A gain of $314,705 and $86,837 is recorded in the statement of activities for the years ended June 30, 2015 and 2014, respectively.

While the Series 2001 revenue note has been refinanced, this transaction is a legal defeasance. The bonds have not been retired.

NOTE 11 – NET ASSETS

Temporarily restricted net assets consist of the following at June 30,

	2015	2014
Annuity contract and trust assets	$ 2,127,122	$ 1,941,062
Capital projects	8,528,395	3,050,238
Temporarily restricted pledges	5,372,001	2,337,397
Scholarships, awards, etc.	1,017,482	642,558
Investments - including the accumulated change in market value in excess of the PA Trust limitation	19,982,679	22,639,433
Totals	$ 37,027,679	$ 30,610,688

Permanently restricted net assets consist of the following at June 30,

	2015	2014
Annuity contract and trust assets	$ 1,730,264	$ 1,710,264
Pledges related to the endowment	477,377	632,884
Investments - principal	33,399,107	31,947,511
Totals	$ 35,606,748	$ 34,290,659

During the course of the year, net assets whose use by the College were subject to donor-imposed restrictions were fulfilled by actions of the College pursuant to those restrictions, the expiration of time, or the designation of law. These assets are shown in the statements of activities as a release of net assets from temporary and permanent restrictions. A detail of the net assets released from restrictions for the years ended June 30, 2015 and 2014 is as follows:

	2015	2014
Assets released for		
Capital projects	$ 705,730	$ 2,542,756
Scholarships, professorships, awards, etc.	1,809,212	1,530,676
Other donor designated spending	827,962	732,733
Pennsylvania Trust Law	263,780	121,250
Write off of temporarily restricted plant pledges	153,500	164,530
Write off of permanently restricted endowment pledges	25,000	14,550
Totals	$ 3,785,184	$ 5,106,495

NOTE 12 – ENDOWMENTS

As required by accounting principles generally accepted in the United States of America, 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.

The College's endowment consists of a portfolio of actively managed funds established to provide both a source of operating funds as well as long-term financial stability. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as quasi-endowments.

Interpretation of Relevant Law

The Board of Trustees of the College has interpreted Commonwealth of Pennsylvania Act 141 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is regarded as the "historic dollar value" of the endowed fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets and is regarded as "net appreciation" is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the College's spending policy.

Endowment Investment Policy

The College has adopted an investment policy that is intended to:

- protect the future purchasing power of the principal of endowed funds by reserving an appropriate portion of investment return to offset the cumulative effects of inflation, and provide future real growth of the Fund;
- provide a source of income to support the activities of Elizabethtown College or those designated by the donor; and
- manage the spending distribution over time to reduce, as far as possible, annual variations in the level of support provided by the endowment.

The return objective is an average annual total real (inflation adjusted) rate of return of 5% to 6%, as measured over a three to five year market period.

NOTE 12 – ENDOWMENTS (cont.)

Endowment Spending Policy

The College's target annual distribution from the endowment is 4% of the trailing 12 quarters' average market value. The percentage expended for the years ended June 30, 2015 and 2014 was 3.71% and 3.87% respectively. In addition, the Commonwealth of Pennsylvania law permits organizations to allocate to income each year a portion of permanently restricted investment net gains under a total return spending rate policy, not to exceed 7% of the average market value of the assets for the preceding three years. The College has authorized a draw down of 4% in both fiscal 2015 and 2014. To the extent that actual income from these permanently restricted investments is less than the predetermined amount, accumulated gains are made available for operations to fund the difference. For financial statement purposes, any excess of accumulated gains or accumulated losses are recorded as temporarily restricted net assets. Investment return in excess of or less than the spending distribution is reported as a component of temporarily restricted investment income. The Board expects a 4% draw for the upcoming June 30, 2016 fiscal year.

Strategies Employed for Achieving Objectives

As a permanent fund, the investment objectives for the endowment require disciplined and consistent management that accommodates all those events which are relevant, reasonable, and probable. The management of the endowment should ensure a total return (yield plus capital appreciation) sufficient to preserve and enhance, in real dollar terms, the principal funds endowed to support the College.

The investments of the endowment shall be appropriately diversified so as to maximize expected returns while controlling risk.

Unless otherwise indicated, Investment Managers will have complete investment discretion based on the expectation that the assets of the Fund will be invested with care, skill, prudence and diligence.

The asset mix, consistent with the return objective, will range within the following limits:

	Range
Total Return Assets	30 to 80%
Hedging Assets	20 to 70%

When a limit of the target range is reached, the Investment Committee will discuss with the investment office manager an appropriate target mix. The total return allocation may include equity-like volatility investments (e.g. equities, directional hedge funds, real estate, private equity, etc.) and the hedging allocation may include bond investments, commodity investments, cash and other hedging instruments.

NOTE 12 – ENDOWMENTS (cont.)

Endowment net asset composition by type of fund consists of the following as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 24,217,296	$ 33,717,021	$ 57,934,317
Board-designated endowment funds	15,281,435	-	-	15,281,435
Total Endowment Net Assets	$ 15,281,435	$ 24,217,296	$ 33,717,021	$ 73,215,752

Endowment net asset composition by type of fund consists of the following as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$23,135,228	$32,442,520	$55,577,748
Board-designated endowment funds	15,186,944	-	-	15,186,944
Total Endowment Net Assets	$15,186,944	$23,135,228	$32,442,520	$70,764,692

Changes in endowment net assets for the year ended June 30, 2015, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014	$ 15,186,944	$ 23,135,228	$ 32,442,520	$ 70,764,692
Investment return:				
Investment income	160,051	585,435	-	745,486
Net gains	543,787	2,450,387	-	2,994,174
Investment fees	(8,350)	(95,441)	-	(103,791)
Total investment return	695,488	2,940,381	-	3,635,869
Contributions and other additions	-	-	1,274,501	1,274,501
Operation draw	(600,997)	-	-	(600,997)
Appropriation of endowment assets for expenditure	-	(1,858,313)	-	(1,858,313)
Endowment Net Assets, June 30, 2015	$ 15,281,435	$ 24,217,296	$ 33,717,021	$ 73,215,752

NOTE 12 – ENDOWMENTS (cont.)

Changes in endowment net assets for the year ended June 30, 2014, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2013	$14,118,102	$19,242,431	$30,771,992	$64,132,525
Investment return:				
Investment income	33,500	123,548	-	157,048
Net gains	1,612,377	5,637,257	-	7,249,634
Investment fees	(12,715)	(45,402)	-	(58,117)
Total investment return	1,633,162	5,715,403	-	7,348,565
Contributions and other additions	-	-	1,670,528	1,670,528
Operation draw	(564,320)	-	-	(564,320)
Appropriation of endowment assets for expenditure	-	(1,822,606)	-	(1,822,606)
Endowment Net Assets, June 30, 2014	$15,186,944	$23,135,228	$32,442,520	$70,764,692

NOTE 13 – RETIREMENT PLAN

The College has a 403(b) retirement plan for qualified employees. The College contributes 11.5% of participating employees' annual salaries employed prior to September 1, 2004. For employees hired after August 31, 2004, the College contributes 10% of participating employees' annual salaries. The expense for the retirement plan for the years ended June 30, 2015 and 2014 amounted to $2,533,104 and $2,449,462, respectively.

NOTE 14 – RELATED PARTY TRANSACTIONS

During the normal course of business, the College purchases various supplies and services from companies associated with Board members which approximated $2,486,156 and $3,888,178 for the years ended June 30, 2015 and 2014, respectively.

In addition, the College has recorded revenue related to pledges receivable from employees and trustees. As of June 30, 2015 and 2014, pledges receivable due from employees and trustees amounted to approximately $2,263,336 and $1,163,400, respectively.

NOTE 15 – EXPENSES

Expenses by natural classification for the years ended June 30 were:

	2015	2014
Salaries and benefits	$ 40,898,591	$ 39,945,917
Auxiliary cost of sales	2,910,597	2,917,275
Depreciation and amortization	3,965,497	4,000,889
Interest on indebtedness	2,011,233	2,093,734
Equipment repair and maintenance	2,990,831	2,758,985
Utilities	1,706,082	1,855,490
Student employees	1,792,355	1,847,726
Professional services	980,333	973,086
Other	9,009,717	8,995,892
Totals	$ 66,265,236	$ 65,388,994

Expenses by functional classification for the years ended June 30 were:

	2015	2014
Education and general		
Instruction	$ 30,204,687	$ 29,033,137
Academic support	1,987,349	2,144,836
Student services	8,993,254	9,067,819
Institutional support	16,278,017	15,835,857
Auxiliary enterprises	8,801,929	9,307,345
Totals	$ 66,265,236	$ 65,388,994

NOTE 16 – CONTINGENCIES AND COMMITMENTS

The College has further capital commitments for investments of $2,546,277 and $3,053,667 at June 30, 2015 and 2014, respectively.

Various lawsuits, claims and other contingent liabilities arise in the ordinary course of the College's educational activities. While the ultimate disposition of such contingencies is not determinable at this time, management believes that any liability resulting from these will not materially affect the financial position of the College as of June 30, 2015.

NOTE 17– SUBSEQUENT EVENTS

The College evaluated its June 30, 2015 financial statements for subsequent events through October 26, 2015, the date the financial statements were issued.