Juniata College

Financial Statements

May 31, 2015 and 2014

BAKER TILLY

Candor. Insight. Results.

Juniata College

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May 31, 2015 and 2014

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Independent Auditors' Report

Board of Trustees
Juniata College

Report on the Financial Statements

We have audited the accompanying financial statements of Juniata College, which comprise the statement of financial position as of May 31, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Juniata College as of May 31, 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

State College, Pennsylvania
October 13, 2015

Juniata College

Statement of Financial Position
May 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 10,235,388	$ 10,446,065
Accounts receivable:		
Student, net	493,499	369,350
Governmental agencies	282,615	429,496
Other	109,287	1,427,895
Contributions receivable, net	2,357,086	1,806,552
Inventory	319,099	302,558
Prepaid expenses	640,320	547,731
Investments	106,426,382	102,718,205
Real estate investments	4,110,382	4,089,563
Cash surrender value life insurance	2,197,620	1,392,277
Student loans receivable	1,824,945	2,048,378
Funds held in trust by others	4,137,986	4,067,578
Deferred financing costs	586,553	606,878
Collections	1,641,732	1,641,732
Plant assets, net	72,979,133	74,226,484
Total assets	$ 208,342,027	$ 206,120,742
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 474,627	$ 827,574
Construction accounts payable	235,606	1,346,256
Accrued payroll and related liabilities	3,638,433	3,832,956
Student deposits and prepayments	465,016	536,963
Deferred revenue	3,238,074	3,366,576
Funds held in custody for others	241,932	176,079
Bonds and notes payable	42,342,942	42,079,822
Obligations under capital lease	303,781	196,665
Postretirement benefits	6,719,604	5,830,978
Annuities payable	2,708,636	2,765,592
Advance from federal government for student loans	1,446,664	1,446,664
Total liabilities	61,815,315	62,406,125
Net Assets		
Unrestricted	49,383,131	48,489,567
Temporarily restricted	28,344,868	27,881,469
Permanently restricted	68,798,713	67,343,581
Total net assets	146,526,712	143,714,617
Total liabilities and net assets	$ 208,342,027	$ 206,120,742

See notes to financial statements

Juniata College

Statement of Activities
Year Ended May 31, 2015
(With Comparative Totals for 2014)

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating Revenues					
Tuition and fees (net of scholarship allowances of $31,125,556)	$ 27,894,320	$ -	$ -	$ 27,894,320	$ 27,522,320
Federal, state and local grants and contracts	1,102,833	-	-	1,102,833	708,829
Private gifts, grants and bequests	4,004,424	697,111	1,303,175	6,004,710	7,599,626
Interest and dividends	467,416	1,409,069	92,937	1,969,422	1,738,640
Other income	1,493,241	33,936	-	1,527,177	794,180
Auxiliary enterprises	12,975,841	-	-	12,975,841	12,153,241
Net assets released from restrictions, satisfaction of time and purpose restrictions	4,447,010	(4,447,010)	-	-	-
Total operating revenues	52,385,085	(2,306,894)	1,396,112	51,474,303	50,516,836
Operating Expenses					
Educational and general:					
Instructional	17,563,426	-	-	17,563,426	16,641,127
Research and public service	1,826,288	-	-	1,826,288	2,293,258
Academic support	5,268,428	-	-	5,268,428	5,083,328
Student services	10,106,834	-	-	10,106,834	9,595,387
Institutional support	9,240,053	-	-	9,240,053	8,033,642
Total educational and general	44,005,029	-	-	44,005,029	41,646,742
Auxiliary enterprises	8,803,966	-	-	8,803,966	7,636,870
Total operating expenses	52,808,995	-	-	52,808,995	49,283,612
(Decrease) Increase in Net Assets from Operating Activities	(423,910)	(2,306,894)	1,396,112	(1,334,692)	1,233,224
Nonoperating Activities					
Realized and unrealized gain on investments	1,362,546	2,912,214	35,098	4,309,858	12,133,539
Gains on funds held in trust by others	-	-	70,408	70,408	79,678
Restoration of underwater endowments	83,077	(83,077)	-	-	-
Change in the valuation of split-interest agreements	(128,149)	(58,844)	(46,486)	(233,479)	(327,117)
Increase in net assets from nonoperating activities	1,317,474	2,770,293	59,020	4,146,787	11,886,100
Increase in net assets	893,564	463,399	1,455,132	2,812,095	13,119,324
Net Assets, Beginning of Year	48,489,567	27,881,469	67,343,581	143,714,617	130,595,293
Net Assets, End of Year	$ 49,383,131	$ 28,344,868	$ 68,798,713	$ 146,526,712	$ 143,714,617

See notes to financial statements

Juniata College

Statement of Activities
Year Ended May 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Tuition and fees (net of scholarship allowances of $28,904,373)	$ 27,522,320	$ -	$ -	$ 27,522,320
Federal, state and local grants and contracts	708,829	-	-	708,829
Private gifts, grants and bequests	1,742,489	1,453,401	4,403,736	7,599,626
Interest and dividends	412,380	1,213,347	112,913	1,738,640
Other income	757,932	36,248	-	794,180
Auxiliary enterprises	12,153,241	-	-	12,153,241
Reclassification due to change in donors intent	-	(34,472)	34,472	-
Net assets released from restrictions, satisfaction of time and purpose restrictions	5,193,028	(5,193,028)	-	-
Total operating revenues	48,490,219	(2,524,504)	4,551,121	50,516,836
Operating Expenses				
Educational and general:				
Instructional	16,641,127	-	-	16,641,127
Research and public service	2,293,258	-	-	2,293,258
Academic support	5,083,328	-	-	5,083,328
Student services	9,595,387	-	-	9,595,387
Institutional support	8,033,642	-	-	8,033,642
Total educational and general	41,646,742	-	-	41,646,742
Auxiliary enterprises	7,636,870	-	-	7,636,870
Total operating expenses	49,283,612	-	-	49,283,612
(Decrease) Increase in Net Assets from Operating Activities	(793,393)	(2,524,504)	4,551,121	1,233,224
Nonoperating Activities				
Realized and unrealized gain on investments	2,875,573	8,798,990	458,976	12,133,539
Gains on funds held in trust by others	-	-	79,678	79,678
Restoration of underwater endowments	1,059,811	(1,059,811)	-	-
Change in the valuation of split-interest agreements	-	83,950	(411,067)	(327,117)
Increase in net assets from nonoperating activities	3,935,384	7,823,129	127,587	11,886,100
Increase in net assets	3,141,991	5,298,625	4,678,708	13,119,324
Net Assets, Beginning of Year	45,347,576	22,582,844	62,664,873	130,595,293
Net Assets, End of Year	$ 48,489,567	$ 27,881,469	$ 67,343,581	$ 143,714,617

See notes to financial statements

Juniata College

Statement of Cash Flows
Years Ended May 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	$ 2,812,095	$ 13,119,324
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,664,892	3,386,292
In-kind contributions of collections	-	(18,000)
Realized and unrealized gains on investments	(4,309,858)	(12,133,539)
Gains on funds held in trust by others	(70,408)	(79,678)
Loss on disposal of plant assets	17,599	-
Private gifts restricted for long-term investment	(1,303,175)	(4,403,736)
Changes in split-interest agreements	233,479	327,117
Changes in assets and liabilities:		
Accounts receivable	1,341,340	(489,472)
Contributions receivable	(704,116)	477,695
Inventory	(16,541)	35,033
Prepaid expenses	(92,589)	38,736
Accounts payable	(352,947)	(383,021)
Accrued payroll and related liabilities	(194,523)	(605,778)
Deferred revenue	(128,502)	2,028,689
Funds held in custody for others	65,853	(180,754)
Student deposits and prepayments	(71,947)	(47,714)
Postretirement benefits	888,626	(255,368)
Net cash provided by operating activities	1,779,278	815,826
Cash Flows from Investing Activities		
Proceeds from sales of investments	12,676,995	4,276,906
Purchases of investments	(12,075,314)	(8,333,394)
Increase in cash surrender value of life insurance	(805,343)	(632,889)
Purchases of plant assets	(2,179,869)	(2,501,968)
Payments on student loans receivable	350,883	371,516
Student loans advanced	(127,450)	(206,575)
Net cash used in investing activities	(2,160,098)	(7,026,404)
Cash Flows from Financing Activities		
Payments on bonds, loans payable and capital leases	(996,179)	(751,778)
Proceeds from contributions restricted for long-term investments	1,456,757	1,392,412
Proceeds of annuity obligations	10,000	64,855
Payments of annuity obligations	(300,435)	(401,665)
Net cash provided by financing activities	170,143	303,824
Net decrease in cash and cash equivalents	(210,677)	(5,906,754)
Cash and Cash Equivalents, Beginning of Year	10,446,065	16,352,819
Cash and Cash Equivalents, End of Year	$ 10,235,388	$ 10,446,065
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest (excluding capitalized interest of $31,985 in 2014)	$ 1,496,964	$ 1,435,314
Supplemental Disclosure of Noncash Operating, Investing and Financing Activities		
Plant assets included in accounts payable	$ 235,606	$ 1,346,256
Assets acquired with long-term debt	$ 1,118,938	$ 6,550,000
Assets acquired under capital lease	$ 247,477	$ -

See notes to financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Juniata College (the "College"), is a nonprofit educational institution organized under the laws of the Commonwealth of Pennsylvania established in 1876 to provide higher education to students. The College awards grants-in-aid and scholarships from its unrestricted and temporarily restricted net assets to individuals who meet the College's academic standards. The amounts of such awards are determined primarily based upon the academic performance of each applicant. Additional financial aid is provided to students from federal and state programs in which the College participates and from monies contributed to the College by alumni and friends.

During the years ended May 31, 2015 and 2014, the College provided student financial aid from internal resources of approximately $29,516,000 and $27,530,000, which represented 50% and 51% of gross tuition and fee revenue, respectively. During the years ended May 31, 2015 and 2014, the College provided student financial aid from monies contributed to the College by alumni and friends of approximately $1,609,000 and $1,374,000, respectively.

The College evaluated subsequent events for recognition or disclosure through October 13, 2015, the date the financial statements were issued.

Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting.

These financial statements present financial information showing the financial position, the activities, and the cash flows of the College reflecting the presence or absence of donor-imposed restrictions. Accordingly, the amounts of net assets are classified according to the nature of restrictions, as follows:

Permanently Restricted Net Assets - Net assets which are subject to donor-imposed restrictions 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.

Temporarily Restricted Net Assets - Net assets which are subject to donor-imposed restrictions that will be met when expenditures are made for the designated purposes or with passage of time. The expiration of temporary restrictions on net assets is reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions and temporarily restricted endowment income whose restrictions are not met in the same period as received or earned are reported as increases in temporarily restricted net assets.

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments, with original maturities of three months or less, that are not held for endowment or other long-term purposes. The College maintains its cash accounts in various financial institutions. Portions of the College's cash balances may exceed FDIC insurance coverage at various times throughout the year. Management considers these excesses to be normal business risks.

Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts receivable are not collateralized. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts.

Promises to Give

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue.

Conditional promises to give are promises for which donor-imposed conditions specify future and uncertain events whose occurrence or failure to occur release the donors from the obligation to transfer assets in the future. If and when such conditions have been substantially met, these promises cease to be conditional, and revenues are recorded, as appropriate.

Investments

Equity securities with readily determinable fair values and debt securities are valued at fair value based on quoted market prices as reported by the College's investment custodians. Adjustments to reflect increases or decreases in market value, referred to as unrealized gains and losses, are reported in the statement of activities.

The cost of investments received as gifts is fair value as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

All realized and unrealized gains and losses arising from the sale or appreciation (depreciation) in fair value of investments, and all income from investments, are reported as changes in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations, or by law.

Alternative investments, representing ownership in debt and equity funds, private partnerships, and other alternative investments are based on the Net Asset Values (“NAVs”) provided by external investment managers or on audited financial statements when available. The NAVs provided by external investment managers are based on estimates, assumptions, and methods that are reviewed by management.

Real estate investments are stated primarily at net book value. Net book value is determined in accordance with the College’s policy for plant assets described below.

The College’s principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the College’s investment policy. The degree and concentration of credit risk varies by type of investment. The fair values reported in the statement of financial position are exposed to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

Investment Policy

The College has a formal investment policy that enables it to utilize a portion of investment return for operating purposes. The Board of Trustees sets the level of distribution within the limitation imposed by Pennsylvania statute.

Funds Held in Trust by Others

Funds held in trust by others represent the College’s share of these funds based on the terms of various irrevocable trusts. These funds are not in the possession of the College. Such terms provide that the College is to receive annually a certain percentage of the income earned by the funds which are held in trust. The College does not have access to the principal. The present values of the estimated future cash flows from the trusts are recognized as assets and contribution revenues at the dates the trusts are established. Distributions from the trusts are recorded as investment income and the carrying value of the assets is adjusted for changes in the estimates of future receipts. Because of the irrevocable right of the College to its share of the trusts’ earnings, the College reports its share of these trusts on its financial statements as “funds held in trust by others,” which are classified as permanently restricted net assets.

Collections

The College considers its collection of works of art and rare books as inexhaustible because they have cultural, aesthetic or historical value that will be preserved and, therefore, does not depreciate those assets.

Plant Assets

Plant assets are stated at cost, if purchased, or fair market value at the date of gift, if donated, less accumulated depreciation, computed on a straight-line basis over their estimated useful lives: buildings (40 years); land improvements (20 years); equipment (5-10 years); capital leases (lease term). Maintenance and repairs are charged to expense as incurred; replacements and betterments are capitalized.

Student Deposits and Prepayments

Tuition, fees, and room and board from currently enrolled students are billed in advance and is recognized as revenue when earned.

Life Income Agreements

The College's life income agreements with donors consist of charitable remainder trusts, charitable gift annuities, and pooled income fund agreements for which the College serves as trustee. Assets held in these trusts are included in investments. Contribution revenues are recognized at the date the trusts are established after recording annuities payable for the present value of the estimated future payments to be made to the donors and/or other beneficiaries.

Advance from Federal Government for Student Loans

The College is a participant in the Perkins Loan federal program, which makes student loans available to eligible participants. This program is funded by both the federal government and the College, with the portion estimated to be allocable to the federal government recorded as a liability in the statement of financial position, and the portion allocable to the College included in unrestricted net assets.

Nonoperating Activities

For the purpose of the statement of activities, the College considers its changes in unrestricted net assets to be operational changes, except for gains or losses on investments, gains or losses on funds held in trust by others, restoration of underwater endowments and changes in value of split-interest agreements.

Tuition and Fees

Tuition and fees are presented net of grants-in-aid, scholarships funded from internal resources and private contributions.

Government Grants

Operating funds designated by government funding agencies for particular operating purposes are deemed to be earned and reported as revenues when the College has incurred expenditures in compliance with the contract.

Advertising Costs

Advertising costs are expensed as incurred and amounted to approximately $398,000 in 2015 and $460,000 in 2014.

Fund-Raising Costs

Fund-raising costs are expensed as incurred and amounted to approximately $1,732,000 in 2015 and $1,813,000 in 2014, and are included in institutional support in the statement of activities.

Donor-Restricted Gifts

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classifications. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

For contributed property and equipment, and contributions restricted by donors for purchases of property and equipment, if donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, these types of contributions are recorded as unrestricted support.

Cash Flows

For the purposes of the statement of cash flows, the College considers all highly liquid financial instruments with original maturities of three months or less (excluding certain short-term instruments which are classified as investments) to be cash equivalents.

Income Taxes

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The College accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in fiscal 2015 or 2014.

The College's federal Exempt Organization Business Income Tax Returns remain subject to examination by the Internal Revenue Service for the years subsequent to May 31, 2011.

The College's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Title IV Requirements

The College participates in Government Student Financial Assistance Programs ("Title IV") administered by the U.S. Department of Education ("DOE") for the payment of student tuitions. Substantial portions of the revenue and collection of ending accounts receivable as of May 31, 2015 and 2014 are dependent upon the College's continued participation in the Title IV programs.

Institutions participating in the Title IV programs are also required by DOE to demonstrate financial responsibility. DOE determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in the regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring, and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. As of May 31, 2015 and 2014 and for the years then ended, the College's composite score exceeded 1.5.

Reclassifications

Certain 2014 amounts have been reclassified to conform to the 2015 presentation.

New Accounting Standards

In April 2013, the Financial Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate*. This amendment requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Such services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if this measurement will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either the cost recognized by the affiliate for the personnel providing that service or the fair value of that service. This update was effective for the College's fiscal year beginning June 1, 2014. The guidance is prospective and the adoption of this ASU did not have any impact on the College's financial position or results of operations.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities the Calculate Net Asset Value per Share (or its Equivalent)*. This amendment was issued to address the diversity in practice relating to how certain investments measured at net asset value are categorized in the fair value hierarchy. The amendments in this Update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. This Update also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. This update is effective for the College's fiscal year beginning June 1, 2016; early adoption is permitted. The College adopted the guidance for the fiscal year beginning June 1, 2014. The guidance is retrospective, and the adoption of this ASU did not have a significant impact on the College's financial position or results of operations.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Topic 835-30): Simplifying the Presentation of Debt Issuance Costs.* This ASU was issued as a result of feedback received relating to the different balance sheet presentation requirements for debt issuance costs and debt discounts and premiums. To simplify presentation of debt issuance costs, the amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. ASU 2015-03 is effective for the College's fiscal year beginning June 1, 2016; early adoption is permitted. The guidance is retrospective and management does not believe the adoption of this ASU will have a significant impact on the College’s financial position or results of operations.

2. Accounts Receivable, Student

Student accounts receivable represent amounts due for tuition, fees, and room and board from currently enrolled and former students. The College extends unsecured credit to students and parents of dependent students in connection with their studies. Some of those students are no longer enrolled in the College.

Student accounts receivable consists of the following at May 31:

	2015	2014
Accounts receivable	$ 670,216	$ 503,183
Allowance for doubtful accounts	(176,717)	(133,833)
Total	$ 493,499	$ 369,350

3. Contributions Receivable

Contributions receivable, including unconditional promises, are recognized as revenue when the donor’s commitment is received. Unconditional promises to be received after one year are recognized at the estimated present value of future cash flows, net of allowances (fair value).

Contributions receivable at May 31 are as follows:

	2015	2014
In one year or less	$ 997,795	$ 970,046
Between one year and five years	1,627,995	1,098,602
Thereafter	27,500	34,500
Less:		
Discount	(172,147)	(201,514)
Allowance for doubtful accounts	(124,057)	(95,082)
Total	$ 2,357,086	$ 1,806,552

The net present value of these cash flows was determined by using risk-adjusted discount rates between .3% and 6.38% to account for the time value of money for 2015 and 2014.

Management believes the College's allowance for doubtful collections at May 31, 2015 and 2014 is adequate based upon information currently known. However, events impacting donors can occur in subsequent years that may cause a material change in the allowance for doubtful collections.

Conditional pledges and bequest intentions totaling approximately $38,209,000 in 2015 and $36,841,000 in 2014 have been excluded from the contributions receivable amounts and are not recorded in the financial statements due to the fact that they are conditional. Restrictions on these conditional pledges and bequest intentions are as follows:

	2015	2014
Buildings	$ 4,132,000	$ 5,132,000
Budget relief	17,029,000	15,244,000
Programming	3,454,000	3,454,000
Unrestricted	13,397,000	12,813,000
Unknown	197,000	198,000
Total	$ 38,209,000	$ 36,841,000

4. Student Loans Receivable

Student loans receivable are carried at estimated net realizable value. Student loans receivable reflected on the statement of financial position includes $760,227 and $823,106 of Perkins Loans and $1,120,756 and $1,289,760 of College-provided loans, less an allowance for doubtful accounts of $56,038 and $64,488 for May 31, 2015 and 2014, respectively. Loans receivable are carried at the original amount less an estimate made for doubtful collections based on a review of all outstanding amounts on a periodic basis. Management determines this allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Loans that are 30 days or more past due are assessed late fees. Interest and late fees are recorded when received. The credit quality of the student is not evaluated after the initial approval and calculation of the loans. Delinquent loans and the allowance for losses on loans receivable are reviewed by management, but are not material to the overall financial statements.

Student loans are made with funds advanced to the College by the federal government under the Perkins Loan program (the "Program"). Such funds may be reloaned by the College after collection, but in the event that the College no longer participates in the Program, the amounts are refundable to the federal government. The federal government's portion of these funds at May 31, 2015 and 2014 was $1,446,664.

5. Fair Value Measurements, Investments and Other Financial Instruments

The College measures its funds held in trust by others and investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the College for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The following tables present the financial instruments measured at fair value as of May 31, 2015 and 2014 by caption on the statement of financial position by the valuation hierarchy defined above:

	2015			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Assets Reported at Fair Value:				
U.S. Treasury obligations	$ -	$ 105,996	$ -	$ 105,996
Taxable fixed income funds	18,150,975	-	-	18,150,975
Common equity securities:				
Materials	867,226	-	-	867,226
Industrials	6,307,620	-	-	6,307,620
Telecommunications	1,371,366	-	-	1,371,366
Consumer discretionary	7,047,375	-	-	7,047,375
Consumer staples	2,328,970	-	-	2,328,970
Energy	3,217,988	-	-	3,217,988
Financial	5,144,330	-	-	5,144,330
Health care	6,673,514	-	-	6,673,514
Information technology	7,461,132	-	-	7,461,132
Utilities	691,881	-	-	691,881
Domestic equity mutual funds	20,193,907	-	-	20,193,907
Global funds	2,497,861	-	-	2,497,861
Balanced equity mutual funds	4,771,310	-	-	4,771,310
International mutual funds	13,273,809	-	-	13,273,809
Total investments by valuation hierarchy	$ 99,999,264	$ 105,996	-	100,105,260
Alternative investments reported at net asset value				6,321,122
Total investments				106,426,382
Fund held in trust by others			4,137,986	4,137,986
Total assets			$ 4,137,986	$ 110,564,368
Assets Disclosed at Fair Value:				
Cash and cash equivalents	$ 10,235,388	$ -	$ -	$ 10,235,388
Contributions receivable, net	-	-	2,357,086	2,357,086
Student loans receivable	-	1,824,945	-	1,824,945
Total assets	$ 10,235,388	$ 1,824,945	$ 2,357,086	$ 14,417,419

	2015			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Liabilities Disclosed at Fair Value:				
Bonds payable - fixed rate (carrying value of $28,521,782)	$ -	$ 25,882,112	$ -	$ 25,882,112
Bonds payable - variable rate	-	13,821,160	-	13,821,160
Construction accounts payable	235,606	-	-	235,606
Annuities payable	-	-	2,708,636	2,708,636
Advance from federal government for student loans	-	1,446,664	-	1,446,664
Total liabilities	$ 235,606	$ 41,149,936	$ 2,708,636	$ 44,094,178

	2014			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Assets Reported at Fair Value:				
U.S. Treasury obligations	$ -	$ 102,867	$ -	$ 102,867
Corporate and foreign bonds	2,959	-	-	2,959
Taxable fixed income funds	16,107,425	-	-	16,107,425
Common equity securities:				
Materials	1,056,916	-	-	1,056,916
Industrials	5,787,454	-	-	5,787,454
Telecommunications	501,461	-	-	501,461
Consumer discretionary	7,120,147	-	-	7,120,147
Consumer staples	2,155,998	-	-	2,155,998
Energy	3,071,082	-	-	3,071,082
Financial	5,275,019	-	-	5,275,019
Health care	5,631,502	-	-	5,631,502
Information technology	7,909,838	-	-	7,909,838
Utilities	856,088	-	-	856,088
Preferred equity securities	110,080	-	-	110,080
Domestic equity mutual funds	19,657,035	-	-	19,657,035
Global funds	2,249,329	-	-	2,249,329
Balanced equity mutual funds	4,432,269	-	-	4,432,269
Closed end equity mutual funds	96,918	-	-	96,918
International mutual funds	17,195,894	-	-	17,195,894
Total investments by valuation hierarchy	$ 99,217,414	$ 102,867	-	99,320,281
Alternative investments reported at net asset value				3,397,924
Total investments				102,718,205
Fund held in trust by others			4,067,578	4,067,578
Total assets			$ 4,067,578	$ 106,785,783

	2014			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Assets Disclosed at Fair Value:				
Cash and cash equivalents	$ 10,446,065	$ -	$ -	$ 10,446,065
Contributions receivable, net	-	-	1,806,552	1,806,552
Student loans receivable	-	2,048,378	-	2,048,378
Total assets	$ 10,446,065	$ 2,048,378	$ 1,806,552	$ 14,300,995
Liabilities Disclosed at Fair Value:				
Bonds payable - fixed rate (carrying value of $28,820,000)	$ -	$ 25,660,657	$ -	$ 25,660,657
Bonds payable - variable rate	-	13,259,822	-	13,259,822
Construction accounts payable	1,346,256	-	-	1,346,256
Annuities payable	-	-	2,765,592	2,765,592
Advance from federal government for student loans	-	1,446,664	-	1,446,664
Total liabilities	$ 1,346,256	$ 40,367,143	$ 2,765,592	$ 44,478,991

The Level 3 reconciliation is as follows:

	Funds Held in Trust by Others
Balance at May 31, 2013	$ 1,041,431
Gifts	2,946,469
Net gains (realized and unrealized, net of unrestricted distributions of $174,739 reported as contributions in the statement of activities)	79,678
Balance at May 31, 2014	4,067,578
Net gains (realized and unrealized, net of unrestricted distributions of $118,528 reported as contributions in the statement of activities)	70,408
Balance at May 31, 2015	$ 4,137,986

Valuation Methodologies

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value and for financial instruments disclosed at fair value. The College estimates that the fair value of all financial instruments as of May 31, 2015 and 2014 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The fair values of financial instruments were determined as follows:

Cash and cash equivalents, accounts receivables, accounts payable, accrued and other liabilities and contributions receivable to be received in less than one year: The carrying amounts approximate fair value because of the short maturity of those financial instruments.

Contributions receivable to be received in more than one year: The fair value is estimated based on future cash flows discounted at rates between .3% and 6.38%.

Investments: The valuation methodology of utilizing closing prices in an active exchange market was applied to mutual funds, fixed income funds and equity securities. U.S. government and agency obligations are valued based on quoted prices of similar assets, with similar terms, in actively traded markets and are measured using Level 2 inputs.

Alternative Investments: The College measures the fair value for these alternative investments based on the NAVs as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a significantly different value. If not determined as of the Fund’s measurement date, the NAVs are adjusted to reflect any significant events that would materially affect the security’s value. Certain attributes that impact the security’s fair value may not be reflected in the NAVs, including, but not limited to, the investor’s ability to redeem the investment at the measurement date and unfunded purchase commitments. If the College sold all or a portion of its alternative investments, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date, because of the nature of the investments, changes in market conditions and the overall economic environment. In accordance with Subtopic 820-10, investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The College may redeem shares in whole or in part per the investment’s offering memorandum which typically requires up to a 90 days prior written notice as of the last business day of each quarter. There are various hold back provisions which lapse after audited financial statements are issued ranging from 5% to 10%. The College has the following unfunded commitments:

	2015	2014
CranRidge Capital	$ 2,000,000	$ -
Patriot Financial II	1,150,000	-
Praesidian Capital	562,394	652,392

The alternative investments represent investments that pursue multiple strategies to diversify risks and reduce volatility. The alternative investments pursue multiple strategies as follows:

- CranRidge Capital - CranRidge Capital is based out of New York City. The firm was founded by experienced mezzanine debt investors. The fund is in the process of identifying senior and mezzanine debt opportunities to help small and middle market companies finance acquisitions, growth, recapitalizations and balance sheet restructurings. The fund is currently seeking SBIC approval to be able to provide leverage to underlying limited partners. As of May 31, 2015 the College has no monies invested in this alternative investment however, it has an unfunded commitment as disclosed above.

- Grosvenor Institutional Partners - Grosvenor is a multi-strategy hedge fund-of-funds manager based in Chicago, Illinois. Grosvenor invests with 40 underlying managers in several strategies, including relative value, distressed debt, event driven and others. The investment team of 42 professionals builds the portfolio with the idea of creating an investment that is uncorrelated to traditional asset classes. The College has monies invested in this alternative investment for fiscal years 2015 and 2014.

- Patriot Financial Partners II - Patriot is a firm out of Philadelphia specializing in regional banks, both privately and publicly traded. The almost $200 mm fund has invested in 11 portfolio companies to date. This fund attempts to identify small financial institutions that require capital for expansion or current operations. The fund’s general partner will typically take a board seat to better identify opportunities for efficiencies or growth in an attempt to increase operating margins and price-to-book metrics for later sale, either in the public markets or as a takeover by another institution. The College invested in this alternative investment during fiscal year 2015 and has an unfunded commitment as disclosed above.

- Praesidian Capital - Praesidian is a private mezzanine debt fund. The firm is based out of New York, NY and focuses solely on private debt offerings to small-to-mid sized businesses in need of financing capital for either: growth & acquisition financing, management & sponsored buyouts or recapitalizations & refinancings. A typical loan will either have first lien and/or equity options as well as a high current coupon. The investment pool currently holds positions in about a dozen separate financing transactions. The College has monies invested in this alternative investment for fiscal years 2015 and 2014 and has an unfunded commitment as disclosed above.

- RECAP Current Income Fund - RECAP is a New York, NY based manager of private real estate partnerships. The partnership has raised $60 mm of limited partner equity to acquire well-leased, well-located rental apartments with the goal of generating current returns to the investors with stable quarterly distributions. The fund is currently fully invested in five operating rental apartment properties and is producing current income. The College invested in this alternative investment during fiscal year 2015.

- RECAP Metropolitan - This fund is run by the same firm as currently manages the RECAP Current Income Fund. The current portfolio has two remaining portfolio properties. The investment thesis for this fund is to be able to purchase multi-family units, several near universities, upgrade the properties and the performance thereof and resell those properties at a multiple while creating positive operating cash flows during the holding period. The College has monies invested in this alternative investment for fiscal years 2015 and 2014.

- Common Sense Investment Management - ("CSIM") is a long-short hedge fund-of-funds manager based out of Portland, OR. CSIM has maintained a well-diversified portfolio of hedge funds specializing in the long-short equity space. The target beta of this portfolio has traditionally been less than 0.3 when measured against the S&P 500. The fund's assets were invested among various individual underlying hedge funds. The College liquidated its position in this alternative investment during fiscal 2015.

Student loans receivable and advance from federal government for student loans: The fair values of these loans receivable and advances from the federal government are based upon management's best estimate of the indicated future cash flows and interest rates required by market participants.

Bond and notes payable: The carrying value of the bonds and notes approximate fair value as a result of the variable interest rate feature of the bond series. The fair value of fixed rate bonds payable was estimated using discounted cash flow analysis based on the College's incremental borrowing rate for debt instruments with comparable maturities.

Annuities payable: The fair value is estimated on the present value of future benefits to be paid discounted over the beneficiaries actuarially determined life expectance.

Funds held in trust by others: The fair value is based on the College's interest in the earnings of the trust applied to the fair value of the underlying assets in the trust, which approximates the present value of the estimated cash flows expected from the trust in perpetuity.

Investments Return

The College's total investment return is comprised of the following components at May 31:

	2015	2014
Interest and dividend income	$ 2,328,634	$ 1,970,908
Investment fees	(359,212)	(232,268)
Net interest and dividend income	1,969,422	1,738,640
Net realized gain on investments	7,508,117	4,016,766
Unrealized (depreciation) appreciation on investments	(3,198,259)	8,116,773
Net investment return	$ 6,279,280	$ 13,872,179

6. Plant Assets

The composition of plant assets was as follows at May 31:

	2015	2014
Construction in progress	$ 633,330	$ 543,973
Land	2,008,978	2,008,978
Buildings	107,076,929	106,596,943
Equipment	17,701,879	16,036,570
Land improvements	1,384,471	1,384,471
Total	128,805,587	126,570,935
Less accumulated depreciation	(55,826,454)	(52,344,451)
Total	$ 72,979,133	$ 74,226,484

The College provides for depreciation using the straight-line method based on lives, which, in the opinion of management, are adequate to allocate asset costs over their productive years. Depreciation expense was approximately $3,519,000 in 2015 and $3,173,000 in 2014.

In addition to these assets, the College's endowment owns investments in real estate as follows:

	2015	2014
Construction in progress	$ -	$ 35,803
Land	889,239	859,397
Rental properties	4,498,905	4,346,719
Total	5,388,144	5,241,919
Less accumulated depreciation	(1,277,762)	(1,152,356)
Total	$ 4,110,382	$ 4,089,563

Depreciation expense on these rental properties was approximately $125,000 in 2015 and $113,000 in 2014.

Non-depreciable assets, such as collections, totaled $1,641,732 as of May 31, 2015 and 2014.

7. Line of Credit

The College has a $3,000,000 unsecured demand line of credit available from a bank. At May 31, 2015 and 2014, no amounts were outstanding under this line of credit. No amounts were drawn under the line of credit during the years ended May 31, 2015 and 2014.

8. Bonds and Notes Payable

Bonds and notes payable at May 31 are comprised of the following:

	2015	2014
Revenue Note, Series 2004 (issued through Huntingdon County General Authority), due in varying annual installments through May 2024, fixed interest at 2.65%. Collateralized by the gross revenues of the College.	$ 4,906,000	$ 5,120,000
Revenue Note, Series 2007 (issued through Huntingdon County General Authority), due in varying annual installments through October 2030, variable interest rate based on LIBOR (.95% at May 31, 2015). The interest rate resets on the first business day of each month. The note is subject to tender option October 1, 2017. Collateralized by the gross revenues of the College.	5,471,160	5,859,822
Revenue Bonds, Series 2010A (issued through Huntingdon County General Authority), due in varying annual installments beginning May 2017 through May 2030, fixed interest rates ranging from 3.5% to 5%. Collateralized by all unrestricted receipts, revenues, income, gains and other monies of the College.	23,500,000	23,500,000
Revenue Bonds, Series 2010B (issued through Huntingdon County General Authority -federally taxable), subject to mandatory sinking fund redemption in varying annual installments beginning May 2011 through maturity at May 2016, fixed interest at 4.4%. Collateralized by all unrestricted receipts, revenues, income, gains and other monies of the College.	100,000	200,000
Revenue Note, Series 2013 (issued through Huntingdon General Authority), due in varying annual installments beginning April 2015 through April 2039. The note bears interest at the Lender's then effective three, five or seven year cost of funds plus 1.78% converted to a bank qualified tax exempt rate (1.32% at May 31, 2015). The note has optional tender dates the month of April in the years 2020, 2027 and 2034. Collateralized by the gross revenues of the College.	8,350,000	7,400,000
Note payable, due in monthly installments of $316, interest free, beginning August 2014 through July 2019. Collateralized by a vehicle.	15,782	-
Total	$ 42,342,942	$ 42,079,822

The aggregate future scheduled principal payments on bonds and notes payable at May 31, 2015 is as follows:

Years ending May 31:	
2016	$ 756,553
2017	1,377,553
2018	1,846,553
2019	1,918,553
2020	2,089,396
Thereafter	34,354,334
Total	$ 42,342,942

Interest expense was approximately $1,497,000 in 2015 and $1,430,000 in 2014. The College capitalizes interest incurred on the cost of property, plant and equipment constructed for its own use along with related loan fees and costs. There was approximately $32,000 of interest capitalized for the year ended May 31, 2014.

The College is required to meet certain financial covenants under the debt agreements.

9. Capital Leases

The College leases computer equipment under capital leases, which expire in 2018. The assets and liabilities under capital lease are recorded at the present value of the minimum lease payments. The assets are included in plant assets and are amortized over the lease terms. Amortization of assets under capital lease is included in depreciation expense.

The cost and accumulated amortization of equipment under capital lease were as follows at May 31, 2015:

Cost of equipment under capital lease	$ 539,203
Accumulated amortization	(249,552)
Total	$ 289,651

Minimum future lease payments under capital leases as of May 31, 2015 are as follows:

Years ending May 31:	
2016	$ 180,312
2017	74,256
2018	57,271
Total minimum lease payments	311,839
Amount representing interest	(8,058)
Present value of minimum lease payments	$ 303,781

Interest rates on the capital leases as of May 31, 2015 range from .97% to 7.37%, which were imputed based upon the lower of the College's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

10. Operating Leases

The College leases office equipment and vehicles under operating leases having non-cancelable lease terms exceeding one year at May 31, 2015 and 2014. Total rents paid under these operating leases approximated $182,000 and $184,000 for the years ended May 31, 2015 and 2014, respectively. Future minimum rental payments required under these leases by year and in the aggregate at May 31, 2015 follow:

Years ending May 31:	
2016	$ 149,825
2017	136,001
2018	38,911
2019	17,035
Total	$ 341,772

11. Pension Plan

The College sponsors a defined contribution pension plan. Pension expense related to this plan was approximately $1,887,000 in 2015 and $1,793,000 in 2014.

12. Postretirement Benefits

The College provides postretirement benefits for early retirees. For medical and prescription drug coverage, the College's share of premium is 2.5% for each year of service up to 50%. If a member was less than age 50 as of January 1, 1997, the member's years of service was frozen as of January 1, 1999. For individuals past age 65, the College continues to pay the same percentage of premium as pre-65 for a Medicare Supplement Plan provided by the College. In addition, the College pays $30/month for retirees to select their own Medicare Part D Plan. For grandfathered retirees, the College pays the full premium of Medicare Supplement Plan and Medicare Part D Plan; for another, the full premium of Medicare Supplement Plan; and for two retirees and spouse of another, the full premium of Medicare Supplement Plan.

The postretirement benefit obligations relate to the following categories of participants at May 31, 2015 and 2014:

	2015	2014
Retirees	$ 4,019,549	$ 3,280,388
Actives fully eligible	1,896,567	1,768,833
Actives not fully eligible	803,488	781,757
Total	$ 6,719,604	$ 5,830,978

Net periodic postretirement benefit cost consists of the following at May 31, 2015 and 2014:

	2015	2014
Service cost	$ 24,827	$ 25,144
Interest cost	241,454	248,639
Amortization of prior service cost	-	(1,247)
Amortization of net actuarial loss	244,269	214,152
Total	$ 510,550	$ 486,688
Actual cost (cash flow)	$ 314,223	$ 312,644

The estimated future benefit payments over the next 5 fiscal years are as follows:

Years ending May 31:	
2016	$ 336,038
2017	350,517
2018	352,288
2019	342,214
2020	352,742

There are no contributions in excess of expected benefits scheduled to be paid during the next 5 fiscal years.

The measurement date used to determine the benefit obligation information was May 31, 2015 and 2014.

The following table sets forth the change in benefit obligation and the amounts recognized in the statement of financial position at May 31, 2015 and 2014:

	2015	2014
Change in accumulated postretirement benefit obligation:		
Benefit obligation, beginning of year	$ 5,830,978	$ 6,086,347
Service cost	24,827	25,144
Interest cost	241,454	248,639
Change due to change in experience	21,348	(391,622)
Change in actuarial assumptions	915,220	175,114
Benefits paid	(314,223)	(312,644)
Accumulated postretirement benefit obligation, end of year	6,719,604	5,830,978
Change in plan assets:		
Fair value of plan assets, beginning of year	-	-
Fair value of plan assets, end of year	-	-
Funded status	$ (6,719,604)	$ (5,830,978)
Accumulated postretirement benefit cost	$ (6,179,604)	$ (5,830,978)

The discount rate used to determine the accumulated postretirement benefit obligation and the net periodic postretirement benefit cost was 4.25% for both fiscal year 2015 and 2014.

The assumed health care cost trend rates at May 31, 2015 and 2014 were as follows:

	2015	**2014**
Health care cost trend rate assumed for next year	6.0 %	6.0 %
Rate to which the cost trend rate is assumed to decline	3.3 %	3.3 %
Year that the rate reaches the ultimate trend rate	2075	2075

Sensitivity to Health Care Cost Trend Rate

The following is a sensitivity analysis of the annual net periodic postretirement benefits cost and the accumulated postretirement benefits obligation to changes in the health care cost trend rate. The table below presents the annual net periodic postretirement benefits cost and the accumulated postretirement benefits obligation calculated using the health care cost trend rate of 6.0% as well as what the annual net periodic postretirement benefits cost and the accumulated postretirement benefits obligation would be if it were to be calculated using a health care cost trend rate that is 1 percentage point lower (5.0%) or 1 percentage point higher (7.0%) than the current rate:

	2015		
	1% Decrease (5.0%)	**Current Rate (6.0%)**	**1% Increase (7.0%)**
Annual net periodic postretirement benefits cost	$ 485,634	$ 510,550	$ 540,524
Accumulated postretirement benefits obligation	$ 6,015,987	$ 6,719,604	$ 7,576,651

	2014		
	1% Decrease (5.0%)	**Current Rate (6.0%)**	**1% Increase (7.0%)**
Annual net periodic postretirement benefits cost	$ 460,520	$ 486,688	$ 518,155
Accumulated postretirement benefits obligation	$ 5,280,729	$ 5,830,978	$ 6,487,550

The following were other significant assumptions used in the valuations as of May 31:

	2015	2014
Rates of Retirement	2% at ages 55-61; 35% at age 62; 25% at ages 63-64; 40% at ages 65-69; and 100% at age 70	2% at ages 55-61; 35% at age 62; 25% at ages 63-64; 40% at ages 65-69; and 100% at age 70
Mortality	RP-2014 Total Mortality Table, Incorporated into the table are rates projected generationally using Scale MP-2014 to reflect mortality improvement.	IRS 2014 Static Table. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

Employer contributions which are equivalent to benefits paid under the Plan were approximately $314,000 in 2015 and $313,000 in 2014.

13. Net Assets

Unrestricted net assets are available for the following purposes as of May 31, 2015 and 2014:

	2015	2014
Investment in plant	$ 25,461,875	$ 27,189,356
Other endowment	27,112,450	24,597,948
Reserves and operating funds	(3,191,194)	(3,297,737)
Total	$ 49,383,131	$ 48,489,567

Temporarily restricted net assets are related to, or restricted for, the following as of May 31, 2015 and 2014:

	2015	2014
Gifts available for capital purposes	$ 717,007	$ 16,299
Gifts available for scholarship and other academic purposes	2,473,087	2,609,368
Accumulated income and gains or permanently restricted endowment funds	23,863,569	23,915,987
Gift annuity, pooled income, and charitable trusts	1,291,205	1,339,815
Total	$ 28,344,868	$ 27,881,469

Permanently restricted net assets are related to the following as of May 31, 2015 and 2014:

	2015	2014
Investments held in perpetuity by donor stipulations or Pennsylvania law, the income from which is generally available for scholarships	$ 61,474,976	$ 60,018,219
Funds held in trust	4,137,986	4,067,570
Loan funds held in perpetuity	1,664,591	1,664,591
Seed money	304,087	304,087
Gift annuity, pooled income and charitable trusts	1,217,073	1,289,114
Total	$ 68,798,713	$ 67,343,581

Net assets are released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors. Net assets released from restrictions consisted of the following for the years ended May 31, 2015 and 2014:

	2015	2014
Endowment spending policy	$ 3,945,872	$ 2,650,655
Scholarships, academics and grants	273,665	1,584,827
Matured annuity contracts	227,473	957,546
Total	$ 4,447,010	$ 5,193,028

14. Endowment Funds

The College's endowment consists of approximately 539 donor-restricted individual funds established primarily for scholarships. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the College has interpreted Pennsylvania law 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as either temporarily restricted or unrestricted net assets based on the existence of donor restrictions or by law.

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 purposes of the College and the donor-restricted endowment fund
3. General economic conditions
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 policies of the College

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Callan Associates Median Balanced Fund Database while assuming a moderate level of investment risk. The College expects its endowment funds, over time, to provide an average rate of return of approximately 7.2% net of fees annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Commonwealth of Pennsylvania law permits the College to allocate to income each year a portion of endowment return. The law allows non-profit organizations to spend a percentage of the market value of their endowment funds, including realized and unrealized gains. The percentage, which by law must be between 2% and 7%, is elected annually by the Board of Trustees. The endowment market value is determined based on an average spanning three years. The College’s policy for fiscal years 2015 and 2014 allowed for a payout no larger than 6% and not less than 3.5% of the average of the past 5 years of the endowment’s closing market values. In establishing this policy, the College considered the long-term expected return on its endowment.

Changes in endowment net assets for the fiscal years ended May 31, 2015 and 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2013	$ 20,949,818	$ 17,868,161	$ 56,511,175	$ 95,329,154
Investment return:				
Investment income	372,286	1,120,114	-	1,492,400
Net realized and unrealized appreciation	2,864,672	8,619,062	-	11,483,734
Total investment return	3,236,958	9,739,176	-	12,976,134
Contributions	161,059	19,116	1,392,412	1,572,587
Transfers from other funds (maturity of gift annuity)	-	-	2,114,632	2,114,632
Appropriation of endowment assets for expenditure	(809,698)	(2,650,655)	-	(3,460,353)
Restoration of under water endowments	1,059,811	(1,059,811)	-	-
Endowment net assets, May 31, 2014	$ 24,597,948	$ 23,915,987	$ 60,018,219	$ 108,532,154
Investment return:				
Investment income	443,145	1,309,637	-	1,752,782
Net realized and unrealized appreciation	1,362,546	2,842,228	-	4,204,774
Total investment return	1,805,691	4,151,865	-	5,957,556
Contributions	624,065	-	1,456,757	2,080,822
Transfers from (to) other funds	1,045,167	(175,334)	-	869,833
Appropriation of endowment assets for expenditure	(1,043,498)	(3,945,872)	-	(4,989,370)
Restoration of under water endowments	83,077	(83,077)	-	-
Endowment net assets, May 31, 2015	$ 27,112,450	$ 23,863,569	$ 61,474,976	$ 112,450,995

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or law requires the College to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were $1,929,561 at May 31, 2015 and $2,012,638 at May 31, 2014. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

15. Government Grants and Student Aid

The government grants and student aid amounts reported do not include funds credited to students under various federal and state grant programs. These grants are similar to agency funds as the College acts only as custodian and disbursing agent. Had these amounts been included, revenues and expenses would have increased by approximately $3,193,000 in 2015 and $3,112,000 in 2014.

16. Commitments and Contingencies

The nature of the educational industry is such that, from time to time, claims will be presented against the College on account of alleged negligence, acts of discrimination, breach of contract, or disagreements arising from the interpretation of laws and regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services. Management of the College believes that these claims and their resolution will not have a significant impact on the College's financial position.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The College's management believes disallowances, if any, will not have a significant impact on the College's financial position.

The College owns property constructed prior to the passage of the Clean Air Act that contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe manner prior to demolition or renovation of the property. The College has not recognized the asset retirement obligation for asbestos removal in its financial statements because it currently has no plans to demolish or renovate this property and as such, cannot reasonably estimate the fair value of the obligation. If plans change with respect to the use of the property and sufficient information becomes available to estimate the liability it will be recognized at that time.

The Federal Perkins Loan Program expired September 30, 2015. The Department of Education (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.

17. Expenses

Expenses by natural classification for the years ended May 31 2015 and 2014 were:

	2015	2014
Compensation:		
Salaries	$ 21,522,963	$ 19,858,064
Benefits	8,375,673	7,948,119
Auxiliary cost of sales	3,333,566	2,906,700
Depreciation	3,519,161	3,172,974
Interest on indebtedness	1,496,964	1,430,210
Equipment repair and maintenance	693,903	1,194,408
Utilities	1,960,133	2,111,802
Student employees	1,323,036	1,328,960
Professional services	984,309	973,921
Programming	1,335,596	1,505,217
Travel	1,133,055	1,241,903
Software, office and instructional supplies	1,577,792	1,677,501
Other	5,552,844	3,933,833
Total	$ 52,808,995	$ 49,283,612