Juniata College

Financial Statements

May 31, 2019 and 2018

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Juniata College

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Independent Auditors' Report

To the Board of Trustees of
Juniata College

We have audited the accompanying financial statements of Juniata College, which comprise the statements of financial position as of May 31, 2019 and 2018, and the related statements of activities, functional expenses 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 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 ssessments, 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, 2019 and 2018, 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 24, 2019

Juniata College

Statements of Financial Position
May 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 5,462,461	$ 4,774,619
Accounts receivable:		
Student, net	768,605	698,339
Governmental agencies	195,564	372,689
Other	191,548	3,228,918
Unconditional promises to give	7,560,077	5,115,597
Inventory	302,667	332,996
Prepaid expenses	536,604	983,912
Investments	105,252,103	112,339,719
Real estate investments	3,633,138	3,755,018
Cash surrender value life insurance	5,803,769	4,864,825
Student loans receivable	1,096,519	1,259,550
Funds held in trust by others	4,101,054	4,142,745
Collections	1,656,432	1,656,432
Other assets, net	750,202	855,328
Plant assets, net	83,114,106	84,927,013
Total assets	$ 220,424,849	$ 229,307,700
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 503,931	$ 1,912,442
Accrued payroll and related liabilities	3,838,164	4,043,988
Student deposits and prepayments	422,499	430,145
Deferred summer tuition	1,020,848	836,667
Deferred grant revenue	640,198	169,485
Funds held in custody for others	139,789	186,896
Bonds and notes payable	59,246,091	59,336,411
Obligations under capital leases	103,210	138,131
Postretirement benefits	6,310,069	6,417,964
Annuities payable	3,078,501	2,971,075
Advance from federal government for student loans	616,795	616,795
Total liabilities	75,920,095	77,059,999
Net Assets		
Without donor restrictions	41,929,198	44,723,346
With donor restrictions	102,575,556	107,524,355
Total net assets	144,504,754	152,247,701
Total liabilities and net assets	$ 220,424,849	$ 229,307,700

See notes to financial statements

Juniata College

Statement of Activities
Year Ended May 31, 2019
(With Comparative Totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Revenues				
Tuition and fees, net	$ 24,418,032	$ -	$ 24,418,032	$ 25,567,813
Federal, state and local grants and contracts	1,197,793	-	1,197,793	1,236,330
Private gifts, grants and bequests	2,038,021	5,734,241	7,772,262	8,186,050
Investment (loss) income, net	(8,087)	1,746,945	1,738,858	1,965,458
Endowment return, designated for operations	2,603,345	5,209,192	7,812,537	7,028,429
Other income	668,515	36,364	704,879	997,356
Auxiliary enterprises	14,659,699	-	14,659,699	13,542,122
Transfer from nonoperating to support current operating activities	2,165,753	-	2,165,753	-
Net assets released from restrictions:				
Satisfaction of program restrictions	1,025,273	(1,025,273)	-	-
Appropriation from donor endowment	5,209,192	(5,209,192)	-	-
Total operating revenues	53,977,536	6,492,277	60,469,813	58,523,558
Operating Expenses				
Educational and general:				
Program expenses:				
Instructional	19,897,996	-	19,897,996	18,979,822
Research and public service	1,756,055	-	1,756,055	1,950,105
Academic support	5,577,357	-	5,577,357	5,672,210
Student services	10,924,603	-	10,924,603	11,159,103
Institutional support:				
Management and general	7,565,505	-	7,565,505	6,351,006
Development	1,874,323	-	1,874,323	2,117,852
Total educational and general	47,595,839	-	47,595,839	46,230,098
Auxiliary enterprises	9,452,078	-	9,452,078	8,857,807
Total operating expenses	57,047,917	-	57,047,917	55,087,905
Change in net assets from operating activities	(3,070,381)	6,492,277	3,421,896	3,435,653
Nonoperating Activities				
Endowment investment return (loss), net of amount designated for operations	276,467	(8,754,518)	(8,478,051)	1,905,555
(Loss) gain on funds held in trust by others	-	(41,691)	(41,691)	317,403
Reclassification due to change in donor intent	2,165,753	(2,165,753)	-	-
Transfer of nonoperating funds to support current operating activities	(2,165,753)	-	(2,165,753)	-
Change in valuation of split-interest agreements	(234)	(479,114)	(479,348)	(297,560)
Change in net assets from nonoperating activities	276,233	(11,441,076)	(11,164,843)	1,925,398
Change in net assets	(2,794,148)	(4,948,799)	(7,742,947)	5,361,051
Net Assets, Beginning of Year	44,723,346	107,524,355	152,247,701	146,886,650
Net Assets, End of Year	$ 41,929,198	$ 102,575,556	$ 144,504,754	$ 152,247,701

See notes to financial statements

Juniata College

Statement of Activities
Year Ended May 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Tuition and fees, net	$ 25,567,813	$ -	$ 25,567,813
Federal, state and local grants and contracts	1,236,330	-	1,236,330
Private gifts, grants and bequests	4,242,889	3,943,161	8,186,050
Investment income, net	508,261	1,457,197	1,965,458
Endowment return, designated for operations	2,558,489	4,469,940	7,028,429
Other income	956,679	40,677	997,356
Auxiliary enterprises	13,542,122	-	13,542,122
Net assets released from restrictions:			
Satisfaction of program restrictions	949,754	(949,754)	-
Appropriation from donor endowment	3,832,029	(3,832,029)	-
Total operating revenues	53,394,366	5,129,192	58,523,558
Operating Expenses			
Educational and general:			
Program expenses:			
Instructional	18,979,822	-	18,979,822
Research and public service	1,950,105	-	1,950,105
Academic support	5,672,210	-	5,672,210
Student services	11,159,103	-	11,159,103
Institutional support:			
Management and general	6,351,006	-	6,351,006
Development	2,117,852	-	2,117,852
Total educational and general	46,230,098	-	46,230,098
Auxiliary enterprises	8,857,807	-	8,857,807
Total operating expenses	55,087,905	-	55,087,905
Change in net assets from operating activities	(1,693,539)	5,129,192	3,435,653
Nonoperating Activities			
Endowment investment (loss) return, net of amount designated for operations	(308,210)	2,213,765	1,905,555
Gain on funds held in trust by others	-	317,403	317,403
Change in valuation of split-interest agreements	(74,015)	(223,545)	(297,560)
Change in net assets from nonoperating activities	(382,225)	2,307,623	1,925,398
Change in net assets	(2,075,764)	7,436,815	5,361,051
Net Assets, Beginning of Year	45,098,674	101,787,976	146,886,650
Restatement Due to Adoption of ASU 2016-14	1,700,436	(1,700,436)	-
Net Assets, Beginning of Year, as restated	46,799,110	100,087,540	146,886,650
Net Assets, End of Year	$ 44,723,346	$ 107,524,355	$ 152,247,701

See notes to financial statements

Juniata College

Statement of Functional Expenses

Year Ended May 31, 2019

	Program Expenses				Institutional Support			Facilities,	
	Instruction	Research and Public Service	Academic Support	Student Services	Management and General	Development	Auxiliary Enterprises	Operations and Maintenance	Total
Operating Expenses									
Compensation:									
Salaries and wages	$ 10,004,945	$ 522,162	$ 1,876,210	$ 3,936,862	$ 2,935,417	$ 1,020,187	$ 949,866	$ 1,046,444	$ 22,292,093
Benefits	4,751,391	171,325	947,984	1,863,701	1,405,718	483,061	409,094	760,945	10,793,219
Depreciation and amortization	1,242,518	219,503	342,180	846,640	530,035	-	954,628	374,156	4,509,660
Auxiliary cost of sales	-	-	-	-	-	-	3,586,637	-	3,586,637
Software, office and instructional supplies	497,256	333,316	536,824	824,845	616,810	89,834	18,973	38,488	2,956,346
Professional services	410,121	185,045	782,307	704,841	511,767	25,851	1,160	3,887	2,624,979
Other	12,382	101,018	215,331	622,620	260,685	98,498	381,172	501,484	2,193,190
Interest on indebtedness	1,008,673	-	-	257,533	-	-	557,989	321,639	2,145,834
Travel	404,813	137,202	287,307	606,696	124,292	81,676	-	1,401	1,643,387
Utilities	-	24,619	-	-	-	-	685,226	931,415	1,641,260
Equipment repair and maintenance	152,836	78,651	27,523	164,558	686,236	17,435	150,535	153,817	1,431,591
Student employees	102,894	124,581	100,827	498,385	6,755	28,105	-	4,145	865,692
Programming	30,679	3,175	41,942	12,967	245,590	29,676	-	-	364,029
	18,618,508	1,900,597	5,158,435	10,339,648	7,323,305	1,874,323	7,695,280	4,137,821	57,047,917
Allocation of facilities, operations and maintenance	1,279,488	(144,542)	418,922	584,955	242,200	-	1,756,798	(4,137,821)	-
Total operating expenses	$ 19,897,996	$ 1,756,055	$ 5,577,357	$ 10,924,603	$ 7,565,505	$ 1,874,323	$ 9,452,078	$ -	$ 57,047,917

See notes to financial statements

Juniata College

Statement of Functional Expenses
Year Ended May 31, 2018

	Program Expenses				Institutional Support			Facilities,	
	Instruction	Research and Public Service	Academic Support	Student Services	Management and General	Development	Auxiliary Enterprises	Operations and Maintenance	Total
Operating Expenses									
Compensation:									
Salaries and wages	$ 9,791,262	$ 650,762	$ 1,842,625	$ 4,079,067	$ 2,895,906	$ 1,117,088	$ 887,680	$ 1,079,156	$ 22,343,546
Benefits	4,322,805	229,598	894,454	1,862,092	1,420,498	521,104	516,640	619,375	10,386,566
Depreciation and amortization	1,140,614	215,844	323,237	832,728	611,670	-	954,160	445,303	4,523,556
Auxiliary cost of sales	-	-	-	-	-	-	3,314,410	-	3,314,410
Software, office and instructional supplies	518,139	253,120	477,170	924,082	614,306	91,592	23,969	44,903	2,947,281
Interest on indebtedness	893,924	-	-	228,236	-	-	494,511	240,088	1,856,759
Professional services	319,687	257,680	866,995	684,312	(322,101)	25,779	850	6,526	1,839,728
Other	22,076	53,433	177,355	644,267	(20,557)	106,222	462,716	379,593	1,825,105
Travel	294,786	141,682	352,441	651,769	113,270	93,685	-	673	1,648,306
Utilities	-	23,909	-	-	-	-	665,465	904,554	1,593,928
Equipment repair and maintenance	107,128	98,022	98,021	101,048	599,967	17,400	184,146	219,152	1,424,884
Student employees	146,167	144,772	122,886	501,203	130,659	32,193	-	9,199	1,087,079
Programming	53,673	7,547	60,976	15,834	45,938	112,789	-	-	296,757
	17,610,261	2,076,369	5,216,160	10,524,638	6,089,556	2,117,852	7,504,547	3,948,522	55,087,905
Allocation of facilities, operations and maintenance	1,369,561	(126,264)	456,050	634,465	261,450	-	1,353,260	(3,948,522)	-
Total operating expenses	$ 18,979,822	$ 1,950,105	$ 5,672,210	$ 11,159,103	$ 6,351,006	$ 2,117,852	$ 8,857,807	$ -	$ 55,087,905

See notes to financial statements

Juniata College

Statements of Cash Flows
Years Ended May 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ (7,742,947)	$ 5,361,051
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	4,509,660	4,523,556
Realized and unrealized loss (gain) on investments	665,514	(8,933,984)
Loss (gain) on funds held in trust by others	41,691	(317,403)
Contributions of plant assets	-	(14,700)
Loss on disposal of plant assets	99,199	-
Private gifts restricted for long-term investment	(2,010,214)	(2,416,503)
Changes in split-interest agreements	479,348	297,560
Changes in assets and liabilities:		
Accounts receivable	3,144,229	(2,875,620)
Unconditional promises to give	(1,779,455)	(420,699)
Inventory	30,329	(24,006)
Prepaid expenses	447,308	(191,471)
Other assets	-	(1,051,257)
Accounts payable	(1,394,949)	1,077,906
Accrued payroll and related liabilities	(205,824)	25,246
Deferred revenue	654,894	(1,285,346)
Funds held in custody for others	(47,107)	(57,533)
Student deposits and prepayments	(7,646)	(25,997)
Postretirement benefits	(107,895)	(34,431)
Net cash used in operating activities	(3,223,865)	(6,363,631)
Cash Flows from Investing Activities		
Proceeds from sales of investments	29,750,459	18,614,107
Purchases of investments	(23,328,357)	(9,818,308)
Increase in cash surrender value of life insurance	(938,944)	(940,181)
Purchases of plant assets	(2,464,809)	(5,951,168)
Student loans collected	214,031	275,288
Student loans advanced	(51,000)	(128,060)
Net cash provided by investing activities	3,181,380	2,051,678
Cash Flows from Financing Activities		
Proceeds from notes payable	1,000,000	1,219,442
Payments on bonds, notes payable and capital leases	(1,242,940)	(1,324,282)
Payments of bond financing costs	-	(21,947)
Proceeds from contributions restricted for long-term investments	1,345,189	1,929,617
Proceeds from funds held by trustee used for construction	-	3,839,655
Repayments to federal government for student loans	-	(70,176)
Proceeds of annuity obligations	-	71,124
Payments of annuity obligations	(371,922)	(346,124)
Net cash provided by financing activities	730,327	5,297,309
Net increase in cash and cash equivalents	687,842	985,356
Cash and Cash Equivalents, Beginning of Year	4,774,619	3,789,263
Cash and Cash Equivalents, End of Year	$ 5,462,461	$ 4,774,619
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 2,145,834	$ 1,856,759
Supplemental Disclosure of Noncash Operating, Investing and Financing Activities		
Plant assets included in accounts payable	$ -	$ 13,562
Issuance of bonds payable	$ -	$ 8,125,000
Bond discount	$ -	$ (214,005)
Repayment of note payable	$ -	$ 7,750,000
Payment of bond financing costs	$ -	$ 160,995
Assets acquired under capital leases	$ 126,386	$ 32,269

See notes to financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Juniata College (the "College"), which is a not-for-profit educational institution organized under the laws of the Commonwealth of Pennsylvania, located in Huntingdon, Pennsylvania, was established in 1876 to provide higher education to students. The College awards grants-in-aid and scholarships from its net assets with and without donor restrictions to individuals who meet the College's academic standards. The amounts of such awards are determined primarily based upon the academic performance and financial needs 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, 2019 and 2018, the College provided student financial aid from internal resources of approximately $32,784,000 and $32,942,000, respectively, which represented 55 percent of gross tuition and fee revenue each year. During the years ended May 31, 2019 and 2018, the College provided student financial aid from monies contributed to the College by alumni and friends of approximately $2,837,000 and $1,927,000, respectively.

The College evaluated subsequent events for recognition or disclosure through October 24, 2019, the date the financial statements were available to be issued, and determined no events necessitated recognition or disclosure.

Basis of Presentation

The financial statements of the College have been prepared in conformity with accounting principles generally accepted in the United States of America, including accounting standards as they relate to financial statements of not-for-profit organizations. The Financial Accounting Standards Board ("FASB") guidance requires the reporting of total assets, liabilities and net assets in a statement of financial position; reporting the change in net assets in a statement of activities; and reporting the sources and uses of cash and cash equivalents in a statement of cash flows.

Net assets and revenues, gains, expenses and losses are classified as without donor restriction or with donor restriction based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees. The Board of Trustees has earmarked $32,849,956 and $30,373,155, as of May 31, 2019 and 2018, respectively, as designated for endowment.

Net Assets With Donor Restrictions - Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restriction are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions. Additionally, funds received as gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity are reported as net assets with donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law. Donor restrictions on gifts to acquire long-lived assets are considered met in the period in which assets are placed in service.

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 private gifts, grants and bequests. An allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Conditional promises to give are promises for which donor-imposed conditions specify future and uncertain events of which 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 statements of activities.

Investments received as gifts are recorded at 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 net assets without restrictions unless their use is 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.

Investment-related fees are expensed when incurred and are netted against investment income in the statements of activities. For the years ended May 31, 2019 and 2018, investment-related fees amounted to $554,788 and $507,808, respectively.

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 statements 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.

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 net assets with donor restrictions.

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.

Other Assets

Branding and logo costs are considered other assets and are amortized on a straight-line basis over 10 years. For the years ended May 31, 2019 and 2018, the College incurred amortization expense of $105,126 and $195,929, respectively.

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.

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 statements of financial position, and the portion allocable to the College included in net assets without donor restrictions.

The Extension Act amended Section 461 of the Higher Education Act to end the College's authority to make new Perkins Loans after May 31, 2018. The College is not required to assign the outstanding Perkins Loans to the U.S. Department of Education or liquidate their Perkins Loan revolving funds due to the wind-down of the Perkins Loan Program, however, the College may choose to liquidate at any time in the future. As of May 31, 2019, the College continues to service the Perkins Loan Program.

Nonoperating Activities

The statements of activities include a performance measure of operations labeled as "change in net assets from operating activities". In addition to revenues and expenses generated from the College's operations, this measure also includes net assets released from restrictions, endowment investments designated for operations and other transfers of nonoperating funds to support current operating activities. These other transfers reflect the amount of previous years restricted contributions where the donor changed the intent of the gift to unrestricted in the current year. These transfers, which amounted to $2,165,753 in fiscal 2019 are recorded as a reclassification between the nonoperating and operating sections of the change in net assets without donor restrictions in the statements of activities. There were no transfers in fiscal 2018. Excluded from this measure are endowment investment returns, net of the amount designated for operations, gains and losses on funds held in trust by others and change in the valuation of split-interest agreements.

Revenue Recognition

Tuition and fees revenue is recognized in the fiscal year in which the academic programs are delivered. Sales and services of auxiliary enterprises revenue; which consists of room and board and related services, is recognized when the related service is provided or performed. Tuition and fees and auxiliary enterprise contracts are considered to have a duration of less than one year.

Transaction prices for tuition, fees room and board are determined based on applicable College pricing schedules. Institutional financial aid and discounts provided by the College are reflected as a reduction of tuition and fees revenue with the exception of specifically identified auxiliary discounts such as room grants, which are reflected as a reduction in auxiliary revenue. The College awards grants-in-aid and scholarships to individuals who meet the College's academic standards. The amounts of such awards are based upon the financial needs and/or merit of each applicant.

Amounts are due for tuition, fees room and board at the beginning of each semester. In accordance with the College's refund policies, undergraduate students may receive a full or partial refund until 60 percent of the semester has expired. Student accounts receivable includes amounts to which the College is unconditionally entitled. In connection with the adoption of the revenue recognition standard in fiscal 2019, the College considers such amounts as unconditional based on the payment due date.

Deferred summer tuition for billed services not yet performed totaled $1,020,848 and $836,667 at May 31, 2019 and 2018, respectively, and consists primarily of amounts related to summer sessions. The deferred summer tuition at May 31, 2019 will be recognized as revenue in fiscal 2020 as academic services are provided. The deferred summer tuition at May 31, 2018 was recognized in full as revenue in 2019.

Student deposits and prepayments totaled $422,499 and $430,145 at May 31, 2019 and 2018, respectively, and represent matriculation deposits paid to the College by students upon enrollment in order to secure their place in the class. A portion of the deposit is recognized as revenue in the year in which the student initially registers for coursework. The remainder is held as a security deposit that may be applied to any unpaid fees or fines upon the student's separation from the College. Matriculation deposits recognized as revenue in fiscal years 2019 and 2018 were $63,030 and $76,430, respectively.

Tuition and Fees, Net

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

A discount to tuition and fees results when the College reduces the obligation of a student by granting financial aid. The following details the gross and net amounts of tuition and fees for the years ended May 31:

	2019	2018
Tuition and fees	$ 60,039,454	$ 60,436,400
Less scholarship allowances	(35,621,422)	(34,868,587)
Tuition and fees, net	$ 24,418,032	$ 25,567,813

Government Grants and Contracts

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 $252,000 in 2019 and $261,000 in 2018.

Fund-Raising Costs

Fund-raising costs are expensed as incurred and amounted to approximately $2,124,000 in 2019 and $1,727,000 in 2018, and are included in institutional support in the statements of activities.

Donor-Restricted Gifts

All contributions are considered to be available without restrictions 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 gifts with restrictions that increase that net asset classification. When a donor restriction expires, net assets with restrictions are reclassified as net assets without restrictions and reported in the statements of activities as net assets released from restrictions.

For contributed property and equipment, and contributions restricted by donors for purchases of property and equipment, the contributions are recorded as restricted support. In the absence of such stipulations, these types of contributions are recorded as gifts without restrictions.

Cash Flows

For the purposes of the statements of cash flows, the College considers all highly liquid financial instruments with original maturities of three months or less, that are not held for endowment or other long-term purposes, to be cash equivalents.

Functional Expenses

Certain operating and maintenance area expenses, primarily interest and depreciation expense, are allocated based on building square footage by functional area (i.e. instruction, academic support, student services, institutional support and auxiliary enterprises) as a percentage of total square footage of all buildings/area campus wide. In addition, expenses related to conferences and events are allocated based on the nature of the event related to the functional areas of the College.

Income Taxes

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") 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 at May 31, 2019 and 2018.

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, 2019 and 2018 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, 2019 and 2018 and for the years then ended, the College's composite score exceeded 1.5.

Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 reporting format.

New Accounting Standards Adopted

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that creates a single source of revenue guidance for all companies in all industries. The model is more principles-based than historical guidance, and is primarily based on recognizing revenue at an amount that reflects consideration to which the entity expects to be entitled to in exchange for transferring goods or services to a customer. The College adopted this guidance during the year ended May 31, 2019 utilizing the modified retrospective method of adoption, and the adoption of this guidance did not have a material impact on the College's business practices, financial position or results of operations during the fiscal year ended May 31, 2019. The primary impact of adopting the new standard has been expanded disclosures pertaining to revenue recognition within Note 1.

In 2019, the College adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The College has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented, except for the disclosures around liquidity and availability of resources. This disclosure has been presented for 2019 only, as allowed by ASU No. 2016-14.

The new standard changes the following aspects of the financial statements:

- The unrestricted net assets class has been renamed Net Assets Without Donor Restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets with Donor Restrictions;
- The financial statements include a disclosure about liquidity and availability of resources at May 31, 2019 (Note 18);
- The statements of functional expenses for 2019 and 2018 includes expenses reported both by nature and function;
- Additional disclosures related to underwater endowments (Note 14).
- $1,700,436 was reclassified to net assets without donor restrictions at June 1, 2017 related to underwater endowments. The reclassification resulted in an increase in net assets without donor restrictions and a decrease in net assets with donor restrictions.

The effect on the College's net asset balances as a result of implementing ASU No. 2016-14 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, June 1, 2017, as previously presented:			
Unrestricted	$ 45,098,674	$ -	$ 45,098,674
Temporarily restricted	-	27,977,907	27,977,907
Permanently restricted	-	73,810,069	73,810,069
Reclassification to implement ASU No. 2016-14	1,700,436	(1,700,436)	-
Net assets, June 1, 2017, as restated for ASU No. 2016-14	$ 46,799,110	$ 100,087,540	$ 146,886,650

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The College adopted this guidance during the year ended May 31, 2019 utilizing the modified retrospective method of adoption, and the adoption of this guidance did not have a material impact on the College's business practices, results of operations, financial position or cash flows during the fiscal year 2019.

New Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase the transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statements of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for the College in fiscal 2020. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The College is assessing the impact this standard will have on its financial statements.

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.

Student accounts receivable consists of the following at May 31:

	2019	2018
Accounts receivable, student	$ 1,088,267	$ 962,365
Allowance for doubtful accounts	(319,662)	(264,026)
Total	$ 768,605	$ 698,339

3. Unconditional Promises to Give

Unconditional promises to give 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). A significant percentage of the outstanding contributions receivable are from current or past board members of the College.

Unconditional promises to give at May 31 are as follows:

	2019	2018
In one year or less	$ 459,853	$ 357,925
Between one year and five years	6,663,156	3,881,561
Thereafter	1,651,344	1,697,064
Less:		
Discount	(816,377)	(551,711)
Allowance for doubtful accounts	(397,899)	(269,242)
Total	$ 7,560,077	$ 5,115,597

The net present value of these cash flows was determined by using risk-adjusted discount rates between .3 percent and 6.38 percent to account for the time value of money for 2019 and 2018.

Management believes the College's allowance for doubtful accounts at May 31, 2019 and 2018 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 accounts.

Conditional pledges and bequest intentions totaling approximately $79,345,000 in 2019 and $68,411,000 in 2018 have been excluded from unconditional promises to give 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:

	2019	2018
Buildings	$ 4,634,000	$ 4,634,000
Budget relief	29,751,000	27,429,000
Programming	13,230,000	10,705,000
Unrestricted	30,538,000	25,451,000
Unknown	1,192,000	192,000
Total	$ 79,345,000	$ 68,411,000

4. Student Loans Receivable

Student loans receivable are carried at estimated net realizable value. Student loans receivable reflected on the statements of financial position includes $538,160 and $639,578 of Perkins Loans and $587,746 and $655,861 of College-provided loans, less an allowance for doubtful accounts of $29,387 and $35,889 at May 31, 2019 and 2018, 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 were made, in part, with funds advanced to the College by the federal government under the Perkins Loan program (the "Program"). 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, 2019 and 2018 was $616,795.

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, 2019 and 2018 by caption on the statements of financial position by the valuation hierarchy defined above:

	2019			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Assets Reported at Fair Value:				
U.S. Treasury obligations	$ -	$ 803,810	$ -	$ 803,810
U.S. Agency obligations	-	567,762	-	567,762
Corporate and foreign bonds	-	7,759,170	-	7,759,170
Municipal bonds	-	495,311	-	495,311
International fixed income funds	127,674	-	-	127,674
Taxable fixed income funds	10,855,307	-	-	10,855,307
Non-taxable fixed income funds	69,755	-	-	69,755
Equity securities	49,939,195	-	-	49,939,195
Domestic funds	11,107,219	-	-	11,107,219
Balanced equity mutual funds	6,176,327	-	-	6,176,327
International mutual funds	10,734,491	-	-	10,734,491
Total investments by valuation hierarchy	$ 89,009,968	$ 9,626,053	-	98,636,021
Alternative investments reported at net asset value				6,616,082
Total investments				105,252,103
Funds held in trust by others			4,101,054	4,101,054
Total assets			$ 4,101,054	$ 109,353,157

	2018			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Assets Reported at Fair Value:				
U.S. Treasury obligations	$ -	$ 89,603	$ -	$ 89,603
Corporate and foreign bonds	-	672,508	-	672,508
Taxable fixed income funds	21,956,225	-	-	21,956,225
Non-taxable fixed income funds	67,960	-	-	67,960
Equity securities	43,371,215	-	-	43,371,215
Domestic funds	16,924,247	-	-	16,924,247
Balanced equity mutual funds	6,690,113	-	-	6,690,113
International mutual funds	16,575,905	-	-	16,575,905
Total investments by valuation hierarchy	$ 105,585,665	$ 762,111	-	106,347,776
Alternative investments reported at net asset value				5,991,943
Total investments				112,339,719
Funds held in trust by others			4,142,745	4,142,745
Total assets			$ 4,142,745	$ 116,482,464

The Level 3 reconciliation is as follows:

	Funds Held in Trust by Others
Balance at May 31, 2017	$ 3,825,342
Net gains (realized and unrealized, net of distributions of $86,822 reported as contributions in the statements of activities)	317,403
Balance at May 31, 2018	4,142,745
Net loss (realized and unrealized, net of distributions of $89,447 reported as contributions in the statements of activities)	(41,691)
Balance at May 31, 2019	$ 4,101,054

Valuation Methodologies

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used at May 31, 2019 and 2018.

Investments: The valuation methodology of utilizing closing prices in an active exchange market, which are considered Level 1 inputs, was applied to mutual funds, fixed income funds and equity securities. U.S. Treasury and Agency obligations and corporate, foreign and municipal bonds 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. Investments measured at fair value using the NAV per share (or its equivalent) as practical and 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 statements 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 percent to 10 percent.

The College has the following unfunded commitments:

	2019	2018
Patriot Financial Partners II	$ 218,966	$ 318,966
Praesidian Capital	292,394	292,394

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

- Grosvenor Institutional Partners - Grosvenor is a multi-strategy hedge fund-of-funds manager based in Chicago, Illinois. Grosvenor invests with approximately 40 underlying managers in several strategies, including relative value, distressed debt, event driven and others. The investment team of 38 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 2019 and 2018.

- 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 had monies invested in this alternative investment for fiscal year 2018.

- Patriot Financial Partners II - Patriot is a Philadelphia based firm specializing in regional banks, both privately and publicly traded. The over $300 mm fund has invested in 24 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 has monies invested in this alternative investment for fiscal years 2019 and 2018 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 and acquisition financing, management and sponsored buyouts or recapitalizations and refinancings. A typical loan will either have first lien and/or equity options as well as a high current coupon. The College has monies invested in this alternative investment for fiscal years 2019 and 2018 and has an unfunded commitment as disclosed above.

- RECAP Opportunity Fund III - RECAP is a New York, NY based manager of private real estate partnerships. The partnership has raised $192 mm in total commitments 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 eight operating rental apartment properties. The College has monies invested in this alternative investment for fiscal year 2019.

- Commonfund Capital Partners - Commonfund is based out of Wilton, CT with a focus on generating long-term capital appreciation. The firm along with its partners invests in small and mid-size companies with a focus on Venture Capital, Private Equity, Global Private Equity, and Natural Resources. The $66 mm fund has approximately 12 percent of funds committed. The College has monies invested in this alternative investment for fiscal year 2019.

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.

Investment Return

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

	2019	2018
Interest and dividend income	$ 2,293,646	$ 2,473,266
Investment fees	(554,788)	(507,808)
Net realized gain on investments	6,206,417	5,282,251
Net investment income	7,945,275	7,247,709
Unrealized (loss) gain on investments	(6,871,931)	3,651,733
Net investment return	$ 1,073,344	$ 10,899,442

The College's total investment return is reported in the statements of activities as follows at May 31:

	2019	2018
Operating Activities:		
Investment (loss) income, net	$ 1,738,858	$ 1,965,458
Endowment return, designated for operations	7,812,537	7,028,429
Nonoperating Activities:		
Endowment investment return (loss), net of amount designated for operations	(8,478,051)	1,905,555
Net investment return	$ 1,073,344	$ 10,899,442

6. Plant Assets

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

	2019	2018
Land	$ 3,020,496	$ 3,008,978
Buildings	124,612,205	124,269,832
Equipment	22,538,796	21,752,508
Land improvements	2,832,923	2,814,913
Construction in progress	1,518,224	202,979
Total	154,522,644	152,049,210
Less accumulated depreciation	(71,408,538)	(67,122,197)
Total	$ 83,114,106	$ 84,927,013

The College provides for depreciation using the straight-line method based on lives, which, in the opinion of management, is adequate to allocate asset costs over their productive years. Depreciation expense was approximately $4,291,000 in 2019 and $4,135,000 in 2018.

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

	2019	2018
Land	$ 900,863	$ 900,863
Rental properties	4,224,533	4,224,533
Total	5,125,396	5,125,396
Less accumulated depreciation	(1,492,258)	(1,370,378)
Total	$ 3,633,138	$ 3,755,018

Depreciation expense on these rental properties was approximately $122,000 and $120,000 in 2019 and 2018, respectively.

Non-depreciable assets, such as collections, totaled $1,656,432 as of May 31, 2019 and 2018.

7. Cash Surrender Value of Life Insurance

The following table summarizes the activities for the years ended May 31:

	2019	2018
Beginning balance	$ 4,864,825	$ 3,924,644
Changes in cash surrender values	938,944	940,181
Ending balance	$ 5,803,769	$ 4,864,825

The changes in the cash surrender value is reported on the statements of activities and schedules of functional expenses as a reduction of the life insurance premium expense under management and general expenses.

8. Bonds and Notes Payable

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

	2019	2018
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.	$ 3,602,000	$ 4,133,000
Revenue Bonds, Series 2016 OO2 (issued through Huntingdon County General Authority), due in varying annual installments beginning May 2033 through May 2046, fixed interest ranging from 3.0% to 5.0%. Collateralized by the gross revenues of the College.	33,305,000	33,305,000
Revenue Note, Series 2016 U1 (issued through Huntingdon County General Authority), due in varying annual installments beginning May 2017 through May 2029, at fixed interest at 2.46% through May 2023 and, for the remainder of the term, a variable interest rate equal to the LIBOR rate plus 170 basis points converted to a bank qualified tax-exempt rate. The variable rate is determined by the lender monthly. Collateralized by the gross revenues of the College.	3,952,353	4,347,588
Revenue Note Series 2016 U2 (issued through Huntingdon County General Authority), due in varying annual installments beginning May 2027 through May 2032, fixed interest at 2.6% through May 2023 and, for the remainder of the term, a variable interest rate equal to the LIBOR rate plus 170 basis points converted to a non-bank qualified tax-exempt rate. The variable rate is determined by the lender monthly. Collateralized by the gross revenues of the College.	7,690,000	7,690,000
Revenue Bonds, Series 2018 QQ1 (issued through Huntingdon County General Authority), due in varying annual installments beginning April 2025 through April 2039, interest rates ranging from 3% to 4%. Collateralized by the gross revenues of the College.	8,125,000	8,125,000
Unsecured note, for food service operation and equipment, interest rate at 4.00%, payable in monthly installments of $11,395, due June 2028.	1,134,061	1,219,442
Unsecured note, for food service operation and equipment, interest rate at 4.00%, payable in monthly installments of $9,345, due June 2028.	929,984	-
	58,738,398	58,820,030
Deferred financing costs	(571,423)	(603,493)
Unamortized bond premium	1,079,116	1,119,874
Total	$ 59,246,091	$ 59,336,411

The aggregate future scheduled principal payments on bonds and notes payable at May 31, 2019 is as follows:

Years ending May 31:	
2020	$ 1,220,787
2021	1,234,552
2022	1,241,632
2023	1,451,043
2024	1,463,795
Thereafter	52,126,589
Total	$ 58,738,398

Interest expense was approximately $2,146,000 in 2019 and $1,857,000 in 2018. 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. Capitalized interest was $175,534 in 2018.

The College is required to meet certain financial covenants under the debt agreements. The College was in compliance with all covenants at May 31, 2019.

9. Capital Leases

The College leases computer equipment under capital leases, which expire in 2022. The assets and liabilities under capital leases 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 leases is included in depreciation expense.

The cost and accumulated amortization of equipment under capital leases were as follows at May 31, 2019:

Cost of equipment under capital leases	$ 507,350
Accumulated amortization	(386,607)
Total	$ 120,743

Minimum future lease payments under capital leases as of May 31, 2019 are as follows:

Years ending May 31:	
2020	$ 52,814
2021	49,942
2022	2,882
Total minimum lease payments	105,638
Amount representing interest	2,428
Present value of minimum lease payments	$ 103,210

Interest rates on the capital leases as of May 31, 2019 range from 7.5 percent to 8.3 percent, which are 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, 2019 and 2018. Total rents paid under these operating leases approximated $225,000 and $205,000 for the years ended May 31, 2019 and 2018, respectively. Future minimum rental payments required under these leases by year and in the aggregate at May 31, 2019 follow:

Years ending May 31:	
2020	$ 201,815
2021	173,128
2022	51,483
Total	$ 426,426

11. Pension Plan

The College sponsors a defined contribution pension plan. Pension expense related to this plan was approximately $2,018,000 in 2019 and $1,995,000 in 2018.

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 percent for each year of service up to 50 percent. 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 the Medicare Supplement Plan and the Medicare Part D Plan. For three retirees and the spouse of another, the College pays the full premium of Medicare Supplement Plan.

The postretirement benefit obligations relate to the following categories of participants at May 31, 2019 and 2018:

	2019	2018
Retirees	$ 4,319,759	$ 4,075,110
Actives fully eligible	1,805,979	1,980,242
Actives not fully eligible	184,331	362,612
Total	$ 6,310,069	$ 6,417,964

Net periodic postretirement benefit cost consists of the following at May 31, 2019 and 2018:

	2019	2018
Service cost	$ 3,963	$ 9,678
Interest cost	242,649	250,795
Amortization of net actuarial loss	198,574	220,226
Total	$ 445,186	$ 480,699
Actual cost (cash flow)	$ 328,635	$ 341,835

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

Years ending May 31:		
2020	$	339,741
2021		350,549
2022		368,681
2023		375,636
2024		395,564

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

The measurement date used to determine the benefit obligation information was May 31, 2019 and 2018.

The following table sets forth the change in benefit obligation and the amounts recognized in the statements of financial position at May 31, 2019 and 2018:

	2019	2018
Change in accumulated postretirement benefit obligation:		
Benefit obligation, beginning of year	$ 6,417,964	$ 6,452,395
Service cost	3,963	9,678
Interest cost	242,649	250,795
Change due to change in experience	(173,719)	2,536
Change in actuarial assumptions	147,847	44,395
Benefits paid	(328,635)	(341,835)
Accumulated postretirement benefit obligation, end of year	$ 6,310,069	$ 6,417,964
Change in plan assets:		
Fair value of plan assets, beginning of year	$ -	$ -
Fair value of plan assets, end of year	-	-
Funded status	$ (6,310,069)	$ (6,417,964)
Accumulated postretirement benefit cost	$ (6,310,069)	$ (6,417,964)

The discount rate used to determine the accumulated postretirement benefit obligation and the net periodic postretirement benefit cost was 3.75 percent and 4.0 percent in 2019 and 2018, respectively.

The assumed health care cost trend rates at May 31, 2019 and 2018 were as follows, based on the Society of Actuaries Long-Run Medical Cost Trend Model:

	2019	2018
Health care cost trend rate assumed for next year	5.50 %	5.25 %
Rate to which the cost trend rate is assumed to decline	3.80 %	3.65 %
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 5.5 percent 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 (4.50 percent) or 1 percentage point higher (6.50 percent) than the current rate:

	2019		
	1% Decrease (4.50%)	**Current Rate (5.50%)**	**1% Increase (6.50%)**
Annual net periodic postretirement benefits cost	$ 422,191	$ 445,186	$ 472,674
Accumulated postretirement benefits obligation	$ 5,705,031	$ 6,310,069	$ 7,033,502

	2018		
	1% Decrease (4.25%)	**Current Rate (5.25%)**	**1% Increase (6.25%)**
Annual net periodic postretirement benefits cost	$ 455,000	$ 480,699	$ 511,683
Accumulated postretirement benefits obligation	$ 5,783,909	$ 6,417,964	$ 7,179,039

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

	2019	**2018**
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	Adjusted RP-2014 Total Mortality Table, incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.	Adjusted RP-2014 Total Mortality Table, incorporated into the table are rates projected generationally using Scale MP-2017 to reflect mortality improvement.

Employer contributions which are equivalent to benefits paid under the Plan were approximately $329,000 in 2019 and $341,000 in 2018.

13. Net Assets

Net assets without donor restrictions are available for the following purposes as of May 31, 2019 and 2018:

	2019	2018
Investment in plant	$ 14,901,409	$ 17,307,002
Board-designated for endowment funds	32,849,956	30,373,155
Undesignated	(5,822,167)	(2,956,811)
Total net assets without donor restrictions	$ 41,929,198	$ 44,723,346

Net assets with restrictions are related to, or restricted for, the following as of May 31, 2019 and 2018:

	2019	2018
Gifts available for capital purposes	$ 4,892,494	$ 2,485,775
Gifts available for scholarship and other academic purposes	3,600,288	3,325,900
Accumulated income and gains on donor endowment funds	16,601,868	23,868,123
Investments held in perpetuity by donor stipulations and Pennsylvania law, the income from which is generally available for scholarships	67,822,340	68,298,665
Funds held in trust by others	4,101,054	4,142,745
Loan funds held in perpetuity	1,457,725	1,457,725
Seed money	1,134,888	808,000
Gift annuity, pooled income and charitable trusts	2,964,899	3,137,422
Total net assets with donor restrictions	$ 102,575,556	$ 107,524,355

Net assets are released from 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, 2019 and 2018:

	2019	2018
Endowment spending policy	$ 5,209,192	$ 3,832,029
Scholarships, academics and grants	1,025,273	949,754
Total net assets released from restrictions	$ 6,234,465	$ 4,781,783

Included in donor-restricted net assets as of May 31, 2019 and 2018 are $16,601,868 and $23,868,123, respectively, of accumulated gains on investments of donor-restricted funds held in the endowment which have not been used in operations.

During the course of the year, net assets whose use by the College was subject to donor-imposed restrictions were fulfilled by actions of the College pursuant to those restrictions, the expiration of time or the designation of law. These assets are shown in the statements of activities as a release of net assets from donor restrictions.

The Board of the College has several standing board policies that affect the presentation of board designations on net assets. Bequests without donor restrictions are designated for long-term investment (quasi-endowment). The quasi-endowment fund balance totaled $32,849,956 and $30,373,155 at May 31, 2019 and 2018, respectively.

14. Endowment Funds

The College's endowment consists of 576 donor-restricted individual funds established primarily for scholarships. It's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees, to function as endowments. 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. Investments restricted by the donor for endowment purposes are recorded as net assets with donor restrictions based on the original amount of the gift. Dividends, interest and gains on such endowed assets are reflected as an increase in net assets with or without donor restrictions based on the intention stipulated by the donor.

In the event the College's Board designates certain non-donor funds as board-designated, those respective funds are classified as "without donor restrictions" and the returns on those funds are used to support the general program expenses of the College.

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 net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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 7.0 percent 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 not-for-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 percent and 7 percent, 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 2019 and 2018 allowed for a payout no larger than 6 percent of the average of the past 12 calendar quarters 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 year ended May 31:

	Board-Designated	Donor-Restricted	2019 Total
Endowment net assets, beginning of year	$ 30,373,155	$ 92,166,788	$ 122,539,943
Investment return, net	2,876,138	(2,061,463)	814,675
Contributions	38,255	1,693,828	1,732,083
Reclassification due to change in donor intent	2,165,753	(2,165,753)	-
Appropriation of endowment assets for expenditure	(2,603,345)	(5,209,192)	(7,812,537)
Endowment net assets, end of year	$ 32,849,956	$ 84,424,208	$ 117,274,164

	Board-Designated	Donor-Restricted	2018 Total
Endowment net assets, beginning of year	$ 30,235,795	$ 86,413,027	$ 116,648,822
Investment return, net	2,694,743	7,833,961	10,528,704
Contributions	-	2,389,340	2,389,340
Appropriation of endowment assets for expenditure	(2,557,383)	(4,469,540)	(7,026,923)
Endowment net assets, end of year	$ 30,373,155	$ 92,166,788	$ 122,539,943

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law. At May 31, 2019 and 2018, 74 and 49 donor-restricted funds with original gift values of $10,588,132 and $10,408,573, respectively, fair values of $8,759,488 and $8,854,749, respectively, and deficiencies of $1,828,644 and $1,553,824, respectively, were reported in net assets with donor restrictions. Management has interpreted state law to permit prudent spending from underwater endowments.

	Without Donor Restrictions	With Donor Restrictions		Total Funds May 31, 2019
		Original Gift	Accumulated Gain (Losses)	
Board-designated funds	$ 32,849,956	$ -	$ -	$ 32,849,956
Donor-restricted funds:				
Underwater funds	-	10,588,132	(1,828,644)	8,759,488
Other funds	-	57,234,208	18,430,512	75,664,720
Total	$ 32,849,956	$ 67,822,340	$ 16,601,868	$ 117,274,164

	Without Donor Restrictions	With Donor Restrictions		Total Funds May 31, 2018
		Original Gift	Accumulated Gain (Losses)	
Board-designated funds	$ 30,373,155	$ -	$ -	$ 30,373,155
Donor-restricted funds:				
Underwater funds	-	10,408,573	(1,553,824)	8,854,749
Other funds	-	57,890,092	25,421,947	83,312,039
Total	$ 30,373,155	$ 68,298,665	$ 23,868,123	$ 122,539,943

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, including the Pennsylvania Higher Education Assistance Agency Program and the Pell Grants Program. 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 $3,116,000 in 2019 and $3,383,000 in 2018.

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 properties 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 these properties and as such, cannot reasonably estimate the fair value of the obligation. If plans change with respect to the use of any of the properties and sufficient information becomes available to estimate the liability it will be recognized at that time.

17. Line of Credit

The College has a $3,000,000 unsecured demand line of credit available from a bank. Interest is paid monthly at one-month London Interbank Offered Rate ("LIBOR") plus 2.5 percent (4.98 percent at May 31, 2019). At May 31, 2019 and 2018, no amounts were outstanding under this line of credit.

18. Liquidity and Availability of Resources

The following reflects the College's financial assets as of May 31, 2019, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions or internal designations. Amounts available include the board-approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for general expenditure in the following year.

Financial Assets:	
Cash and cash equivalents	$ 5,462,461
Accounts receivable and unconditional promises to give	8,715,794
Investments, real estate and cash surrender value of life insurance policies	114,689,010
Financial assets at year end	128,867,265
Less those unavailable for general expenditure within one year, due to:	
Contribution and accounts receivable collectible beyond one year	(7,493,062)
Board-designated endowments	(32,849,956)
Perpetual and term endowments and accumulated earnings	(84,424,208)
Add back appropriations scheduled for next year from:	
Perpetual and term endowments and accumulated earnings	5,680,346
Investments in board-designated endowments	1,753,651
Financial assets available to meet cash needs for general expenditures within one year	$ 11,534,036

The College has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Including the $32,849,956 of board-designated investments, which it could use, the College had $44,383,992 available for general expenditure and unanticipated liquidity needs as of May 31, 2019. To help manage unanticipated liquidity needs, the College has an available line of credit in the amount of $3,000,000, which it could draw upon (Note 17).