MEREDITH COLLEGE

FINANCIAL STATEMENTS AND
ACCOMPANYING INFORMATION

As of and for the Years Ended June 30, 2016 and 2015

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

MEREDITH COLLEGE

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Trustees
Meredith College
Raleigh, North Carolina

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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 Meredith College as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the College has received renewal of its participation agreement to receive and administer certain federal assistance programs after the original date of issuance of the financial statements. Note 21has been revised to remove the uncertainty related to the renewal of participation. Our opinion on the financial statements is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 3, 2016 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Raleigh, North Carolina
October 3, 2016, except for Note 21, as to which the date is March 8, 2017

MEREDITH COLLEGE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents (Note 1)	$ 14,874,475	$ 7,276,774
Restricted cash and cash equivalents (Note 1)	89,046	56,284
Accounts receivable, less allowance for doubtful accounts		
2016 $2,987,181; 2015 $2,711,577	920,255	1,226,931
Contributions receivable, net (Note 2)	3,005,485	3,003,356
Inventories	31,840	66,819
Investments (Note 3)	88,321,053	90,779,336
Investments held in trusts (Note 5)	523,083	552,654
Contributions receivable from charitable trusts (Note 6)	3,315,730	3,378,557
Real estate held for investment	2,442,484	2,442,484
Notes receivable from students (Note 7)	605,824	665,011
Unamortized debt issuance costs	373,947	409,152
Property and equipment, net (Note 8)	65,327,303	66,154,431
Other assets	483,628	411,262
Total Assets	$ 180,314,153	$ 176,423,051
LIABILITIES AND NET ASSETS		
Accounts payable and other accrued expenses	$ 4,904,133	$ 3,950,677
Student deposits	235,509	233,713
Notes payable (Note 9)	3,325,000	3,650,714
Accrued postretirement benefit obligations (Note 10)	10,072,369	8,821,062
Due to donors of trusts (Note 5)	264,913	288,987
Bonds payable, net (Note 11)	49,991,095	51,141,145
Asset retirement obligation (Note 20)	1,527,029	1,438,964
Total Liabilities	70,320,048	69,525,262
Net assets:		
Unrestricted (Note 15)	22,634,283	23,140,275
Temporarily restricted (Note 16)	22,248,564	23,071,234
Permanently restricted (Note 17)	65,111,258	60,686,280
Total Net Assets	109,994,105	106,897,789
Total Liabilities and Net assets	$ 180,314,153	$ 176,423,051

MEREDITH COLLEGE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support:				
Gross tuition and fees	$ 59,332,873	$ -	$ -	$ 59,332,873
Less institutional grants	(22,286,227)	-	-	(22,286,227)
Net tuition and fees	37,046,646	-	-	37,046,646
Sales and services of auxiliary enterprises	9,162,895	-	-	9,162,895
State and federal grants	164,339	381,507	-	545,846
Private gifts and bequests	1,174,887	7,057,878	4,294,861	12,527,626
Investment return designated for current operations (Note 3)	1,648,405	2,132,470	-	3,780,876
Other income	1,289,090	23,980	-	1,313,070
Net assets released from restrictions (Note 18)	6,400,412	(6,400,412)	-	-
Total revenues, gains and other support	56,886,674	3,195,424	4,294,861	64,376,959
Expenses and losses:				
Expenses				
Educational and general:				
Instructional	19,898,990	-	-	19,898,990
Academic support	6,955,697	-	-	6,955,697
Public service	343,685	-	-	343,685
Workshops	145,398	-	-	145,398
Student services and activities	4,831,083	-	-	4,831,083
Institutional support	12,456,787	-	-	12,456,787
Total educational and general	44,631,640	-	-	44,631,640
Auxiliary enterprises	8,725,039	-	-	8,725,039
Remainder trust expenses	52,550	-	-	52,550
Total expenses and losses	53,409,229	-	-	53,409,229
Change in net assets from operations	3,477,445	3,195,424	4,294,861	10,967,730
Other changes:				
Investment return in excess of (less than) amounts designated for current operations (Note 3)	(2,525,354)	(4,018,093)	130,117	(6,413,331)
Change in postretirement benefit obligations other than periodic benefit costs (Note 10)	(1,458,083)	-	-	(1,458,083)
Change in net assets	(505,992)	(822,670)	4,424,978	3,096,316
Net assets:				
Beginning	23,140,275	23,071,234	60,686,280	106,897,789
Ending	$ 22,634,283	$ 22,248,564	$ 65,111,258	$ 109,994,105

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

MEREDITH COLLEGE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support:				
Gross tuition and fees	$ 55,649,036	$ -	$ -	$ 55,649,036
Less institutional grants	(19,893,772)	-	-	(19,893,772)
Net tuition and fees	35,755,264	-	-	35,755,264
Sales and services of auxiliary enterprises	8,682,509	-	-	8,682,509
State and federal grants	163,619	252,444	-	416,063
Private gifts and bequests	910,831	990,545	6,035,911	7,937,287
Investment return designated for current operations (Note 3)	1,590,293	1,971,877	-	3,562,170
Other income	1,366,879	102,909	-	1,469,788
Net assets released from restrictions (Note 18)	4,431,851	(4,431,851)	-	-
Total revenues, gains and other support	52,901,246	(1,114,076)	6,035,911	57,823,081
Expenses and losses:				
Expenses				
Educational and general:				
Instructional	18,983,194	-	-	18,983,194
Academic support	5,888,852	-	-	5,888,852
Public service	290,962	-	-	290,962
Workshops	147,167	-	-	147,167
Student services and activities	4,682,539	-	-	4,682,539
Institutional support	12,200,028	-	-	12,200,028
Total educational and general	42,192,742	-	-	42,192,742
Auxiliary enterprises	8,578,325	-	-	8,578,325
Remainder trust expenses	56,597	-	-	56,597
Total expenses and losses	50,827,664	-	-	50,827,664
Change in net assets from operations	2,073,582	(1,114,076)	6,035,911	6,995,417
Other changes:				
Investment return in excess of (less than) amounts designated for current operations (Note 3)	(1,538,532)	(1,598,003)	3,744	(3,132,791)
Change in postretirement benefit obligations other than periodic benefit costs (Note 10)	51,097	-	-	51,097
Change in net assets	586,147	(2,712,079)	6,039,655	3,913,723
Net assets:				
Beginning	22,554,128	25,783,313	54,646,625	102,984,066
Ending	$ 23,140,275	$ 23,071,234	$ 60,686,280	$ 106,897,789

MEREDITH COLLEGE
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 3,096,316	$ 3,913,723
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,938,622	4,000,328
Bad debt expense	339,162	470,568
Accretion of asset retirement obligation	88,065	82,986
Realized and unrealized loss on investments	3,812,025	511,163
Realized and unrealized loss on assets held in trusts	2,605	13,089
Contributions receivable from trusts	60,222	928,206
(Increase) decrease in:		
Accounts receivable	(32,486)	(942,492)
Contributions receivable	(2,129)	501,983
Inventories	34,979	(2,135)
Other assets	(72,366)	(20,849)
Increase (decrease) in:		
Accounts payable and other accrued expenses	953,456	785,030
Student deposits	1,796	41,982
Accrued postretirement benefit obligations	1,251,307	(198,091)
Due to donors of trusts	(24,074)	(27,859)
Interest and dividends restricted for reinvestment	(1,338,877)	(1,145,310)
Contributions restricted for long-term investments	(4,294,861)	(6,035,911)
Net cash provided by operating activities	7,813,762	2,876,411
Cash flows from investing activities:		
Proceeds from sales of investments	24,017,453	12,019,310
Purchase of investments	(24,032,318)	(11,813,386)
Purchases of property and equipment	(3,056,339)	(1,527,287)
Contributions of property	-	(2,313,934)
Net repayments from students	59,187	107,737
Net cash used in investing activities	(3,012,017)	(3,527,560)

(Continued)

MEREDITH COLLEGE

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in endowment	$ 4,294,861	$ 6,035,911
Other financing activities:		
Payments of annuity obligations	29,571	47,484
Payments on notes payable	(325,714)	(624,658)
Payments on long-term debt	(1,170,000)	(1,120,000)
Net cash provided by financing activities	2,828,718	4,338,737
Net increase in cash and cash equivalents	7,630,463	3,687,588
Cash and cash equivalents:		
Beginning	7,333,058	3,645,470
Ending	$ 14,963,521	$ 7,333,058
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2,034,525	$ 2,074,939

Note 1—Summary of significant accounting policies

Nature of Business – Meredith College (the "College") provides undergraduate programs to women and graduate co-educational programs to students from principally the southeast region of the United States of America.

A summary of the College's significant accounting policies follows:

Basis of Presentation – The financial statements of the College have been prepared on the accrual basis of accounting. In preparing its financial statements, the College's net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported in accordance with U.S. generally accepted accounting principles which require the College to report information regarding its financial position and activities in the following three classes:

> Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. However, some of the resources are subject to Board designations.
>
> Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the College and/or by the passage of time.
>
> Permanently Restricted Net Assets – 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 earnings on related investments for general or specific purposes.

Use of Estimates in Preparation of Financial Statements – The preparation of financial statements in accordance 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 – For purposes of reporting cash flows, the College considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents unless they are designated or restricted for long-term purposes or permanently restricted.

The College places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers $250,000 for substantially all depository accounts. The College from time to time may have amounts on deposit in excess of the insured limits. As of June 30, 2016 and 2015, the College had $13,967,931 and $7,950,034, respectively, which exceeded these insured amounts.

Restricted Cash and Cash Equivalents – Restricted cash consists of amounts related to financial aid and bond funds. At June 30, 2016 and 2015 restricted cash was $89,046 and $56,284, respectively.

Note 1—Summary of significant accounting policies (continued)

Accounts Receivable – Student accounts receivable are carried at the original amount less an estimate made for doubtful receivables 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. Student receivables are written off when deemed uncollectible. Recoveries of student receivables previously written off are recorded when received.

Student receivables are considered past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on student receivables.

Investments – Investments (including those held in charitable remainder trusts) are generally reported at fair value based upon quoted market prices determined at the financial statement date. In the case of certain less marketable investments, principally private equity investments, fair value is established based on a reasonable methodology that exists to capture and quantify changes in value. One investment is held in a limited partnership which is valued based on a pro rata share of the equity in the partnership. Unrealized and realized gains and losses and dividends and interest income from investing in income producing assets may be included in any of the net asset classifications depending on donor restrictions. Real estate is carried at cost if purchased or the fair market value at the time contributed. Gains and losses are recorded when realized.

Debt Issuance Costs – Qualified costs incurred in connection with new debt are deferred and amortized to income over the term of the related debt by the interest method.

Inventory – Post office, copy center and art department inventory is valued at the lower of cost (first-in, first-out method) or market.

Property and Equipment – The College's capitalization threshold is $2,500. Property and equipment, including real estate held for investment, acquired or constructed prior to June 30, 1980 is stated at estimated historical cost. Subsequent additions and disposals have been recorded at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings	40
Land improvements	10 to 20
Utility systems	5 to 25
Equipment and furniture	5 to 15

The College evaluates, on an on-going basis, the carrying value of property and equipment based on estimated future undiscounted cash flows. In the event such cash flows are not expected to be sufficient to recover the carrying value of the assets, the useful lives of the assets are revised or the assets are written down to their estimated fair values.

Note 1—Summary of significant accounting policies (continued)

Deferred Income – Deferred income, which is included in accounts payable and other accrued expenses on the statements' of financial position, represents the portion of student tuition and fees for summer programs which have been billed as of June 30 of each year, but not earned.

Split Interest Agreements – The College accepts gifts subject to split interest agreements. These gifts may be in the form of annuities, charitable lead trusts, or charitable remainder trusts and they provide for the payment of distributions to the grantor or other designated beneficiaries over the designated beneficiary's lifetime. At the end of the trust's term, the remaining assets are available for the College's use. At the time of receipt, a gift is recorded based upon the fair value of assets donated less any applicable liabilities. Liabilities include the present value of projected future distributions to the annuity or trust beneficiary and are determined using appropriate discount rates (3.11% at June 30, 2016 and 2015). On an annual basis, the College revalues the liability for future payments to beneficiaries based on actuarial assumptions.

Contributions – Unconditional contributions are recognized as revenues at their fair values when they are received. Contributions with donor-imposed restrictions are recorded as temporarily restricted net assets until the restrictions are met or as permanently restricted net assets. At the time temporary restrictions are met, they are reported as net assets released from restrictions. Contributions received with donor-imposed restrictions are reported as unrestricted when the donor-imposed restrictions are satisfied in the same reporting period as the receipt of the contributions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows after an allowance for estimated uncollectible contributions is provided. The discounts on those amounts are computed using an appropriate 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 not included as support until such time as the conditions are substantially met.

Cash or other assets whose purpose is to acquire long-lived assets are recorded as unrestricted, if the College has internally designated such assets, or restricted, if such assets represent gifts received with donor imposed restrictions. Once acquired, all long-lived assets, primarily property and equipment, are also recorded as unrestricted net assets. Gifts of long-lived assets are reported as unrestricted revenue unless explicit donor stipulations specify how the donated assets must be used. Gifts restricted for the acquisition or construction of long-lived assets are reclassified to unrestricted net assets when the assets are placed into service.

Income Taxes – The Internal Revenue Service has ruled that the College qualifies under Section 501(c) (3) of the Internal Revenue Code and is, therefore, not generally subject to income taxes under present tax laws.

The College's policy is to record a liability for unrecognized tax benefits, and any related interest and penalties, when it is more likely than not a tax position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2016 and 2015, accordingly, no liability has been accrued.

Investment Expense – The College reports investment income net of the related investment expense. Total investment expense was $233,658 and $226,580 for the years ended June 30, 2016 and 2015, respectively.

Note 1—Summary of significant accounting policies (continued)

Statements of Activities – The statements of activities include operating revenues and gains over (under) expenses. Transactions deemed by management to be ongoing, major and central to the provision of education, research and academic support and student services are reported as operating revenues and expenses. Changes in unrestricted net assets, which are excluded from operations, include excess of actual investment return over spending rate policy, change in postretirement benefit obligations, and other items that are deemed to be unrelated and not central to the educational mission of the College.

Institutional Advancement Expenses – The College incurred expenses related to institutional advancement and fundraising amounting to $906,436 and $905,085 during the years ended June 30, 2016 and 2015, respectively. Such amounts are included in institutional support expenses in the accompanying statements of activities.

New Accounting Pronouncements – On May 1, 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments in ASU 2015-07 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. Instead, the amounts measured using the net asset value per share (or its equivalent) must be provided to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The Board of Directors has elected to early adopt ASU 2015-07 and has removed all investments from the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient for the years ended June 30, 2016 and 2015.

Note 2—Contributions receivable

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions expected to be received in periods greater than one year are recorded at the discounted present value of the future cash flows, using Treasury bill rates for similar term investments adjusted for appropriate credit risk. The applicable rates at June 30, 2016 and 2015 were 1.08% to 1.51% and 1.14% to 2.13%, respectively.

Unconditional promises to give are expected to be realized in the following periods:

	2016	2015
In one year or less	$ 1,066,522	$ 1,066,523
Between one year and five years	2,186,071	2,483,787
	3,252,593	3,550,310
Less allowance for uncollectible contributions	(109,156)	(349,900)
Less unamortized discount	(137,952)	(197,054)
	$ 3,005,485	$ 3,003,356

Note 3—Investments

Investments, excluding investments held in trusts, at June 30, are as follows:

	2016		
	Cost	Net Unrealized Gains (Losses)	Fair Value
Cash and cash equivalents	$ 28,077	$ -	$ 28,077
Mutual funds:			
Domestic equities	16,162,965	4,028,457	20,191,422
Global equities	10,086,231	(1,098,858)	8,987,372
International equities	18,156,674	(967,987)	17,188,687
Fixed income	9,501,247	467,875	9,969,122
Alternative investments:			
Fund of funds	14,400,000	842,769	15,242,769
Private equity	3,786,396	(222,576)	3,563,820
Timber	4,615,887	1,900,948	6,516,835
Private real estate	548,527	27,734	576,261
REIT	6,009,131	47,557	6,056,687
	$ 83,296,136	$ 5,025,917	$ 88,321,053

	2015		
	Cost	Net Unrealized Gains (Losses)	Fair Value
Cash and cash equivalents	$ 28,078	$ -	$ 28,078
Mutual funds:			
Domestic equities	16,637,927	5,020,573	21,658,500
International equities	24,313,112	1,296,173	25,609,284
Fixed income	9,235,941	1,020,299	10,256,240
Alternative investments:			
Fund of funds	12,308,130	3,567,803	15,875,933
Private equity	3,474,246	487,229	3,961,475
Timber	4,842,320	1,593,928	6,436,247
Private real estate	540,377	40,900	581,277
REIT	6,943,025	(570,723)	6,372,301
	$ 78,323,155	$ 12,456,181	$ 90,779,336

The College invests in a combination of stocks, fixed income securities, money market funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the College's investment balance reported in the statements of financial position.

Note 3—Investments (continued)

With respect to endowment funds, state law allows the Board to appropriate as much of the net appreciation as is prudent considering the College's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

The following schedules summarize the investment return and its classification in the statements of activities:

	2016			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Dividends	$ 827,325	$ 130,133	$ 226,835	$ 1,184,293
Net appreciation of investments	(1,704,274)	(4,359,161)	(96,718)	(6,160,153)
Net realized gains	-	2,343,405	-	2,343,405
Total return on investments	(876,949)	(1,885,623)	130,117	(2,632,455)
Less: Endowment investment return designated for current obligations	1,648,405	2,132,470	-	3,780,876
Investment return in excess of amounts designated for current operations	$ (2,525,354)	$ (4,018,093)	$ 130,117	$ (6,413,331)

	2015			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Dividends	$ 816,581	$ 52,227	$ 84,064	$ 952,872
Net appreciation of investments	(764,820)	(2,034,549)	(80,320)	(2,879,689)
Net realized gains	-	2,356,196	-	2,356,196
Total return on investments	51,761	373,874	3,744	429,379
Less: Endowment investment return designated for current obligations	1,590,293	1,971,877	-	3,562,170
Investment return in excess of amounts designated for current operations	$ (1,538,532)	$ (1,598,003)	$ 3,744	$ (3,132,791)

Note 4—Fair value measurements of assets and liabilities

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic related to *Fair Value Measurements and Disclosures* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges for identical investments as of the reporting date. The types of investments which would generally be included in Level 1 are listed equity securities.

Level 2: Financial instruments valued using pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. Fair value is determined through use of models or other valuation methodologies. The types of investments which would generally be included in Level 2 are governmental and corporate bonds and loans.

Level 3: Financial instruments that are not actively traded on a market exchange, and other fair value measurements that require using significant unobservable inputs in determining fair value. Contributions receivable, investments held in trusts, contributions receivable from charitable trusts, and amounts due to donors of trusts are valued using a discounted cash flow approach and applying a risk adjusted discount rate. The post retirement benefit obligation is also valued using a discounted cash flow approach by applying a risk adjusted discount rate and expectations about future cost trends.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 4—Fair value measurements of assets and liabilities (continued)

The following tables summarize the valuation of the College's financial assets and liabilities measured at fair value as of June 30, 2016 and 2015, respectively, based on the level of input utilized to measure fair value:

Description	**Fair value measurement at June 30, 2016**			
Measurement at fair value on a recurring basis:	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments:				
Cash equivalents	$ 28,077	$ -	$ -	$ 28,077
Mutual funds:				
Domestic equities	20,191,422	-	-	20,191,422
Global equities	8,987,372	-	-	8,987,372
International equities	17,188,687	-	-	17,188,687
Fixed income	9,969,122	-	-	9,969,122
	$ 56,364,680	$ -	$ -	$ 56,364,680
Alternative investments	$ -	$ -	$ -	$ 31,956,373
Contributions receivable	$ -	$ -	$ 3,005,485	$ 3,005,485
Investments held in trusts	$ -	$ -	$ 523,083	$ 523,083
Contributions receivable from charitable trusts	$ -	$ -	$ 3,315,730	$ 3,315,730
Postretirement benefit obligations	$ -	$ -	$ 10,072,369	$ 10,072,369
Due to donors of trusts	$ -	$ -	$ 264,913	$ 264,913

Note 4—Fair value measurements of assets and liabilities (continued)

Description	**Fair value measurement at June 30, 2015**			
Measurement at fair value on a recurring basis:	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments:				
Cash equivalents	$ 28,078	$ -	$ -	$ 28,078
Mutual funds:				
Domestic equities	21,658,500	-	-	21,658,500
International equities	25,609,284	-	-	25,609,284
Fixed income	10,256,240	-	-	10,256,240
	$ 57,552,102	$ -	$ -	$ 57,552,102
Alternative investments	$ -	$ -	$ -	$ 33,227,234
Contributions receivable	$ -	$ -	$ 3,003,356	$ 3,003,356
Investments held in trusts	$ -	$ -	$ 552,654	$ 552,654
Contributions receivable from charitable trusts	$ -	$ -	$ 3,378,557	$ 3,378,557
Postretirement benefit obligations	$ -	$ -	$ 8,821,062	$ 8,821,062
Due to donors of trusts	$ -	$ -	$ 288,987	$ 288,987

Note 4—Fair value measurements of assets and liabilities (continued)

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, the following table provides a reconciliation of beginning and ending balances for the years ended June 30, 2016 and 2015:

	Contributions Receivable	Investments Held in Trusts	Contributions Receivable from Charitable Trusts	Postretirement Benefit Obligations	Due to Donors of Trusts
Year Ended June 30, 2016					
Beginning of Year	$ 3,003,356	$ 552,654	$ 3,378,557	$ 8,821,062	$ 288,987
Investment income	-	12,979	-	-	28,476
Realized and unrealized losses	-	-	(62,827)	(217,752)	-
Expenses	-	-	-	554,292	-
Payments to beneficiaries	-	(52,550)	-	(342,630)	(52,550)
Contributions	-	10,000	-	-	-
New pledges net of pledge payments	272,092	.	-	-	-
Actuarial adjustments	-	-	-	1,257,397	-
Allowance and net present value adjustments	(269,963)	-	-	-	-
End of Year	$ 3,005,485	$ 523,083	$ 3,315,730	$ 10,072,369	$ 264,913

	Contributions Receivable	Investments Held in Trusts	Contributions Receivable from Charitable Trusts	Postretirement Benefit Obligations	Due to Donors of Trusts
Year Ended June 30, 2015					
Beginning of Year	$ 3,505,339	$ 613,227	$ 4,306,763	$ 9,019,153	$ 316,846
Investment income (loss)	-	(3,714)	-	-	24,691
Realized and unrealized losses	-	-	(117,772)	(190,817)	-
Withdrawals	-	-	(810,434)	-	-
Expenses	-	-	-	362,006	-
Payments to beneficiaries	-	(52,550)	-	(134,907)	(52,550)
Contributions	-	-	-	-	-
Change in beneficial interest	-	(4,309)	-	-	-
New pledges net of pledge payments	(226,153)	-	-	-	-
Actuarial adjustments	-	-	-	(234,373)	-
Allowance and net present value adjustments	(275,830)	-	-	-	-
End of Year	$ 3,003,356	$ 552,654	$ 3,378,557	$ 8,821,062	$ 288,987

Note 4—Fair value measurements of assets and liabilities (continued)

For investments in entities that calculate net asset value or its equivalent, and for which fair value is not readily determinable, the following table provides information about the probability of investments being sold at amounts different from net asset value per share for years ended June 30, 2016 and 2015:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fund of funds [a]	$ 15,242,769		Daily - Annually	65 - 90 days
Private equity [b]	3,563,820	$ 1,098,030	Illiquid	(b)
Private real estate funds [c]	576,261	492,162	Illiquid	(c)
Timber [d]	6,516,835		Illiquid	(d)
REITs [c]	6,056,688		Daily	(c)
Total	$ 31,956,373	$ 1,590,192		

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fund of funds [a]	$ 15,875,933		Daily - Annually	65 - 90 days
Private equity [b]	3,961,475	$ 1,672,544	Illiquid	(b)
Private real estate funds [c]	581,277	245,636	Illiquid	(c)
Timber [d]	6,436,247		Illiquid	(d)
REITs [c]	6,372,302		Daily	(c)
Total	$ 33,227,234	$ 1,918,180		

(a) This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. Funds incorporate a multi-strategy approach within the credit space, as well as utilizing convertible arbitrage, risk arbitrage, equity long/short (fundamental & quantitative), distressed debt, pairs trading, private placements, global macro, commodities, real estate, reinsurance and capital structure arbitrage. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

(b) This category includes funds that invest in venture capital and buyout funds. Funds take a menu-driven approach by combining the three strategies into a single fund that allows investors to choose their own allocation. Additionally, this category includes funds managed by tenured distressed managers, representing the full spectrum of distressed investment approaches, including short-term and medium-term trading strategies. Interests in these funds are not redeemable; however, fund managers will make distributions as the underlying investments of the funds are liquidated.

(c) This category includes several real estate funds that invest across strategies such as debt origination, secondary debt or securities mispriced relative to underlying real estate values, income oriented equity, and value-added equity, as well as office properties in major metropolitan areas of the U.S. Distributions from the funds will be received as the underlying investments of the funds are liquidated.

(d) This category includes funds that invest primarily in timber resources; however the funds may also invest in companies servicing these businesses.

Note 4—Fair value measurements of assets and liabilities (continued)

The following methods and assumptions were used by the College in estimating its fair value disclosures for financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. The estimates are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. These estimates may differ substantially from amounts that could be realized in an immediate sale or settlement of the instrument.

Fair value approximates book value for the following financial instruments due to their short-term nature: cash and cash equivalents, accounts receivable, other receivables, grants receivable, restricted assets, accounts payable, accrued expenses, refundable advances, deposits held in custody of others, and accrued interest payable.

The carrying amount of contributions receivable reported in the statements of financial position approximate fair value since contributions to be received after one year are discounted at a rate commensurate with the risk involved.

Fair values for marketable debt securities and equity securities are based on quoted market prices. If a quoted market price is not available, fair value is estimated using market prices for similar securities.

In addition, the carrying amounts for notes receivable and long-term debt approximate fair value since the interest rates for each of these instruments approximate market rates.

Note 5—Investments held in trusts

The College has been named as a beneficiary in several charitable trusts in which the College is the trustee. Trust investments are carried at fair value based on quoted market prices, and the liability under the trust agreement is recorded at the present value of expected future payments to be made to the beneficiary. Investments held in trusts at June 30, 2016 and 2015 consisted of the following:

	2016		
	Cost	Net Unrealized Gains	Fair Value
Mutual funds	$ 488,876	$ 34,207	$ 523,083

	2015		
	Cost	Net Unrealized Gains	Fair Value
Mutual funds	$ 521,052	$ 31,602	$ 552,654

Amounts entitled Due to Donors of Trusts are recorded on the statements of financial position for the required life annuity payments at the present value of expected future cash payments discounted using current interest rates and actuarial assumptions for those annuities that have not been reinsured. The annuity obligations are adjusted each year for changes in the life expectancy of the beneficiaries and are reduced either as payments are made to the donor or as annuities are reinsured. The present value of future payment liabilities of charitable gift annuities was $264,913 and $288,987 at June 30, 2016 and 2015, respectively.

Note 6—Contributions receivable from charitable trusts

The College has been named as a beneficiary in several charitable trusts in which the College is not the trustee. When the College is notified of the existence of the trust, a receivable and contribution revenue are recorded at the present value of the estimated future cash receipts. It is the College's policy not to record contributions receivable from trusts if the trust is revocable or if the donor retains the unilateral right to change beneficiaries. A noncurrent asset for the charitable remainder trusts has been recognized at the present value of the expected future cash flow payments discounted at a rate of 3.11% for June 30, 2016 and 2015. The expected future cash flow represents the College's share of the fair value of the trust principal at June 30, 2016 and 2015. Changes in the value of the trusts have been reported in the statements of activities as changes in temporarily and permanently restricted net assets.

Note 7—Student loans

The College makes uncollateralized loans to students based on financial need. Student loans are funded by the College's loan programs and through Federal government loan programs. At June 30, 2016 and 2015, student loans represented 0.34% and 0.38% of total assets, respectively.

Student loan activity consisted of the following for the years ended June 30:

	2016	2015
Beginning balance	$ 665,011	$ 772,748
New loans	41,500	95,459
Principal re-payments	(100,687)	(203,196)
Ending balance	$ 605,824	$ 665,011

The College participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of $356,742 at June 30, 2016 and 2015 are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government. Amounts due under the Perkins loan program are guaranteed by the government and, therefore, no reserves are placed on any past due balances under the program.

Note 8—Property and equipment

The composition of property and equipment at June 30 is as follows:

	2016	2015
Land	$ 351,485	$ 351,485
Land improvements	7,047,296	7,047,296
Buildings	99,140,472	98,384,916
Utility systems	11,712,851	11,679,453
Equipment and furniture	13,603,890	12,763,488
Construction and equipment installations in process	3,760,779	2,333,799
	135,616,773	132,560,437
Less accumulated depreciation	70,289,470	66,406,006
	$ 65,327,303	$ 66,154,431

Depreciation expense was $3,880,315 and $3,944,265, for the years ended June 30, 2016 and 2015, respectively.

Note 9—Notes payable

On June 22, 2016, the College entered into an agreement with a bank to restructure an existing term loan to a revolving line of credit in the amount of $3,325,000. The loan bears interest based on the one month LIBOR (0.469% and 0.184% at June 30, 2016 and 2015, respectively) plus 1.75%. The outstanding balance on the line of credit was $3,325,000 at June 30, 2016. The outstanding balance of the note payable was $3,650,714 at June 30, 2015.

Note 10—Postretirement benefit plan

The College sponsors a defined benefit postretirement health care plan for all employees that meet eligibility requirements. The plan is noncontributory and unfunded. The annual measurement date for the plan is July 1. The following tables provide further information about this plan.

Components of, and changes in, the accumulated postretirement benefit obligation are as follows for the years ended June 30, 2016 and 2015:

	2016	2015
Obligation at beginning of year	$ 8,821,062	$ 9,019,153
Service cost-benefits attributable to service during the year	202,435	212,453
Interest on accumulated postretirement benefit obligation	351,857	350,725
Amortization of gain in excess of accumulated post-retirement benefit obligation	(217,752)	(190,817)
Amortization of prior service cost	(200,686)	(201,172)
Benefits paid	(342,630)	(318,183)
Recognition of unamortized prior service cost and (gain)/loss	1,458,083	(51,097)
Obligation at end of year	$ 10,072,369	$ 8,821,062

Note 10—Postretirement benefit plan (continued)

Obligations and funded status:

The following table sets forth the plan's funded status reconciled with the liability recognized in the accompanying statements of financial position at June 30, 2016 and 2015:

	2016	2015
Accumulated postretirement benefit obligation	$ 10,072,369	$ 8,821,062
Plan assets	-	-
Accumulated postretirement benefit obligation in excess of plan assets	10,072,369	8,821,062
Obligation included on statements of financial position	$ 10,072,369	$ 8,821,062

For measurement purposes, a 7.5% and a 6.75% annual rate of increase in per capita health care costs of covered benefits was assumed for 2016 and 2015, respectively, with such annual rate of increase gradually declining to 4.5% in 2024. If assumed health care cost trend rates were increased by 1 percentage point in each year, the accumulated postretirement benefit obligation at June 30, 2016 and 2015 would be increased by $459,437 and $427,192, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit costs for the year ended June 30, 2016 and 2015 would be increased by $21,347 and $21,463, respectively.

If assumed health care cost trend rates were decreased by 1 percentage point in each year, the accumulated postretirement benefit obligation at June 30, 2016 and 2015 would be decreased by $402,330 and $373,387, respectively, and the aggregate of the service and interest cost components of net periodic postretirement benefit costs for the year ended June 30, 2016 and 2015 would be decreased by $18,593 and $18,631, respectively. The weighted average discount rate used in estimating the accumulated postretirement benefit obligation at June 30, 2016 and 2015 was 3.21% and 4.08%, respectively.

Plan Assets:
The plan is unfunded and, therefore, there are no plan assets.

Cash Flows:
The following table provides benefit payments, which reflect expected future service as appropriate, which are expected to be paid:

Years Ending June 30,	Amount
2017	$ 430,472
2018	451,630
2019	489,769
2020	515,123
2021	561,047
2022-2026	3,166,007
	$ 5,614,048

Note 11—Bonds payable

During 2008, the North Carolina Capital Facilities Finance Agency (the "Agency"), pursuant to a trust agreement between the Agency and a bank (the "Trustee"), issued serial and term bonds in the amount of $57,930,000. The Agency loaned the proceeds of the bonds to the College pursuant to a loan agreement between the Agency and the College in which the College is obligated to make payments to the Agency in amounts sufficient to pay the principal and interest on the bonds. The 2008A bonds have defined, but varying interest rates ranging from 4.00% to 6.125%, payable semiannually and mature at various dates through 2035.

The interest on the 2008B bonds is determined periodically by the Remarketing Agent. The rate established by the Remarketing Agent is intended to approximate the market rate for tax exempt bonds with similar duration and credit risk. In the event the Remarketing Agent does not determine the periodic rate, or there is no Remarketing Agent, the interest rate will be the greater of, 70% of LIBOR, or the SIFMA Municipal Swap Index plus 0.10%. However, the interest rate will not exceed 12.0%. The interest rate periods can be changed by the College, or the College can convert the rate to a fixed rate, upon notice to the Remarketing Agent and Trustee and by meeting certain conditions. The interest rate on the 2008B bonds at June 30, 2016 and 2015 was 5.0% and 4.5%, respectively. The proceeds from these borrowings were used to refund the bonds issued in 2002, repay a line of credit and finance the construction of new student apartments. Amounts outstanding, net of original issue discount, at June 30, 2016 and 2015 were $49,991,095 and $51,141,145 respectively.

The series 2008B bonds are collateralized by a letter of credit. The series 2008A bonds were issued under the College's Standard and Poor's BBB bond rating. The loan agreement outlined above contains various restrictive financial and other covenants typical of such agreements.

Principal payments over the next five years and thereafter are as follows:

Years Ending June 30,	Amount
2017	$ 1,230,000
2018	1,290,000
2019	1,355,000
2020	1,420,000
2021	1,500,000
2022 and Thereafter	43,630,000
	50,425,000
Less unamortized discount	(433,905)
	$ 49,991,095

Total interest cost on indebtedness was $2,034,525 and $2,074,939 for the years ended June 30, 2016 and 2015, respectively.

Note 12—Lease commitments

The College leases vehicles and office equipment through operating lease agreements which expire through 2020. The following is a schedule of future minimum lease payments for these operating leases as of June 30, 2016:

Years Ending June 30,	Amount
2017	$ 107,353
2018	82,704
2019	54,572
2020	3,599
	$ 248,228

Total rent expense associated with these operating leases was $122,407 and $140,484 for 2016 and 2015, respectively.

Note 13—Retirement plans

Academic and certain other salaried employees of the College are participants in a retirement annuity plan sponsored by the College. Participants contribute 5% of compensation to the plan. Additionally, the College has a retirement annuity plan for non-faculty and non-administrative employees, which has no employee contribution requirement. During 2016 and 2015, the College contributed 5% of compensation to both plans. Expenses associated with the plans amounted to $1,095,966 and $973,367 in 2016 and 2015, respectively.

Note 14—Endowment

The College's endowment consists of approximately 489 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the College has adopted the Uniform Prudent Management of Institutional Funds Act of 2007 (the Act) 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 stipulation to the contrary. As a result, 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.

Note 14—Endowment (continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, 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

From time to time, declines in the market value of endowment fund investments may result in the market value of an individual endowment fund being less than its principal amount as determined using the historic dollar cost method. These funds are classified as "underwater" endowments. Accordingly, as allowed by the Act, the College will continue to make funds available to spend from these underwater endowments as calculated based on the spending policy. However, if an individual fund is classified as underwater for ten consecutive years as measured at the December 31 spending calculation date, the College will suspend spending from that fund, and funds made available to spend under the spending policy will be reinvested into the principal of the fund until it is no longer underwater.

Endowment net assets consist of the following at June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (136,659)	$ 9,115,144	$ 63,775,315	$ 72,753,800
Board-designated endowment funds	21,549,671	-	-	21,549,671
Total endowed net assets	$ 21,413,012	$ 9,115,144	$ 63,775,315	$ 94,303,471

Endowment net assets consist of the following at June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 14,125,050	$ 59,253,619	$ 73,378,668
Board-designated endowment funds	23,144,832	-	-	23,144,832
Total endowed net assets	$ 23,144,832	$ 14,125,050	$ 59,253,619	$ 96,523,500

Note 14—Endowment (continued)

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2015	$ 23,144,832	$ 14,125,049	$ 59,253,619	$ 96,523,500
Investment return:				
Investment income	58,305	792,871	226,835	1,078,011
Realized and unrealized losses	(1,653,466)	(2,158,560)	-	(3,812,026)
Total investment return	(1,595,161)	(1,365,689)	226,835	(2,734,015)
Contributions	-	-	4,294,862	4,294,862
Appropriation of endowment assets for expenditure	-	(3,780,875)	-	(3,780,875)
Loss (increase in underwater)	(136,659)	136,659	-	-
Endowment net assets, June 30, 2016	$ 21,413,012	$ 9,115,144	$ 63,775,315	$ 94,303,471

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2014	$ 23,922,896	$ 16,815,784	$ 53,133,644	$ 93,872,324
Investment return:				
Investment income	55,764	548,769	84,064	688,597
Realized and unrealized (losses) gains	(833,828)	322,666	-	(511,162)
Total investment return	(778,064)	871,435	84,064	177,435
Contributions	-	-	6,035,911	6,035,911
Appropriation of endowment assets for expenditure	-	(3,562,170)	-	(3,562,170)
Endowment net assets, June 30, 2015	$ 23,144,832	$ 14,125,049	$ 59,253,619	$ 96,523,500

Note 14—Endowment (continued)

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organizations must hold in perpetuity or for a donor-specified period 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 appropriate index and style returns over a 3 – 5 year market cycle while assuming a moderate level of investment risk. The College expects endowment funds, over three to five years, to provide an average annual real rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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 emphasis on investments in equities, bonds and absolute return strategies in a 60-20-20 percent ratio to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College's spending policy for appropriating a portion of its endowment funds for distribution each year is based on the average fair value using the prior 3 years through the calendar year-end preceding the fiscal year in which the distribution is planned. For the years ended June 30, 2016 and 2015, the spending policy was 4.4% for those funds designated for a specific purpose and 3.9% for quasi-endowed funds designated for general operations. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

Note 15—Unrestricted net assets

The Board of Trustees designates a portion of unrestricted net assets for quasi-endowments as well as the portion committed to property and equipment, after being reduced by related debt. A summary of these designations is as follows as of June 30:

	2016	2015
Board designated for Quasi-Endowments	$ 21,549,671	$ 23,144,832
Property and equipment, net of related debt	10,675,259	10,149,891
Other unrestricted net assets (deficit)	(9,590,647)	(10,154,448)
	$ 22,634,283	$ 23,140,275

Note 16—Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2016 and 2015 are available for the following purposes or periods:

	2016	2015
Scholarships	$ 5,046,348	$ 7,706,618
Loans to students	707,430	743,234
Remainder trusts	272,693	278,190
Institutional support	12,867,376	13,343,192
Plant facilities	3,354,717	-
	$ 22,248,564	$ 23,071,234

Note 17—Permanently restricted net assets

Permanently restricted net assets as of June 30, 2016 and 2015 are restricted to:

	2016	2015
Investment in perpetuity, the income from which is expendable to support:		
Scholarships	$ 48,078,153	$ 44,812,028
Institutional support	17,033,105	15,874,252
	$ 65,111,258	$ 60,686,280

Note 18—Net assets released from restrictions

Net assets during the years ended June 30, 2016 and 2015 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

	2016	2015
Purpose restrictions accomplished:		
Scholarships	$ 2,228,528	$ 2,308,463
Institutional support	2,464,935	2,031,283
Plant facilities	1,631,222	-
Remainder trusts	28,476	28,737
Other	47,251	63,368
	$ 6,400,412	$ 4,431,851

Note 19—Expense allocation

Certain expenses are allocated to operating programs and supporting activities based upon square footage. These expenses for the years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Depreciation and accretion expense	$ 4,026,686	$ 4,046,874
Interest and amortization expense	2,034,525	2,074,940
Letter of credit fees	267,384	307,125
Non-capitalized plant expenses	29,310	32,682
	$ 6,357,905	$ 6,461,621

Allocation of these amounts to functional expense categories approximated 43% to instructional, 4% to academic support, 7% to student services and activities, 6% to institutional support, and 40% to auxiliary enterprises for both 2016 and 2015.

Note 20—Asset retirement obligation

Under U.S. generally accepted accounting principles, an entity is required to recognize a liability for the fair value of a “conditional asset retirement obligation,” an asset retirement cost capitalized as an increase in the carrying amount of the associated long-lived asset and accumulated depreciation on the capitalized asset. The “obligation” recognized in the accompanying financial statements relates to the estimated costs to abate any remaining asbestos from the College’s facilities. Accretion expense was $88,065 and $82,986 for the years ended June 30, 2016 and 2015, respectively.

Note 21—Commitments and contingencies

Federally and state funded financial aid programs are subject to special audits. Such audits could result in claims against the resources of the College. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date. The College was notified on February 28, 2017 that its participation in the federal financial aid programs was renewed for the four year period subsequent to the expiration of the most recent participation period.

Note 22—Related party transactions

The College had $1,261,908 and $1,930,130 in outstanding pledges from Board of Trustee members as of June 30, 2016 and 2015, respectively.

Note 23—Subsequent events

The College completed a bond refunding of $8,125,000 redemption price on September 1, 2016 in order to refinance $7,800,000 in bonds issued by the College in 2008.